KPMG

Transparency Report 2025

January 2026
audit.kpmg.us/auditquality/transparency.html

Contents

Focus on quality through values

We are pleased to present our 2025 Transparency Report. This report provides a detailed overview of our governance, our robust system of quality management, and the measures we take to deliver quality audits in compliance with relevant standards and regulations. At KPMG, our commitment to audit quality is the cornerstone of our service to the capital markets. We believe in transparency and accountability, and this report underscores our dedication to these principles.

We encourage you to read this report in conjunction with our annual Audit Quality Report, which offers a more detailed look into how we manage our U.S. Audit and Assurance practice, support our professionals, and uphold the highest standards of quality and integrity.

Thank you for your continued trust and support.

Tim Walsh
US Chair and CEO
KPMG LLP

Christian Peo
Vice Chair,
Audit and Assurance
KPMG LLP

Throughout this document, "KPMG", "firm", "we", "our" and "us" refers to KPMG LLP. References to "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.

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:

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1 A system of quality control as the foundation of 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)[1] 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:

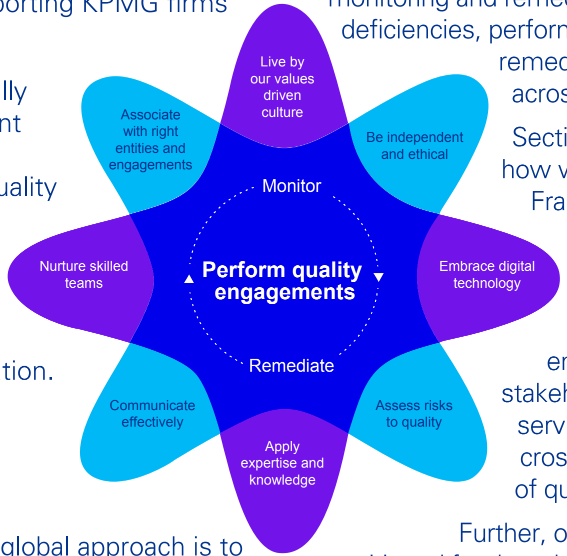
- Establishes consistent policies, procedures, and controls designed to respond to risks, supporting KPMG firms' effective SoQC.
- Provides KPMG firms with a globally consistent iterative risk assessment framework to use in identifying incremental KPMG firm-specific quality objectives, risks, and controls.
- 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 global approach is to drive consistency, robustness, and accountability of responses to risks across the organization.

[1] While international quality control standards and those of the AICPA's Auditing Standards Board have shifted terminology from a "system of quality control" to a "system of quality management," 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.

KPMG Global Quality Framework

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.



At the center of the framework is the performance of high-quality engagements, supported by ongoing monitoring and remediation. Driving continual improvement of KPMG firms' SoQC, integrated monitoring and remediation programs help enable firms to identify deficiencies, perform root cause analyses, and implement targeted remediation plans, both at the engagement level and across the broader 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, this Transparency Report summarizes how our SoQC 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 both the American Institute of Certified Public Accountants (AICPA) Statement of Quality Management Standards (SQMS) 1, which became effective on December 15, 2025, and the Public Company Accounting and Oversight Board (PCAOB) quality control standard, QC 1000, *A Firm's System of Quality Control*, which will take effect on December 15, 2026. Beginning in fiscal 2026, we will evaluate our quality control system under both SQMS 1 and ISQM 1, expanding to include all three standards once QC 1000 is effective.

1.1 Statement on effectiveness of the system of quality control

As required by the IAASB's ISQM 1 and KPMG International Limited Policy, KPMG LLP (KPMG or the firm) has responsibility to design, implement and operate a SoQC for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm. The objectives of the SoQC are to provide the firm with reasonable assurance that:

- The firm and our personnel fulfill our 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 SoQC.

If deficiencies are identified when we perform our annual evaluation of the SoQC, 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 SoQC, with consideration of remedial actions taken as of the date of the evaluation. Based on the annual evaluation of the firm's SoQC as of September 30, 2025, the SoQC provides the firm with reasonable assurance that the objectives of the SoQC are being achieved.

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 that are crucial to the functioning of the capital markets.

At KPMG, our values lie at the heart of the way we do things—doing the right thing, the right way, at the right time. They form the foundation of a resilient and ethical culture ready to meet challenges with integrity, so we do not 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 and assurance, tax, and advisory services to entities, 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

Our firm is part of the KPMG global organization[2] of professional services firms providing audit and assurance, tax, and advisory services to a broad range of public and private sector entities and individuals. Our firm operates from more than 90 offices across the U.S. with more than 35,000 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).[3] Full details about the services we offer can be found at Services.

