

KPMG SAMJONG
cutting through complexity™

Transparency Report 2014

KPMG Korea



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Message from our Chief Executive Officer

Welcome to our 2014 Transparency Report, which sets out the structure and governance of KPMG Samjong Accounting Corp. (“KPMG Korea”) as well as the quality control procedures and standards of integrity that we adopt across the range of our services.

This is our third Transparency Report produced in accordance with the standards set by Article 40 of the European Union Statutory Audit Directive.

Quality external auditing is integral to the proper functioning of the capital markets. It is an essential service requiring professional skills and knowledge. We are committed to our vision in becoming the ‘best firm to work with’ and ‘to be a clean firm’ through the highest levels of integrity and quality of the service we deliver to the market.

This includes an overall view on, amongst others, legal and governance structure, its quality control system and certain financial information, as well as a statement on effectiveness of quality controls and independence.

We trust that you find our report a useful insight into how we strive to enhance that quality and a valuable step in particular towards raising confidence of users and purchasers of our audit services.



Kim, Kyo Tae

Chief Executive Officer

June 18, 2014

1 WHO WE ARE

1.1 OUR BUSINESS

KPMG in the Republic of Korea ("Korea") is a professional services firm that delivers Audit, Tax and Advisory services. Our audit services are delivered through the main office in Seoul and one local office in Daegu with 2,085 people as of 31 March 2014.

Our audit services in Korea are delivered through KPMG Samjong Accounting Corp. Full details of the services offered by KPMG Korea can be found on our website:

<http://www.kpmg.com/kr/en>

1.2 OUR STRATEGY

Our firm has set a vision to become the best firm that our professionals are proud of, a firm that clients trust and a firm that is socially respected.

To achieve this vision the firm-wide strategic priorities are to:

Continue to invest in our people and be seen as the employer of choice and also fulfil our social responsibilities.

Maintain and enhance the quality of the services we provide with deepened and extended knowledge and experience of our industry and through multi-disciplinary management and high ethical professional standards.

Achieve sustainable growth in our business and pioneer new business areas to develop new services.

We recognise that our commitment to audit quality is the most important element of our strategy and without this the other strategic priorities will not be achieved.

2 OUR STRUCTURE AND GOVERNANCE

2.1 LEGAL STRUCTURE

KPMG Korea 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 [2013 KPMG International Transparency Report](#).

KPMG Korea is a partnership formed under the Korean "Certified Public Accountant Act" in Korea.

As of March 31, 2014, there are 131 partners in KPMG Korea. A list of key entities, together with details of their legal structure, regulatory status, the nature of their business and area of operation is set out in A.1.

2.2 NAME AND OWNERSHIP

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

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.

2.3 GOVERNANCE STRUCTURE

The details of the key governance and management bodies of KPMG Korea are provided below:

The Board of Directors

The Board of Directors consists of 12 members, including the CEO and Country Risk Management Partner. The constitution of the Board is as determined by the Shareholders' Meeting. The Board meets from time to time to undertake certain statutory duties for KPMG Korea.

The Shareholders' Council

The Shareholders' Council consists of 7 members, elected by equity partners. The Council meets from time to time to undertake certain statutory duties for shareholders.

The Management Committee

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

The Risk Management Committee

The principal role of the Risk Management Committee is to provide oversight of quality &

risk management matters across the firm. As part of its role it oversees that a culture of quality and integrity is maintained within the firm and, where required, it will act as a sounding board to the Country Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our compliance quality monitoring programs and the adequacy of proposed remedial actions.

The Committee is held from time to time to identify and discuss firm-wide risk management issues, if any.

3 SYSTEM OF QUALITY CONTROL

KPMG International has policies of quality control that apply to all member firms. These policies are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) relevant to firms that perform statutory audits and other assurance and related services engagements.

These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

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

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

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

While many KPMG quality control processes are cross-functional, and apply equally to tax and advisory work, the remainder of this section focuses on what we do to enable our firm to

deliver quality audits. In this section we therefore focus on our system of audit quality control.

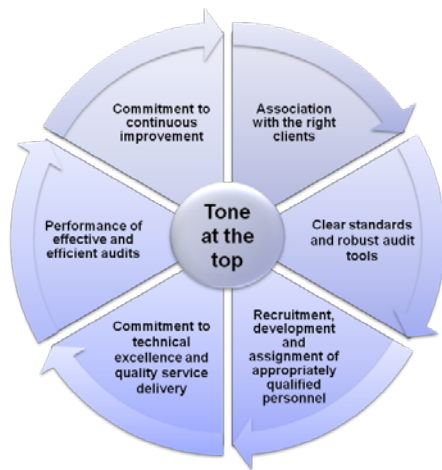
At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent, compliant with relevant legal and professional requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Our Framework introduces a common language that is used by all KPMG member firms to describe what we believe drives audit quality, and to highlight how every audit professional at KPMG contributes to the delivery of audit quality.

