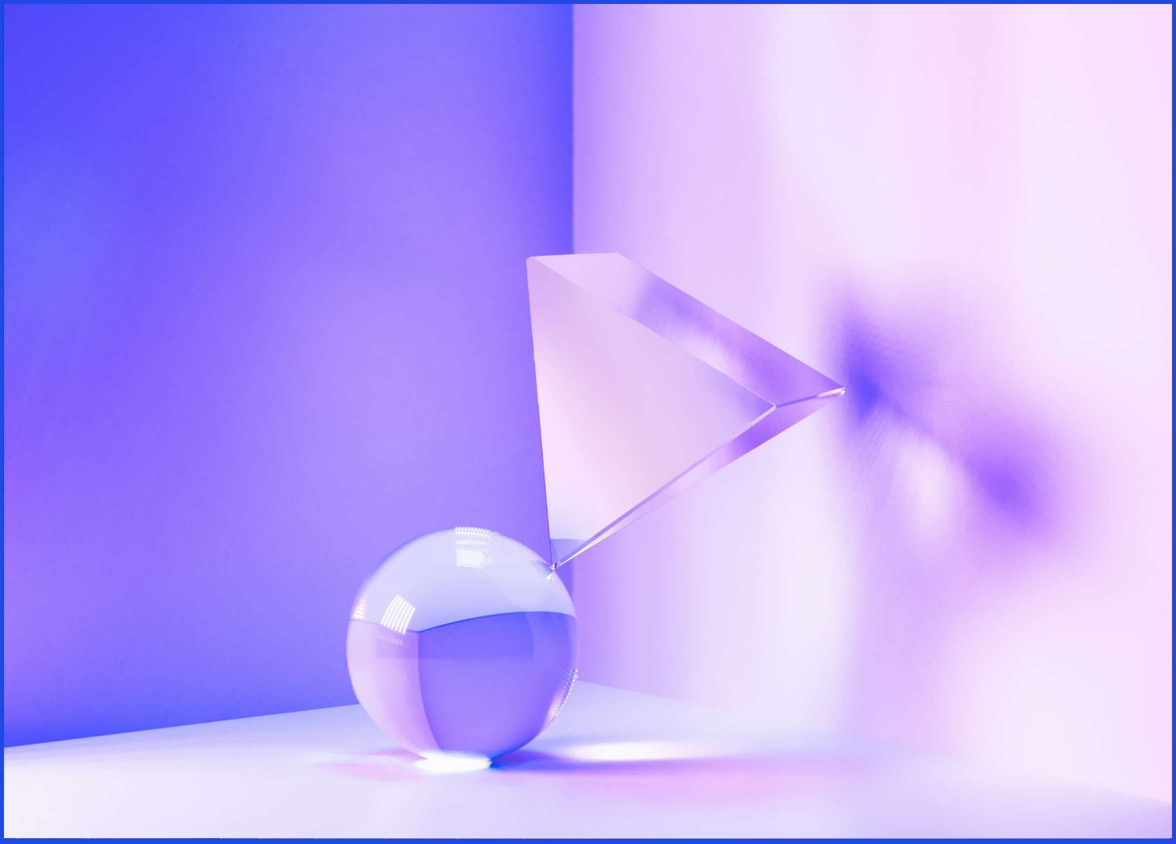
Transparency report 2022

**Dedicated to trust.
Committed to quality.**



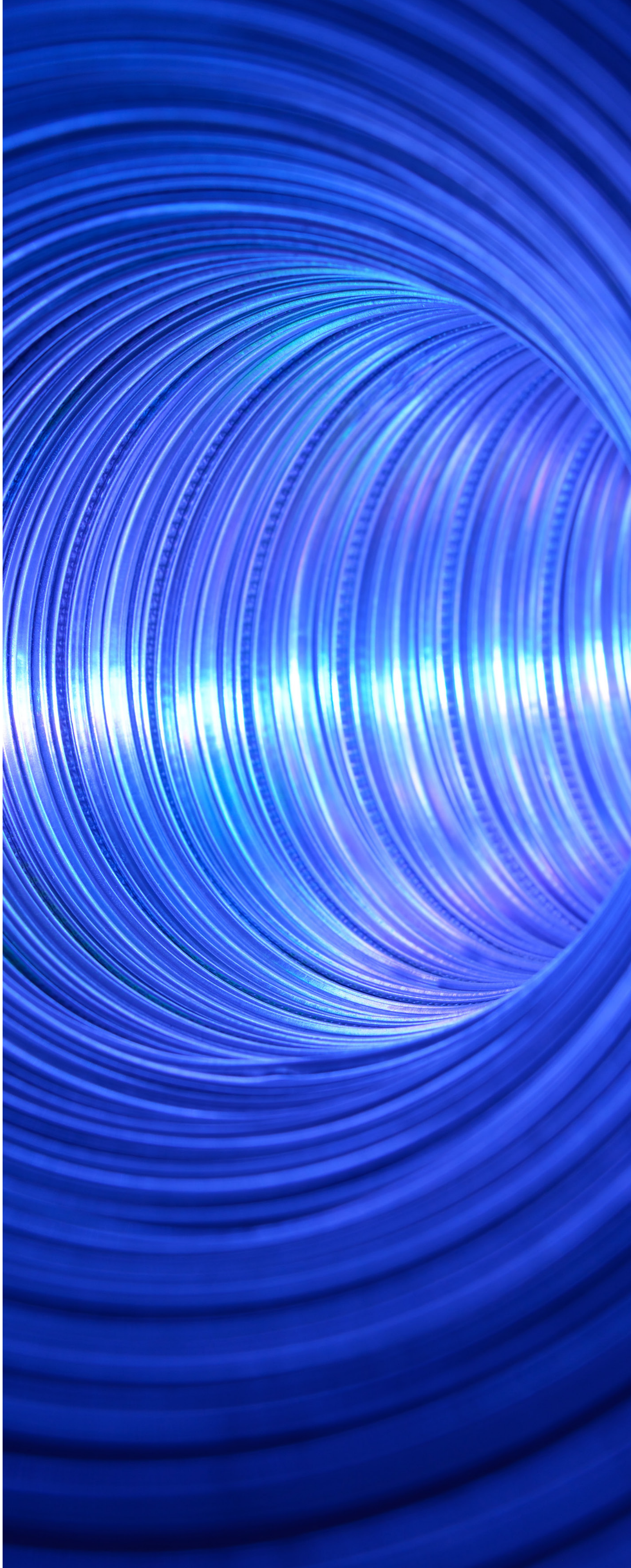
January 2023

audit.kpmg.us/auditquality/transparency.html

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

We define "audit quality" as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality management.

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



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Focus on quality through our values

In 2022, we continued to reconnect and reimagine the audit experience for our people, our clients, and the capital markets we serve. Through our investments in our people, we are delivering tailored and responsive audits that are grounded in integrity and guided by a relentless focus on quality. Moreover, our response to the COVID-19 pandemic, political and social unrest, and economic uncertainty accelerated our ongoing transformation to attract and develop the Next-generation Auditor, innovate the audit, and stay ahead of trends defining the profession.

Our profession and the capital markets we serve are in the midst of a once-in-a-generation shift. Digitalization, ESG, cybersecurity, and more are reshaping the landscape, presenting new risks and opportunities that demand a multi-disciplinary approach to bring together the necessary skills and perspective to thrive. At KPMG, we are accelerating our efforts to stay ahead of these trends to protect the capital markets and deliver audit insights to audit committees and management teams.

It all starts with a quality focus. Quality is integral to our work every day. It's embedded in how we recruit, develop, and celebrate our people. It drives our technology investments for a more data-driven approach to deliver an insightful audit. It's the foundation of our audit approach to sustain quality.

As recent years have taught us, though, a steadfast quality mindset also requires flexibility. We are reimagining how we work, combining fully remote, hybrid, and on-site. At KPMG, we call this Flex with Purpose. It enables more purposeful in-person connection with coaching and brainstorming through the lens of employee and client expectations and preferences. And success in this new environment hinges on diversity, equity, and inclusion across our entire workforce.

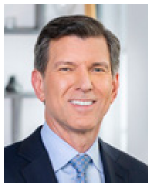
As working norms and labor market dynamics shift, we also enhanced our benefits and compensation focused on mental, physical, social, and financial well-being. In addition to three new weeks of paid caregiver leave, we replaced our existing 401(k) and pension programs with a single, automatic firm contribution of 6–8 percent of eligible W-2 pay.

We also know our people want diverse career paths, and the CPA and accounting profession is a doorway to opportunities across disciplines, industries and geographies. We are designing new career pathways enriched with curated and on-demand learning opportunities to empower everyone at KPMG to own their career. Our commitment to our multi-disciplinary model best serves our clients and the capital markets in part by facilitating more collaboration, learning, and opportunities for our people.

When we take care of our people and equip them with the tools and resources to support their well-being and career, the flexibility in their working environment, and the technology to work where and how it is required, we are better able to deliver on our commitment to quality.

KPMG is dedicated to providing high-quality professional services, including audit services, in an ethical manner for all our constituents, including entities that are listed on global capital markets. In addition to complying with the high standards of our U.S. regulators, KPMG complies with the applicable requirements of audit regulators outside of the U.S. where entities we audit have listings or are otherwise subject to regulation. This 2022 Transparency Report provides details on our commitment to continually enhance audit quality through our system of quality control. The report and its supplemental documents cover the fiscal year ended September 30, 2022, and are published in accordance with the provisions of the New York Stock Exchange Listed Company Manual Section 303A.07 and Article 13 of the European Union's Regulation No. 537/2014.

We remain deeply committed to all our stakeholders as we continually monitor and improve our system of quality control and invest in the future of audit.



Paul Knopp
U.S. Chairman & CEO

Scott Flynn
Vice Chair—Audit

Focus on quality through our values

Our business, structure, and ownership

Living our culture and values

Associating with the right clients and engagements

Applying technical knowledge

Embracing digital technology

Being independent and ethical

Nurturing diverse, skilled teams

Performing quality audits

Communicating effectively

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Statement of effectiveness of the system of quality control

Our business, structure, and ownership

KPMG LLP (KPMG or the firm) is part of the KPMG global organization[1] of professional services firms providing audit, tax, and advisory services to a broad range of public and private sector entities. Our firm operates from more than 75 offices across the U.S. with more than 40,000 employees and partners.

KPMG operates as a Delaware limited liability partnership, and we are wholly owned by our more than 2,500 partners and principals (referred to collectively as partners).[2] Full details about the services we offer can be found at home.kpmg/us/en/home.html.

[1]More information about KPMG International, including the U.S. firm's relationship with it for the financial year ended September 30, 2022, is set out in the Transparency Report – Supplement: Additional Information Required by Article 13 of EU Regulation 537/2014.

[2]Partners and principals have essentially the same rights under the firm's partnership agreement except that principals are not licensed as certified public accountants under the laws of any of the various states or territories of the United States.

Living our culture and values

Tone at the top

The firm's leadership, working with global leadership, plays a critical role in establishing our commitment to quality and professional excellence. A culture based on integrity, accountability, quality, objectivity, independence, and ethics is essential in an organization that carries out audits and other services on which stakeholders rely.

We promote a culture in which dialogue is encouraged and recognized as a strength, and we communicate our commitment on quality and professional excellence to clients, stakeholders, and society at large to earn the public's trust.

