KPMG

cutting through complexity

KPMG IN CIS

Transparency Report 2013

Contents

Letter from the CIS Chairman and Managing Partner

Welcome to the KPMG CIS Transparency Report for the year ended 30 September 2013. This is the fourth year that we have produced the CIS report on a voluntary basis to demonstrate our commitment to quality and delivering value to stakeholders. Stakeholder confidence is dependent upon our ability to anticipate and respond effectively to the challenges of today's business environment. Our reputation is also critical to our ability to attract the brightest and the best professionals.

Oleg Goshchansky
Chairman and Managing Partner
KPMG in Russia and the CIS

We believe that our reputation and the future relevance of our business is dependent on continuance provision of professional and high quality audits in a sustainable manner. The CIS Transparency report allows us to explain clearly how we uphold our professional obligations and responsibilities and make sure our services are consistently of the very highest quality.

Quality ultimately is at the core of everything we do at KPMG. Although we are a multi disciplinary firm providing a wide range of services we are determined that the core values of integrity, professionalism and quality imbue all our services. The report also provides a detailed description of not only how we demonstrate our commitment to audit quality and integrity, but also how we approach achieving audit quality to meet both international and local professional and ethical standards.

I hope that you will find that our report provides useful insight into our unwavering commitment and how we strive relentlessly to deliver work of the highest standard acting with integrity in all that we do.

Oleg Goshchansky

Who we are

2.1 Our business

KPMG CIS[1] is part of KPMG Europe LLP a cross-border professional services organization that delivers audit, tax, and advisory services to help its national and international clients negotiate risks and thrive in the varied environments in which they do business. We employ approximately 3,553 people as at September 2013 and operate out of 19 offices in the CIS countries in which we operate. Further details of our service offerings can be found on our website at the following link: http://www.kpmg.com/ru/en/services/Pages/default.aspx.

KPMG Europe LLP was created in October 2007, initially through the merger of our German and UK firms. Since that time we have been joined by KPMG firms operating in many other territories. KPMG Europe LLP itself, together with those operating firms, are referred to throughout this report as the 'group'. During the year our group consisted of firms operating in the UK, Germany, Switzerland, Spain, Belgium, the Netherlands, Luxembourg, the CIS, Turkey, Norway[2] and the Gulf States of Saudi Arabia, Jordan and Kuwait.

2.2 Our strategy

The strategy for our group is set by the KPMG Europe LLP Board. In the current business environment, the Board has been required to reassess how it most effectively addresses what is the biggest challenge for many of the KPMG Europe LLP firms, and KPMG in its Europe, Middle East and Africa (EMA) region as a whole, that of achieving profitable growth.

During the course of 2013, the EMA Board and Country senior partners discussed and agreed a new operating model for the EMA region that will allow priority focus on growth, increased collaboration and the seizing of the best opportunities across our markets in implementing KPMG's overall global strategy, with a clear ambition to build on the considerable strengths and market position of the firm in EMA.

The role of our EMA region leadership, through the support of the largest and highest growth firms across the region, will be to focus relentlessly on profitable growth as the first priority, the removal of any barriers to maximizing the effectiveness of quality cross-border client service, to ensure that the best talent KPMG has to offer globally is assigned to our clients' challenges, and to make and share investments with regard to the long-term view of our clients' needs. KPMG Europe LLP's member firms have a fundamental role to play in this new EMA operating model, and the Board has been challenged to think differently about our business, our clients and how KPMG firms work together.

In light of this strategic necessity for KPMG Europe LLP to support and align with these fundamental priorities, the KPMG Europe LLP Board and its Members agreed a number of steps to adapt the KPMG Europe LLP governance and management structure with effect from 1 October 2013 to support the transition to the newly strengthened and optimized EMA region, as described in section 3.3, that enable greater alignment with EMA, a stronger focus on the market place, a slimmed down infrastructure and substantially reduced costs. This structure will enable a focused and mandated Chairman and Board to continue the process of growing EMA, without duplication with KPMG Europe LLP.

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[1] The practice referred to as the CIS practice includes Russia, Ukraine, Armenia, Georgia, Kazakhstan, Kyrgyzstan and Azerbaijan.

[2] On 30 September 2013, the underlying agreements between KPMG Norway and the KPMG Europe LLP Group changed such that the status of the Norwegian entities changed from subsidiaries to associates.