Our strategy

Our strategy is set by our Board of Directors (the Board) and executive management and demonstrates a commitment to quality and trust.

[2] More information about KPMG International, including the U.S. firm's relationship with it for the financial year ended September 30, 2025, 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.

[3] 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.

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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 of the quality control standards of the PCAOB, AICPA, and IAASB.[4] Leadership is evaluated annually on their achievement of the following responsibilities under the standards:

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

[4] 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 ISQM 1.

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), 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 and Assurance**, who reports to the Chair and CEO and Deputy Chair as a member of the Management Committee, has responsibility for our Audit and Assurance practice, including driving certain aspects of our SoQC.
- **Our National Managing Partner–Audit Quality and Professional Practice**, who reports to the Vice Chair–Audit, oversees our Department of Professional Practice and business unit professional practice network and is also responsible for driving and supporting certain monitoring activities within our SoQC.
- **Our National Managing Partner–Audit and Assurance Operations**, who reports to the Vice Chair–Audit and Assurance, has operational responsibility for the implementation of the Audit and Assurance 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 SoQC.

Professional Practice Partners

We are organized in ten geographic business units. For each business unit, a Business Unit Professional Practice Partner is responsible for audit quality and risk management for audit professionals. Professional Practice Partners:

- Support and advise partners, managing directors,[5] 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 SoQC, 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 (engagement leader) to lead 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 engagements along with the respective engagement leader to address audit risks and association with the entity, including whether specialized skills are necessary.

[5] 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 other engagements as determined by firm policy.

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.

DPP facilitates timely and effective support to engagement teams through the development of practice guidance and consultation on professional practice matters. DPP also sets and promotes a strong tone and culture supporting audit quality and a commitment to objectivity, professional skepticism, ethics, and integrity.

Additionally, DPP conducts root cause activities, audit and accounting consultations, and audit-specific training. DPP is responsible for the Audit Quality Support Network coaching program and the nomination and annual accreditation process of partners designated as SEC Reviewing Partners. For more information, refer to the "Direction, supervision, review, and support for the engagement team" and "Appropriate involvement of the quality control reviewer" sections of this report.

Promote 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. KPMG has built safeguards into its governance structure to maintain the independence of the Board from the operational management of the firm.

Firm governing body: The Board

The Board oversees the business, property, and affairs of the firm. Board responsibilities include oversight of firm management, including succession planning with respect to 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 (CPAs) 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 eligible partners to serve as Member Directors. Partners also have the option to directly nominate candidates through established procedures. At least one half of the Nominating Committee must be 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. We require Independent Directors to 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, comprised of the Chair, Deputy Chair, Lead Director, and two other 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, 2025, 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) the 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 (the Code), 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. Additionally, the committee monitors that management takes appropriate action in response to misconduct or noncompliance with the firm's Code, 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.

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.

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 has other duties and responsibilities as may be provided for by the Chair, the Board, or as set forth in the By-laws, such as Managing Principal or 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 is comprised of the Chair, Deputy Chair, and Vice Chairs of Audit and Assurance, Tax, Advisory, Operations, Clients & Markets, Talent & Culture, AI & Digital Innovation, and Legal, Risk Management & Compliance (who also serves as the General Counsel).

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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 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 calendar year 2025 we required our professionals to complete 12 hours of ethics and integrity training.

Ethics and Compliance Hotline

KPMG maintains an Ethics and Compliance Hotline that allows both phone and online 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 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 reviewed and, if necessary, assigned to the 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. The KPMG Ombudsman is a senior partner of the firm who serves 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 services.

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 address 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 specialized skills

The use of professionals with specialized skills is an increasingly important part of modern audit engagements and is a key feature of our multidisciplinary model. Our engagement teams have access to a network of KPMG professionals with specialized skills. In addition to their education and experience, our professionals with specialized skills 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 professionals with specialized skills is considered throughout each audit engagement, including at acceptance and continuance. Engagement leaders are responsible for confirming 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 geopolitical shifts, natural disasters, tariffs, and inflationary pressures, may give rise to business risks that can have significant implications for financial statements. These potential financial statement implications may include increased complexity, subjectivity, and uncertainty when making accounting estimates and key judgments, such as asset impairments, asset valuations, and management's going concern assessment.