Our values lie at the heart of the way we do things. To do the right thing, the right way. 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. Our values propel us forward—through our work and the example we set—as we inspire confidence and empower change.

Our values guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, and all our stakeholders.

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.

We are committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

System of quality control/management[3]

Audit quality is fundamental to instilling confidence and public trust in the capital markets, and it remains our highest priority.

Tone at the top, leadership, and a clear set of values are essential to set the framework for quality. The quality of each audit rests on a foundational system of quality management.

[3] While international quality control standards and those of the AICPA's Auditing Standards Board have shifted terminology from a "system of quality control" to a "system of quality management," standards of the PCAOB continue to refer to a system of quality control. As a result, we refer to both throughout this report.

Our firm's system of quality control is based on PCAOB,[4] AICPA,[5] and International Auditing and Assurance Standards Board (IAASB) standards and is documented and evaluated annually. We adopted International Standard on Quality Management (ISQM) 1, issued by the IAASB and which became effective on December 15, 2022, and are in the process of incorporating Statement on Quality Management Standards (SQMS) No. 1, issued by the Auditing Standards Board of the AICPA, which is effective in 2025. In addition, we are evaluating the PCAOB's proposed new standard on quality control, QC-1000.

We use a risk assessment process established by KPMG International to identify quality objectives, quality risks, and responses and requirements for testing and evaluation of our system of quality control together with guidance, tools, and templates to support the implementation of ISQM 1. This transformational and fundamental approach to the adoption of ISQM 1 is built upon KPMG International's key objectives of driving consistency and accountability of ISQM 1 implementation across KPMG member firms.

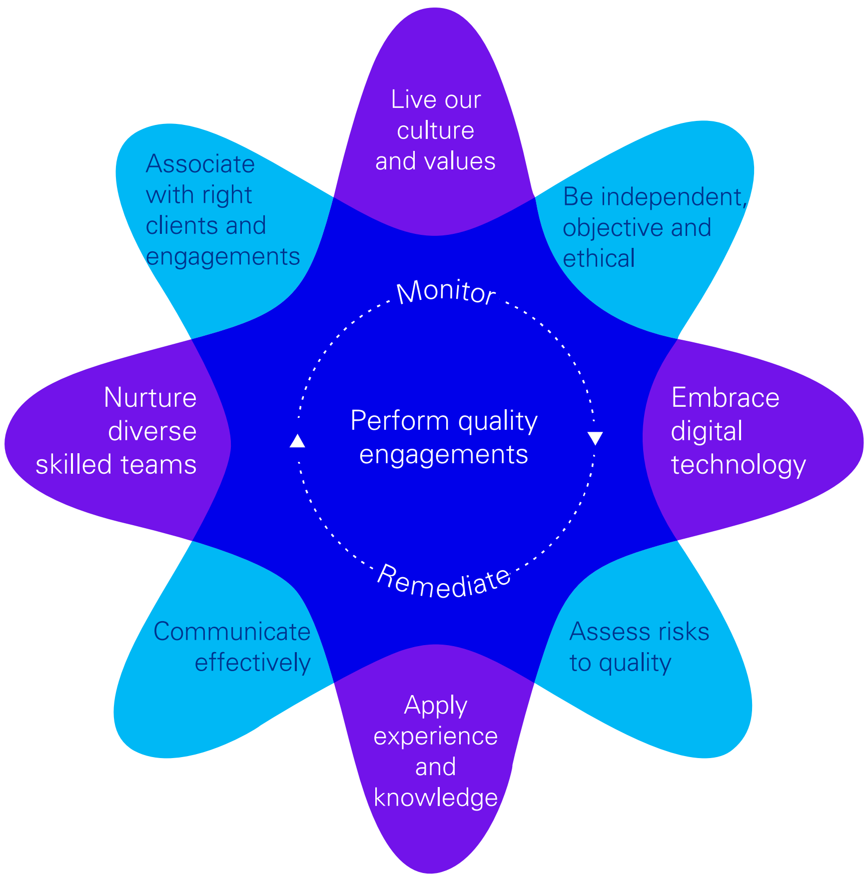
Our Global Audit Quality Framework

In preparation for ISQM 1, we adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how we hold everyone accountable to its delivery. "Perform quality engagements" sits at the core along with our commitment to continually monitor, enhance, and remediate our processes as necessary.

Aligned with ISQM 1, the Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC) 1, issued by the IAASB and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

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

Global Quality Framework



[4] Public Company Accounting Oversight Board
[5] American Institute of Certified Public Accountants

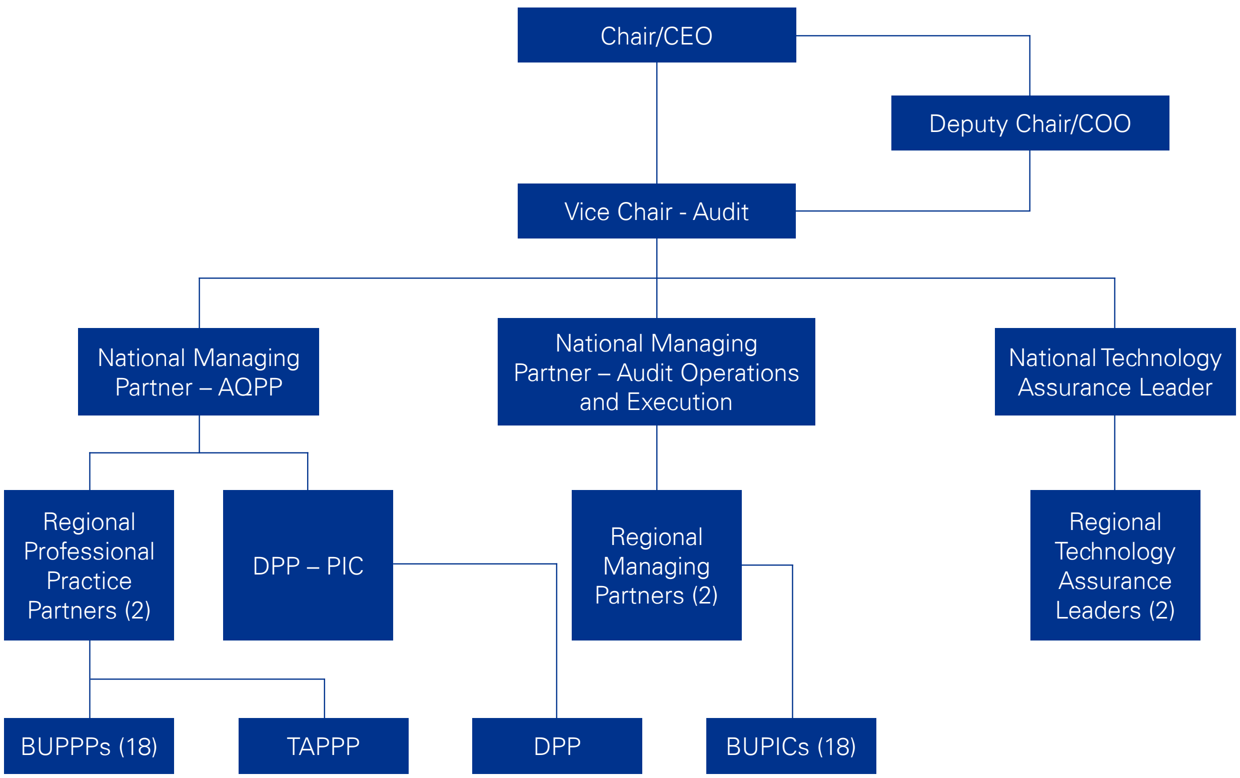
Leadership responsibilities for quality within the firm

Our leadership plays a critical role in setting the right tone and leading by example—demonstrating an unwavering commitment to professional excellence and championing and supporting major initiatives.

We define and document the key roles and responsibilities of leadership associated with each of the elements on the quality control/management standards of the PCAOB, AICPA, and IASB.[6] Leadership is evaluated on their achievement of the following responsibilities under the standards during the partner year-end review process:

- Ultimate responsibility and accountability for the system of quality control to the firm's chief executive officer
- Operational responsibility for the system of quality control or its specific aspects, including compliance with independence requirements and the monitoring and remediation process.

Leadership roles responsible for quality in Audit



Our structure reinforces our audit quality agenda and closely aligns our leadership with our audit quality foundation:

- Our Chair and Chief Executive Officer (CEO) establishes the firm's strategies and direction, including our commitment to audit quality, ethical culture, and our promise of professionalism to investors and other participants in the capital markets, regulators, clients, and our partners and employees.
- Our Vice Chair – Audit, who reports to the Chair and CEO and Deputy Chair and Chief Operating Officer (COO) as a member of the Management Committee, has responsibility for our Audit practice, including driving certain aspects of our system of quality control.
- Our National Managing Partner – Audit Quality and Professional Practice (AQPP), who reports to the Vice Chair – Audit, leads our Department of Professional Practice (DPP) and regional and business unit professional practice network and is also responsible for driving and supporting certain monitoring activities within our system of quality control.

[6]PCAOB QC Section 20, "System of Quality Control for a CPA Firm's Accounting and Auditing Practice," AICPA QC Section 10, "A Firm's System of Quality Control (Redrafted)", and IAASB ISQC 1 (International Standard on Quality Control No. 1) and ISQM 1

- Our National Managing Partner – Audit Operations and Execution, who reports to the Vice Chair – Audit, has operational responsibility for the implementation of the audit practice strategy and financial plan, which are aligned with the firm's audit quality initiatives and definition of audit quality. This includes responsibility for implementing quality control initiatives that facilitate engagement performance, resource management, talent development, growth, and financial strategies that support the firm's system of quality control.

Within the firm's Board of Directors, the Risk, Regulatory and Compliance Committee[7], also has responsibility for overseeing audit quality in the firm. Beyond the executive level, several important leadership bodies are responsible for audit quality across the firm's Audit practice:

Our nationally managed Audit practice is supported by East and West regional leadership teams, each with a designated regional managing partner, a regional professional practice partner, and a regional technology assurance leader. The regional managing partners, regional professional practice partners, and regional technology assurance leaders report to the National Managing Partner – Audit Operations and Execution, the National Managing Partner – AQPP, and the national technology assurance leader,[8] respectively. The regional professional practice partners provide professional practice and audit quality leadership and direct adherence to firm policies, procedures, and professional standards within their respective regions.

Within those regions are 18 geographic business units, each led by a business unit partner in charge (BUPIC), who reports to the respective regional managing partner and a business unit professional practice partner (BUPPP), who reports to the respective regional professional practice partner. In addition, a technology assurance professional practice partner (TAPPP) is assigned to all business units and reports to the regional professional practice partners. For each business unit, the BUPPP is responsible for audit quality and risk management for core audit professionals while the BUPIC is responsible for people management, operations, and quality growth and shares responsibility with the BUPPP in supporting audit quality. In addition, the BUPIC, BUPPP, and TAPPP are all responsible for professionalism and integrity in each business unit.