Our structure and governance

3.1 Legal structure

KPMG Europe LLP's operating firms, including those that comprise KPMG CIS, are affiliated with KPMG International Cooperative ('KPMG International'), a legal entity which is formed under Swiss law. Further details about KPMG International and its business, including our relationship with it, are set out in Section 7.

KPMG Europe LLP itself is incorporated as a UK limited liability partnership under the Limited Liability Partnerships Act 2000. It is the holding entity for a number of KPMG operating firms in Europe.

KPMG Europe LLP is wholly owned by its members (partners), all of whom work in KPMG firms in specific countries[3]. For regulatory or other reasons KPMG Europe LLP is not the legal owner of all of the operating entities in certain jurisdictions.

A list of the key entities that comprise KPMG CIS, together with details of their legal structure, regulatory status, nature of their business and area of operation is set out in Appendix 1.

3.2 Name and ownership

KPMG is the registered trademark of KPMG International and is the name by which the member firms of KPMG International are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International. The current Transparency Report for KPMG International is available at the following link: www.kpmg.com.

Although KPMG Europe LLP is a registered audit firm in the UK, it does not provide services to clients; all client work is performed by the various operating firms that are part of the group.

All members of KPMG Europe LLP as at 30 September 2013 are either full or affiliate members of the Institute of Chartered Accountants of England and Wales (ICAEW) or are full members of one of the other three British or Irish Institutes. During the year ended 30 September 2013 there was an average of 1,358 – members of KPMG Europe LLP (2012: 1,437 members).

National ownership

Except where otherwise noted in Appendix 1, all entities comprising KPMG in the CIS are wholly owned subsidiaries of KPMG Europe LLP. Where an entity is not wholly owned by KPMG Europe LLP it is as a result of national regulatory requirements and in such cases certain of the shares are owned by individual partners.

During the year to 30 September 2013 there was an average of 105 partners in KPMG CIS (2012: 100 partners).

3.3 Governance structure

As a major international organization, our group applies high standards of corporate governance.

The governance structures described below operated throughout the year ended 30 September 2013, although as set in this Section (see Changes in governance effective 1 October 2013), some important changes to our governance arrangements were implemented on 1 October 2013.

The Chairman

Our Chairman is responsible for leading the group, chairing the Board and the Executive Committee. Whilst he is formally appointed by the Board his appointment must be ratified by an ordinary resolution of the members.

The Board

The main governing body is a unitary Board. It can exercise all the powers of KPMG Europe LLP except for a small number of matters principally affecting the structure and composition of the group, which require a vote of the members.

The KPMG Europe LLP Board is responsible for ensuring that the group is run in the interests of the members as a whole and in a manner which is in keeping with the standing and reputation of the group. The Board's responsibilities include setting the strategy, overseeing its implementation by the Executive Committee and considering the group's overall financial performance and solvency.

During the year the KPMG Europe LLP Board has comprised of the Chairman, nine additional officers, being the Chief Operating Officer & Head of Finance and Infrastructure, and the Heads of Audit, Tax, Management Consulting, Transactions & Restructuring, Risk Consulting, Markets, Human Resources and Quality & Risk Management, and a number of KPMG partners who hold non-executive roles for the group. As at 30 September 2013, there were 21 partners on the Board.

[3] In the case of the Netherlands, each partner's interest in KPMG Europe LLP is owned through a personal holding company wholly owned by the relevant partners.

Our structure and governance continued

The nine additional officer roles were appointed by the Board after considering the recommendations of the Chairman and the Nominations & Remuneration Committee. They were elected for a term of three years, renewable for such a period as the Board sees fit. The KPMG partners who held a non-executive role on the Board were recommended for appointment by the Nominations & Remuneration Committee in consultation with the Chairman. Their appointment was subject to ratification by an ordinary resolution of the members: they were elected for a term of three years and can serve for two terms (or in the case where the non-executive members are senior partners of one of our operating firms, they may be appointed for the period that they hold that office).

The UK audit regulations require a majority of the Board to have attained an appropriate accounting professional qualification from one of the EU member states. At 30 September 2013, 12 members (accounting for approximately 57 %) of the Board held this qualification.

The Board met four times in the year to 30 September 2013.