Our Audit Quality Framework identifies seven drivers of audit quality.

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

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



3.1 TONE AT THE TOP

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

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

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

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Core Value – Above all, we act with Integrity.

This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities.

We have a Code of Conduct which incorporates our core values and addresses the commitments that we make as well as the responsibilities of our personnel at all levels across our firm. The Code of Conduct has been updated in 2012 to reflect changes in law, regulations and professional ethics. Our core values are further described in A.4.

A KPMG International [hotline](#) and KPMG Korea's local Samjong KPMG [hotline](#) are available for KPMG personnel, clients, and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International

itself, those who work for KPMG International, or the senior leadership of a KPMG member firm.

3.1.1 Leadership responsibilities for quality and risk management

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

Chief Executive Officer (CEO)

In accordance with the principles in ISQC1, our CEO Kyo Tae Kim has assumed ultimate responsibility for KPMG Korea's system of quality control.

Risk Management Partner

The Country Risk Management Partner, Byung Il Shin, who is also the Head of Department of Professional Practice, is responsible for setting overall professional risk management and quality control policies and monitoring compliance for firm and has a direct reporting line to the CEO.

Each functional RMP in the following sections supports the Country RMP and is responsible for establishing policies and procedures in relation to ethics, compliance and independence, and is also responsible for monitoring compliance with these policies and procedures.

The Audit, Tax and Advisory functions – Function Heads & Functional RMP

The three heads of the client service functions (Audit, Tax and Advisory) and the functional Risk Management Partners (RMP) are accountable to the CEO for the quality of service delivered in their respective functions. Between them, they therefore determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Head of Department of Professional Practice (DPP). These procedures all make it clear though that at the engagement level, risk management and quality control are ultimately the responsibility of all professionals.

Department of Professional Practice (DPP)

The DPP function is responsible for providing support to the firm's professionals in meeting their professional responsibilities in the areas of accounting, reporting, auditing and attestations standards, and advisory services. It is comprised of a team of directors and experienced managers with the technical expertise necessary to support client teams on the interpretation and

application of auditing, accounting and regulatory requirements.

3.2 ASSOCIATION WITH THE RIGHT CLIENTS

3.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vital to our ability to provide high-quality professional services and to protect KPMG's reputation and support its brand.

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

3.2.2 Prospective client and engagement evaluation process

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

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

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

Depending on the overall risk assessment of the prospective client and engagement, additional

safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are documented and resolved prior to acceptance.

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

Sections 3.4 provide more information on our independence and conflict checking policies.

3.2.3 Continuance process

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

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

3.2.4 Client portfolio management

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

3.3 CLEAR STANDARDS AND ROBUST TOOLS

Professional practice, risk management and quality control are the responsibilities of every KPMG professional. Our professionals are expected to adhere to KPMG policies and procedures (including independence policies) and are provided with a range of tools to support them in meeting these expectations. The policies and procedures set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

3.3.1 Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs where KPMG believes these enhance the quality of our audits. KPMG member firms may also add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

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

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

Engagement setup

- perform engagement acceptance and scoping
- determine team selection and timetable

Risk assessment

- understand the entity;
- identify and assess risks;
- plan for involvement of KPMG specialists and external experts, internal audit, service organizations and other auditors as required;
- evaluate design and implementation of selected controls;
- conduct risk assessment and planning discussion;
- determine audit strategy and planned audit approach;

Testing

- test operating effectiveness of selected controls;
- plan and perform substantive procedures;

Completion

- update risk assessment;
- perform completion procedures, including overall review of financial statements;

- perform overall evaluation, including evaluation of significant findings and issues;
- communicate with those charged with governance (e.g., the audit committee); and
- form the audit opinion.

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

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

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality and Risk Management Manual (GQ&RMM) that is applicable to all KPMG member firms, functions and personnel.

3.4 INDEPENDENCE, INTEGRITY, ETHICS AND OBJECTIVITY

3.4.1 Overview

Member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially). These policies are supplemented by other processes to ensure compliance with the standards issued by the Korean Institute of Certified Public Accountants (KICPA), the Korean "Certified Public Accountant Act" and the "Act on External Audit of Stock Companies".

These policies and processes cover areas such as personal independence, firm financial independence, business relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services.