Professional practice partners

Together with the review and oversight of the regional professional practice partners, KPMG professional practice partners for each geographical business unit:

- Support and advise partners, managing directors,[9] and engagement teams on entity-specific technical accounting, audit, risk management, and independence matters
- Assimilate and disseminate information pertaining to professional practice and risk management
- Monitor compliance with firm policies, our system of quality control, and professional standards
- Review policies and processes to continuously improve audit quality
- Provide performance feedback related to audit quality for Audit partners and managing directors in the business unit
- Assign the partner or managing director to lead (engagement leader) and the engagement quality control reviewer to review each engagement as well as evaluate the ongoing capacity of partners, managing directors, and managers to serve the client portfolio
- Evaluate new clients and new and continuing audit and attestation (collectively, audit) engagements along with the respective engagement leader to address audit risks and association or continued association with the client.

[7]Also discussed in "Our governance" section further below
[8]The national technology assurance leader reports to the Vice Chair – Audit.
[9]A managing director is not allowed to sign an audit opinion on engagements of SEC issuers, although they may assist a lead audit partner on such an engagement in the role of an other audit partner. A managing director may serve in the capacity as a lead audit partner on engagements of certain private entities, however.

Department of Professional Practice

DPP comprises a broad network of partners, managing directors, senior managers, directors and other professionals who support our people in meeting their professional responsibilities in accordance with firm policies and the requirements of the PCAOB, the U.S. Securities and Exchange Commission (SEC), the AICPA, and other regulatory oversight organizations.

The Partner in Charge – Audit DPP (DPP-PIC), who reports to the National Managing Partner – AQPP, maintains operational responsibility and accountability for the day-to-day operations of DPP. The DPP-PIC oversees timely and effective support to engagement teams through the development of practice guidance and consultation on professional practice matters and sets and promotes a strong tone and culture supporting audit quality and a commitment to maintain objectivity, professional skepticism, ethics, and integrity throughout DPP. Additionally, the DPP-PIC oversees root cause analyses, the system of quality control assessment activities, and audit-specific training, in addition to the Audit Quality Support Network (AQSN) program and the nomination and annual accreditation process of partners designated as SEC Reviewing Partners (SECRPs). The AQSN program is further discussed below under "Coaching, supervision, review, and support for the engagement team", and more information about the firm's SECRPs and quality control reviews are included under "Appropriate involvement of the quality control reviewer" of this report.

One of DPP's central functions is to provide technical accounting and auditing guidance to engagement teams through consultations on engagement-related issues. DPP brings together into one integrated group our resources that respond to accounting and audit consultations.

The Root Cause and Collaboration Group (RCCG) is instrumental to enhancing our ability to identify, analyze, and address audit quality matters to continually improve our system of quality control and engagement performance. The RCCG and root cause analysis are discussed further in the "Monitoring quality and continuous improvement" section.

The System of Quality Control (SoQC) Group plans and conducts annual assessments of the effectiveness of our system of quality control. As part of those assessments, the SoQC Group performs certain testing over the policies, procedures, processes, and controls that comprise the firm's system of quality control. The SoQC Group also considers the results of the firm's monitoring procedures, which includes the firm's internal inspection program, external reviews, and the development of any necessary corrective actions intended, to continually improve the firm's system of quality control.

Our learning organization integrates our talent development professionals into centers of excellence for instructional design, project management, program delivery, and measurement and evaluation. Content developers and curriculum leaders are part of DPP, enabling a closer connection between our curricula and the source of the firm's policies, technical accounting and regulatory interpretations, and auditing guidance.

KPMG PCAOB Standards Group

The global KPMG PCAOB Standards Group (PSG) comprises a dedicated group of KPMG professionals with in-depth knowledge of PCAOB auditing standards who promote consistency in the interpretation of such standards in the audit work performed by KPMG member firms with respect to non-U.S. components of U.S. SEC issuers and for foreign private issuers. The PSG also provides input into the development of training for auditors outside the U.S. firm who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

Ethics and integrity

Ethics, integrity, independence, and objectivity are the pillars of our firm and of the profession, and our environment is built on the principle that every individual must take personal responsibility for the ethical culture of the firm.

The firm's Code of Conduct (the Code) is a cornerstone of our ethics and compliance program. It helps us articulate our standards of professionalism and integrity expected of all KPMG partners and employees. The Code sets forth our values, shared responsibilities, channels of communication, key policies and protocols, and an ethical decision-making tool and provides a roadmap to guide how our individual and collective commitments to professionalism and integrity should be manifested and maintained. The Code supports and positively impacts how we achieve our strategic priorities, as we look to grow our business by working with companies that share our values and by recruiting and retaining professionals who take pride in the positive contributions they make to our ethical culture.

Individuals are expected to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code. Everyone at KPMG is held accountable for reporting on—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.

When they join the firm, and each year thereafter as part of an annual confirmation process, every one of our people is asked to confirm that they have read the Code, understand it, and agree to comply with it, which includes adhering to our values, shared responsibilities, commitments, and promises. In addition, since October 2020, we require our professionals to complete twelve hours of ethics and integrity training every year.

Ethics and Compliance Hotline

To further our commitment to integrity and an ethical culture, KPMG maintains an Ethics and Compliance Hotline that allows both phone and web reports to be made through an independent third-party provider by calling the toll-free number, 1-877-576-4033, or by submitting a report via the web at www.kpmgethics.com. We encourage use of the hotline when KPMG personnel wish to remain anonymous or feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels.

The hotline is available to external parties as well, including personnel at entities we serve, vendors, and professionals from other KPMG member firms. Reports filed through the hotline are directed to our Ethics and Compliance Group-Investigation Division for review and, if necessary, for assignment of appropriate firm resources for investigation and resolution. All reports are handled confidentially (to the extent allowable by law and consistent with the needs of a thorough investigation). In addition, the KPMG International hotline serves as another mechanism for KPMG personnel, clients, and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG member firms, or KPMG personnel.

Retaliation for good-faith reporting or for otherwise participating in an investigation is a serious violation of the Code, and the U.S. firm has a monitoring process designed to protect individuals who disclose their identities when raising their concerns and witnesses who participate in an investigation.

Our governance

KPMG has two principal governing documents: a Partnership Agreement and Partnership Bylaws. Together, these documents establish the structure and principal procedures of governance for the firm.

The KPMG governing body is its Board of Directors (the Board), and it may have between 13 and 18 Member Directors and up to three Independent Directors. KPMG has built several different safeguards into its governance structure to maintain the independence of the Board from the operational management of the firm.

Firm governing body—the Board

The business, property, and affairs of the firm are overseen by the Board. The Board is responsible for the firm's policies and for the oversight of the firm's management, including the election of the Chair and Deputy Chair and approval of senior management appointments. As a general matter, members of the Board other than the Chair and Deputy Chair serve a five-year term and may not seek reelection until they have been off the Board for two years. KPMG requires that a majority of the members of the Board be Certified Public Accountants (CPAs) and prohibits members of the Management Committee—other than the Chair and the Deputy Chair—from serving on the Board.

Selection process of Member Directors

A Nominating Committee of the Board selects a slate of nominees for the Board from the firm's partners to serve as member directors, and the firm's partners may invoke procedures to place other nominees on the ballot directly. At least one-half of this committee must be composed of partners who are not directors. Members of the firm's Management Committee are not eligible for membership on the Nominating Committee, and neither the Chair nor the Deputy Chair is involved in the selection of the Board's slate of member nominees. The member nominees are voted on by the firm's partners in an election supervised and tabulated by outside counsel.

Partners' votes are counted using two methods of calculation. To be elected, each member nominee must receive a majority of votes under both methods of calculation.

Independent Directors

Currently, the firm has three Independent Directors, who have no material relationship with the firm. They are active and prominent members of the firm's governance structure and are contributing members of the Board, not merely outside advisers. Considered part of the firm's chain of command, Independent Directors are responsible for policies, oversight of the firm's management, and succession planning with respect to the Chair and the Deputy Chair, among other duties. They contribute outside perspectives and diverse viewpoints as they work alongside the firm's leadership team. The inclusion of Independent Directors on the Board contributes to the firm's ongoing commitment to quality, innovative thinking, and a values-driven culture. Independent Directors must meet the criteria set by the New York Stock Exchange Listing Standards Requirements for Independent Directors at Listed Entities and comply with the relevant independence rules of the SEC and AICPA.

An Independent Directors Nominating Committee of the Board makes nominations of Independent Director candidates to the Board. This committee consists of the Chair, the Deputy Chair, the Lead Director, and two Member Directors. Independent Directors are elected by a two-thirds majority of the Board. For a list of the firm's current Board members, please refer to the Appendix.

Lead Director

A Lead Director is elected annually by fellow Board members. The Chair and the Deputy Chair cannot be involved in the selection of the Lead Director, nor can they serve as the Lead Director. The Lead Director has a number of specific duties, including making recommendations for Board committee appointments, assisting the Chair in the development of the Board's agendas, and acting as the liaison between the Chair and Deputy Chair and the other directors with respect to issues raised during executive sessions of the Board, from which the Chair and Deputy Chair are excused.

Governance Committee

The Governance Committee is chaired by the Lead Director and is responsible for recommending Board governance processes and guidelines designed to foster the active and accountable performance of Board duties and developing and implementing annual Board and director evaluation processes. The Governance Committee reports the results of its evaluation to the full Board for discussion before the end of each fiscal year.

Risk, Regulatory and Compliance Committee

The Risk, Regulatory and Compliance Committee assists the Board in fulfilling its oversight responsibilities regarding the firm's (1) professional practice, legal and regulatory compliance, and ethics and compliance programs; and (2) internal audit function as it relates to the foregoing. The committee is also responsible for overseeing that (i) the firm's business is conducted pursuant to the highest standards of ethics, honesty, and integrity and in compliance with the firm's Code of Conduct, policies and procedures, and applicable law, regulations, and professional standards; (ii) the firm's ethics and compliance programs and related policies and procedures are promoted and applied consistently throughout the firm with oversight by the Board; and (iii) management responds appropriately to misconduct or noncompliance with the firm's Code of Conduct, policies and procedures, and applicable law, regulations, and professional standards.

Audit and Finance Committee

The Audit and Finance Committee assists the Board in fulfilling its oversight responsibilities regarding the internal audit function of the firm as it relates to financial matters and all other matters pertaining to the internal control, audit, or reporting of the financial affairs of the firm. Other specific responsibilities of the committee include review of the annual and interim financial reporting to the partnership, overseeing the firm's capital structure, monitoring the firm's internal controls related to significant financial and accounting processes, and monitoring the capital and other investments that support the firm's strategic initiatives and/or infrastructure needs and the annual operating budgets.

Operations and Technology Committee

The Operations and Technology Committee assists the Board in fulfilling its oversight responsibilities regarding the firm's operations, which encompasses technology and information protection; disaster recovery and business continuity planning; and local, regional, and global operations alignment and effectiveness.

Compensation and Pension Committee

The Compensation and Pension Committee assists the Board in fulfilling its responsibilities by providing (i) guidance on compensation policies relating to the partners of the firm and oversight of the implementation of those policies and (ii) oversight of firm management's responsibility for (a) the firm's retirement and pension plans and (b) other benefit plans, programs, and policies made available to partners. In addition, the committee reviews Management Committee members' compensation as recommended by the Chair and Deputy Chair and recommends, for approval by the full Board, the Chair and Deputy Chair's compensation. Other specific responsibilities include overseeing the investment of funds deposited in the savings and pension plans maintained by the firm on behalf of the firm's personnel and the selection and appointment of third-party advisers regarding the investment of such funds.