In addition, five main bodies that report to the Board dealt with key aspects of governance within the group in the year to 30 September 2013. These were:

- The Executive Committee
- The Quality & Risk Committee
- The Public Interest Committee
- The Audit Committee
- The Nominations & Remuneration Committee

Details about the role, responsibilities and composition of each of these key bodies are set out below. Further details of those holding positions on each of these bodies, including the number of Board meetings and sub-committee meetings that they attended in the year and how long they have served, are set out in the 2013 KPMG Europe LLP Transparency Report: http://www.kpmg.com/EU/en/Documents/ellp-transparency-report-2013.pdf.

The Executive Committee

The Executive Committee is responsible for recommending policy to the Board and developing the business plan within the overall strategy set by the Board, together with its subsequent implementation. It deals with operational matters affecting the group (including the operating and financial performance, budgets).

For the year ended 30 September 2013 the Executive Committee consisted of 5 members: the Chairman, Chief Operating Officer & Head of Finance and Infrastructure, Head of Markets and Head of People. The Executive Committee met seventeen times either face-to-face or via video link/conference call during the year to 30 September 2013.

The Quality & Risk Committee

The principal role of the Quality & Risk Committee was to provide oversight of quality and risk management matters across the group. As part of its role it helped to ensure that a culture of quality and integrity is maintained within the group and, where required, it will act as a sounding board to the Head of Quality & Risk Management on policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Quality & Risk Committee also considers the impact of the key findings from our compliance quality monitoring programmes and the adequacy of proposed remedial actions.

During the year ended 30 September 2013, the Quality & Risk Committee consisted of three KPMG partners who held a non-executive role on the Board and who are appointed to the Committee by (and for a term determined by) the Chairman with the approval of the Board. The Quality & Risk Committee met four times in the year to 30 September 2013. This included a meeting with the Chairman of the Audit Committee to discuss the process for identifying the key risks (both professional and enterprise) currently facing the group and reviewing the associated mitigating actions.

The Public Interest Committee

The Public Interest Committee was responsible for overseeing the public interest aspects of decision making of our group including the management of risks. Acting in the public interest in this context involves having regard to legitimate interests of clients, governments, financial institutions, employees, investors and the wider business and financial community and others relying on the objectivity and the integrity of the accounting profession to support the propriety and orderly functioning of commerce. The Public Interest Committee was also responsible for engaging in a dialogue with external stakeholders.

In view of the commonality of interests, the Public Interest Committee normally met jointly with the Quality & Risk Committee – although the two committees form their own conclusions on the matters discussed. The chairmanship for the joint meetings is

Our structure and governance continued

rotated between the two Committees' respective chairs. In addition, the Public Interest Committee holds private deliberations as necessary. During the year to September 2013, the Public Interest Committee met four times privately, in addition to the four joint meetings with the Quality & Risk Committee.

During the year, the Public Interest Committee comprised three external non-executives – Sir Steve Robson, Dr. Alfred Tacke and Tom de Swaan – all of whom were appointed from outside of our group by the, then Joint Chairmen on recommendation of the Nominations Committee and with the Board's approval. Each member of the Public Interest Committee receives an annual remuneration of €100,000.

The Audit Committee

The Audit Committee was responsible for reviewing the annual financial statements of the group, considering accounting issues arising in respect of the group's affairs, receiving and considering reports from the internal and external auditors as well as reviewing the effectiveness of the operational and financial controls within the group.

The Audit Committee comprised of three KPMG partners who hold a non-executive role on the Board and who were appointed to the Committee by (and for a term determined by) the Chairman with the approval of the Board. The Audit Committee met four times in the year to 30 September 2013.

A report on the activities of the Audit Committee in the year is included within the 2013 KPMG Europe LLP Annual Report.

The Nominations & Remuneration Committee

The Nominations & Remuneration Committee was responsible both for the key appointments within the group, including the appointment of Board members, and for determining the remuneration of the Chairman and the officers and making recommendations on policies for partners' remuneration.

The Nominations & Remuneration Committee met three times in the year to 30 September 2013. The members of the Nominations & Remuneration Committee were appointed by the Board for a term of up to three years (which can be renewed for a further term not exceeding three years). As at 30 September 2013 there were five members on the Committee.