The firm issues guidance to assist teams in responding to the potential impacts arising from these significant external events and conditions.

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. 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 and evolving technologies

KPMG is redefining the audit process through the use of leading technology, including Artificial Intelligence (AI) to facilitate risk-based and data-informed engagements. This digital strategy is supported by KPMG Clara, a scalable and user-friendly cloud-based platform that facilitates consistent execution across KPMG firms worldwide. KPMG Clara delivers the firm's standardized audit methodology through data-driven workflows that adhere to relevant audit standards, and assist our engagement teams in meeting the ever-changing landscape of corporate reporting and related audit requirements.

AI in the audit now and in the future

KPMG's commitment to continuously evolving audit quality drives our investment in technology and innovation. In 2025, the use of AI within KPMG Clara was expanded to further enhance quality, consistency, and responsiveness as part of our forward-thinking, digital-first audit vision.

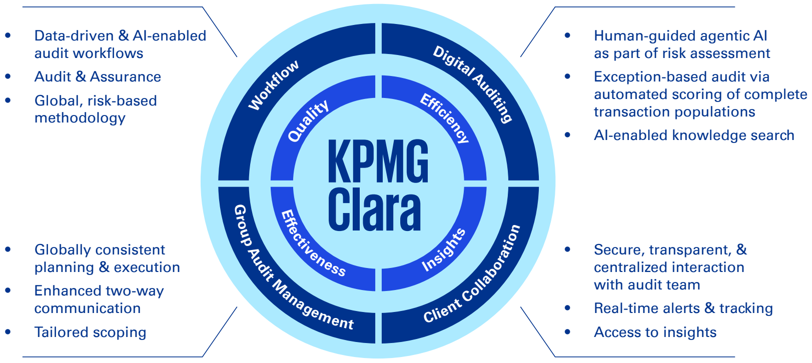
We are continuing the deployment of generative AI and AI agents, which perform audit tasks subject to human review. AI capabilities within KPMG Clara are developed under the KPMG **Trusted AI framework**, our strategic approach to designing, building, deploying, and using AI solutions in a responsible way. This includes a human-in-the-loop approach that helps safeguard quality, data integrity, accuracy, reliability, security, and ethical standards.

Looking ahead, we remain committed to responsibly deploying emerging technologies to support our professionals and meet the evolving needs of the capital markets.

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.



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5 Nurture 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 practice. Our engagement teams have a broad range of skills and capabilities to address complex problems.

Recruitment and onboarding

Recruit appropriately qualified individuals, who bring a breadth of specialist skills

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 a variety of sources, including established universities, professional organizations, and leadership societies, to build relationships with a 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.

Inclusion

KPMG is committed to fostering a culture that welcomes everyone. This commitment has been core to our culture for many years and aligns with our values and business strategy. We will continue to reflect the communities we work within, while fostering a sense of belonging, and harnessing the collective power of our different perspectives and experiences to better serve our people, clients, and society.

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 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 information technology [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 and exams, focus groups, 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 2025, we completed a transformative three-year journey, evolving from a one-size level-based learning curriculum to a dynamic 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.
- 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.
- 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.

KPMG Lakehouse remains our cultural cornerstone—intentionally designed to foster learning, collaboration, and innovation. Complementing this, Degreed serves as our learning experience platform, providing a unified gateway to a vast catalog of internal and external learning resources. Learning, however, doesn't end when our professionals step outside the doors of Lakehouse or complete a pathway in Degreed. We have also continued to evolve our learning ecosystem to provide professionals with year-round development opportunities to support their success. This evolution includes introducing new AI tools, agents and chatbots, CPE-eligible podcasting, and coaching and discussion guides to help professionals apply learning real time with their engagement teams.

Client service professionals who hold a CPA license[6] 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 system that 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.

Performance measurement, compensation, and advancement

All partners and employees participate in annual goal 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.

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 and Assurance engagements is influenced by their performance in relation to audit quality.

[6] 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.

Our compensation policies prohibit audit partners from receiving compensation for selling 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.

Our partnership and managing director admission process is rigorous, involving due diligence procedures that include background checks, independence reviews, and ethics and compliance reviews. Interviews are conducted by firm leaders, including a professional practice or Risk Management partner, and for direct-entry partner 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.[7]

[7] 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 KPMG associating with an entity whose management lacks integrity is minimized.
- KPMG undertakes only those engagements that it can reasonably expect to complete with professional competence.
- KPMG appropriately considers the risks associated with providing professional services in the particular circumstances.

