



# Transparency Report 2024

January 2025

[audit.kpmg.us/auditquality/transparency.html](https://audit.kpmg.us/auditquality/transparency.html)



# Focus on quality through values

We are pleased to present our 2024 Transparency Report.

This report provides a comprehensive overview of our governance structure, quality control system, and the measures we take to enable compliance with relevant standards and regulations to deliver quality audits. We believe in transparency and accountability, and this report underscores our dedication to these principles.

We encourage you to read this report alongside our annual Audit Quality Report, which provides further transparency and detailed insights into how we manage our U.S. Audit practice, support our professionals, and uphold the highest standards of quality and integrity.

Thank you for your continued trust and support.



**Paul Knopp**

KPMG US Chair and CEO



**Scott Flynn**

KPMG US Vice Chair—Audit

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We define “audit quality” as the outcome when audits are executed consistently, in line with regulatory requirements and applicable professional standards, within a strong and responsive system of quality control. All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

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

Our values are:



KPMG International means KPMG International Limited unless the context requires the reference to mean KPMG International Services Ltd (which provides services, products and support to, or for the benefit of, member firms or KPMG International Limited but not services, products or support to clients) or KPMG International Cooperative (which owns and licenses the KPMG brand).

Throughout this document, references to “firm,” “KPMG firm,” “member firm,” and “KPMG member firm” refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International Limited is provided in the [About Us page of kpmg.com](#).

# 1 A system of quality control<sup>1</sup> that sustains audit quality

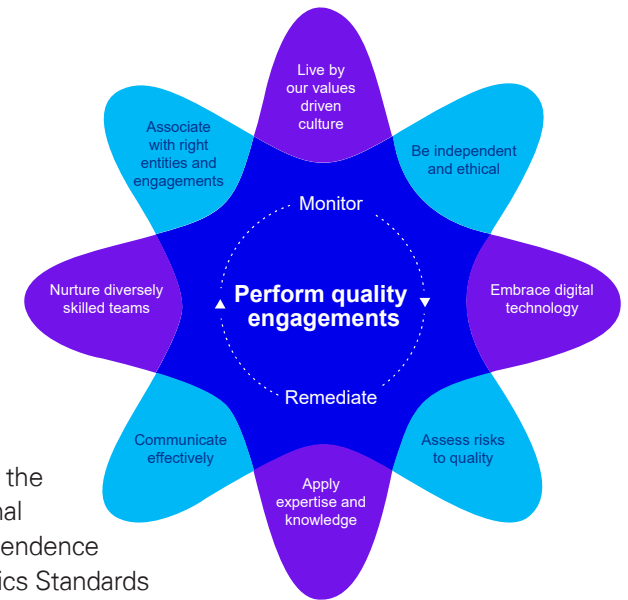
Consistent and strong controls help reduce quality issues, drive operational efficiencies, and enhance transparency and accountability. Across the global organization, KPMG firms have strengthened the consistency and robustness of their systems of quality control (SoQC) to meet the requirements of the International Standard on Quality Management (ISQM) 1, issued by the International Auditing and Assurance Standards Board (IAASB).

KPMG International's global approach to SoQC and ISQM 1:

- Sets policies and procedures to support effective SoQC within KPMG firms in accordance with ISQM 1 issued by the IAASB.
- Establishes globally consistent quality objectives, risks, and responses, including controls.
- Provides KPMG firms with a risk assessment framework to use in identifying incremental KPMG firm specific quality objectives, risks, and controls.
- Supports KPMG firms with guidance, tools, and training to drive consistent and effective firm SoQC operation and annual evaluation.
- Includes monitoring activities over KPMG firms' SoQC to drive global consistency.

The objective of KPMG International's globally consistent approach is to drive consistency, robustness, and accountability across the organization.

<sup>1</sup>While international quality control standards and those of the American Institute of CPAs (AICPA's) Auditing Standards Board have shifted terminology from a "system of quality control" to a "system of quality management," the standard of the PCAOB continues to refer to a system of quality control. The PCAOB has stated that firms would be free to refer to either quality control or quality management. We have used "quality control" for purposes of describing our processes.



In line with ISQM 1, our SoQC aligns with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics).

To provide more transparency in what drives KPMG audit and attestation (collectively, audit) quality, this report is structured around the KPMG Global Quality Framework, which outlines how we deliver quality and how every KPMG professional contributes to its delivery. The framework outlines the ten components of our KPMG SoQC.

Sections 2-11 of the Transparency Report describe how we operate each driver in the Global Quality Framework, aligned with the SoQC components. Combined with our firm's SoQC Statement of Effectiveness (see section 12), this Transparency Report summarizes how our SoQC effectively supports the consistent performance of quality engagements. This report may also be useful for stakeholders interested in our firm's Tax and Advisory services, as certain aspects of our firm's SoQC are cross-functional and apply equally as the foundation of quality for all services offered.

Further, our efforts to comply with ISQM 1 have us well-positioned for the adoption of the new Public Company Accounting and Oversight Board (PCAOB) quality control standard, QC 1000, *A Firm's System of Quality Control*, which will be effective on December 15, 2025. We will evaluate our quality control system under both QC 1000 and ISQM 1 starting in fiscal year 2026.

# 2 | Live by our values-driven culture

It's not just what we do at KPMG that matters, we also pay attention to how we do it. Our values are our core beliefs, guiding and unifying our actions and behaviors. Shared across all personnel, they are the foundation of our unique culture.

## Foster the right culture, starting with tone at the top

### Tone at the top

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

At KPMG, 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 and ethical culture ready to meet challenges with integrity, so we never lose sight of our principal responsibility to serve the public interest.

We are committed to the highest standards of professional behavior in everything we do. Ethics and integrity are core to who we are and why everyone at KPMG is held to this promise of excellence.

## The KPMG multidisciplinary model

KPMG's people leverage multidisciplinary knowledge and experience from across the firm to deliver independent and rigorous Audit, Tax, and Advisory services to entities and stakeholders, earning their trust by meeting our commitment to deliver professional excellence. We firmly believe that our multidisciplinary model is essential to delivering high quality.

## Our business, structure, ownership and strategy

### Our business, structure, and ownership

KPMG LLP (KPMG or the firm) is part of the KPMG global organization<sup>2</sup> 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 90 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 2,400 partners and principals (referred to collectively as partners).<sup>3</sup> Full details about the services we offer can be found at [Services](#).

