



# Transparency report 2021

## **Supplement**

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

January 2022

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

# 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.

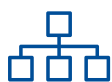
All our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

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# 1. Network arrangement

## 1.1 Legal structure of KPMG International Limited



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

Effective October 1, 2020, KPMG LLP (KPMG or the firm) 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 (KPMG International), an English private company limited by guarantee. Since October 1, 2020, KPMG International has been 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.

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), serve multinational clients, manage risk, and deploy global methodologies and tools.

KPMG International 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, any of its related entities or any other member firm, vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm.

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 [2021 KPMG International Transparency Report](#).

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/2021/12/list-of-audit-firms-located-in-eu-and-eea-countries-30-sep.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 2.05 billion euros during the year ended September 30, 2021. 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, 2021.

## 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 [2021 Transparency Report](#)).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the KPMG International Global Board and

<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.

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, procedures, and regulations 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.

### 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 56 KPMG firms that are "members" of KPMG International as a matter of English law.

#### 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. It also approves the admittance or termination of KPMG firms to and from the global organization.

The Global Board is led by Global Chairman Bill Thomas and also includes the chairs of each of the regions (the Americas; Asia Pacific [ASPAC]; and Europe, the Middle East, and Africa [EMA]) and a number of senior partners from member firms.

The list of current Global Board members is set out on the [Leadership](#) page of [kpmg.com](#).

The Global Board is supported in its oversight and governance responsibilities by several committees, including:

- Executive Committee
- Governance Committee
- Global Quality, Risk & Reputation Committee
- Global Audit Quality Committee.

The overarching responsibility of the Global Audit Quality Committee is to strive for globally consistent audit quality across all firms and to oversee those KPMG International activities that relate to improving and maintaining the consistency and quality of audits provided by KPMG firms.

#### 1.4.3 Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team (GMT). 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 GMT also supports KPMG firms in their execution of the global strategy and KPMG International decisions and policies, including holding those firms accountable against their commitments.

The Global Management Team is led by Global Chairman Bill Thomas.

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 GMT, and together, they assist the GMT in discharging its responsibilities. They act under delegated authority from the Global Board and oversight by the GMT. Under the oversight of the GMT, they promote the execution of the global strategy and compliance with KPMG International decisions and policies by member firms.

In particular, the Global Audit Steering Group and Global Quality & 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 the implementation of strategy in member firms’ audit functions, including standards of audit quality
- Assess and monitor audit engagement quality, including issues arising from quality performance and regulatory reviews, and focus on best practices to improve audit quality.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in the section, “Governance and leadership,” of the [2021 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, 2021, can be found in the section, “Governance and leadership,” of the [2021 KPMG International Transparency Report](#).

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

The Global Head of Quality, Risk, and Regulatory appoints Area Quality & Risk Management leaders (ARL), who serve a regular and ongoing monitoring 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 and remediation, are reported to Global Quality & Risk Management leadership.

# 2. Our governance

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

The KPMG governing body is its Board of Directors (the Board) and it may have between 13 and 18 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 nominees for the Board from the firm's partners to serve as member directors, and the firm's partners may invoke procedures to place other nominees on the ballot directly. At least one-half of this committee must be composed of partners who are not directors. Members of the firm's Management Committee are not eligible for membership on the Nominating Committee, and neither the Chair nor the Deputy Chair is involved in the selection of the Board's slate of member nominees. The member nominees are voted on by the firm's partners in an election supervised and tabulated by outside counsel.

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

### 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 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 before 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 (i) professional practice, legal and regulatory compliance, and ethics and compliance programs; and (ii) internal audit function as it relates to the foregoing. The committee is also responsible for overseeing

that (i) the firm’s business is conducted pursuant to the highest standards of ethics, honesty, and integrity and in compliance with the firm’s Code of Conduct, policies and procedures, and applicable law, regulations, and professional standards; (ii) the firm’s ethics and compliance programs and related policies and procedures are promoted and applied consistently throughout the firm with oversight by the Board; and (iii) management responds appropriately to misconduct or noncompliance with the firm’s Code of Conduct, policies and procedures, and applicable law, regulations, and professional standards.

### 2.1.6 Audit and Finance Committee

The Audit and Finance Committee assists the Board in fulfilling its oversight responsibilities regarding the internal audit function of the firm as it relates to financial matters and all other matters pertaining to the internal control, audit, or reporting of the financial affairs of the firm as the committee, in its sole discretion, deems advisable and necessary. Other 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 monitoring the capital and other investments that support the firm’s strategic initiatives and/or infrastructure needs and the annual operating budgets.

### 2.1.7 Operations Committee

The Operations Committee assists the Board in fulfilling its oversight responsibilities regarding the operations of the firm, from back office through client delivery, including those relating to technology and information protection; disaster recovery and business continuity planning; and local, regional, and global operations alignment and effectiveness.

### 2.1.8 Compensation and Pension Committee

The Compensation and Pension Committee assists the Board in fulfilling its responsibilities by providing (i) guidance on compensation policies relating to the partners and principals of the firm (collectively, Members) and oversight of the implementation of those policies and (ii) oversight of firm management’s responsibility for (a) the firm’s retirement and pension plans, including the investment of funds deposited in such plans, and (b) other benefit plans, programs, and policies made available to Members. 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 oversight responsibilities regarding (i) risks mapped to the committee through the firm’s Enterprise Risk Management process focusing on people management and culture and (ii) the process for admission and withdrawal of Members of the firm. A subcommittee, denominated the Partner Rights Committee, is responsible for review and consideration of Member grievances concerning decisions of management relative to such Member. 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 Chief Executive Officer (CEO). Subject to the advice of and direction from the Board, the firm’s CEO is responsible for the management of the firm’s business and affairs and carrying out the firm’s policies and may act on all matters on behalf of the firm.