Further information regarding partner remuneration is set out in Section 6.

Communication with the members

The Chairman communicates regularly with the senior partners of our operating firms as well as from time to time directly with all of the members of KPMG Europe LLP on any matters of importance for the whole group, such as when a change in any of the governance arrangements is proposed.

However, the country senior partners have primary responsibility for communicating with the partners in the relevant country – they use a variety of media for this purpose including regular meetings of members in the various geographies, functions and service lines, e-mails and facilitated web-ex sessions.

Operating firms – structure and governance

The various operating firms in our group have governance structures appropriate to meet their national laws and regulations. These are described in more detail in the relevant national transparency reports as included the 2013 KPMG Europe LLP Transparency Report: http://www.kpmg.com/EU/en/Documents/ellp-transparency-report-2013.pdf.

National governance

The main governing body in the CIS is the CIS Executive. This comprised the CIS Senior Partner, the CIS Heads of Audit, Tax, Advisory, Markets, People, Infrastructure and Finance, Quality and Risk Management.

The CIS Executive is responsible for determining strategy in the CIS, ensuring business plans of units are aligned to this strategy and provides oversight of performance. It deals with matters of CIS wide importance and provides oversight of Partner matters such as remuneration and Partner admission. The CIS Executive meets on a monthly basis.

Day to day management and oversight of operations is provided through business unit heads and country senior partners.

Marc Van der Plas, the CIS Head of Markets in the year, stepped down on 30 June 2013 and left the KPMG CIS firm. Oleg Goshchansky, the CIS Chairman and Managing Partner, took up the role of the CIS Head of Markets as of 1 July 2013. Thomas Dix, the CIS Head of Advisory in the year, stepped down 30 June 2013 to leave KPMG and was

Our structure and governance continued

replaced by Sean Tiernan as of 1 July 2013. Alun Bowen, the Managing Partner of KPMG in Kazakhstan and Central Asia in the year, stepped down on 30 June 2013 to retire and was replaced by Gregor Mowat, the CIS Head of Finance and Infrastructure, who took up the role as of 1 July 2013.

Full details of those charged with governance for KPMG CIS, including their biographies and the number of meetings that they attended in the year are set out in Appendix 2.

Changes in governance effective 1 October 2013

As described in section 2.2, during September 2013 the KPMG Europe LLP Board proposed and the members have approved via a member vote a number of steps to adapt and significantly streamline its governance and management structure to enable greater alignment with the broader EMA regional structure. As such, with effect from 1 October 2013, the following changes have been implemented:

1. John Scott has been appointed by the members as the new chairman of KPMG Europe LLP following the retirement of Rolf Nonnenmacher. John is the senior partner for Spain and the Chairman of the EMA Region;
2. The Board has been reduced to 11 members (being the Executive Committee members and the majority of the country senior partners);
3. The Executive Committee has been reduced to three members being the Chairman, the COO and Head of Quality & Risk (the two roles being merged at that date) and the CEO of the EMA region; and
4. The Quality & Risk Committee and the Audit Committee have been replaced with a combined Audit & Risk Committee.

The principal effect of these changes on the governance of the group is that the key decisions around quality, risk and public interest are now predominantly being exercised at national level. It has therefore been determined that the Public Interest Committee should no longer operate at group level. Rather equivalent committees should be established nationally where there is a requirement to do so (currently UK and Netherlands). As such, the KPMG Europe LLP Public Interest Committee ceased to operate on 1 November 2013.

3.4 Leadership responsibilities for quality and risk management

While we stress that all professionals are responsible for quality and risk management, the following entities and individuals have leadership responsibilities for this.

The Senior Partner and CIS Executive

In accordance with the principles in the International Standard on Quality Control 1 (ISQC1), during the year, the Senior Partner and the CIS Executive assumed ultimate responsibility for KPMG CIS's system of quality control. Details of some of the measures that the Senior Partner and the CIS Executive has taken to ensure that a culture of quality prevails within KPMG CIS are set out in Section 4.