<sup>2</sup> More information about KPMG International, including the U.S. firm's relationship with it for the financial year ended September 30, 2024, is set out in the [KPMG International Transparency Report](#) and the [Transparency Report—Supplement: Additional Information Required by Article 13 of EU Regulation 537/2014](#).

<sup>3</sup> 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.

## Our strategy

Our strategy is set by our Board and executive management, and demonstrates a commitment to quality and trust.

## Defined accountabilities, roles, and responsibilities related to quality and risk management

### Leadership responsibilities for quality and risk management

Our leadership team is committed to building a culture based on integrity, quality, objectivity, independence and ethics, demonstrated through their actions.

We define the key roles and responsibilities of leadership associated with each of the elements on the quality control standards of the PCAOB, AICPA, and IAASB.<sup>4</sup> Leadership is evaluated annually on their achievement of the following responsibilities under the standards:

- Ultimate responsibility and accountability for the system of quality control (this is the firm's Chief Executive Officer [CEO]).
- Operational responsibility for the system of quality control and its specific aspects, including compliance with independence requirements and the monitoring and remediation process.

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

- **Our Chair and CEO** (in collaboration with the firm's executive leadership and oversight by the Board of Directors), establishes the firm's strategies and direction, including our commitment to audit quality, an ethical culture, and our promise of professionalism to investors, regulators, clients, our partners and employees, and other capital market participants.

- **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 business unit professional practice network and is also responsible for driving and supporting certain monitoring activities within our system of quality control.
- **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. 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.

Our nationally managed Audit practice is supported by an Audit Professional Practice Partner and Audit Practice Leader for Operations, who report to the National Managing Partner—AQPP and National Managing Partner—Audit Operations and Execution, respectively. The Audit Professional Practice Partner provides professional practice and audit quality leadership and directs adherence to firm policies, procedures, and professional standards.

We are organized in ten geographic business units, each led by a Business Unit Partner in Charge (BUPIC), who reports to the Audit Practice Leader for Operations and a Business Unit Professional Practice Partner (BUPPP), who reports to the Audit Professional Practice Partner. For each business unit, the BUPPP is responsible for audit quality and risk management for 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 and the BUPPP are both responsible for professionalism and integrity in each business unit.

<sup>4</sup> 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.

<sup>5</sup> Also discussed in "Institute robust governance structures" section further below

## Professional Practice Partners

Together with the review and oversight of the Audit Professional Practice Partner, BUPPPs:

- Support and advise partners, managing directors,<sup>6</sup> 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 partners and managing directors in the business unit.
- Assign the partner or managing director to lead (engagement leader) each engagement as well as evaluate the ongoing capacity of partners, managing directors, and managers to serve our portfolio.
- Evaluate new entities and new audit and attestation Audit engagements along with the respective engagement leader to address audit risks and association with the entity.

## Department of Professional Practice (DPP)

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. The DPP-PIC also sets and promotes a strong tone and culture supporting audit quality and a commitment to objectivity, professional skepticism, ethics, and integrity throughout DPP.

Additionally, the DPP-PIC oversees root cause activities, audit and accounting consultations, and audit-specific training. In addition, the DPP-PIC is responsible for 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 [“Direction, 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”](#) section of this report.

## Institute robust governance structures

KPMG has two principal governing documents: a Partnership Agreement and Partnership By-laws. 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 safeguards into its governance structure to maintain the independence of the Board from the operational management of the firm.

<sup>6</sup> 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, employee benefit plans that file with the SEC on Form 11-K, and broker-dealers who claim exemption from the customer protection requirements of SEC Rule 15c3-3 (i.e., non-clearing/carrying broker-dealers).

## Firm governing body: The Board

The Board oversees the business, resources, and affairs of the firm. Board responsibilities include setting firm policies, overseeing firm management, including the election of the Chair and Deputy Chair, and approving appointments to the Management Committee. Board members, excluding the Chair and Deputy Chair, serve a five-year term and are eligible for reelection after they have been off the Board for two years.

KPMG requires that a majority of the Board members be certified public accountants and prohibits members of the Management Committee, except for the Chair and the Deputy Chair, from serving on the Board.

## Selection process of Member Directors

A Nominating Committee of the Board selects nominees for the Board from the firm's partners to serve as Member Directors. Partners also have the option to directly nominate candidates through established procedures. The Nominating Committee must include at least one-half of partners who are not directors. Management Committee members are ineligible for Nominating Committee membership, and the Chair and Deputy Chair are not involved in selecting the Board's nominees.

The member nominees are voted on by the firm's partners in an election supervised and tabulated by outside counsel.

## Independent Directors

The inclusion of Independent Directors on the Board reinforces the firm's commitment to quality 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, PCAOB, and AICPA.

The Independent Directors Nominating Committee, comprising the Chair, Deputy Chair, Lead Director, and two Member Directors, is responsible for nominating Independent Director candidates to the Board. Independent Directors are elected by a two-thirds majority vote of the Board. For a list of the firm's current Board members, please refer to the [Appendix](#). As of September 30, 2024, 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. Their presence brings diverse perspectives and valuable insights as they interact with the firm's leadership team.

## Lead Director

A Lead Director is elected annually by fellow Board members. The Chair and the Deputy Chair are not involved in the selection process and are ineligible to serve as the Lead Director. The Lead Director assumes several responsibilities, including recommending Board committee appointments, assisting the Chair in agenda development, and serving as a liaison between the Chair, Deputy Chair, and other directors regarding matters raised during executive sessions of the Board, from which the Chair and Deputy Chair are excused.

## Governance Committee

The Governance Committee, chaired by the Lead Director, recommends governance processes and guidelines designed to foster the active and accountable performance of Board duties. It also develops and implements annual Board and director evaluation processes. The results of these evaluations are reported to the full Board for discussion following the end of each fiscal year.

## Risk, Regulatory and Compliance Committee

The Risk, Regulatory and Compliance Committee supports the Board in fulfilling its oversight responsibilities in two key areas: (1) professional practice, legal and regulatory compliance, and ethics and compliance programs of the firm; and (2) internal audit function related to the aforementioned areas. The committee is also responsible for overseeing that the firm conducts its business with the highest standards of ethics, honesty, and integrity adhering to the firm's Code of Conduct, policies, procedures, and applicable laws, regulations, and professional standards. It also oversees the consistent promotion and application of ethics and compliance programs and policies throughout the firm, with the Board providing oversight. Additionally, the committee monitors that management takes appropriate action in response to misconduct or non-compliance with the firm's Code of Conduct, policies, procedures, and applicable laws, regulations, and professional standards.