Our Risk Management team develops risk management policies, including those relating to client and engagement acceptance and continuance. To maintain objectivity, Risk Management reports outside of the Audit and Assurance practice to the National Managing Principal–Risk Management & Compliance. This role reports to the General Counsel and Vice Chair–Legal, Risk Management & Compliance, 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 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 and 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 and whether association with the entity may harm the firm's professional reputation.
- **Service-related matters:** Whether the engagement team, including professionals with specialized skills, possesses adequate knowledge, capacity, and experience to respond to the engagement risks, fulfill our professional obligations, and provide quality 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 actual or potential conflicts of interest between the firm and the entities we audit or among those entities and to identify and evaluate such 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 an initial audit for an 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 has policies in place to limit gifts and hospitality either to or from entities we audit. Such policies are designed to comply with applicable laws and professional standards.

Continuance and reevaluation process

Engagement leaders are required to review and evaluate their existing audit engagements at least annually. An engagement continuance evaluation is a process of the engagement leader reassessing the risks of the engagement and obtaining formal approvals to continue, generally from the Central Professional Practice Group and in certain situations from additional approvers. 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, International Ethics Standards Board for Accountants (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 Managing Principal–Risk Management & Compliance, 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, which as indicated previously, is led by the National Managing Principal–Risk Management & Compliance, who reports to the General Counsel and Vice Chair–Legal, Risk Management & Compliance, and has no operational responsibilities for the Audit and Assurance practice or any other service function.

Personal independence

Each professional has ultimate responsibility for maintaining personal independence. We have strengthened our 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 (client-facing manager and above level employees), 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 participate in the firm's Broker Import Program, to 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 noncompliance 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.

The firm has a policy of not soliciting personnel from entities we audit to join the firm as a partner or employee. However, if an individual who was previously employed or associated with an entity we audit joins the firm, 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, our firm policies prohibit our professionals from receiving 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.

As part of the engagement acceptance process for an SEC or government audit engagement resulting from a competitive RFP pursuit, we require confirmation that our professionals on the pursuit team were in compliance with such firm policies during the pursuit process.

Approval of audit and non-audit services

Our policies and procedures, and 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 input information regarding 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 one of its affiliates. When the engagement is for an entity we audit or an affiliate, an evaluation of the permissibility of the service, including potential threats and safeguards, is required to be included in Sentinel, which then notifies the engagement leader of all services proposed for their audit entity and its affiliates. Engagement leaders are responsible for determining the permissibility of services. For all services proposed for SEC-registered entities, other public interest entities, and certain nonpublic entities we audit, the engagement leader 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 all 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[8] is subject to independence compliance audits every three years. Client service employees are subject to independence compliance audits on a sample basis.

We also perform 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.

[8] Members of the Board and Management Committee

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.

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 in accordance with our established disciplinary policy. This policy includes multiple sanction levels based on severity, including escalating financial penalties up through potential separation from the firm.

A panel of firm leaders is charged with overseeing the imposition of sanctions for independence violations.

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 Federal Deposit Insurance Corporation'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.

Zero tolerance of bribery and corruption

We have zero tolerance for bribery and corruption.

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

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

8 Perform quality audits

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.

At KPMG, we are committed to delivering a consistent, quality audit. To achieve this, we utilize a comprehensive project management framework that emphasizes early planning, clear milestones, and proactive monitoring.

A quality audit demands coordination and collaboration that brings the right expertise and capabilities together at the appropriate time. We integrate our IT, Tax, and other professionals with specialized skills into our audit engagement teams, and we leverage centralized services, such as our Center for Audit Solutions and our Global Delivery Center, to perform standardized elements of the audit.

We use our knowledge and experience to identify and assess risks to determine the nature, timing, and extent of audit procedures, including procedures to identify and respond to fraud risks. As the risk increases, we obtain more persuasive audit evidence.

The KPMG audit also guides the conduct of audits of financial statements consisting of two or more components and clearly delineates responsibilities for managing these engagements, including the involvement of the lead audit engagement team in the work performed by the component auditor.

The KPMG integrated audit incorporates both the audit of the financial statements and the audit of internal control over financial reporting, including the entity's manual and automated controls. Our integrated audit is enhanced through timely communications with audit committees and company management throughout the audit process.