Human Capital and Culture Committee

The Human Capital and Culture Committee assists the Board in fulfilling its oversight responsibilities regarding (i) people management and culture and (ii) the process for admission and withdrawal of partners. A subcommittee, designated the Partner Rights Committee, is responsible for review and consideration of partner grievances concerning decisions of management relative to them. Neither the Chair nor the Deputy Chair may be members of the Human Capital and Culture Committee or the Partner Rights Committee.

Senior management

The firm's Chair of the Board is also its Chief Executive Officer (CEO). Subject to the advice of and direction from the Board, the firm's CEO is responsible for the management of the firm's business and affairs and carrying out the firm's policies and may act on all matters on behalf of the firm.

The firm's Deputy Chair, who reports to the Chair, is the Vice Chair of the Board. The firm's current Deputy Chair also serves as the firm's Chief Operating Officer.

The Chair and the Deputy Chair are elected for an initial five-year term and may be reelected for an additional three-year term. They are elected by a majority of the Board, subject to a ratification vote of the firm's partners.

Management Committee

The firm's Chair and Deputy Chair are supported by certain members of senior management who together comprise the firm's Management Committee. The Management Committee is responsible for implementing firm policies as promulgated by the Board, developing strategies and tactical and operational plans to support such policies, and the sound and profitable operations of the firm. The firm's current Management Committee includes the Chair; the Deputy Chair; and the Vice Chairs of Audit, Tax, Advisory, Operations, Growth & Strategy, Risk Management, Talent & Culture, and Legal, Regulatory & Compliance (who also serves as the General Counsel).

Associating with the right clients and engagements

Rigorous entity and engagement acceptance and continuance policies are important to our ability to provide reasonable assurance that our firm:

- Minimizes the likelihood of association with an entity whose management lacks integrity
- Undertakes only those engagements that we can reasonably expect to complete with professional competence
- Considers the risks associated with providing professional services in particular circumstances.

Our Risk Management team develops certain risk management policies for the Audit practice, including those relating to client and engagement acceptance and continuance. Risk Management also oversees relevant risk management systems and processes, including the steps enabled through the Client/Engagement Acceptance and Setup system (CLEAS) and the Partner Rotation System, which enables the firm to monitor compliance with the SEC independence rules and the firm's policies on partner rotation. To maintain objectivity, Risk Management reports outside of the Audit practice to the Vice Chair – Risk Management, who in turn reports to the CEO and Chair.

KPMG has established policies and procedures for evaluating new and continuing professional relationships and whether to perform specific services for a particular entity. The CLEAS system is used to manage and control the firm's acceptance processes, and the Client Engagement Acceptance and Continuance tool is used to document the results of the firm's acceptance and continuance processes. Our policies and procedures are designed to prohibit engagement teams from accepting or beginning work on an engagement until potential risks or independence conflicts are evaluated, any applicable safeguards are put in place, and approval is obtained from appropriate leaders.

Prospective entity and engagement evaluation processes

Before accepting an audit engagement with a new entity, we require an evaluation of the entity, its owners/management, and its business. This typically includes a background investigation of the entity and select members of senior management and adverse media searches relating to individuals that are ultimate beneficial owners, as well as an evaluation of independence in both fact and appearance.

Factors considered during the acceptance process include, but are not limited to:

- Client-related circumstances (reputation, character, and integrity of the management and owners of the prospective client, as well as internal controls considerations and accounting policy and reporting matters)
- Business-related matters (risk of litigation, whether association with the prospective client may harm the firm's professional reputation)
- Service-related matters (whether the engagement team possesses adequate knowledge, skills, capacity and experience to respond to the engagement risks, fulfill our professional obligations, and provide appropriate professional services).

Evaluating independence and resolving conflicts of interests

We accept only those engagements we can perform in a manner consistent with our high-quality standards and where we have addressed actual or potential conflicts of interest, which are circumstances or situations that have, or may be perceived to have, an impact on the ability of the firm and/or its personnel to be objective or otherwise act without bias. Firm personnel are trained to be alert to conflicts of interest between the firm and our clients or among our clients and to identify and evaluate actual and potential conflicts of interest to resolve, manage, or avoid such conflicts in a timely manner.

With the assistance of the national Independence Group, engagement teams proposing to perform a new audit engagement conduct a review of relationships that the firm or certain individual professionals may have with the prospective client and its affiliates. The review also includes consideration of any nonaudit services we may provide or have provided. We use our proprietary tool, Sentinel™, to identify potential independence issues and other conflicts of interest within and across member firms in the KPMG International network. If a potential independence issue or conflict cannot be resolved satisfactorily, in accordance with professional and firm standards, then it will preclude the firm from accepting the prospective audit engagement.

Continuance and reevaluation process

Engagement leaders are required to review and evaluate their existing audit engagements with their professional practice partner at least annually. An engagement continuance evaluation is a process of formal approvals by various parties, generally including the BUPPP and, in certain situations, the regional professional practice partner and Risk Management. The objective of these reviews is to identify those engagements where the firm should consider implementing additional safeguards to address new or changing client and/or engagement risks or those instances where the firm should discontinue its professional association with the entity. In addition, certain factors that may alter the risk profile of the client or engagement, such as a significant change in the nature, size, structure, ownership, or management of an entity's business, prompt timely reevaluation procedures applicable to the situation, such as additional independence procedures and/or background checks, to be conducted before the completion of the audit engagement and issuance of the report.

Withdrawal process

When we obtain information that indicates we should withdraw from an engagement or from a 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 bodies or authorities, as required.

Applying technical knowledge

Audit methodology

Our audit methodology is based on the requirements of the PCAOB and AICPA and enables a consistent approach to planning, performing, and documenting audit procedures over key accounting processes. The methodology includes our interpretation of how to apply the auditing standards to drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and mandates compliance with relevant ethical requirements, including independence. Our methodology is documented and made available to all professionals supporting the audit and is required to be used.

To deliver audits in a manner consistent with our methodology, nearly all of our engagement teams use our proprietary KPMG Clara workflow. Our workflow includes a robust risk assessment that enables our professionals to understand the entity, its processes, and financial reporting risks and then tailor our audit response to drive quality. The methodology and workflow are designed to build quality into the process and allow us to enhance our monitoring of the audit prior to issuance of the audit report.

Enhancements to the audit methodology, guidance, and tools are made regularly to maintain compliance with applicable standards and address emerging areas of focus and quality results.

Access to specialist network

The use of specialists is an increasingly important part of the modern audit and our multidisciplinary model. Engagement teams have access to a network of highly skilled KPMG specialists in the U.S. and at other KPMG member firms, as needed. In addition to their education and experience, these specialists receive the training they need to maintain the competencies, capabilities and objectivity to appropriately fulfill their role on our audits. The need for and assignment of specialists to a specific audit engagement is considered throughout the audit engagement, including at acceptance and continuance. Engagement leaders are responsible for confirming that their engagement teams have the appropriate resources and competencies.

Audit continuous improvement

As part of our focus on audit quality, we maintain a team of process improvement professionals with extensive experience in improving the audit process. Our Continuous Improvement (CI) program helps audit teams improve project planning and management and apply process improvement techniques related to engagement execution. Engagement teams learn to improve audit quality, while driving operational excellence and enhancing the experience for our clients and people. The CI team supports our system of quality control through design and implementation of response initiatives. The CI program is deployed through several modes, including workshops with engagement teams alone or with their client, better practices and solution sharing via the CI portal, and coaching provided by the local office CI champion network. The CI team also drives and supports Audit leadership in process improvement, including driving standardization, consistency, and measurement across all business processes to enhance quality in audit execution and the way we run the business.

Technical excellence and quality service delivery

All professionals are provided with the technical training and support they need to perform their roles. In addition to professional development programs discussed under "Professional development" further below, we have professionals dedicated to a center of excellence within the Audit practice that assist engagement teams increase efficiency and audit quality by centralizing shared services. Such services include the CI program discussed above, performing audit procedures related to the regulatory process of broker-dealer audits, and supporting risk assessment procedures and testing the valuation assertion for investment securities, among others.

Other assistance may come from KPMG specialists (as discussed above) and DPP, either to provide resources to the engagement team or for consultation, respectively.

Our IT professionals have been integrated into Audit to support our strategic focus on technology as the future of Audit. This integration allows us to significantly accelerate our collaboration capabilities, which enhances audit quality and consistency and better aligns us with stakeholder expectation.

Commitment to audit quality during significant external events

Significant external events such as the conflict in Ukraine, the COVID-19 pandemic, and the emerging impacts of climate change have contributed to rising inflation and interest rates, supply chain disruption, and increased global economic uncertainty.

The firm issues guidance to assist teams in addressing the various accounting, financial reporting, and audit-related matters arising from the impacts of significant external events. Our guidance has been updated as other significant auditing, accounting, and reporting issues have been identified.

We are a technology-enabled organization, with technology-based accounting guidance and tools as well as audit platforms and resources, which enables our engagement teams to effectively operate in our offices or remote working environments.

Embracing digital technology

We are committed to serving the public interest and creating value through continuous innovation.

The digital audit is increasingly integral to how KPMG performs quality audits and interacts with our clients. We are transforming the audit experience for our professionals and clients by leveraging the data and insights of leading technologies and enhancing audit quality by increasing our focus on the issues that matter.

Evolving our audit through intelligent, standards-driven workflows

We recognize that to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world. Although technology can advance quickly, we have policies and guidance to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment, and support of technology in our audits.

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

KPMG Clara is a foundational technology platform for KPMG to deliver quality audits using new capabilities in a globally consistent way, enabling the audit workflows and providing a fully digital experience for our audit professionals. The deployment of the KPMG Clara workflows and revised audit methodology over the past two years is an important milestone in KPMG's journey to innovate, digitalize, and transform the audit experience. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

KPMG Clara

Designed to be our smart and intuitive technology platform, KPMG Clara is driving globally consistent audit methodology through data-enabled workflows. As a fully integrated, scalable, secure, cloud-based platform, KPMG Clara assimilates new and emerging technologies with advanced capabilities that leverage data science, audit automation, and data visualization.