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

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

## 2.3 Management Committee

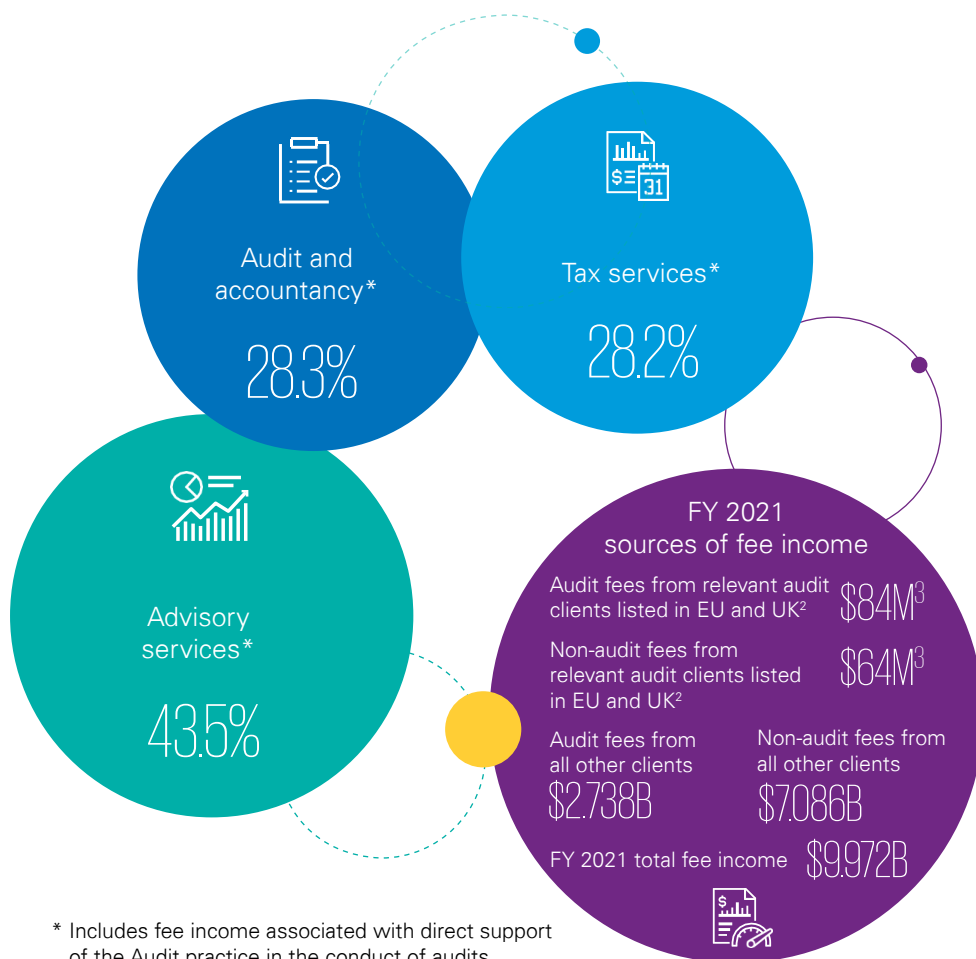


The firm’s Chair and Deputy Chair are supported by a number of members of senior management who together comprise the firm’s Management Committee. The Management Committee is responsible for implementing firm policies as promulgated by the Board, developing strategies and tactical and operational plans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



# 3. Financial information

For the fiscal year ended September 30, 2021, KPMG LLP had total fee income of \$9.972 billion, as follows:



<sup>2</sup> See section 4 for list of relevant Audit clients.

<sup>3</sup> May include fees for reviews of interim financial statements and other audit-related services.

# 4. Audited entities listed in UK and 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 and the United Kingdom<sup>4</sup> during the firm's fiscal year ended September 30, 2021:

## **Entities**

- Citibank N.A.
- Citigroup Global Markets Holdings Inc.
- Citigroup Inc.
- Daimler Canada Finance Inc.
- Daimler Finance North America LLC
- Diebold Nixdorf, Inc.
- General Electric Company
- National Rural Utilities Cooperative Finance Corporation
- Wells Fargo & Company

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<sup>4</sup> As of January 1, 2021, the UK is no longer part of the EU. Since this EU supplement is intended to cover our most recent fiscal year ended September 30, 2021, we included our Audit clients admitted to trading in the UK in this section.

# Appendix

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

## **Chair and Deputy Chair**

Paul Knopp

Laura Newinski

## **Member directors**

Jarrod Bassman

Dean Bell

Ed Chanda

Rishi Chugh

Manal Corwin

David DiCristofaro

Per Edin

Brian Hegarty

Jeanne Johnson

Tracy Kenny

Mark Shrekgast

Greg L. Williams

Tim Zuber

## **Independent directors**

Linda Addison

Roel Campos

Janet Wolfenbarger

## About KPMG LLP



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

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

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