Professional judgment framework

Critically assess audit evidence using professional judgment and skepticism

On KPMG audits, we design and perform audit procedures whose nature, timing, and extent are based on and 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 several 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 experience 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. SEC issuers and non-U.S. components of U.S. SEC issuers, as defined by SEC regulations. 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.

The KPMG International Standards Group promotes consistency in the interpretation and application of International Financial Reporting Standards (IFRS) Accounting Standards, IFRS Sustainability Disclosure Standards, and European Sustainability Reporting Standards by KPMG firms and promotes a consistent response to emerging accounting and audit issues.

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 against established milestones
- 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 over public company audits prior to the issuance of the report.

Our Audit Quality Support Network encompasses select audit partners and managing directors who have recently completed a rotation in DPP and have returned to a local office. Each 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.

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Appropriate involvement of the quality control reviewer

Every KPMG audit involves an engagement quality control review. 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. SEC Reviewing Partners 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 information from the 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.[9] 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.

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

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9 Assess risks to quality

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

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 achieving SoQC quality objectives.
- Defines the SoQC methodology used by KPMG firms in their annual SoQC evaluation to evaluate whether the SoQC controls are operating effectively in response to the related risks and in support of achieving the SoQC quality objectives.

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 SoQC.

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, which includes Inspections and the SoQC evaluation team.

Inspections executes our annual Quality Performance Review (QPR) internal inspection program of our audit engagements by performing pre-issuance inspections for in-process audits and post-issuance inspections of completed audits. 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. 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.

The Regulatory and Quality Monitoring 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.

The SoQC evaluation team performs the annual evaluation of the firm's SoQC to ascertain whether our SoQC is designed appropriately and operating effectively to provide the firm with reasonable assurance that it meets the required objectives. The SoQC evaluation team is also responsible for executing the KPMG Quality & Compliance Evaluation (KQCE) for our firm in accordance with KPMG International policies and procedures.

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, 2025 is provided in section 1.1 of this document.

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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. A key element of our firm's SoQC is the Root Cause Analysis (RCA) program that supports our firm to effectively remediate quality issues by enabling identification of issues and addressing the underlying causes of identified issues.

Leveraging inputs from internal monitoring programs, external inspections, and other relevant 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 RCA program, leveraging globally developed methodology, training, guidance, and tools from KPMG International. 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. Our RCA projects, status of the projects, and remedial actions 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 inspection. As initially published, the PCAOB's inspection reports include a public portion (Part I) that describes the PCAOB's observations

Inspection year	Release date by PCAOB	Date of the firm's response*
2024	March 2025	By February 2026
2023	August 2024	June 2025
2022	April 2024	December 2024
2021	December 2022	November 2023
2020	November 2021	September 2022

*To nonpublic portion of the report

The public portions of the PCAOB inspection reports are available on our website.

Our remediation responses to the findings in Part II of the firm's 2020, 2021, 2022, and 2023 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 2024 inspection report expires in February 2026.

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.

related to the audits inspected and a nonpublic portion (Part II) that includes the PCAOB's criticisms of, or potential defects in, our SoQC. 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 previous page.

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 SoQC 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.

Entity feedback

We proactively seek feedback from management and audit committees through in-person discussions and third-party surveys.

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 noncompliance with our quality and risk management policies.
- Deficiencies in the design or operation of our quality control policies or procedures or noncompliance 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, which can include 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),[10] 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.

Global Corporate Reporting Institute

The KPMG Global Corporate Reporting Institute provides information and resources to help board and audit committee members, executives, management, stakeholders, and government representatives gain insight and access thought leadership about the evolving global financial reporting frameworks.

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.

[10] 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.

Appendix (Board of Directors)

The members of the Board of Directors of KPMG LLP as of September 30, 2025 are:

Chair—Tim Walsh

Deputy Chair—Atif Zaim

Member directors:		
Julia Abramovich	Rishi Chugh[11]	Deon Minnaar
Jarrod Bassman[11]	Jeanne Johnson	Charlie Ritter
Dean Bell	Chris Kachinsky	Don Zambarano
Ed Chanda	Tracy Kenny[11]	Doug Zuvich

Independent directors:		
Roel Campos[12]	Katrina Helmkamp	Harit Talwar

[11] In October 2025, these individuals completed their terms of service, and Allan Colaco, Mark Erkenswick, Dee Dee Owens, and Michelle Wroan joined the Board as member directors.

[12] On September 30, 2025, Roel Campos completed his term as an independent director and was succeeded by Jim Kroeker on October 1, 2025.

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