



# Transparency Report 2020

## **Supplement**

Additional information required by  
Article 13 of EU Regulation 537/2014

January 2021

[read.kpmg.us/auditquality](https://read.kpmg.us/auditquality)

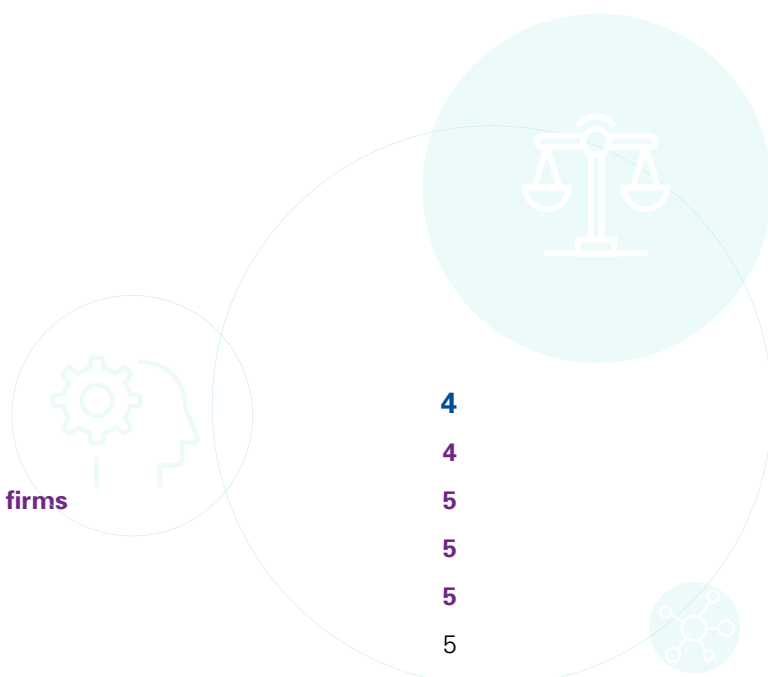
**Audit quality** is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

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

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

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# 1. Network arrangement

## 1.1 Legal structure of KPMG International

### Legal structure and ownership for the financial year ended September 30, 2020

KPMG LLP is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to October 1, 2020, it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated. KPMG International is an entity that is legally separate from each member firm. Further details about KPMG International and its business activities, including our relationship with it for the financial year ended September 30, 2020, are available in the “Governance and leadership” section of the [2019 KPMG International Transparency Report](#). [↗](#)

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

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

### Legal structure and ownership as of October 1, 2020

On October 1, 2020, KPMG LLP and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other

legal connections to, KPMG International Limited, an English private company limited by guarantee. From October 1, 2020, KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization since October 1, 2020, can be found under “Governance and leadership” of the [2020 KPMG International Transparency Report](#). [↗](#)

As before October 1, 2020, KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

The name of each audit firm that is a member of the organization and the European Union/European Economic Area (EU/EEA) countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available at <https://assets.kpmg/content/dam/kpmg/xx/pdf/2021/01/list-of-kpmg-audit-entities-located-in-eu-eea.pdf>. [↗](#)

### Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements.<sup>1</sup>

Aggregated revenues generated by KPMG firms from EU and EEA member states resulting from the statutory audit of annual and consolidated financial statements was EUR 2.8 billion during the year ended September 30, 2020. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended September 30, 2020.

<sup>1</sup> The financial information set forth represents combined information of the separate KPMG firms from EU and EEA member states that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

## 1.2 Responsibilities and obligations of member firms

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

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values (as outlined in our [2020 Audit Quality Report](#)<sup>2</sup>).

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

## 1.3 Professional indemnity insurance

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

## 1.4 Governance structure

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

### 1.4.1 Global Council


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

Among other things, the Global Council elects the global chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are "members" of KPMG International as a matter of Swiss law. Sublicensee firms<sup>2</sup> are generally indirectly represented by a member.

### 1.4.2 Global Board

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

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

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

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


### 1.4.3 Global Management Team

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

<sup>2</sup> Unless otherwise stated, the words "member firm" or "KPMG member firm" when used in this Transparency Report include the following:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e., similar to shareholders, albeit KPMG International has no share capital and, therefore, only has members not shareholders).
- Those entities (sublicensees) that are not members of KPMG International as a matter of Swiss law but have still entered into legal agreements with KPMG International and also an entity that is a "member."

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

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

#### **1.4.4 Global steering groups**


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

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

The roles of the Global Audit Steering Group and the Global Quality and Risk Management Steering Group are detailed in the section "Governance and Leadership" of the [2019 KPMG International Transparency Report](#). 

Each firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating officer, representation from any subregions and other members as appropriate. Each Regional Board focuses specifically on the

needs of member firms within its region and assists in the implementation of KPMG International's policies and processes within the region.