Our firm has a designated Ethics and Independence Partner (EIP) supported by a core team of specialists to help ensure that we implement robust and consistent independence

policies and procedures. Ethics and independence policies are communicated through the issuance of QRM Alerts and an annual training program. If applicable, amendments to the ethics and independence policies in the course of the year are communicated through the use of e-mail practice alerts and incorporated in regular risk and quality communications. All our independence policies are available on our portal site.

To help ensure ethical conduct, including integrity and independence, our firm, and its personnel, must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

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

3.4.2 Personal independence

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

Our professionals are responsible to complete mandatory independence trainings and submit independence affidavits to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a Web-based independence tracking system to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and client facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. Our firm monitors compliance with this requirement through performing regular audits of a sample of partners and client service professionals. In 2013 over 70 of our people were subject to these audits (this included approximately 26% of our partners).

Any professional providing services to an audit client is also required to notify the EIP if they

intend to enter into employment negotiations with that audit client.

3.4.3 Business relationships/suppliers

Our firm has policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and KICPA requirements. Compliance with these policies and procedures is reviewed periodically.

3.4.4 Independence training and confirmations

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

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

3.4.5 Audit partner rotation

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

3.4.6 Non-audit services

Our firm has policies as to the scope of services that can be provided to audit clients which are consistent with both IESBA principles and the Korean "Certified Public Accountant Act". Additionally, KPMG International policies require the lead audit engagement partner to evaluate the threats arising from the provision of non-audit services, and the safeguards available to address those threats.

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

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

3.4.7 Fee dependency

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

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

3.4.8 Conflicts of interest

Conflicts of interest may prevent our firm from accepting or continuing an engagement. The Sentinel™ system is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the outcome is documented. An escalation procedure exists in the case of dispute between member firms. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

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

making arrangements to monitor the operation of such dividers.

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

Training covering compliance with laws (including those relating to anti-bribery and corruption), regulations, professional standards, and the KPMG Code of Conduct is required to be completed by client-facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining our firm. In addition, certain non-client-facing personnel who work in management support, general affairs and marketing departments, and who are at the manager level and above, are also required to participate in anti-bribery training.

3.5 RECRUITMENT, DEVELOPMENT AND ASSIGNMENT OF APPROPRIATELY QUALIFIED PROFESSIONALS

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the entity subject to audit. This requires a focus on recruitment, development, promotion and retention of our personnel, and the development of robust capacity and resource management processes. Member firms monitor quality incidents for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

3.5.1 Recruitment

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

Upon joining our firm, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as a partner or employee with the firm.

3.5.2 Personal development

It is important that all professionals have the necessary business and leadership skills to be

able to perform quality work in addition to technical skills (see section 3.6.1).

In relation to audit we provide opportunities for professionals to develop the skills, behaviors and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. We further develop our personnel for high performance through coaching and mentoring on the job, stretch assignments, country rotational and global mobility opportunities.

3.5.3 Performance evaluation and compensation

All professionals, including partners, undergo annual goal-setting and performance reviews. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG global behaviors, technical capabilities and market knowledge. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and propose a performance rating. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process. This is achieved through our global performance management process, which is supported by a web-based application.

KPMG is committed to the career development of its people. To support this, the Global People, Performance, and Culture group has designed a new behavioral capability framework which is being adopted in member firms around the world. This framework, combined with development initiatives in areas such as coaching and mentoring, will support our people in enhancing their skills, maximizing their performance, and reaching their full potential.

Compensation and promotion

Our firm has compensation and promotion policies that are clear, simple, and linked to the performance evaluation process, which for partners includes the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them, and what they can expect to receive in return. Our policies do not allow audit partners to be compensated for the sale of non-audit services to their audit clients.

3.5.4 Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the partnership are consistent with our commitment to professionalism and integrity, quality and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles to help achieve quality of hire in our partner admissions. The procedure includes a business case and a personal case for the individual candidate. All recommendations for admission to membership of KPMG Korea need to be approved by the Board of Directors.

3.5.5 Assignment

Our firm has procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Heads of departments are responsible for the process for allocating particular engagement partners to clients. Key considerations include partner experience, accreditation, and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, the 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 and capabilities to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving specialists or from our own or other KPMG member firms.

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

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- an understanding of professional standards and legal and regulatory standards requirements;
- appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing;
- knowledge of relevant industries in which the client operates;

- ability to apply professional judgment; and
- an understanding of KPMG's quality control policies and procedures.