## Audit and Finance Committee

The Audit and Finance Committee supports the Board in overseeing the internal audit function of the firm, particularly in relation to financial matters and all aspects of internal control, audit, or reporting of the firm's financial affairs. The committee's responsibilities include reviewing annual and interim financial reporting to the partnership, overseeing the firm's capital structure, monitoring internal controls related to significant financial and accounting processes, and monitoring capital and other investments that support strategic initiatives and infrastructure needs as well as the annual operating budgets.

## Operations and Technology Committee

The Operations and Technology Committee supports the Board in overseeing the firm's operations, including technology and information protection, disaster recovery and business continuity planning, and alignment of local, regional, and global operations.

## Compensation and Pension Committee

The Compensation and Pension Committee assists the Board in providing guidance on compensation policies for partners and overseeing their implementation. It also oversees the firm's retirement and pension plans, as well as other benefit plans, programs, and policies available to partners. The committee reviews compensation of Management Committee members as recommended by the Chair and Deputy Chair, and recommends the compensation of the Chair and Deputy Chair to the full Board for approval. Additionally, the committee oversees the investment of funds deposited in the firm's savings and pension plans and selects third-party advisers for the investment of such funds.

## Senior management

The firm's Chair of the Board also holds the position of CEO. With guidance from the Board, the CEO is responsible for managing the firm's business 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, holds the position of Vice Chair of the Board and also serves as the Chief Operating Officer. Both the Chair and the Deputy Chair are initially elected for a five-year term and may be reelected for an additional three-year term. Their election requires a majority vote of the Board, followed by a ratification vote of the firm's partners.

## Management Committee

The firm's Chair and Deputy Chair are supported by senior management members who form the firm's Management Committee. The Management Committee is responsible for executing firm policies established by the Board, developing strategies and operational plans to support such policies, and ensuring the firm operates soundly and profitably. The current Management Committee comprises the Chair, Deputy Chair, and Vice Chairs of Audit, Tax, Advisory, Operations, Growth & Strategy, Risk Management, Talent & Culture, AI & Digital Innovation and Legal, Regulatory & Compliance (who also serves as the General Counsel).

## Human Capital and Culture Committee

The Human Capital and Culture Committee supports the Board in overseeing people management, culture, and the process for partner admission and withdrawal. A subcommittee, known as the Partner Rights Committee, reviews partner grievances related to management decisions. The Chair and the Deputy Chair are not eligible for membership in either the Human Capital and Culture Committee or the Partner Rights Committee.

## 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 ethical decision-making framework, 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 is not in compliance with the Code. Everyone at KPMG is held accountable for reporting—and is required to report—any activity that could potentially be illegal or in violation of our values, KPMG policies, applicable laws, regulations, or professional standards.

When they join the firm, and each year thereafter as part of an annual confirmation process, every one of our partners and employees 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, and commitments. In addition, in FY24 we required our professionals to complete twelve hours of ethics and integrity training.

## Ethics and Compliance Hotline

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 submitting a report at [www.kpmgethics.com](http://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 other 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. Reports that involve the audit of an SEC entity and are raised by a member of the Audit team are directed to the Ombudsman for review. KPMG's Ombudsman works on behalf of the firm as an additional channel of communication for reports of potential issues involving SEC audit entities and their foreign operations. On these matters, the Ombudsman reports directly to the Board Chair. 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, and 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. The Ombudsman also operates under the firm's principles of confidentiality and non-retaliation.

# 3 Apply expertise and knowledge

We are committed to continuing to build on our technical expertise and knowledge, recognizing its fundamental role in delivering quality audits.

## Audit methodology

### Bringing consistency through our audit methodology

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

To deliver audits in a manner consistent with our methodology, our engagement teams use our proprietary KPMG Clara workflow. Our workflow includes robust risk assessment, enabling our professionals to understand the entity's environment, business processes, and financial reporting risks and then tailor our audit response to appropriately respond to those identified risks. 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 networks

The use of specialists is an increasingly important part of the modern audit and is a key feature of our multidisciplinary model. Our engagement teams have access to a network of highly skilled KPMG specialists. In addition to their education and experience, our 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 is considered throughout each Audit engagement, including at acceptance and continuance. Engagement leaders are responsible for confirming that their engagement teams have the appropriate resources and competencies.

## Responding to significant external events and conditions

Significant external events and conditions, such as the impacts arising from climate change, geopolitical events, volatile interest rates and elevated levels of inflation, may have significant financial statement implications. These events introduce increased complexity, subjectivity, and uncertainty in matters such as management's going concern assessment, asset impairments, and asset valuations.

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.

# 4 Embrace digital technology

At KPMG, we are anticipating the technologies that will shape our near future, and we are driving an ambitious innovation agenda. We continue to transform the audit experience for our professionals and entities we audit. The alliances and leading technologies used across the KPMG global organization are enhancing audit quality by increasing our ability to identify and respond to the issues that matter.

## KPMG Clara

An intelligent audit technology platform, KPMG Clara, integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, data visualization, and harnesses the power of artificial intelligence (AI). KPMG Clara enables new insights by helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a revenue process, or simply reconciling the accounts.