The CIS Head of Quality & Risk Management

During the year, operational responsibility for the system of quality control, risk management and compliance in KPMG CIS was delegated to the CIS Head of Quality & Risk Management. He was responsible for setting overall professional risk management and quality control policies and monitoring compliance for the firm. He had a seat on the CIS Executive, direct reporting line to the Senior Partner and had discussions at least quarterly with the group Head of Quality & Risk Management. The fact that the role is a CIS Executive position and the seniority of the reporting lines underlines the importance that the firm places on risk and quality issues. The CIS Head of Quality and Risk management was supported by a team of partners and professionals in each of the functions and countries of the CIS in which the firm operates.

The Audit, Tax and Advisory functions – Function Heads

The five heads of the client service functions (Audit, Tax and the three Advisory functions) oversaw the quality of service delivered in their respective functions and were accountable to the KPMG CIS Executive in this regard. Between them they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Head of Quality and Risk Management and maintained a close working relationship with each of the function heads in this regard.

System of quality control

KPMG Europe LLP has policies of quality control that apply to all of its operating firms. These policies are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide our operating firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

Our firm implements KPMG International policies and procedures and adopts additional policies and procedures that are designed to address rules and standards issued by national regulators and other relevant regulators such as the US Public Company Accounting Oversight Board (US PCAOB) as well as applicable legal and other requirements.

KPMG International's policies reflect individual quality control elements to help member firms' personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations and professional standards.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities.

While many KPMG quality control processes are cross-functional and apply equally to tax and advisory work, the primary focus of the transparency report requirements relate to audit and the remainder of this section focuses on what we do to ensure delivery of quality audits.

At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent, objective and compliant with relevant legal and professional requirements.

To help all audit professionals concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Our Framework introduces a common language that is used by all KPMG member firms to describe what we believe drives audit quality, and to highlight how every audit professional at KPMG contributes to the delivery of audit quality.

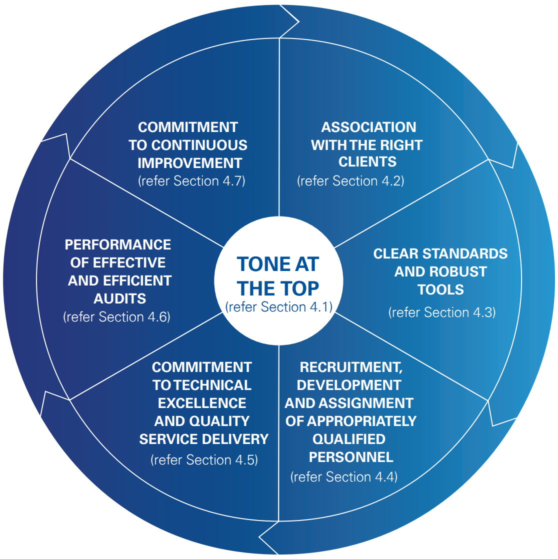
Our Audit Quality Framework identifies seven drivers of audit quality:

- Tone at the Top;
- Association with the right clients;
- Clear standards and robust audit tools;
- Recruitment, development and assignment of appropriately qualified personnel;
- Commitment to technical excellence and quality service delivery;
- Performance of effective and efficient audits; and
- Commitment to continuous improvement.

Tone at the Top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across our entire network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.

System of quality control continued

Audit Quality Framework



4.1 Tone at the Top

Our leadership clearly demonstrates and communicates their commitment to quality, ethics and integrity.

KPMG's tone at the top provides a clear focus on quality through:

- Culture, values, and code of conduct – clearly stated and demonstrated in the way we work;
- Standards set by leadership;
- Our bi-annual People Survey and annual focus groups;
- Operating whistle-blowing hotlines across the group; and
- Governance structure and clear lines of responsibility for quality-skilled and experienced people in the right positions to influence the quality agenda.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Core Value: "Above all, we act with Integrity". For us integrity means constantly striving to uphold the highest professional standards in our work, providing sound good-quality advice to our clients and rigorously maintaining our independence.

Our Values, which have been explicitly codified now for a number of years, are embedded into our working practices. For example, they are considered in the performance appraisal process that our people follow and adherence to these Values is also reviewed when our people are considered for more senior promotions, including to partner. Our Core Values are set out in Appendix 4.