3.6 COMMITMENT TO TECHNICAL EXCELLENCE AND QUALITY SERVICE DELIVERY

We provide all professionals with the technical training and support they need. This includes access to networks of specialists and DPP. These are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

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

3.6.1 Technical training

In addition to personal development discussed at section 3.5.2, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Audit Learning and Development steering groups at the global, regional and, where applicable, local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning and virtual classroom methods. Audit Learning and Development teams work with subject experts and leaders from GSC, the International Standards Group (ISG) and DPP, as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job, and is delivered on a timely basis.

3.6.2 Accreditation and licensing

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

Our firm is responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework.

In addition, we have specific accreditation requirements for partners and managers working on IFRS engagements, US Generally Accepted Accounting Principles engagements, US Generally Accepted Auditing Standards engagements, and the Standards of the Public Company Accounting Oversight Board for SEC engagements performed outside the US. These require that the partner, manager, and Engagement Quality Control reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

Our firm requires that all Audit professionals maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

3.6.3 Access to specialist networks

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

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

3.6.4 Consultation

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

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Our firm provides appropriate consultation support to audit engagement professionals through professional practice resources that include DPP.

Technical support is available to our firm through the International Standards Group (ISG) as well as the U.S. Capital Markets Group for work on SEC foreign registrants.

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

3.6.5 Developing business understanding and industry knowledge

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

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

3.7 PERFORMANCE OF EFFECTIVE AND EFFICIENT AUDIT

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

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

3.7.1 KPMG Audit Process

As set out in section 3.3.1 above, our audit workflow is enabled in eAudIT. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- timely partner and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional skepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the EQC reviewer;
- reporting;

- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

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 the overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement.

Involvement and leadership from the engagement partner during the planning process and early in the audit process helps set the appropriate scope and tone for the audit, and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters 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.

Critical assessment of audit evidence with emphasis on professional skepticism

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. The analysis of the audit evidence requires each of our team members to exercise professional judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

Professional skepticism involves a questioning mind and alertness to contradictions or

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

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments. Our professional judgment process has professional skepticism at its heart. It recognizes the need to be alert to biases which may pose threats to good judgment, consider alternatives, critically assess audit evidence by challenging management's assumptions and following up contradictory or inconsistent information, and document rationale for conclusions reached on a timely basis as a means of testing their completeness and appropriateness.

Ongoing mentoring and on the job coaching, supervision and review

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

Ongoing mentoring and on-the-job coaching and supervision during an audit involve:

- 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, coaching and supervision is timely review of the work

performed so that significant matters are promptly identified, discussed and addressed.

Appropriately supported and documented conclusions

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

Our methodology recognizes that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalized. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is usually not longer than 60 days from the date of the audit report.

The key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement, will understand:

- the nature, timing, and extent of audit procedures performed to comply with the ISAs;
- applicable legal and regulatory requirements;
- the results of the procedures performed, and the audit evidence obtained;
- significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained); and
- the basis for the conclusions reached, and significant professional judgments made in reaching those conclusions.

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

Appropriate involvement of the EQC reviewer

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

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the risk management partner or head of audit. Before the date of the auditor's report, these individuals review:

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

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

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

- issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers;
- incorporating specific procedures in eAudIT to facilitate effective reviews
- implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

Reporting

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

In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support to audit through consultations with DPPs, especially where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

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

Two-way communication with those charged with governance at our clients is key to audit quality. Often the audit committee will be the group identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee.

We deliver insights such as our assessment of the appropriateness of significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures, significant deficiencies in the design and operation of financial reporting systems, controls when such deficiencies come to our attention during the course of the audit and any uncorrected misstatements. We share our industry experience to encourage discussion and debate with those charged with governance.

Focus on effectiveness of group audits

Our methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality. The group audit engagement partner is required to evaluate the competence of component auditors, whether they are KPMG Member firms or not, as part of the engagement acceptance process. Our audit methodology incorporates the heightened attention currently being given to key risk areas for group audits, e.g., emerging markets and business environments that may be subject to heightened fraud risks.

Client confidentiality, information security and data privacy

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

We have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as the Act on External Audit of Stock Companies.

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

3.8 COMMITMENT TO CONTINUOUS IMPROVEMENT

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

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

3.8.1 Monitoring

Internal monitoring

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and important KPMG International policies and procedures. The results and lessons from the programs are communicated within each member firm, and the overall results and lessons from the programs are considered and appropriate action taken at regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively.

Our monitoring procedures involve ongoing consideration of:

- compliance with KPMG International policies and procedures
- the effectiveness of training and other professional development activities
- compliance with applicable laws and regulation and member firms' standards, policies, and procedures.

Two KPMG International developed and administered inspection programs are conducted annually across the Audit, Tax, and Advisory functions, the Quality Performance Review (QPR) Program and the Risk Compliance Program (RCP).