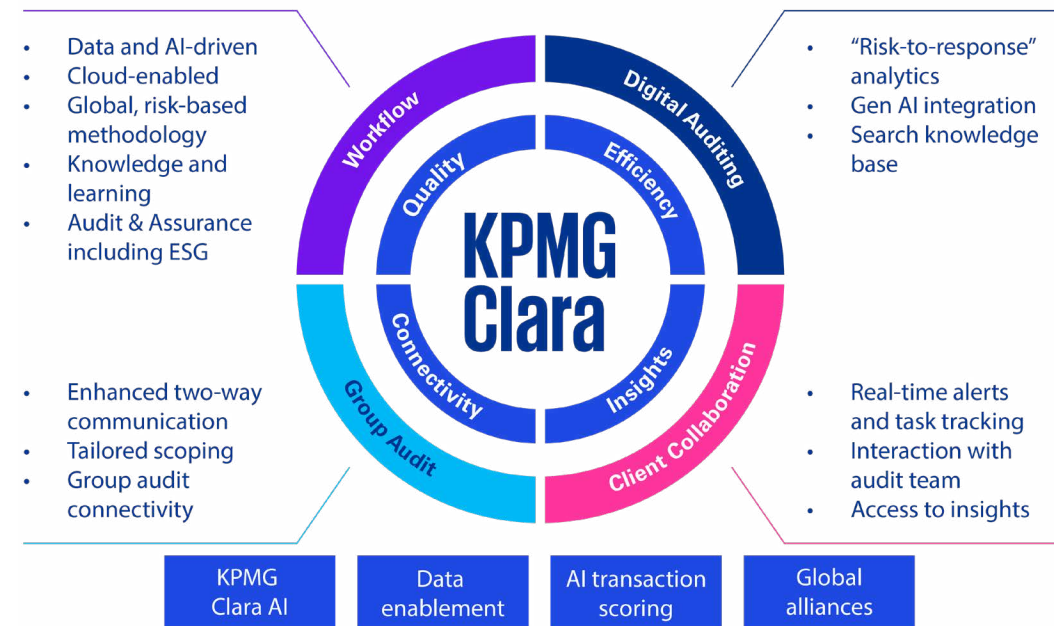
A digital audit approach is integral to how we perform quality audits and interact with management of the entities we audit. Our policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment and support of technology in our audits.

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG firms. It enables delivery of our audit methodology through data-enabled workflows, which are aligned with the applicable standards, providing an empowered and seamless experience to auditors.

### Our vision of the future

Signaling our commitment to continual innovation, enhancement, and further digitization of the audit, we use KPMG Clara as a future-ready platform that is ready to harness the innovations of today and tomorrow.

As one example, generative AI has been integrated directly into the KPMG Clara audit workflow, allowing our professionals, where permitted by entities we audit, to more deeply interrogate audit evidence, search and apply our knowledge base, and benefit from the productivity-boosting capabilities of AI.



Technologies such as KPMG Clara analytics AI transaction scoring mean Audit teams can apply AI and machine learning algorithms to identify higher-risk transactions—focusing audit attention on risk areas that require follow up and providing greater assurance over the completeness of the data set.

As we work to fully harness the power of AI, we remain equally committed to upholding ethical standards for AI solutions that align with our values and professional standards, and that foster the trust of entities we audit, our people, and regulators.

KPMG Trusted AI is our strategic approach and framework to designing, building, deploying and using AI solutions in a responsible and ethical way to enable us to accelerate value with confidence.

## Confidentiality, information security, and data privacy

KPMG has policies and processes that require personnel to treat confidential information in accordance with applicable laws, contractual obligations, and professional standards. KPMG personnel are required to complete training and confirm their understanding of the firm’s confidentiality, information security, and data privacy policies when they join the firm and at least annually thereafter, and they are expected to consistently adhere to those policies at all times.

KPMG’s information security and data privacy program employs a combination of physical, technical, and administrative controls; and conducts assessments of applicable internal systems and third parties.

# 5 | Nurture diversely 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.

## Recruitment and onboarding

### Recruit appropriately qualified and skilled people, with diversity of specialist skills, perspectives, and experiences

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.

Our recruitment strategy focuses on attracting talent from diverse sources, including established universities, professional organizations, and leadership societies to build relationships with a diversified talent pool at all stages of their career.

Experienced applicants are provided with our independence guidelines and confirm their understanding of these requirements early in the recruiting process. Campus hires receive this information upon receiving their offer. Individuals who accept an offer must complete an authorization for release of information, allowing the firm to conduct a background investigation through independent sources. Any situations involving independence or conflicts of interest are resolved before the individual commences employment.

## Diversity, Equity, and Inclusion

Diversity, Equity, and Inclusion (DEI) underpins the KPMG value of 'Together' and is vital to inspiring confidence and empowering change—our Purpose. We align to three key principles for our DEI approach:

- Diversity is about difference: We commit to embracing and respecting the variety of unique experiences, cultures, identities and perspectives we collectively bring to KPMG.
- Equity is about access to opportunities: We commit to standing against systemic barriers and biases, helping level the playing field and ensuring everyone can succeed and thrive at KPMG.
- Inclusion is about belonging: We commit to creating a safe environment built on trust, where we can bring our authentic selves to work and feel valued for our unique contributions and perspectives.

## Assemble an appropriately qualified team

We have policies, procedures, and controls 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' assignments are approved by business unit leadership and may also be subject to national leadership approval based on the individual characteristics of the specific engagement.

The engagement leader considers the collective competencies and capabilities of the engagement team 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's involving specialists from our firm, other KPMG member firms or external experts.

The engagement team's knowledge, skill, experience, and ability encompasses various factors that may include an understanding of, and practical experience with, Audit engagements of a similar nature and complexity, an understanding of professional standards and regulations, appropriate technical skills (including IT, tax, actuarial, and valuation), knowledge of relevant industries, consideration of engagement inspection results, and the ability to allocate sufficient time to fulfill the audit responsibilities.

## Focus learning and development on technical expertise, professional acumen, and leadership skills

### 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 by assessing results gathered through monitoring our audits, performance assessments, 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).

As the firm continues its transformation journey and the career paths of our professionals become more agile, the upskilling needs of our professionals are evolving rapidly.

In 2024, we continued on a multi-year journey to move away from a one-size level-based learning curriculum to an agile role-based curriculum with learning pathways that address the modernized service delivery model, personalized to learner needs, including:

- Modularizing current learning solutions by skill and proficiency level so that learning assets can be packaged together and delivered at the right time to meet the needs of various audiences. In 2023 we began by rolling out a suite of foundational level skill-based pathways, followed by intermediate level pathways in 2024 and advanced level to be released in 2025.
- Deconstructing the skills previously taught at each level and, with the skills-based pathways as the backbone, designing upskilling plans tailored to the specific skills needed for a role. We began this in 2023 with a full redesign of the new hire learning program followed by a redesign for our 2nd year Associates in 2024. Tailored learning plans are also being leveraged for our centralized teams.
- Reimagining contextualized guidance to provide bite-sized learning directly within the systems and tools where our professionals work.
- Implementing skills-based badging and recognition tools.
- Incorporating data and technology throughout the learning curriculum at all levels with emphasis on the ethical use of AI on our Audit engagements.