KPMG Clara also integrates the entity's data into the workflow to provide meaningful insights during the audit. This assists the engagement team in obtaining an improved understanding of the business processes and underlying flow of transactions, enabling a more precise risk assessment and the development of a tailored audit approach. Current capabilities include the following:

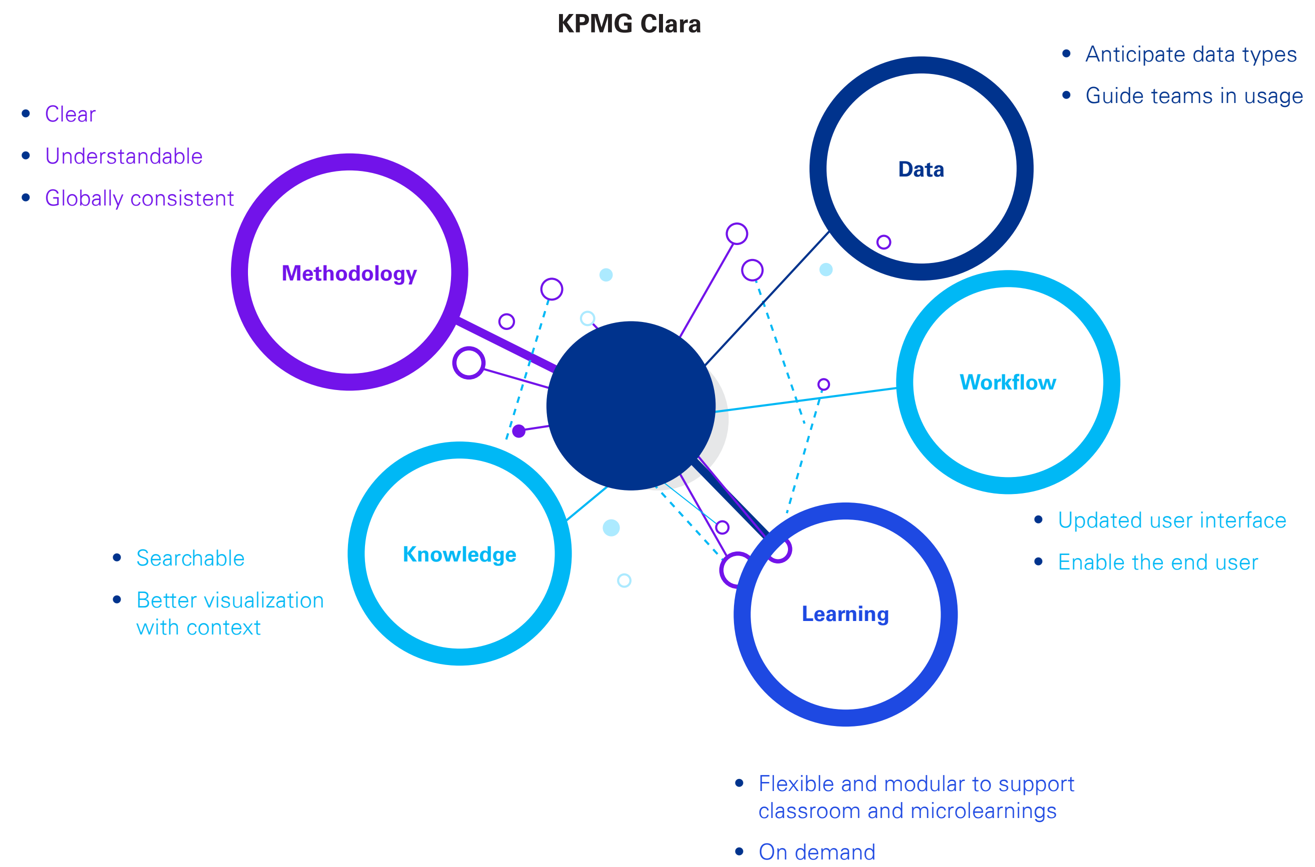
- Analysis of journal entry transactions to allow for the identification of individual journal entries that are considered high risk and automating related audit documentation
- Automating the preparation of analytics and enabling dynamic comparison of current- and prior-year balances to highlight changes over time through visualization of balances and time series analysis
- Providing an enhanced understanding and visualization of transaction flows through accounts and processes
- Enabling the performance of certain automated audit procedures using transactional subledger data from the entity's Enterprise Resource Planning system.

Additionally, the KPMG Clara platform includes a client-facing element known as KPMG Clara for clients, facilitating secure interaction between KPMG engagement teams and their clients globally. It is a key component in the next generation of audit solutions providing advanced features, such as artificial intelligence, blockchain, and cognitive capabilities, transforming how audits are delivered.

Other transformative tools and technologies

We support and encourage the use of other tools and technologies, such as PowerBI and Alteryx, in the execution of our audits. The data and analytic capabilities of these tools are transforming our audits and can enhance the audit experience for our clients and people. From transformation of data to a more effective risk assessment, the use of such tools can provide better audit insights and thus increase audit quality and effectiveness.

The use of newer technologies also means that our professionals must learn how to use them effectively. We provide platforms for our people to share tips and success stories on using technologies, promote their learning proficiency and accomplishments of key tools, and make it easier to find and access approved technology tools that fit their engagement needs.



Being independent and ethical

Independence policies

Our independence policies require that our firm and professionals be free from prohibited financial interests in and relationships with the entities we audit, their affiliates, individuals in financial reporting oversight roles, and significant owners. We remain committed to demonstrating independence, both in fact and appearance, and as such, require adherence to applicable independence requirements and ethical standards, which meet or exceed the standards promulgated by the SEC, PCAOB, AICPA, Government Accountability Office (GAO), and other applicable regulatory bodies.

Our national Independence Group, which is a dedicated group of experienced partners and employees led by the National Partner in Charge, Independence and reporting to the National Partner in Charge, Risk Management – Audit and Independence, is responsible for our independence policies, processes, and controls in the areas outlined below. To promote the objectivity of the Independence Group, it is part of Risk Management led by the Vice Chair – Risk Management, who reports directly to the Chair and CEO and has no operational responsibilities for Audit or any other service function.

Personal independence

Each professional has ultimate responsibility for maintaining personal independence. We are focused on such maintenance and have strengthened our comprehensive program over the past several years to support our professionals in the fulfillment of their responsibility to maintain their personal independence.

In addition to policies prohibiting any partner or employee from trading on inside information, our partners, members of the management group, and those providing professional services to an entity we audit or its affiliates (collectively, restricted entities) may not have direct or material indirect investments in that restricted entity.

The KPMG Independence Compliance System (KICS) contains an inventory of SEC registrants and other entities from which we must be independent, along with the securities issued by those entities. These entities and securities are marked as "restricted" in KICS. Before purchasing a security, securing a loan, or initiating other financial relationships, all partners, members of the management group, and any professional providing professional services to an entity we audit or its affiliates are required to use KICS to determine whether the entity is restricted. Additionally, acquisitions and disposals of investments and loans must be reported in KICS, which automatically notifies professionals if a previously permissible investment or loan becomes restricted. The firm also employs other compliance monitoring processes, such as audits of individuals' compliance with personal independence policies, to identify and remediate instances of noncompliance with the firm's independence policies. For most types of investment accounts, all partners and members of the management group are required to use brokers that automatically update our professionals' KICS accounts, enabling timely reporting of investments and identification and disposal of prohibited investments.

Certain professionals also may be subject to limitations related to other financial relationships (e.g., credit cards, insurance products, and bank accounts) with restricted entities. In addition, certain firm professionals are not permitted to have a close family member in an accounting or financial reporting oversight role with an audit client or, in certain cases, its affiliates.

Over the past several years, we have incorporated several activities designed to increase compliance with reporting requirements of financial interests by our management group. With the incorporation of those activities into our on-going operations, as well as with our continued evaluation and enhancement of actions associated with improving compliance with financial interest reporting requirements, we have transformed our program related to personal independence compliance.

Postemployment relationships

KPMG professionals are required to report promptly to the firm any discussions or contacts regarding possible employment that they may have with an audit client or its affiliates.

If an audit engagement team member intends to engage in possible employment discussions or negotiations with an audit client, they are immediately removed from the engagement. Their work is reviewed to assess whether the professional exercised appropriate skepticism and, when appropriate, the work may be reperformed.

If a former KPMG professional accepts employment with an audit client or with certain affiliates, then the engagement team considers the appropriateness or necessity of modifying the audit procedures to adjust for the risk that the former professional's prior knowledge of the audit plan could reduce audit effectiveness.

For SEC issuer entities we audit, a former member of the audit engagement team may not accept employment in a financial reporting oversight role at such entity until the required "cooling-off" period, which in most cases is more than 12 months, has expired.

Rotation of audit partners

To comply with the Sarbanes-Oxley Act of 2002 and SEC independence rules, lead audit engagement partners and certain other partners and managing directors are subject to specific rotation requirements that limit the number of consecutive years certain individuals may provide services to an SEC-registered entity that we audit.

The firm's policies also limit the number of years certain individuals may provide services to audit clients not subject to SEC independence rules. To facilitate compliance with these requirements, the firm uses its Partner Rotation System, which assists in tracking assignments of certain personnel and initiating personnel changes on entities we audit. Additionally, Risk Management must approve any proposed change of a lead audit engagement partner of an SEC registrant if the change is for any reason other than required partner rotation or normal partner retirement. Our monitoring system also aids in the development of timely transition plans that help the firm to deliver consistent quality of service to the entities we audit. The process of overseeing and tracking service periods and rotations is subject to compliance testing as part of various monitoring functions.

Firm financial independence

Our Independence Group reviews all potential new firm financial transactions, including direct investments in firm pension and employee benefit plans, for potential independence issues and conducts monthly reviews of firm investments and loans to confirm that there are no investments in, or loans from, restricted entities. We test ownership threshold levels to safeguard that any indirect financial interest in an entity we audit is not material.

KPMG also uses KICS to record the firm's direct investments, including those held in pensions and employee benefit plans.

Additionally, we record in KICS all firm borrowing and capital financing relationships, as well as custodial, trust, and brokerage accounts that hold member firm assets.

On an annual basis, the firm evaluates compliance with independence requirements as part of the KPMG Quality & Compliance Evaluation Program.

Pursuits of SEC audit engagements

A prospective client may request the firm and other bidders to respond to a Request for Proposal (RFP) through a competitive selection process before awarding work. During such a process, we do not allow our professionals to receive material information from a prospective client that would not be made available to other participants (e.g., other firms/bidders), as that could provide the firm with an unfair competitive advantage.

When there is a competitive RFP pursuit of an SEC audit engagement, we require our professionals on the pursuit team to confirm that during the pursuit process, they were in compliance with firm policies and professional standards regarding objectivity, integrity, and independence.

Approval of audit and nonaudit services

Our policies and procedures, including the Sentinel system, help us prevent the provision of prohibited nonaudit services to audit clients, facilitate audit committee preapproval of permitted services, and allow us to identify and manage potential conflicts of interest.

Engagement leaders are required to reflect the legal and ownership structures of audit clients and their affiliates in Sentinel. Additionally, KPMG member firms must enter every proposed engagement (and the client for which it relates) into Sentinel before starting work. Sentinel identifies whether the proposed service is for an audit client or an affiliate of an audit client. When the engagement is for an audit client or affiliate, an evaluation of the permissibility of the service, including potential threats and safeguards, is required to be included in Sentinel. Sentinel notifies the engagement leader of all services proposed for their audit client or its affiliates. For all services proposed for SEC-registered and certain nonpublic entities we audit, the engagement leader reviews the service for permissibility and obtains preapproval of permitted services from the audit committee before approving the Sentinel request. 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 conclude or be reevaluated for permissibility; otherwise, the services are required to be exited.

For engagements subject to GAO standards, the lead audit engagement partner or managing director must approve nonaudit services before they begin.

Further, when an audit client plans to engage in a merger, acquisition, or other transaction that will result in a new entity becoming an affiliate of the audit client, Sentinel allows the firm to identify services and other relationships that may exist between the firm or a KPMG member firm and the potential new affiliate. The firm evaluates the need to exit or otherwise resolve any services, relationships, or conflicts that may be impermissible under the independence rules should the entity become an audit client affiliate.

Business relationships, suppliers, and financial relationships

Firm policies and procedures require that our business, supplier, and financial relationships with audit clients are identified, assessed, and maintained in accordance with applicable independence standards. The Independence Group monitors compliance with these policies and procedures.

Further, as part of the business relationship evaluation process, and before entering into a business relationship with a nonaudit client, the firm considers the need for an exit strategy should the firm be required to terminate the relationship due to independence requirements (e.g., if the entity were to become an affiliate of an audit client).