Additionally all member firms are covered by cross-functional Global Compliance Reviews (GCRs). These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network (see section 6 for further details).

Quality Performance Reviews (QPRs)

The international QPR Program is the cornerstone of our efforts to monitor engagement quality, and one of our primary means of ensuring that member firms are collectively and consistently meeting KPMG International's requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax, Advisory functions and identifies opportunities to improve engagement quality. All audit engagement partners are generally subject to selection for review at least once in a 2-year cycle, and engagement partners of other functions are generally subject to selection for review at least once in a 3-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a Lead Reviewer from outside the member firm, and are monitored regionally and globally.

We perform a root cause analysis for pervasive issues. Remedial action plans for all significant deficiencies noted are required at an engagement and member firm level. We disseminate our findings from the QPR program to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

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

Risk Compliance Program (RCP)

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

Global Compliance Review Programs (GCRs)

GCRs are performed by reviewers independent of the member firm, who report to GQ&RM and are led by the Global Compliance Group. GCRs are carried out on member firms once in a three-year cycle. These reviews focus on significant governance, risk management, independence, and finance processes (including an assessment of the robustness of the firm's RCP). In the event that a GCR identifies issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

All three programs require action plans to address identified issues, with timelines, to be developed by the member firm, and these actions to improve performance are followed up at the regional and global level to ensure that the actions address the identified issues with the objective of continuous improvement.

External monitoring

In Korea, the Financial Supervisory Services (FSS) has been carrying out independent inspections for a number of years. They recently completed their work on the 2012 inspection of the firm in December 2012. FSS had delivered their final inspection report in March 2013 and our firm has delivered our final resolution report in response to their recommendations in April 2013.

Our firm is also registered with the US PCAOB, Japanese Financial Services Authority. The US PCAOB performed a joint inspection of the firm with the FSS in December 2012. The public report on the inspection performed issued on May 23, 2013 and our response are available on the PCAOB website (www.pcaobus.org).

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

3.8.2 Client feedback

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

3.8.3 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 in our general terms of business.

3.8.4 Interaction with regulators

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

3.8.5 Other assessments of audit quality

KPMG Korea also has an in-flight review process to ensure audit quality.

DPP selects a sample of audit engagements each year and conducts in-flight reviews in three phases. Each phase has pre-defined points for review, which also includes comments received during the relevant year's QPR, and is notified to all audit engagement teams prior to the commencement of the review. Phase 1 includes review points related to audit planning matters and is conducted prior to interim audit season. Phase 2 review includes those relevant for risk assessment and controls testing and is conducted after audit engagement teams have completed their interim audits but prior to the commencement of year end audits. Phase 3 (Final RMP Review) review includes review of the client's financial statements and review of pre-defined review points as well as certain significant areas in the relevant audit documentation and is conducted before the audit report is to be issued. These selected audit engagements are graded based on the contents of the reviews and the relevant audit engagements teams are to clear these comments before they can issue the audit report. The final grades of the in-flight review are reflected in the relevant engagement partner's quality performance evaluation program (QPEP) for each year.

4 FINANCIAL INFORMATION

Fee revenue earned by the firm for services for the years ended March 31, 2014, 2013 and 2012 are summarized in the table below.

(In millions of Korean won)

	2014	2013	2012
Audit	105,737	100,790	93,320
Tax	44,963	37,207	33,741

Advisory	112,036	115,145	47,112
Other	4,221	4,143	4,253
Total	266,957	257,285	178,426

5 PARTNER RENUMERATION

Partners' profit share

Partners are remunerated out of the distributable profits of the firm (such profits being determined by the board of directors) and are personally responsible for funding pensions and most other benefits. The final allocation of profits to partners is made after assessing each partner's contribution for the year.

There are two elements to partner remuneration:

- base component – a proportion of the firm's budgeted profits are allocated to members as base component; this is effectively member salary. The amount of base component reflects the role and seniority of each partner.
- profit related performance component – rewards performance in the year by each partner against individual objectives previously agreed and the overall profits of their part of the firm and the firm as a whole. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the values of the firm. Audit partners are not permitted to have objectives related to, or receive any remuneration from, selling non-audit services to their audit clients. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality.

Drawings

During the year, partners working within KPMG Korea received monthly drawings, and from time to time, additional profit distributions. All such drawings and profit distributions to partners represent payments on account of current year profits and are reclaimable from partners until profits have been allocated. Any over-distribution of profits during the year is also recoverable from partners.