Degreed, our externally developed, industry-leading learning experience platform, serves as a 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 a CPA license<sup>7</sup> 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 CPE and CPA licensing requirements may be subject to disciplinary action. We also test and monitor compliance with firm policies related to CPE and CPA licensing.

<sup>7</sup> 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.

## Performance measurement, advancement, and compensation

All partners and employees participate in annual expectation setting and performance evaluations, which provide a consistent framework for discussions on goals, objectives, and career development aspirations. These evaluations consider adherence to firm values, as well as skills and behaviors related to quality, compliance with professional standards and firm policies, technical competencies, engagement execution, leadership and development, and continuous learning. Additionally, professionals are also assessed on their contribution to their practice and the firm, including the achievement of individual business objectives, and key metrics where applicable. The outcomes of these evaluations directly impact compensation, advancement and continued association with our firm.

KPMG's compensation and promotion policies are informed by market data and linked to the performance review process, which enables clarity regarding expectations and rewards. Reward decisions are made by assessing relative performance within peer groups, considering individual performance, firm performance, and market factors.

Our partnership and managing director admission process is rigorous, involving due diligence procedures that include background checks, independence reviews, ethics and compliance reviews. Interviews are conducted by firm leaders, including a professional practice or Risk Management partner, and for direct-entry candidates, a member of the Board. Internal candidates also undergo extensive reviews by various departments, including Risk Management. Admission to the partnership or managing director roles is approved by our Management Committee or Board.<sup>8</sup>

Audit partner compensation is determined annually by Audit leadership and approved by the Management Committee and Board. Professional practice partners play a significant role in evaluating Audit partner performance and consider audit quality indicators in compensation recommendations. Similarly, the compensation of Tax and Advisory partners involved in Audit engagements is influenced by their performance in relation to audit quality.

Our compensation policies prohibit Audit partners (and certain other partners meeting the definition of an Audit partner) from receiving compensation for procuring non-audit service engagements with entities they audit. Partner compensation is derived from the firm's profits and is not directly tied to the performance of a specific business line or function. Individual partner compensation considers tenure, responsibilities, and the demonstration of firm values, quality, and performance.



<sup>8</sup> Recommendations for admission to the partnership are approved by the Board while recommendations for admission as managing director are approved by the Management Committee.



# 6 Associate with the right entities and engagements

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

The firm has developed policies and procedures to provide reasonable assurance that the:

- Likelihood of the firm associating with an entity whose management lacks integrity is minimized.
- Firm undertakes only those engagements that it can reasonably expect to be completed with professional competence.
- Firm appropriately considers the risks associated with providing professional services in the particular circumstances.

Our Risk Management team develops risk management policies for the Audit practice, including those relating to client and engagement acceptance and continuance. To maintain objectivity, Risk Management reports outside of the Audit practice to the Vice Chair—Risk Management, who in turn reports to the Chair and CEO.

Risk Management also oversees relevant risk management systems and processes, including the steps enabled through the Client/Engagement Acceptance and Setup (CLEAS) system and the Partner Rotation System, which enables the firm to monitor compliance with relevant independence requirements regarding partner rotation.

KPMG has established policies and procedures for evaluating new and continuing professional relationships and whether to perform specific services for a particular entity. 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, 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 who 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:

- **Entity-related circumstances** (reputation, character, and integrity of the management and owners as well as internal control considerations and accounting policy and reporting matters).
- **Business-related matters** (risk of litigation, whether association with the entity 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 (audit and/or non-audit) we can perform in a manner consistent with our high-quality standards and where we have addressed actual or potential conflicts of interest. Conflicts of interest 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 the entities we audit or among those entities 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 services for a new entity conduct a review of relationships that the firm or certain individual professionals may have with the entity and its affiliates. The review also includes consideration of any non-audit 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.

We are committed to maintaining our objectivity and avoiding undue influence. KPMG policies are in place to limit gifts and hospitality either to or from entities we audit, to the value allowed by law and professional standards.

## Continuance and reevaluation process

Engagement leaders are required to review and evaluate their existing Audit engagements with the Central Professional Practice Group or their professional practice partner at least annually. An engagement continuance evaluation is a process of formal approvals by various parties, generally including the professional practice partner and, in certain situations, the Audit 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 entity 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 an entity or engagement, such as a significant change in the nature, size, structure, ownership, or management of an entity's business, lead to 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 an entity 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.



# 7 | Be independent and ethical

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

## 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, IESBA, 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 those restricted entities.

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, all partners and members of the management group are required to report acquisitions and disposals of investments and loans in KICS, which automatically notifies them if a previously permissible investment or loan becomes restricted. For most types of investment accounts, all partners and members of the management group are required to use brokers that automatically update their KICS accounts, enabling timely

reporting of investments and identification and disposal of prohibited investments. The firm also employs other compliance monitoring processes, such as audits of individuals' compliance with personal independence policies, to identify and remediate instances of non-compliance with the firm's independence policies.

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 role or financial reporting oversight role with an entity we audit or, in certain cases, its affiliates.

## Employment relationships

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

If an Audit engagement team member intends to engage in possible employment discussions or negotiations with an entity we audit, 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.

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.

If any former KPMG professional accepts employment with an entity we audit 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.

All retired and former partners are required to obtain approval from the Chair of the firm before negotiating with or accepting a position with any entity for at least two years after separation from the firm or as long as the retired or former partner retains any financial interest in the firm. When a former or retired partner seeks permission to join an entity we audit or an entity affiliate, such requests are reviewed to enable all actions necessary to comply with all relevant independence requirements to be performed. In addition, Audit

engagement teams are required to perform procedures to confirm compliance with applicable independence requirements if a retired or former partner joins an entity we audit in an accounting role or financial reporting oversight role (including any position on the Board of Directors).

The firm has unilaterally adopted a policy of not soliciting personnel from entities we audit to join the firm as a partner, principal, or employee. However, if an individual who was previously employed or associated with an entity we audit joins the firm, and that individual was an officer or director, or engaged in certain functions while at the entity, our policies prohibit the individual from participating in or being in a position to influence an Audit engagement that covers any period of time during which the individual was employed by that entity.