Business acquisitions and investments

When KPMG is in the process of considering the acquisition of, or investment in, a business, we perform due diligence procedures on the prospective target to identify and address any potential independence and risk management issues before closing the transaction.

Training and confirmations

KPMG has established processes to communicate independence policies and procedures to our personnel.

We require all professionals to complete annual independence training and affirm their independence when they join the firm and at least annually thereafter. On a quarterly basis, partners and members of the management group are required to check their KICS account and confirm that their investments and loans (and those of their immediate family members) are properly reported in accordance with firm policies.

Focus on quality through our values
Our business, structure, and ownership
Living our culture and values
Associating with the right clients and engagements
Applying technical knowledge
Embracing digital technology
Being independent and ethical
Nurturing diverse, skilled teams
Performing quality audits
Communicating effectively
Monitoring quality and continuous improvement
Statement of effectiveness of the system of quality control

Independence monitoring

We monitor compliance with our independence policies related to personal financial interests through KICS as well as a personal independence compliance audit process. All partners are subject to independence compliance audits every five years and leadership[9] is subject to independence compliance audits every three years. Client service employees are subject to independence compliance audits on a sample basis.

Annually, the firm conducts over 1,000 independence compliance audits of its partners and employees in addition to performing other monitoring activities. We conduct detailed procedures before new partners and audit managing directors join the firm or are promoted into such roles, to identify financial interests and relationships that would become impermissible in those roles. This allows the financial interest or relationship to be terminated or modified to prevent a violation prior to their joining the firm or the effective date of their promotion.

Through participation in the Audit, Advisory, and Tax Quality Review Programs, the Independence Group evaluates a sample of audit engagements to determine compliance with independence requirements and related firm policies, including, but not limited to, those pertaining to partner rotation; unpaid professional fees; maintenance of group legal, affiliate, and ownership structures in Sentinel; audit committee preapproval of services; required independence communications; and procedures related to employment, familial, and personal relationships. A sample of nonaudit services provided by Advisory and Tax to SEC-registered audit clients also is reviewed to determine compliance with engagement setup and contracting requirements and to confirm permissibility under the SEC and PCAOB independence rules, including audit committee preapproval requirements.

Sanctions for independence violations

All professionals are required to report a potential independence violation as soon as it comes to their attention. Any violations of applicable auditor independence regulations or professional standards are reported to the audit committee or those charged with governance at the audit client.

KPMG has an established and documented disciplinary policy in relation to independence violations, with multiple sanction levels (including financial penalties). Failure to comply with our independence policies, whether self-reported or identified through a personal independence compliance audit or other compliance monitoring process, is subject to discipline. A panel of firm leaders is charged with overseeing the imposition of sanctions for independence violations.

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

Compliance with laws, regulations, and standards is required and expected of everyone at KPMG. We have zero tolerance for bribery and corruption and do not tolerate illegal acts or unethical behavior by third parties, including by our clients, suppliers, or public officials.

KPMG professionals are required to take training covering compliance with laws, regulations, and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual noncompliance.

Objectivity

We are committed to maintaining our objectivity and avoiding undue influence. KPMG policies are in place to prohibit KPMG personnel 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 behavior of the recipient or cast doubt on the individual's or the firm's integrity, independence, objectivity, or judgment.

Confidentiality, information security, and data privacy

KPMG has policies and processes that help to ensure that confidential information is treated in accordance with applicable laws, contractual obligations, and professional standards. All KPMG personnel are trained, required to confirm their understanding of, and adhere to the firm's confidentiality, information security, and data privacy policies when they join the firm and at least annually thereafter.

KPMG has dedicated information security and privacy teams and programs; employs a combination of physical, technical, and administrative controls; and conducts assessments of applicable internal systems and third parties.

[9] Members of the Board of Directors and Management Committee

Nurturing diverse, skilled teams

Our people make the real difference and are instrumental in shaping the future of audit at KPMG. We put quality and integrity at the core of our audit practice. Our auditors have diverse skills and capabilities to address complex problems.

One of the key drivers of quality is that our professionals have the appropriate skills and experience, integrity, motivation, and purpose to deliver a high-quality audit. This requires appropriate recruitment, development, training, reward, promotion, retention, and assignment of professionals.

Recruitment and onboarding

Our recruitment strategy is focused on drawing talent from a broad base, including working with established universities, professional organizations, and leadership societies to build relationships with a diversified talent pool at all stages of their career.

The interview process includes recruiting individuals to regularly updated job descriptions and having technical experts participate in the interview process to assess an applicant's skill sets and knowledge base for their role.

Before receiving an offer of employment, all experienced applicants receive the firm's independence guidelines and confirm that they understand these requirements early in the recruiting process. Campus hires receive this information at the time of offer. Anyone who accepts an offer must complete an authorization for release of information, which allows the firm to conduct a background investigation that verifies certain information through independent sources. Upon joining the firm, new hires complete required training programs on independence, ethics, respect and dignity, protection of confidential information, document retention, and security, in addition to any applicable practice-related training. Situations involving independence or conflicts of interest are resolved before the individual can begin employment.

Professional development

In support of audit quality, we are committed to the growth and development of our professionals. We continuously evaluate and improve upon our methods of identifying the developmental needs of our professionals and our instruction by assessing results gathered through monitoring our audits, course evaluations, focus groups, testing, and follow-up surveys. Additionally, our professionals are required to maintain their technical competence and to comply with applicable regulatory and professional requirements regarding continuing professional education (CPE).

Since reopening our offices, we returned to live training and for the first time since opening Lakehouse,[10] we gave all Audit professionals, including Technology Assurance professionals, the option to attend training live or virtually for three days at Lakehouse. Learning in 2022 was broken into three phases: (1) virtual prerequisites on baseline knowledge, (2) live hands-on application with their engagement teams, and (3) performance support accessed at the time of need. Engagement team members were encouraged to plan their development as a team in a manner that supports the delivery of a quality audit.

[10] Opened in 2020, Lakehouse is our firm's cultural home and learning facility in Orlando, Florida.

We continue to prioritize the delivery of data and technology enablement learning to our professionals. Audit professionals completed in aggregate over 120,000 hours of learning on using data and enabling technologies in the audit in 2022. At the new hire through new Senior Associate level, we trained professionals on data literacy and data extraction and transformation. At the experienced Senior Associate level and above, professionals collaborated with their engagement teams to apply tools and technology routines using their actual engagement data. Additionally, our Audit and Technology Assurance professionals are trained on audit procedures over information technology.

In 2022, the firm launched Degreed, an externally developed, industry-leading Learning Experience Platform. The platform serves as single point of access to a large catalog of internal and external learning solutions and makes it easier for professionals to drive their own development, support the development of their teams, and engage more actively in their learning.

Client service professionals who hold or are eligible to hold a CPA license[11] must be licensed to practice in the state where their principal place of business is located and meet CPA licensing or reciprocity requirements in any other state in which they practice public accounting, where applicable. The firm monitors licensure, including expiration and renewal, for our professionals using firm records and a database, which generates a notification to professionals before license expiration. Professionals who are deficient in meeting our CPE and CPA licensing requirements may be subject to disciplinary action.

Our Ethics and Compliance Group tests and monitors compliance with firm policies related to CPE and CPA licensing.

Diversity, equity, and inclusion

Diversity, equity, and inclusion (DEI) is a longstanding commitment and foundational component of our firm's values and long-term business strategy. It is top-of-mind for our CEO and senior leadership team, Board, and our Chief DEI Officer, all working in concert to achieve our Accelerate 2025 vision as described in our 2022 KPMG U.S. Impact Plan.

We are proud of our work over the past year, which includes an intentional focus on accessibility, consistency of experience, and opportunities to engage everyone in supporting our DEI ambition. We continue to partner with Community Impact to invest in early career pipeline development initiatives and the KPMG Foundation to expand our reach beyond the firm to the broader society. To hold ourselves accountable, we have further committed to greater transparency on delivering against these aspirations.

At the end of fiscal 2022, the firm's workforce is comprised of:

- Underrepresented[12] groups at 68 percent, with 43 percent at the partner and managing director level
- Women at 46 percent, with 26 percent at the partner and managing director level
- People of color at 37 percent, with 18 percent at the partner and managing director level.

We are making great efforts against our goal to establish ourselves as the leading professional services firm, with the most diverse representation and engagement at all levels of the organization. Recent examples of these efforts include:

- Deepening our relationships and investments with historically Black colleges and universities to support underrepresented individuals and diversity in our profession, better empowering us to deliver quality and innovation long-term
- A two-month program called KPMG CPA Kickstart that enables new hires to focus on two of the most difficult sections of the CPA exam, facilitating the transition to full-time work seamlessly. To date, the program is comprised of 71 percent of underrepresented professionals, while 52 percent of participants identify as people of color
- A robust sponsorship program for underrepresented professionals in our pipeline for promotion to partner or managing director, which includes direct coaching and active career engagement by our most senior partners and workshops on career progression and advancement.

We want to compel and inspire others—including clients, vendors, and communities—to partner, collaborate, and share leading practices that will benefit the professional services industry. We invite you to review our 2022 KPMG U.S. Impact Plan and look forward to sharing more information in the 2023 KPMG U.S. Impact Plan.

[11] Professionals are "eligible to hold a CPA license" if they have passed the CPA exam and meet applicable state educational and experience requirements but have not yet applied for a CPA license.

[12] Underrepresented groups are individuals who identify as women, Asian, American Indian/Alaska Native, Black, Hawaiian/Other Pacific Islander, Hispanic Latino, two or more races, LGBTQ+, people with disabilities, and military service.

Performance measurement, advancement, and compensation

All partners and employees participate in annual expectation setting and semiannual performance evaluations. Our performance measurement model, which includes Values, Quality (for Partners/Managing Directors), Competencies, and Contributions, provides a consistent framework by which leadership and people management leaders may discuss performance relative to goals and objectives and career development aspirations. In addition to considering adherence to our firm's values, we evaluate each professional on skills and behaviors that include a focus on quality, compliance with professional standards and firm policies, technical competencies, engagement execution, leading and developing people, and continuous learning. They are also assessed on their contribution to their practice and the firm, as measured through their achievement of their individual business objectives, and if applicable, key metrics. The results of each professional's annual performance evaluation directly affect their compensation and advancement and, in some cases, their continued association with our firm.

KPMG has compensation and promotion policies that are informed by market data and linked to the performance review process. This helps our employees know what is expected of them and what they can expect to receive in return. The connection between performance and reward is achieved by assessing relative performance across a peer group to inform reward decisions. Reward decisions are based on consideration of individual performance, firm performance, and market considerations.

Our partnership and managing director admission process is thorough. Each candidate, whether a direct-entry or internal nomination, undergoes a due diligence process that includes a background check, independence review, ethics and compliance review, and if appropriate, consultation with the Office of General Counsel. Candidates are interviewed by several members of firm leadership, including a professional practice or risk management partner and a member of the Board. Each internal partner and managing director candidate also undergoes an extensive review by a number of departments, including Risk Management. All recommendations for admission to the partnership and as managing director must be approved by our Management Committee or Board.[13]

Audit partner compensation is determined annually by Audit leadership and approved by our Management Committee and Board. The professional practice partners have significant involvement in evaluating Audit partner performance, including consideration of audit quality indicators in compensation recommendations. Additionally, one of the factors considered in the compensation of Tax and Advisory partners who participate in audit engagements is their performance relative to audit quality.