6 NETWORK ARRANGEMENTS

6.1 LEGAL STRUCTURE

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. The KPMG network consists of approximately 155,000 personnel working in 155 countries. For the year ended 30 September 2013 the member firms comprising the network generated aggregate revenues of US\$23.42 billion.¹

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

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

KPMG International is an entity which is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or 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.

6.2 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 and regional strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools.

¹ This represents combined information of the separate KPMG member firms that perform professional services for clients. It is combined solely for presentation purposes.

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

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

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

6.3 PROFESSIONAL INDEMNITY INSURANCE

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

6.4 GOVERNANCE STRUCTURE

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

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the Chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 54 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

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

ratifies the chairman's appointment of the deputy chairman and members of the Global Executive Team.

The Board includes the chairman, the deputy chairman, the chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms. One of the Board members is elected as the lead director by those Board members who are not also members of the Global Executive Team ("nonexecutive" members). A key role of the lead director is to act as liaison between the chairman and the "nonexecutive" Board members.

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

The Global Executive Team is the principal management body of KPMG International. The Global Executive Team drives the execution of the strategy approved by the Global Board and establishes processes to monitor and enforce policy compliance. It is led by the chairman and includes the deputy chairman, the chief operating officer, global practice heads, regional leaders, and a number of senior partners of member firms.

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

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

Further details about KPMG International including the governance arrangements, can be found in its Transparency Report, which is available at:

<http://www.kpmg.com/Global/en/about/governance/Documents/kpmg-international-transparency-report-2013.pdf>

6.5 AREA QUALITY & RISK MANAGEMENT LEADERS

KPMG International has a network of Area Quality & Risk Management Leaders (AQRMLs), reporting to the global vice chair–Quality and Risk Management. The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML performs a monitoring function over a group of member firms. Their role is to enhance the KPMG network’s ability to proactively monitor quality and risk management across member firms.

7 STATEMENT BY THE BOARD OF KPMG KOREA 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 Korea 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 Korea 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 3.8.1 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 Korea confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to March 31, 2014.

Further, the Board of KPMG Korea confirms that an internal review of independence compliance within our firm has been conducted in the year to March 31, 2014.

June 18, 2014



Kim, Kyo Tae
Chief Executive Officer

A. Appendices

A.1 KEY ENTITIES

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
Samjong KPMG LLC	Holding Company	Limited Liability Company as defined in the Commercial Law in the Republic of Korea	Holding company	Korea
KPMG Samjong Accounting Corp.	-	Limited Liability Company as defined in the Commercial Law in the Republic of Korea	Audit, tax and financial advisory services	Korea
Samjong KPMG Economic Research Institute	Associated entity	Corporation as defined in the Commercial Law in the Republic of Korea	Research on domestic/international economy and industry trends	Korea
Samjong KPMG AAS Inc.	Associated entity	Corporation as defined in the Commercial Law in the Republic of Korea	Accounting Administration Services	Korea
Samjong Investment Advisory Inc.	Associated entity	Corporation as defined in the Commercial Law in the Republic of Korea	Inbound/outbound investment advisory services	Korea
Samjong KPMG Actuaries Inc.	Associated entity	Corporation as defined in the Commercial Law in the Republic of Korea	Financing and actuarial consulting services	Korea
Sejong Customs Corp.	-	Limited Liability Company as defined in the Commercial Law in the Republic of Korea	Customs services	Korea
Sung Gong Tax Accounting Corporation	-	Limited Liability Company as defined in the Commercial Law in the Republic of Korea	Tax accounting services	Korea
KPMG Audit LLC	-	Limited Liability Company as defined in the Commercial Law in Mongolia	Audit and financial advisory services	Mongolia