Our Code of Conduct, incorporating our Core Values, defines the standards of ethical conduct that we require from our firms and our people. The Code of Conduct was updated in 2012 to reflect changes in laws, regulations and professional ethics. It sets out KPMG's ethical principles, and helps partners and employees to understand and uphold those principles. The Code of Conduct emphasises that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. It has provisions that require KPMG people to:

- Comply with all applicable laws, regulations and KPMG policies;
- Report any illegal acts, whether committed by KPMG personnel, clients or other third parties;
- Report breaches of risk management policies by KPMG firms or people;
- Uphold the highest levels of client confidentiality; and
- Not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

The commitments in our Code of Conduct underlie our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviour or actions that are inconsistent with our Values or professional responsibilities.

A whistle-blowing hotline is available in all countries across our group. This hotline is available for all KPMG personnel, clients, and other parties to confidentially report concerns they have relating to how others are behaving (both internally and externally) and concerns regarding certain areas of activity by members of the group itself, those who work for KPMG Europe LLP and the senior leadership of any of our operating firms. The whistle-blowing hotline allows people to report their concerns to a third-party organisation. Our people can raise matters anonymously and without fear of retaliation.

System of quality control continued

During 2013, 33 cases were reported to the hotlines operating across our group which required investigation (in 2012 there were 20 reports). Matters reported to the hotline are investigated under the supervision of independent ombudsmen (who, where the law permits, are external to KPMG). The ombudsmen prepare an annual report on the hotline. The report covering the year ended 30 September 2013 was reported to the Audit & Risk Committee in November 2013. This report covered matters reported to the hotlines, how the investigations were conducted, the findings from the investigations and the implications for our policies and procedures. The 2013 report noted that the national ombudsmen were all satisfied with the handling of the cases reported to the hotline and that the investigations were dealt with thoroughly and as speedily as possible.

4.2 Association with the right clients

4.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vitally important to the group's ability to provide quality professional services and to protect KPMG's reputation and support its brand.

4.2.2 Prospective client and engagement evaluation process

Before accepting a client, we undertake an evaluation of the prospective client. This involves an assessment of its principles, its business, and other service-related matters. This also involves background checks on the prospective client, its key management and beneficial owners. A key focus is on the integrity of management as a prospective client. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk' a quality and risk management partner is involved in approving the evaluation.

Each prospective engagement is also evaluated. The engagement leader evaluates each prospective engagement in consultation with other senior personnel and Quality & Risk Management leadership as required. A range of factors is considered as part of this evaluation, including potential independence and conflict of interest issues (using SentinelTM, KPMG International's proprietary global conflicts and independence checking system) as well as a range of factors specific to the type of engagement including, for audit services, the competence of the client's financial management team.

In addition, when taking on a statutory audit for the first time, the prospective engagement team is required to perform additional independence evaluation procedures including a review of any non-audit services provided to the client and of other relevant relationships.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are documented and resolved prior to acceptance.

We will decline a prospective client or engagement if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and firm standards, or there are other quality and risk issues that cannot be appropriately mitigated.

Section 4.3.2 provides more information on our independence and conflict checking policies.

4.2.3 Continuance process

An annual re-evaluation of all audit clients is undertaken. In addition, clients are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long-running engagements are also subject to re-evaluation.

This re-evaluation serves two purposes. Firstly, we will decline to act for any client we consider it would not be appropriate to continue to be associated with. Secondly, and more commonly, we use the re-evaluation to consider whether or not any additional risk management or quality control procedures need to be put in place for subsequent engagements we perform for that client (this may include the assignment of additional professionals or the need to involve additional specialists in the case of audit).

4.3 Clear standards and robust audit tools

All of our professionals are expected to adhere to KPMG policies and procedures (including independence policies) and we provide a range of tools to support them in meeting these expectations. The policies and procedures set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

System of quality control continued

4.3.1 Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs and which KPMG believes enhance the quality of our audits. KPMG Europe LLP's operating firms may also add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

Our audit methodology is supported by eAudIT, KPMG's electronic audit tool, which provides KPMG auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits. eAudIT has been deployed to all audit professionals in KPMG Europe LLP's operating firms.

eAudIT's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to our stakeholders. The key activities within the eAudIT workflow are:

Engagement set-up

- Perform engagement acceptance and scoping; and
- Determine team selection and timetable.

Risk assessment

- Understand the entity;
- Identify and assess risks;
- Plan for involvement of KPMG specialists and external experts, internal audit, service organisations and other auditors as required;
- Evaluate design and implementation of relevant controls;
- Conduct risk assessment and planning discussion; and
- Determine audit strategy and planned audit approach.