Our policies for setting compensation amounts do not allow Audit partners (and certain other partners meeting the definition of an Audit partner for purposes of this policy) to be compensated for procuring nonaudit service engagements with an entity that they audit.

All partners are compensated out of the firm's profits, which are based on the firm's results as a whole and are not dependent directly on the performance of any particular line of business or function. Individual partner compensation is set considering sustained quality, contributions, roles and responsibilities, leadership values, and behaviors.

[13]Recommendations for admission to the partnership are approved by the Board while recommendations for admission as managing director are approved by the Management Committee.

Assignment of engagement teams

KPMG has procedures in place to assign engagement leaders and other professionals to specific engagements based on their skill sets, relevant professional and industry experience, the nature of the assignment or engagement, and available capacity. Engagement leaders' and quality control reviewers' assignments are approved by business unit leadership and may also be subject to regional and national leadership approval, including Risk Management, based on the individual characteristics of the specific engagement.

The engagement leader considers whether the engagement team collectively has the appropriate competencies and capabilities, including time, to perform the audit engagement in accordance with our audit methodology, professional standards, applicable legal and regulatory requirements, and firm policies. This consideration may result in the engagement leader involving specialists from our own firm, other KPMG member firms or external experts. Engagement team knowledge, skill, experience, and ability may include:

- 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 IT, tax, actuarial, and valuation
- Knowledge of relevant industries in which the audit entity operates
- Ability to apply professional judgment and professional skepticism
- An understanding of the KPMG system of quality control
- Quality Performance Review (QPR) results and results of regulatory inspections
- Ratings from internal and external reviews
- Available time to fulfill the audit responsibilities.

Performing quality audits

The KPMG audit is, where applicable, an integrated audit model, which incorporates both the audit of the financial statements and the audit of internal control over financial reporting. Our integrated audit is enhanced through timely communications with audit committees and company management throughout the audit process.

We use our knowledge and experience to identify and assess risks to determine the nature, timing, and extent of audit procedures. The higher the risk, the more persuasive the audit evidence needs to be to address such risks. We exercise professional skepticism throughout the audit by gathering and objectively evaluating the sufficiency and appropriateness of audit evidence, which includes both confirming and disconfirming evidence.

The KPMG integrated audit addresses our clients' manual and automated controls. We integrate our Tax professionals into the core audit engagement team, when appropriate, and incorporate procedures to identify and respond to fraud risks.

The KPMG audit also guides the conduct of audits of financial statements consisting of two or more components (group audits) and clearly delineates responsibilities relative to managing group audits and the involvement of the group audit engagement team in the work performed by the component auditor. We have policies and guidance related to matters that merit special consideration in group audits, including:

- Performing the group risk assessment, including obtaining an understanding of the group, its components, and their environments
- Evaluating groupwide controls
- Communicating with component auditors and being involved in their work to facilitate supervision and review
- Evaluating the adequacy of the component auditors' work to determine whether sufficient appropriate audit evidence has been obtained.

Consultation and differences of opinion

We have established protocols for consultation regarding significant accounting, reporting, and auditing matters, including procedures to resolve differences of opinion on audit engagement issues. Consultation within the firm is encouraged and, in certain circumstances, required in accordance with firm policy. Technical support for each engagement team comes from DPP and a network of professionals with experience in topics such as tax, valuation, technology, and other business areas, as well as from our Professional Practice Partners.

Differences of opinion may arise within the engagement team, with those consulted, or between the engagement leader and the quality control reviewer. When an engagement team member does not agree with the resolution of a difference of opinion, even after appropriate consultation including DPP, and believes it necessary to be disassociated from the matter, the individual documents the matter, including the basis for resolution, in the audit documentation. If there are disagreements within DPP over the conclusions reached, then the alternative view, with input from the dissenting DPP professional, is fully documented and the Chief Accountant or Chief Auditor in DPP and the DPP PIC are consulted.

We also do not issue the auditors' report until differences of opinion are documented and the final conclusion is implemented and documented.

Engagement leader and manager involvement

The engagement leader is responsible for the direction, supervision, and performance of the engagement and therefore responsible for the overall quality of the audit engagement.

The engagement leader is responsible for the final audit opinion and reviews key audit documentation, including documentation relating to significant matters arising during the audit and conclusions reached. In preparing the auditors' report, engagement leaders have access to reporting guidance and technical support from DPP. The engagement manager assists the engagement leader in meeting these responsibilities and in the day-to-day liaising with the client and team, building a deep business understanding that helps the engagement leader and team deliver a quality audit.

Critical assessment of audit evidence with emphasis on professional skepticism

The nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. Further, each team member is required to exercise professional judgment and maintain professional skepticism throughout the audit engagement.

Professional skepticism involves a questioning mind and critical assessment of audit evidence, including alertness to contradictions or inconsistencies. Professional skepticism features prominently throughout the auditing standards and our methodology—the KPMG audit emphasizes the importance of maintaining an attitude of professional skepticism throughout the audit.

Our professional judgment framework includes a number of components, such as mindset, seeking advice, knowledge and professional standards, influences and biases, reflection, and coaching. In addition, our professionals also receive training on incorporating our Ethical Decision-Making tool, which provides a uniform framework to guide professionals through doing the right thing in the right way. The application of the professional judgment framework and professional skepticism is reinforced through ongoing coaching and training, in recognition of the fact that judgment is a skill developed over time and through a range of different experiences.

By using the framework, we:

- Enhance our professional judgment and professional skepticism
- Exercise appropriate judgments in a consistent manner
- Enhance audit documentation associated with the exercise of professional judgment and professional skepticism
- Effectively coach and mentor team members in how to apply professional judgment.

Coaching, supervision, review, and support for the engagement team

To invest in the building of skills and capabilities of KPMG professionals, the firm promotes a continuous learning environment and supports a coaching culture. Ongoing direction, coaching, supervision, and support during an audit involves:

- Participation of the engagement leader in planning discussions and execution of the audit
- Tracking the progress of the audit engagement
- Considering the competence and capabilities of the engagement team, including whether they have sufficient time to carry out their work
- Helping the engagement team understand their instructions and confirming that the work is being carried out in accordance with the planned approach to the engagement
- Helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately
- Identifying matters to review and discuss with more experienced team members during the engagement
- Timely review of the work performed so that significant matters are promptly identified, discussed, and addressed
- Monitoring procedures of public company integrated audits prior to the issuance of the report (preissuance review).

Our AQSN program encompasses select Audit partners and managing directors who recently completed a rotation in DPP and have returned to a local office. Each AQSN member goes through an annual accreditation process and works closely with local and national audit leaders to provide direct audit quality coaching and support to engagement teams in areas that will have the most significant effect on audit quality.

Appropriate involvement of the quality control reviewer

KPMG continually seeks to strengthen and improve the role that the quality control reviewer plays in audits, as this is a fundamental part of our system of quality control. Every KPMG audit involves either an engagement quality control review or a limited-scope quality control review (collectively, a quality control review). The type of quality control review depends on the type of audit.

An engagement quality control review is performed for audits of financial statements of public entities, including those going through the IPO process, and audits of internal control over financial reporting as well as other engagements we designate. Such a review includes consideration of the appropriateness of the financial statements and related disclosures, review of the auditors' report(s) to be issued, review of select audit documentation, and an evaluation of any significant judgments and related conclusions as part of the overall conclusion on the engagement. A limited-scope quality control review is performed for audits that do not meet the above criteria for an engagement quality control review. These reviews provide reasonable assurance that, among other things, the entity's financial statements comply with applicable accounting and reporting standards and relevant regulatory requirements and that the auditors' report(s) is appropriate. All quality control reviewers must be independent of the entity and maintain integrity and objectivity.

Reviewers meet certain qualifications, training, and experience criteria to perform a quality control review for a particular engagement. SECRPs are select Audit partners who perform engagement quality control reviews of public company audits. They receive additional internal training and are knowledgeable and experienced in SEC accounting and reporting matters and PCAOB standards, including PCAOB Auditing Standard No. 1220, *Engagement Quality Review*. These partners are also supported by professionals who assist them in reviewing the engagement team's audit documentation.

KPMG requires a quality control review before the release date of the reports for financial statement audits, integrated audits, financial statement reviews, reviews of interim financial information, audits or reviews by component auditors (with certain exceptions), and other attest reports (except compilation reports) that may be used by more than one KPMG member firm or relied upon by other parties.

Engagement documentation

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

KPMG policy requires engagement teams to complete all procedures and address matters raised through the supervision of engagement team members before the report date and close the audit workpaper file within two business days of the report release date. We also require engagement teams to complete the workpaper assembly and record retention process within five business days after the release of the report.[14] To make it easier for engagement teams to file and retain documentation, we automated the archiving and file closeout process. Our new audit professionals are trained on the documentation assembly and record retention process in connection with this policy, process, and technology.

In accordance with the relevant SEC and PCAOB rules, as well as other applicable standards, laws, and contractual requirements, the firm's document retention policies set forth the retention period for documentation related to audit, advisory, and tax engagements as well as other firm documentation.

[14]PCAOB auditing standards require that a complete and final set of audit documentation be assembled for retention within 45 days after the report is released.

Communicating effectively

Insightful, open, and honest two-way communication

Effective two-way communication between the auditor and the audit committee and management is key to audit quality and is a key aspect of reporting and service delivery.

We stress the importance of keeping the audit committee and management informed of issues arising throughout the audit through guidance and support resources. We achieve this through a combination of reports and presentations, attendance at audit committee (and, as appropriate, board) meetings, and ongoing discussions.

The firm provides templates to engagement teams to facilitate the relevance, timeliness, and quality of the communications with the audit committee in a manner consistent with the requirements of the relevant rules, regulations, and standards.

Client feedback

We proactively seek feedback from clients and audit committees through in-person interactions and third-party surveys to monitor their satisfaction with services delivered. We encourage open, honest conversations about what is going well and areas for improvement. We endeavor to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs.

Partner and employee surveys

Throughout the year, partners and employees are invited to participate in independent surveys that measure their overall level of engagement with the firm and cover areas of focus that are directly relevant to audit quality. The results provide leadership with information about drivers of business performance; employee engagement and motivation; audit quality and risk behaviors; upholding of KPMG values; and attitudes to quality, leadership, and tone at the top. The findings also enable leadership to see how the firm is progressing against strategic priorities and provide metrics that identify potential areas that may require leadership attention.

KPMG Audit Committee Institute and Board Leadership Center

Recognizing the demanding and important role that audit committees play for the capital markets and the increasing complexity and scope of their oversight responsibilities, the KPMG Audit Committee Institute (ACI) aims to help audit committee members continually enhance their effectiveness. As part of the KPMG Board Leadership Center (BLC),[15] ACI provides audit committee members with insights, programs, and resources—such as the KPMG Audit Committee Guide—on matters of interest to audit committees and boards. These matters include financial reporting developments and technical updates, cybersecurity and data privacy, risk oversight, corporate culture and compliance, and oversight of auditors. ACI and BLC provide peer exchange opportunities for audit committee members and directors to dialogue on common challenges, emerging governance practices, and the evolving expectations of investors and other stakeholders for ever-greater transparency and a focus on long-term value creation.