A.2 LEADERSHIP ROLES



Kim, Kyo Tae
Chief Executive Officer



Suh, Won Jeong
Head of Audit



Shin, Kyung Sup
Head of Financial Advisory Services



Kim, Edward
Head of Consulting Services



Choi, Jeong Wook
Head of Tax Services



Shin, Byung Il
Country Risk Management Partner

A.3 PUBLIC INTEREST ENTITIES

AJU CAPITAL CO., LTD.	Dongwon Systems Corporation
ATLASBX CO.,LTD.	Dongwon Systems Corporation
Autech Corporation	Doosan Engineering & Construction Co.,Ltd.
AVACOCO.,LTD	EAGON INDUSTRIAL LTD
AVATEC CO.,LTD.	EAGON WINDOWS & DOORS CO., LTD.
BINGGRAE CO.,LTD	ECOPLASTIC CORPORATION
Bookook Steel	Elentec Co., Ltd
BORNEO INTERNATIONAL FURNITURE CO.,LTD	ELITE BASIC INC.
BORYUNG MEDIENCE CO.,LTD	EN3 Co., Ltd.
CammSys Corp.	ESTsoft Corp.
CELL BIOTECH CO., LTD	EUGENE Corporation
Chabio & Diostech Co.,Ltd.	EUGENE INVESTMENT & SECURITIES CO., LTD
CHASYS Co.,Ltd	FARMSCO
CHERYONG INDUSTRIAL CO.,LTD.	G I I R Inc.
CHOHEUNG CORPORATION	Genic Co.,Ltd
CJ CGV CO.,LTD.	Grand Korea Leisure Co.,Ltd
CJ E&M Corporation	Green Cross Corporation
COMTEC SYSTEMS CO.,LTD	Gwangju Shinsegae. Co.,Ltd.
Creative & Innovative System Corporation	Han Kook Capital Co., Ltd.
CROWN CONFECTIONERY CO.,LTD	HANJIN SHIPPING CO., LTD.
CTC BIO, INC.	HANJIN SHIPPING HOLDINGS CO.,LTD
D.ID Corporation	HANMI Semiconductor CO., LTD.
DAE DONG STEEL CO., LTD.	HANSHIN MACHINERY CO
DAEHAN SYNTHETIC FIBRER CO.,LTD	Hansol Artone Paper Co., Ltd.
DAEWON PHARMACEUTICAL CO.,LTD	HANSOL PAPER CO.,LTD
DAEWOO SECURITIES CO.,LTD	Hansol Technics Co., Ltd
DAISHIN SECURITIES CO.,LTD	HANSUNG ENTERPRISE CO.,LTD
Daishin Information	Hanwha Timeworld Co., Ltd.
DAIYANG METAL CO.,LTD	HARIM Co., Ltd.
DGB Financial Group	HARIM HOLDINGS CO.,LTD.
DIOTEK CO., Ltd	Heungkuk Fire & Marine Insurance Co., Ltd.
DONG YANG P&F Co., LTD.	HLB INC.
Dong-A Socio Holdings Co.,Ltd	Home Center Co., Ltd.
DONG-A ST CO.,LTD	HS VALVE CO., LTD
DONGAELTEK Co.,Ltd	HUCHEMSFINECHEMICALCORPORATION
DONGAH TIRE IND CO.,LTD	HUSTEEL CO.,LTD
DONGAONE CO.,LTD	HWACHEON MACHINERY CO.,LTD
DONGBU STEEL CO.,LTD	HWASHINTECHCO.,LTD.
DONGBUROBOT Co.,Ltd.	HYUNDAI GREEN FOOD CO.,LTD
DONGIL INDUSTRIES CO.,LTD	HYUNDAI HCN CO., Ltd.
Dong Kook Pharmaceutical Co.,Ltd.	HYUNDAI HEAVY INDUSTRIES CO.,LTD
DONGWHA PHARM.CO.,LTD	HYUNDAI HOME SHOPPING NETWORK CORPORATION
DONGWON INDUSTRIES CO.,LTD	