## 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 are also designed to comply with IESBA long association requirements and also limit the number of years certain individuals may provide services to entities we audit 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 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 relationships, 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, which is described in [section 10](#) of this report.

## Pursuits of Audit engagements

A prospective entity may request that the firm and other bidders 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 entity 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 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 non-audit services

Our policies and procedures, including the Sentinel system, help us prevent the provision of prohibited non-audit services to entities we audit, 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 entities we audit and their affiliates in Sentinel. Additionally, KPMG member firms must enter every proposed engagement (and the entity for which it relates) into Sentinel before starting work. Sentinel identifies whether the proposed service is for an entity we audit or related affiliate. When the engagement is for an entity we audit 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 entity and its affiliates. For all services proposed for SEC-registered entities, other public interest entities, 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 non-audit services before they begin.

Further, when an entity we audit plans to engage in a merger, acquisition, or other transaction that will result in a new entity becoming an affiliate of the entity we audit, 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 entity affiliate.

## Business relationships, suppliers, and financial relationships

Firm policies and procedures require that our business, supplier, and financial relationships with entities we audit 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 non-audit entity, 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 entity we audit).

## 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, and their investment activity held through certain investment accounts are automatically updating in KICS, in accordance with firm policies.

## 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<sup>9</sup> 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 Quality Performance Review program, 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 audit and non-audit services provided to SEC-registered entities 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 entities we audit.

We have 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.

<sup>9</sup> Members of the Board of Directors and Management Committee

## Zero tolerance of bribery and corruption

We have zero tolerance for bribery and corruption.

All 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 non-compliance.

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

## Application of independence requirements for public interest entities

We apply the independence requirements for public interest entities to the following entities we audit:

- Any publicly traded entity where we are subject to provisions of Regulation S-X, SEC Rule 2-01, “Qualifications of Accountants,” that are applicable to auditors of issuers
- Any entity, one of whose main functions is to take deposits from the public
  - that meets the annual audit requirement imposed by Part 363 of the FDIC’s regulations (12 CFR 363, Annual Independent Audits and Reporting Requirements) and
  - that has consolidated total assets of \$1 billion or more as of the beginning of the fiscal year
- Any entity, one of whose main functions is to provide insurance to the public
  - that is subject to the National Association of Insurance Commissioners Annual Financial Reporting Model Regulation
  - that has \$500 million or more in annual direct written and assumed premiums
- Any investment company, other than an insurance company product, that is registered with the SEC pursuant to the Investment Company Act of 1940 and the Securities Act of 1933.

# 8 | Perform 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. As the risk increases, we obtain more persuasive audit evidence.

The KPMG integrated audit addresses the entity's manual and automated controls. We integrate our IT, Tax and other 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.

Everyone at KPMG is expected to demonstrate behaviors consistent with our values and follow all policies and procedures in the performance of effective and efficient audits.

## Professional judgment framework

### Critically assess audit evidence using professional judgment and skepticism

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. Each team member needs to exercise professional judgment and maintain professional skepticism throughout the Audit engagement.

Professional skepticism involves a questioning mind and critical assessment of relevant audit evidence, including remaining alert 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.

Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to sound judgments. 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 undergo training on using our Ethical Decision-Making tool, our standardized framework for making ethical choices. We reinforce the application of the professional judgment framework and professional skepticism through continuous coaching and training, acknowledging that judgment is a skill honed through diverse experiences over time.



Using the framework enables us to enhance our professional judgment and skepticism, exercise consistent and appropriate judgments, enhance audit documentation, and effectively coach and mentor team members in the application of professional judgment.

## Consult when appropriate

### Encouraging a culture of consultation

We have established consultation protocols regarding significant accounting, reporting, and auditing matters, including procedures to resolve differences of opinion on Audit engagements. 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, our Professional Practice Partners, and a network of professionals with experience in topics such as tax, valuation, fraud, technology, and other business areas.

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

### Global resources

The KPMG PCAOB Standards Group (PSG) promotes 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, as defined by SEC regulations, 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.

## Direct, coach, supervise, and review

### Engagement leader and manager involvement

The engagement leader is responsible for the direction, supervision, and performance of the engagement, and the overall quality of the Audit engagement. The engagement leader is responsible for the 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, the day-to-day liaising with company management, and building a deep business understanding that helps the engagement leader and team deliver a quality audit.



## Direction, supervision, review, and support for the engagement team

The firm promotes a coaching culture as part of enabling our professionals to achieve their full potential. We support a continuous learning environment where every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences while directing, supervising and reviewing their work. Ongoing direction, coaching, supervision, and support during an audit involves:

- Considering the competence and capabilities of the engagement team, including whether members have sufficient time to carry out their work
- Participation of the engagement leader in planning discussions and execution of the audit
- Communicating our responsibilities, including complying with all ethical requirements and professional standards
- Emphasizing the importance of managing and achieving high quality audits, including timely raising concerns that arise during the audit
- Tracking the progress of the Audit engagement
- Helping engagement team members understand their instructions and monitoring that the work is being carried out in accordance with the planned approach
- Helping engagement team members address any significant matters that arise during the audit and appropriately modifying the planned approach
- Identifying matters to review and discuss with more experienced team members during the engagement
- Reviewing work timely so that significant matters are promptly identified, discussed, and addressed
- Monitoring procedures of public company audits prior to the issuance of the report.

Our AQSN coaching program encompasses select Audit partners and managing directors who have recently completed a rotation in DPP and 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

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 designated engagements. 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 our 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 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 supported by professionals from the centralized group led by our DPP, who assist them in reviewing the engagement team's audit documentation, thereby further driving quality and consistency in execution.

KPMG requires a quality control review before the release of the report 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 firm’s audit documentation is completed and assembled in accordance with firm policy and applicable auditing standards, and we have implemented safeguards to help protect the confidentiality and integrity of entities we audit 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 documentation file within two business days of the report release date. We also require engagement teams to complete the documentation assembly and record retention process within five business days after the release of the report.<sup>10</sup> To make it easier for engagement teams to file and retain documentation, we have 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, Tax, and Advisory engagements as well as other firm documentation.

<sup>10</sup> 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.

# 9 Assess risks to quality

The quality of a KPMG audit rests on the foundational SoQC and our approach to complying with the quality control standards emphasizes consistency and robustness of controls within our processes.