Further details about KPMG International, including governance arrangements for the year ended September 30, 2020, can be found in the section "Governance and leadership" of the [2019 KPMG International Transparency Report](#). 

#### **1.4.5 Area Quality & Risk Management leaders**

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

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

# 2. Our governance

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

KPMG's governing body is its Board of Directors (the Board), and it may have between 13 and 18 members. KPMG has built several different safeguards into its governance structure to help ensure the independence of the Board from the operational management of the firm.

## 2.1 Firm governing body—the Board

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

### 2.1.1 Selection process of member directors

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

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

### 2.1.2 Independent directors

Starting in October 2018, the firm added independent directors

to the Board. Independent directors have no material relationship with the firm. They are active and prominent members of the firm's governance structure and are contributing members of the Board, not merely outside advisers. They are considered part of the firm's chain of command and are responsible for policies, oversight of the firm's management and for succession planning with respect to the Chair and the Deputy Chair, among other duties. They contribute outside perspectives and diverse viewpoints as they work alongside the firm's leadership team. The addition of independent directors to the Board demonstrates the firm's ongoing commitment to quality, innovative thinking and a values-driven culture. Independent directors must meet the criteria set by the New York Stock Exchange Listing Standards Requirements for Independent Directors at Listed Entities and comply with the relevant independence rules of the Securities and Exchange Commission and American Institute of Certified Public Accountants.

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

### 2.1.3 Lead director

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

### 2.1.4 Board Process and Evaluation Committee

The Board Process and Evaluation Committee is chaired by the lead director and is responsible for recommending Board governance processes and guidelines designed to foster the active and accountable performance of Board duties and developing and implementing annual Board and director evaluation processes. The Board Process and Evaluation

Committee reports the results of its evaluation to the Board for full Board discussion following the end of each fiscal year.

### **2.1.5 Professional Practice, Ethics and Compliance Committee**

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

### **2.1.6 Audit and Finance Committee**

The Audit and Finance Committee assists the Board in fulfilling its responsibilities by overseeing the internal audit function of the firm and all other matters pertaining to the internal control, audit or reporting of the financial affairs of the firm that the committee deems advisable and necessary. Specific responsibilities of the committee include annual and interim financial reporting to the partnership, overseeing the firm's capital structure, monitoring the firm's internal controls related to significant financial and accounting processes and overseeing the firm's strategic investments and the development of its annual budget.

### **2.1.7 Operations Committee**

The Operations Committee assists the Board in fulfilling its oversight responsibilities by providing guidance and oversight related to management's operation of the firm, including matters related to information technology systems and applications.

### **2.1.8 Compensation and Pension Committee**

The Compensation and Pension Committee assists the Board in fulfilling its responsibilities by providing guidance and oversight related to the compensation policies that affect the firm's partners. In addition, the committee reviews Management Committee members' compensation as recommended by the Chair and Deputy Chair and recommends, for approval by the full Board, the Chair and Deputy Chair's compensation. Other specific responsibilities include overseeing the investment of

funds deposited in the savings and pension plans maintained by the firm on behalf of the firm's personnel and the selection and appointment of third-party advisers regarding the investment of such funds.

### **2.1.9 Partnership and Employer of Choice Committee**

The Partnership and Employer of Choice Committee assists the Board in fulfilling its responsibilities by providing guidance and oversight related to the admission and withdrawal of partners, talent management, succession and after-KPMG considerations. The Partner Rights Committee (a subcommittee of the Partnership and Employer of Choice Committee) reviews grievances that any partner may have concerning their partnership allocation, other compensation or other career matters, such as the partner's career progression or a request by management that the partner withdraw, transfer or relocate. Neither the Chair nor the Deputy Chair may be members of the Partnership and Employer of Choice Committee or the Partner Rights Committee.