HYUNDAI MOBIS CO.,LTD	LIHOM-CUCHEN CO., LTD.
HYUNDAI STEEL COMPANY	LOCK&LOCK CO.,LTD.
Igloo Security, Inc.	LOEN ENTERTAINMENT, INC.
ILJI TECHNOLOGY CO.,LTD	Lotte Non-Life Insurance Co., Ltd.
ILJIN ELECTRIC CO.,LTD	LOTTE SHOPPING CO.,LTD.
ILSHIN STONE CO.,LTD	LPK Co.,Ltd
In the F	LTC CO.,LTD.
Info Bank Corporation	MGAME CORP.
Inno Wireless Co.,Ltd.	MIRAE ASSET SECURITIES CO.,LTD
INSUNG INFORMATION CO., LTD	MIWON CHEMICALS CO., LTD.
INTEKPLUS CO., LTD	MIWON COMMERCIAL CO.,LTD
IRIVER LIMITED	MIWON SPECIALTY CHEMICAL
ITEK Semiconductor, Inc.	MKTREND CO.,LTD
JB FINANCIAL GROUP CO.,LTD	MOORIM PAPER CO.,LTD
Joymax Co., Ltd.	NAVER Corporation
JW SHINYAK CORPORATION	NEOFIDELITY, INC.
K.C.TECH CO.,LTD	NHN Entertainment Corporation
Kangwon Land, Inc.	NICE Total Cash Management Co., Ltd
KB Autosys Co.,Ltd	NONG WOO BIO CO.,LTD.
KCC Corporation	NUIN TEK CO., LTD
KCC ENGINEERING & CONSTRUCTION CO., LTD.	OPTICIS CO., LTD.
KEC CORPORATION	ORION Corp.
KEC HOLDINGS CO.,LTD	OTTOGI CORPORATION
KEPCO Engineering & Construction Company, Inc	OYANG CORPORATION
KIA MOTORS CORPORATION	PaperCorea Inc.
Kolon Fashion Material, Inc.	Paradise Industry
Kolon Fashion Material, Inc.	POSCO
KOLON INDUSTRIES, INC.	POSCO COATED & COLOR STEEL Co.,Ltd.
KOOK SOON DANG CO.,LTD	RedcapTour Co., Ltd.
KOREA ELECTRIC POWER CORPORATION	RN2 Technologies Co., Ltd.
KOREA ELECTRIC TERMINAL CO.,LTD	S&S TECH CORPORATION
Korea Real Estate Investment Trust CO., LTD	S&T Dynamics CO.,Ltd
KOREA REFRACTORIES CO.,LTD	S&T Holdings Co. Ltd.
KOREA ZINC INC	S&T MOTIV CO., LTD
KPM TECH CO., LTD.	S.M.ENTERTAINMETNT CO.
KUKDONG OIL & CHEMICALS CO.,LTD	SAMBU CONSTRUCTION CO.,LTD
KUMHO INDUSTRIAL CO.,LTD	SAMICK THK CO.,LTD
KWANGDONG PHARMACEUTICAL CO.,LTD	SAMSUNG FIRE & MARINE INSURANCE CO.,LTD
KYOBO SECURITIES CO.,LTD.	SAMSUNG SDI CO.,LTD
L&F CO., LTD	SAMSUNG TECHWIN CO.,LTD
LabGenomics Co., Ltd.	SAMWHAN CAMUS CO.,LTD
LG Display Co., Ltd.	SAMWHAN CAMUS CO.,LTD
LG FASHION CORP.	SAMWHAN CORPORATION
LG HOUSEHOLD & HEALTH CARE LTD	Samyang Corporation
LIG Insurance Co., Ltd	Samyang Entech Co., Ltd.

SAMYANG GENEX CO., LTD	WOONGJIN THINKBIG CO., LTD.
Samyang Holdings Corporation	WOORIRO OPTICAL TELECOM CO., LTD
SANGSIN BRAKE	YOOSUNG ENTERPRISE CO.,LTD
SEBO MANUFACTURING ENGINEERING CORPORATION	YOOSUNG T&S CO.,LTD
seha corporation	YTN
SEOUL SEMICONDUCTOR CO., LTD.	Yujin Robot Co., Ltd.
SERONICS. CO., LTD.	Yuyu Pharma, Inc.
SHINHAN FINANCIAL GROUP CO.,LTD	
SHINWON CORPORATION	
Silicon Works Co., Ltd.	
SIMPAC Inc	
SK CHEMICALS CO.,LTD	
SK Communications Co., Ltd.	
SK Holdings Co., Ltd.	
SK SECURITIES CO.,LTD	
SK TELECOM CO.,LTD	
SKC LTD	
SM Culture & Contents Co., Ltd.	
Solacia Inc.	
SONOKONGCO.,LTD.	
SOOSAN HEAVY INDUSTRIES CO.,LTD	
Soulbrain ENG Co., Ltd.	
STARFLEX CO., LTD	
STARFLEX CO., LTD	
STX CORPORATION	
STX Pan Ocean Co., Ltd.	
SUNJIN CO., LTD.	
TAEKWANG INDUSTRIAL CO.,LTD	
TAIHAN Fiberoptics Co.,LTD	
TAILIM PACKAGING IND LTD	
Tamul Multimedia Co.,Ltd.	
TCC STEEL CORP.	
TerraSem Co., Ltd.	
THE BASIC HOUSE. CO.,LTD	
THERAGEN ETEX CO.,LTD.	
Top Engineering Company Limited	
Tuksu Construction	
UJU ELECTRONICS CO., LTD	
Webzen Inc.	
WeMade Entertainment Co., Ltd.	
WHANIN PHARM CO.,LTD	
WINPAC INC.	
WonIk Co.,LTD	
WONLIM CORPORATION	
WOOJIN INC	

A.4 KPMG'S GLOBAL VALUES

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

We lead by example.

At all levels we act in a way that exemplifies what we expect of each other and our clients.

We work together.

We bring out the best in each other and create strong and successful working relationships.

We respect the individual.

We respect people for who they are and for their knowledge, skills and experience as individuals and team members.

We seek the facts and provide insight.

By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.

We are open and honest in our communication.

We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.

We are committed to our communities.

We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.

Above all, we act with INTEGRITY.

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.