Testing

- Test operating effectiveness of selected controls; and
- Plan and perform substantive procedures.

Completion

- Update risk assessment;
- Perform completion procedures, including overall review of financial statements;
- Perform overall evaluation, including evaluation of significant findings and issues;
- Communicate with those charged with governance (for example the Audit Committee); and
- Form the audit opinion.

KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional scepticism in all aspects of planning and performing an audit. The methodology encourages the use of specialists when appropriate and also requires involvement of relevant specialists in the core audit engagement team when certain criteria are met.

KAM includes the implementation of quality control procedures at the engagement level that provides us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory and KPMG requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality & Risk Management Manual that is applicable to all KPMG member firms, functions and personnel.

4.3.2 Independence, integrity, ethics and objectivity

4.3.2.1 Overview

We have adopted the KPMG Global Independence Policies which are derived from the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and incorporate, as appropriate, Securities and Exchange Commission (SEC), US PCAOB and other applicable regulatory standards. These policies are supplemented by other processes to ensure compliance with any standards issued by relevant national regulatory bodies. These policies and processes cover areas such as firm financial independence (covering, for example, treasury and procurement functions), personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services.

System of quality control continued

We have a designated Ethics and Independence Partner. In addition, there is a core team of specialists led by the Head of Ethics and Independence for KPMG Europe LLP to help ensure that robust and consistent independence policies and procedures are implemented across our firms and that these are updated and communicated as required. Amendments to the ethics and independence policies in the course of the year are communicated by e-mail alerts and included in regular quality and risk communications. To help ensure ethical conduct, including integrity and independence, our operating firms and their personnel must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

In the event of failure to comply with relevant independence policies, whether identified in the rolling compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of partners and managers, are reflected in their individual quality and risk metrics (see Section 4.4).

4.3.2.2 Personal independence

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit client securities to every member firm partner in respect of any audit client of any member firm.

Our professionals are responsible for making appropriate enquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a Web-based independence tracking system to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and managers are required to use this system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. We monitor partner and manager compliance with this requirement as part of a programme of independence compliance audits of a sample of professionals. In 2013 over 69 (2012 : 55) of our people in CIS were subject to these audits, which included approximately 33% of our partners.

Any professional providing services to an audit client is also required to notify the Ethics and Independence Partner if they intend to enter into employment negotiations with that audit client.

4.3.2.3 Firm financial independence

If the firm made financial investments we would maintain a record of them in the web-based independence tracking system which is monitored through our compliance process.

4.3.2.4 Independence training and confirmations

We provide all relevant personnel (including all partners and client service professionals) with annual independence training appropriate to their grade and function and provide all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon joining our firm. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to evidence the individual's compliance with and understanding of the operating firm's independence policies.

4.3.2.5 Audit partner rotation

Audit partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws and regulations and independence rules. These limit the number of years that partners in certain roles may provide audit services to an audit client. KPMG rotation policies are consistent with the IESBA Code of Ethics and also require member firms to comply with any stricter applicable rotation requirements.

We monitor the rotation of partners and develop transition plans to enable the firm to allocate partners with the necessary competence and capability to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

4.3.2.6 Non-audit services

We have policies regarding the scope of services that can be provided to audit clients which are consistent with IESBA principles and applicable laws and regulations. KPMG policies require the lead audit engagement partner to evaluate the threats arising from the

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provision of non-audit services and the safeguards available to address those threats.

Lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients and their affiliates in SentinelTM, which facilitates compliance with KPMG policies. Every engagement entered into by any KPMG member firm in our network is required to be included in the system prior to starting work. SentinelTM enables lead audit engagement partners for entities to review and approve, or deny, any proposed service for those entities worldwide.

4.3.2.7 Fee dependency

KPMG International's policies recognise that self-interest or intimidation threats may arise if the total fees from an audit client represent a large proportion of the total fees of the operating firm expressing the audit opinion. In particular, these policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years:

- This would be disclosed to those charged with governance at the audit client; and
- A senior partner from another member firm would be appointed as the engagement quality control reviewer.

No audit client accounted for more than 10% of the total fees received by the KPMG CIS firm over the last two years.