## **2.2 Senior management**

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

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

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

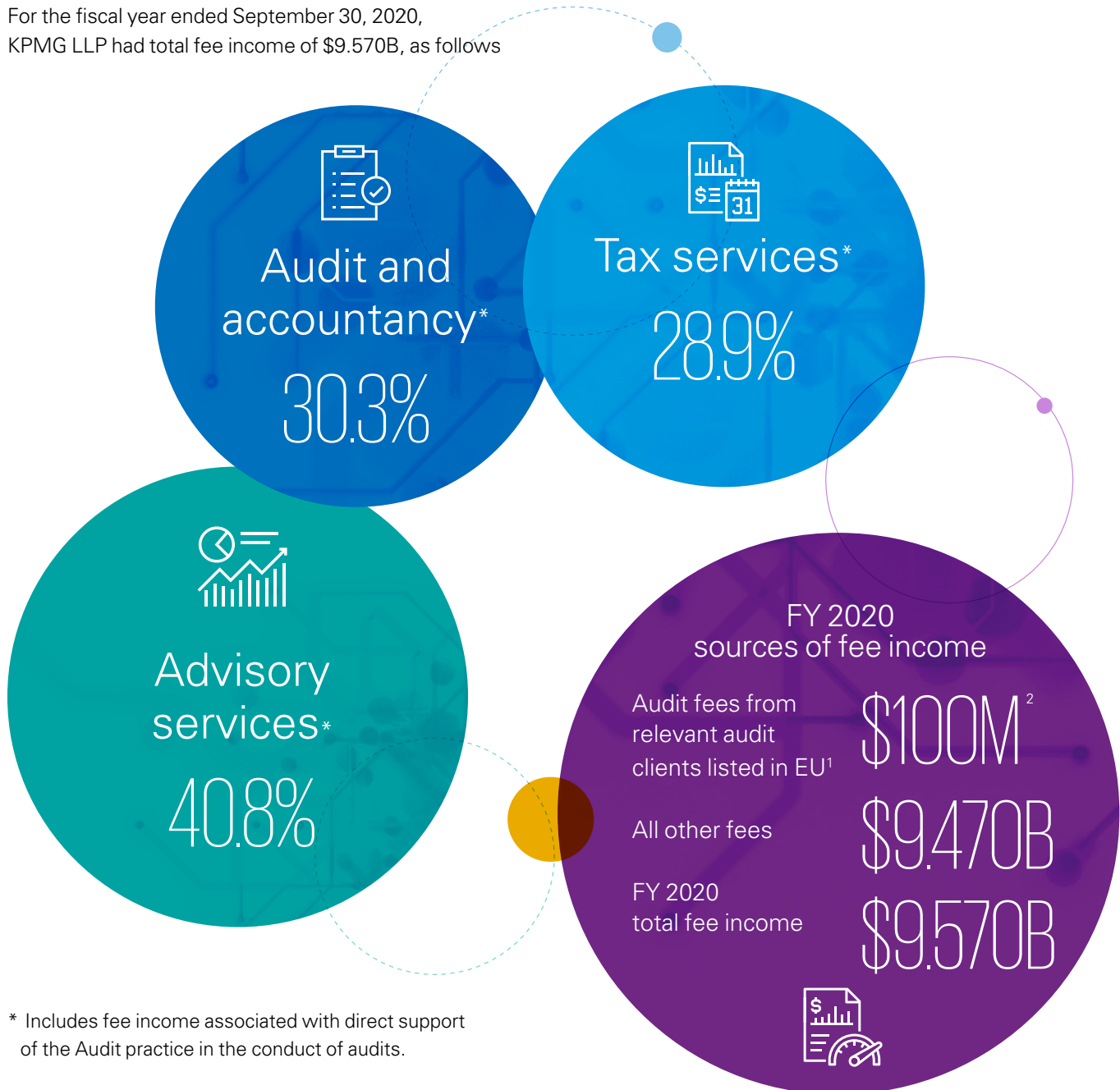
## **2.3 Management Committee**

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



# 3. Financial information

For the fiscal year ended September 30, 2020, KPMG LLP had total fee income of \$9.570B, as follows



\* Includes fee income associated with direct support of the Audit practice in the conduct of audits.

1 See section 4 for list of relevant audit clients.

2 May include fees for reviews of interim financial statements and other audit-related services.

# 4. Audited entities listed in EU member countries

The following list includes the firm's relevant audit clients whose transferable securities are admitted to trading on a regulated market within the EU during the firm's fiscal year ended September 30, 2020:

## **Entities**

- Citibank N.A.
- Citigroup Global Markets Holdings Inc.
- Citigroup Inc.
- Daimler Canada Finance Inc.
- Daimler Finance North America LLC
- Diebold Nixdorf, Inc.
- Digital Landscape Group, Inc.
- Deutsche Bank Capital (Finance) Trust I
- Deutsche Postbank Funding Trust I
- Deutsche Postbank Funding Trust II
- Deutsche Postbank Funding Trust III
- Fresenius Medical Care US Finance II, Inc.
- Fresenius US Finance II, Inc.
- General Electric Company
- Juneau Investments LLC
- National Rural Utilities Cooperative Finance Corporation
- Nestlé Holdings Inc.
- Unisys Corporation
- Wells Fargo & Company

# Appendix

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

## **Chairman and Deputy Chair**

Paul Knopp

Laura Newinski

## **Member directors**

Jarrod Bassman

Michael Bearup

Rishi Chugh

Manal Corwin

David DiCristofaro

Per Edin

Brian Hegarty

Tracy Kenny

Kalpana Ramakrishnan

Mark Shrekgast

Gregory L. Williams

Timothy Zuber

## **Independent directors**

Linda Addison

Janet Wolfenbarger

## About KPMG LLP

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 147 countries and territories and has more than 219,000 people working in member firms around the world.

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

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