ACI programs are hosted by KPMG member firms in approximately 30 countries today.

IFRS Institute

KPMG's International Financial Reporting Standards (IFRS) Institute provides information and resources to help users of IFRS, including board and audit committee members, executives, management, stakeholders, and government representatives gain insight and access thought leadership about the evolving IFRS global financial framework. In addition, KPMG has specific education and experience requirements for professionals working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework, which the IFRS Institute supports.

[15] KPMG BLC serves as an educational resource for corporate board members and closely collaborates with other leading director organizations to promote continuous education and improvement of public and private company governance.

Monitoring quality and continuous improvement

KPMG is committed to continually improving the quality, consistency, and efficiency of our audits. Our quality monitoring and root-cause programs enable us to identify deficiencies in quality; perform root-cause analysis; and develop, implement, and report remedial action plans, both in respect of individual audit engagements and our system of quality control. The following paragraphs discuss other elements of our commitment to continuous improvement, including our compliance with KPMG International key policies and procedures.

Monitoring and compliance programs

The firm's monitoring programs are created by KPMG International and applied across KPMG member firms. The programs evaluate compliance with applicable professional standards, applicable laws and regulations, and KPMG International key policies and procedures by the firm and at the level of an engagement. In addition, the firm is evaluated on the relevance, adequacy, and effective operation of its key quality control policies and procedures.

Our internal monitoring programs also help us assess whether our system of quality control has been appropriately designed and implemented and operates effectively. These include engagement-level Quality Performance Reviews (QPR) as well as the firm-level Global Quality & Compliance Review (GQ&CR) program and the KPMG Quality & Compliance Evaluation (KQCE) program. The results of our annual assessment of our system of quality control are included in the firm's KQCE results.

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

Inspections Group

We reinforce our commitment to audit quality through our Inspections Group, which is comprised of highly skilled professionals whose function is to monitor the quality of our audit engagements and interact with external inspectors and peer reviewers.

The Inspections Group executes our annual internal inspection program for the Audit practice by performing preissuance inspections for in-process audits and postissuance inspections of completed audits, liaising closely with the Root Cause and Collaboration Group. The group also coordinates and acts as the principal interface for external audit quality reviews, including the annual PCAOB inspection of the firm and the triennial AICPA peer review program.

To further enhance the objectivity of those who conduct internal inspections and interact with external inspectors and peer reviewers, our Inspections Group is part of Risk Management, which is independent of the Audit practice. This enables the group's internal inspections of the firm's audits to be completely objective and free from any potential influence or perceived pressures from engagement leaders or Audit leadership.

Audit Quality Performance Reviews (QPRs) program

The Audit QPR program assesses engagement performance and identifies opportunities to improve engagement quality. We conduct the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at the firm level and are monitored regionally and globally.

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the engagement under review. Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be appropriately rigorous in the reviews.

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

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations. Audit engagements selected for review are rated as "Compliant", "Compliant-Improvement Needed", or "Not Compliant".

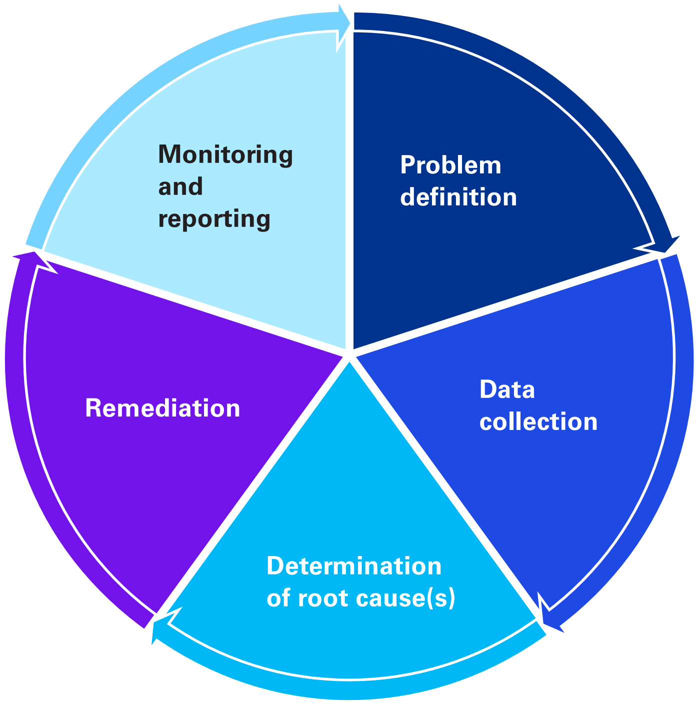
Findings from the QPR program are disseminated to firm professionals through written communications; internal training tools; and periodic partner, manager, and staff meetings. These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Root Cause and Collaboration Group

The role of the RCCG is to respond to engagement and firm-level audit quality control matters raised through internal and external inspections or through other channels by (1) gathering information associated with audit quality matters, identifying the root causes of those deficiencies, and supporting the development of remedial action plans designed to enhance audit engagement performance or quality controls; and (2) enhancing the firm's overall processes to build audit quality considerations into operational and business initiatives through ongoing collaboration with other Audit practice groups. The RCCG analyzes root causes associated with audit quality matters through a process tailored to specific circumstances, which involves defining the problem, collecting and analyzing data, and identifying root causes. To address root causes, the RCCG also helps develop, implement, and monitor remedial actions that are selected by the senior Audit leadership team in conjunction with other Audit practice groups and Audit professionals.

Our RCCG professionals are trained using the Global root-cause analysis (RCA) 5 Step Principles, which provides a common platform for advancing the practices and skills associated with resourcing, planning, and conducting RCA.

Global RCA 5 Step Principles



KPMG Quality & Compliance Evaluation (KQCE) program (formerly known as Risk Compliance Program)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG member firms. These policies and processes and their related procedures include the requirements of the Global Quality & Risk Management (GQ&RM) Manual, ISQC 1, and the implementation requirements of ISQM 1 for this transition period.

The objectives of the KQCE program are to:

- Document, assess, and evidence the firm's implementation of ISQM 1 and the extent of compliance of our system of quality control with the GQ&RM policies and key legal and regulatory requirements and
- Provide the basis for the firm to evaluate that we and our personnel comply with relevant professional standards and applicable legal and regulatory requirements.
- Where exceptions are identified, we are required to develop appropriate action plans and then monitor the status of each action item.

Global Quality and Compliance Review (GQ&CR) program

Each KPMG member firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria. The GQ&CR team is objective and knowledgeable of GQ&RM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share leading practices among member firms. The GQ&CR 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
- Compliance with KPMG International policies and procedures
- Effectiveness with which the member firm performs its own quality and compliance program (former RCP and current KQCE program).

We develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree these with the GQ&CR team. The GQ&CR central team monitors our progress on the action plans. Results are reported to the Global Quality and Risk Management Steering Group and, where necessary, to appropriate KPMG International and regional leadership. We also consider the GQ&CR results during our annual assessment of our system of quality control.

External reviews

Regulatory

The PCAOB oversees auditors of U.S. public companies to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB conducts periodic inspections of registered public accounting firms, and we are subject to annual inspection. The PCAOB plays an important role in improving audit quality and the results of its inspection process provide areas of focus to enhance our engagement performance and strengthen our system of quality control.

In each PCAOB inspection, certain of our public company audit engagements were selected for review and certain procedures relating to the activities and responsibilities of our executive and national offices were performed. As initially published, the PCAOB's inspection reports include a public portion (Part I), which describes the PCAOB's observations related to the audits inspected, and a nonpublic portion (Part II) that includes the PCAOB's criticisms of, or potential defects in, the firm's system of quality control. The quality control observations remain nonpublic if the firm demonstrates to the PCAOB's satisfaction that it has made substantial, good-faith progress toward remediating the quality control observations in the report within the 12 months following the initial publication of the report.

The status of the five most recent PCAOB inspections are presented in the table below.

Inspection Year	Release Date of PCAOB Report	Date of Firm's Response*
2022	Not yet released	N/A
2021	December 19, 2022	By November 3, 2023
2020	November 2021	September 2022
2019	February 2021	December 2021
2018	June 2020	March 2021

*To nonpublic portion of the report

The public portions of the PCAOB inspection reports are available on our website: home.kpmg/us/en/home/about/regulatory-and-peer-reviews.html.

While KPMG does not disclose nonpublic portions of PCAOB inspection reports, we would be pleased to discuss with our clients the range of activities we have undertaken to enhance audit performance.

Peer review

To comply with licensing requirements of state boards of accountancy, the GAO, and membership in the AICPA, we undergo external peer review every three years. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. The firm's most recent peer review report on our system of quality control applicable to engagements not subject to permanent PCAOB inspection (nonpublic entity accounting and auditing practice) for the year ended March 31, 2020, was issued with a pass rating by PricewaterhouseCoopers LLP in December 2020.

Our most recent peer review report and the AICPA's acceptance letter are public documents that are accessible through our website at http://home.kpmg.com/us/en/home/about/regulatory-and-peer-reviews.html.

Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work.

We promptly investigate, document, and deal appropriately with:

- Complaints and allegations that work performed by us fails to comply with professional and ethical standards or regulatory or legal requirements
- Allegations of non-compliance with our quality and risk management architecture
- Deficiencies in the design or operation of our quality control policies or procedures or non-compliance with our quality and risk management architecture, as identified during investigations into complaints and allegations.

Our process for reviewing such matters is set forth in the firm's Investigation Protocols, under the supervision of our Chief Ethics and Compliance Officer. Investigations and reports are handled in a confidential manner, consistent with applicable law and the need to investigate and take corrective action.

In response to a substantiated report, we take appropriate disciplinary action against the offender, including termination of employment, separation from the partnership, or other measures.

Statement of effectiveness of the system of quality control

As set forth earlier in this report, KPMG is committed to providing high-quality professional services, including audit services, in an ethical manner for all constituents, including entities that are listed on capital markets around the globe. Maintaining an effective system of quality control is paramount to achieving this commitment and the consistent performance of high-quality audits. The Audit practice performs an annual evaluation of the policies and procedures and operation of its system of quality control. The system of quality control includes, among other components of the system of quality control, monitoring the results of the Audit practice's internal inspection program, as well as evaluating the results of external regulatory and peer reviews. The results of these activities, together with other activities described in further detail in the "Monitoring quality and continuous improvement" section of this report, are reviewed on a recurring basis to determine and develop corrective actions, as needed, to continually improve the firm's system of quality control. Such evaluations have provided the basis to conclude that the overall system of quality control for the Audit practice is operating effectively.

Appendix

The members of the Board of Directors of KPMG LLP as of the date of this report are:

Chair and Deputy Chair

Paul Knopp

Laura Newinski

Member directors

Jarrod Bassman

Dean Bell

Ed Chanda

Rishi Chugh

Manal Corwin

Per Edin

Jeanne Johnson

Tracy Kenny

Deon Minnaar

Charles Ritter

Mark Shrekgast

Melissa V. Taylor

Greg L. Williams

Tim Zuber

Independent directors

Linda Addison

Roel Campos

Janet Wolfenbarger

About KPMG LLP

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing audit, tax, and advisory services. The KPMG global organization operates in 145 countries and territories and has more than 236,000 people working in member firms around the world.

Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

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