## Identifying risks to quality and implementing effective responses

KPMG International performs an annual iterative risk assessment process to determine the baseline expected quality objectives, quality risks, process risk points and responses to those risks, including controls, that all KPMG firms agree to adopt.

We also perform our own iterative risk assessment process to identify any additional quality objectives, quality risks, or responses to those risks, including controls, specific to our firm's facts and circumstances.

This consistent global approach:

- Sets the minimum controls to be implemented within all KPMG firms' SoQC processes in response to globally identified risks to meeting SoQC quality objectives.
- Defines the SoQC methodology used by KPMG firms in their annual SoQC evaluation to evaluate whether the SoQC is effective and whether the SoQC objectives have been achieved.



# 10 | Monitor and Remediate

Monitoring quality and implementing effective responses

## Rigorously monitor and measure quality

### Monitoring quality and continuous improvement

We are committed to continually improving the quality, consistency, and efficiency of our audits. Our quality monitoring, compliance, and root-cause programs enable us to identify deficiencies in quality, perform root-cause analysis, and develop, implement, and report remedial action plans, both for individual Audit engagements and our system of quality control.

### Internal monitoring and compliance programs

KPMG International develops monitoring and compliance programs that are applied across KPMG member firms. The programs evaluate firm and engagement performance in compliance with applicable professional standards, applicable laws and regulations, and key KPMG International policies and procedures.

Internal monitoring and compliance programs also contribute to the evaluation of SoQC operating effectiveness. The results of the monitoring and compliance programs are communicated and appropriate action is taken at local, regional, and global levels.

## Regulatory and Quality Monitoring Group

We reinforce our commitment to audit quality through our Regulatory and Quality Monitoring Group (RQMG), which is a team of highly skilled professionals whose function is to monitor the quality of our Audit engagements and interact with external inspectors and peer reviewers. The RQMG executes our annual internal inspection program of the Audit practice by performing pre-issuance inspections for in-process audits and post-issuance inspections of completed audits. 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.

### Audit Quality Performance Review (QPR) program

The Audit QPR program assesses engagement-level performance and compliance with professional standards. We conduct the annual QPR program in accordance with KPMG International QPR instructions, which promote consistency across the KPMG organization. The reviews are performed at the firm level and are monitored regionally and globally. Each engagement leader is reviewed at least once in a four-year cycle, and a risk-based approach is used to select engagements. Across the global organization, consistent criteria are used to determine engagement ratings and KPMG firm Audit practice evaluations.

## KPMG Quality & Compliance Evaluation (KQCE) 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 Manual. The annual KQCE program covers the period from October 1 to September 30 and helps support our conclusion on the operating effectiveness of our SoQC as of September 30 and compliance with quality and risk management policies.

Our statement on the effectiveness of our SoQC as of September 30, 2024 is provided in [section 12](#) of this document.

## Global Quality & Compliance Review (GQCR) program

The GQCR program is a KPMG International monitoring program. The objective of the GQCR program is to assess a firm's compliance with selected KPMG International policies, including those related to governance and SoQC. Firms are selected for review using a risk-based approach, which considers a number of factors, including financial condition, country risks, results of monitoring programs and people surveys, with each firm subject to a GQCR at least once in a four-year cycle. The GQCR team comprises partners and managers who are independent of the firm subject to review.

## Perform root cause analysis and design and implement remedial actions

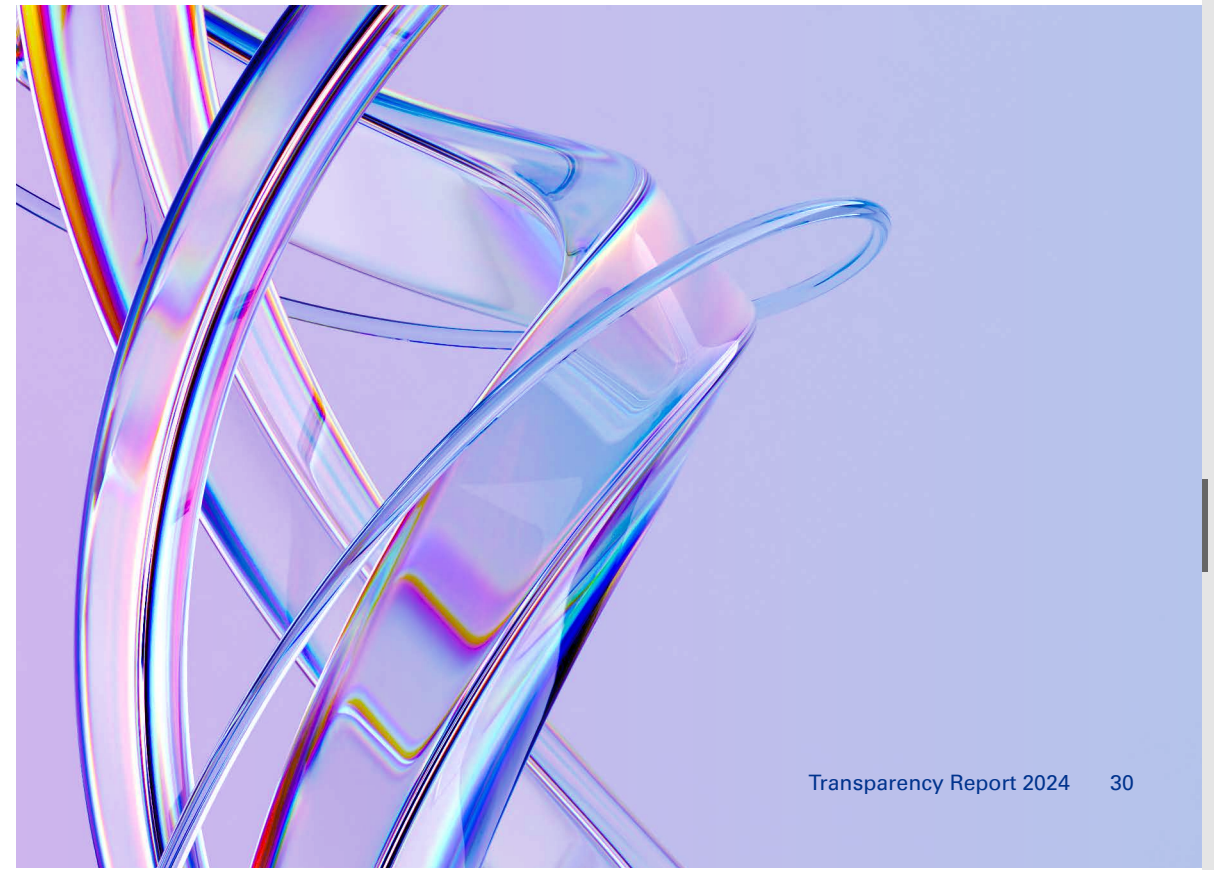
Our SoQC provides the foundation for consistent delivery of quality engagements, and our Root Cause Analysis (RCA) program is an integral element of the monitoring and remediation component of the SoQC, driving enhancements to audit quality.

Leveraging inputs from internal monitoring programs, external inspections, and other activities, we identify audit quality issues and undertake root cause analysis corresponding to the nature and severity of the issues. We continue to strengthen our root cause analysis process and have designed our RCA program in accordance with globally consistent RCA training materials and KPMG International's RCA guide. Professionals within DPP

are trained using this methodology, which provides a common platform for advancing the practices and skills associated with resourcing, planning, and conducting a root cause analysis. Their role is to respond to engagement and firm-level audit quality control matters by:

- 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
- Enhancing the firm's overall processes to build audit quality considerations into operational and business initiatives through ongoing collaboration with other Audit practice groups.

We design and implement remedial actions that respond to the identified root causes of the audit quality issues and subsequently monitor the effectiveness of such actions. The RCA remedial action plans and monitoring results are reported to Audit leadership.



## Obtain, evaluate and act on stakeholder feedback

### Regulator

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. We are subject to annual inspection by the PCAOB. 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 cycle, certain of our public company Audit engagements are selected for review and certain procedures relating to the activities and responsibilities of our executive and national offices are 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, our 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 on the right.

### Peer review

To comply with licensing requirements of state boards of accountancy, the GAO, and membership requirements of 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 (i.e. nonpublic audit entities) for the year ended March 31, 2023, was issued with a pass rating by Grant Thornton LLP in December 2023.

Our most recent peer review report and the AICPA's acceptance letter are public documents that are accessible through [our website](#).

Inspection Year	Release Date by PCAOB	Date of Firm's Response*
2023	August 2024	By June 2025
2022	April 2024	December 2024
2021	December 2022	November 2023
2020	November 2021	September 2022
2019	February 2021	December 2021

\*To nonpublic portion of the report

The public portions of the PCAOB inspection reports are available on our [website](#).

In April 2024, the PCAOB reposted the firm's 2019 inspection report to make public certain quality control observations in Part II of that report. This closes the 2019 inspection cycle. Our remediation responses to the findings in Part II of the firm's 2020, 2021, and 2022 inspection reports have been submitted and the PCAOB is currently reviewing these responses. The 12-month period for the firm to address the findings in Part II of our 2023 inspection report expires in June 2025.

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

## Entity feedback

We proactively seek feedback from management and audit committees through in-person discussions and third-party surveys to monitor their satisfaction with the services delivered.

## 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 policies.
- Deficiencies in the design or operation of our quality control policies or procedures or non-compliance with our quality and risk management policies, 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 Office of General Counsel. 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.

## Internal and external inspections and other inquiries of investigations of audits carried out by the firm

We are not aware of any matter arising out of an internal or external inspection, any inquiry, or any investigation by government or regulatory authorities with respect to an independent audit carried out by KPMG LLP within the preceding five years that would have a material adverse effect on our operations or the ability of KPMG LLP to fulfill our obligations as an independent auditor.



# 11 Communicate effectively

We recognize that another important contributor to upholding audit quality is obtaining and promptly acting upon feedback from key stakeholders.

## Provide insights, and maintain 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. We achieve this through a combination of reports and presentations, guidance and support resources, attendance at audit committee (and, as appropriate, board) meetings, and ongoing discussions with management and members of the audit committee.

The firm provides engagement teams with a robust and consistent reporting format 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.

## KPMG Board Leadership Center and Audit Committee Institute

In recognition of 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 Board Leadership Center (BLC)<sup>11</sup>, which includes the Audit Committee Institute (ACI), aims to help audit committee members continually enhance their effectiveness.

ACI provides 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, oversight of risk and the internal control environment, cybersecurity, AI, data privacy, corporate culture and compliance, and oversight of auditors. We also 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.

<sup>11</sup> 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.

## Global International Financial Reporting Standards (IFRS) Institute

The KPMG [Global 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.

## Partner and employee surveys

Throughout the year, partners and employees are invited to participate in 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, risk behaviors, upholding of KPMG values, and attitudes toward quality, leadership, and tone at the top. The findings also enable leadership to see how the firm is progressing in strategic priorities and provide metrics that identify potential areas that may require leadership attention.

# 12 Statement of effectiveness of the system of quality control

## Statement on the effectiveness of the System of Quality Control of KPMG LLP as of September 30, 2024

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM 1) and KPMG International Limited Policy, KPMG LLP (the Firm) has responsibility to design, implement and operate a System of Quality Control for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm. The objectives of the System of Quality Control are to provide the Firm with reasonable assurance that:

- The Firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

Integrated quality monitoring and compliance programs enable the Firm to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Control.

If deficiencies are identified when the Firm performs its annual evaluation of the System of Quality Control, the Firm evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Control, with consideration of remedial actions taken as of the date of the evaluation. Based on the annual evaluation of the Firm's System of Quality Control as of September 30, 2024, the System of Quality Control provides the Firm with reasonable assurance that the objectives of the System of Quality Control are being achieved.

## Appendix (Board of Directors)

The members of the Board of Directors of KPMG LLP as of September 30, 2024 are:

**Chair—Paul Knopp**

**Deputy Chair—Laura Newinski**

### Member directors:

Jarrold Bassman	Jeanne Johnson	Chad Seiler
Dean Bell	Christine Kachinsky	Melissa Taylor
Ed Chanda	Tracy Kenny	Greg Williams
Rishi Chugh	Deon Minnaar	Douglas Zuvich
Per Edin	Charlie Ritter	

### Independent directors:

Roel Campos	Katrina Helmkamp	Harit Talwar
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[kpmg.com](https://kpmg.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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