Although the firms policies, procedures and processes that constitute the quality control system are set and operated at the CIS level, in addition to monitoring fee levels from public interest entity audit clients at the CIS level we also monitor this at the individual country level.

There is one instance, in Georgia, where the fees from a public interest entity are over 10% of the fees although they are immaterial to the CIS firm. The level of integration in the CIS with regard to the quality control system is such that independence is not threatened and local regulation in the relevant country does not include any requirements in such cases. Nevertheless, an engagement quality control reviewer has been appointed from outside of the country.

4.3.2.8 Business relationships/suppliers

We have policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and any additional applicable independence requirements. Compliance with these policies and procedures is reviewed periodically.

4.3.2.9 Conflicts of interest

Conflicts of interest may prevent us from accepting or continuing an engagement. SentinelTM system is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the resolution of all matters is documented. An escalation procedure exists in the case of dispute between member firms. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise or be perceived to arise, so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients and making arrangements to monitor the operation of such dividers.

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

Training covering compliance with laws (including those relating to anti-bribery and corruption), regulations, professional standards, and the KPMG Code of Conduct is required to be completed by client-facing professionals at a minimum of once every two years, with new hires completing such training within one month of joining. In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are also required to participate in anti-bribery training.

4.4 Recruitment, development and assignment of appropriately qualified personnel

We are totally committed to equipping our people with the skills and tools they need to cut through the complexity of today's world – complexity that sees our people increasingly working across borders, collaborating on a global basis and taking on challenging and innovative projects.

One of the key drivers of quality is ensuring the assignment of professionals with the skills and

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experience appropriate to the client. This requires a focus on recruitment, development, promotion and retention of our personnel and the development of robust capacity and resource management processes. We monitor quality incidents for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration. We believe it is essential to attract and retain the best people. We actively manage our high-potential talent pool across our group though our Emerging Leaders Programme. In 2013 we had 63 high-performing and passionate individuals across CIS engaged in our Emerging Leaders Programme and 58 are planned for 2014.

4.4.1 Recruitment

All candidates applying for professional positions are required to submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks.

We recruited heavily at all levels during the year – over 1245 talented people made up of partners, experienced hires and graduates.

Upon joining, new personnel are required to participate in a comprehensive On-boarding Programme, which includes training in areas such as ethics and independence, quality and risk management principles and our people management procedures.

Our On-boarding Programme also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual's employment or partnership commences.

4.4.2 Personal development

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see Section 4.5.1).

In relation to audit we provide opportunities for professionals to develop the skills, behaviours, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills. We further develop our personnel for high performance through coaching and mentoring on the job, stretch assignments, country rotational and global mobility opportunities and the like.

4.4.3 Performance evaluation and compensation

At KPMG our commitment to the professionalism, openness and quality & risk management principles enshrined in the Audit Firm Governance Code starts at the very top with our partners but also extends throughout the people processes.

All professionals undergo annual goal-setting and performance reviews. Each professional is evaluated on attainment of agreed-upon goals, demonstration of the KPMG global behaviours, technical capabilities and market knowledge. This is achieved through our global performance development process, which is supported by a web-based application. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and propose a performance rating based on how well they have performed in meeting their objectives. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process.

This rating directly influences the total amount of remuneration that they are paid. The results of the annual counselling are also considered when promotion decisions are being made.

Similarly, each year, partners are also required to agree objectives for the coming year which are specific to their individual role. As for staff, as part of the year end counselling process our partners are awarded a rating based on how well they have performed in meeting their individual objectives. They are required to provide objective evidence to demonstrate this, which includes their individual quality and risk metrics which are described in further detail below.

The result of the annual performance review directly affects the compensation of our partners and in some cases their continued association with KPMG.

All managers and above, including partners, are issued with standardised quality and risk metrics which are fed

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into their annual counselling process. The quality and risk metrics include a number of parameters, such as the results of external regulatory reviews, timely completion of training, and the outcome of internal monitoring programmes. As part of these metrics, an overall red, yellow or green grading is awarded. The action taken against any partner with yellow and red metrics will be dependent upon the cause of the adverse metric initially. The range of actions that will be taken include remediation of the initial deficiency giving rise to the adverse metric, remedial training, one-to-one counselling with functional leadership and/or Quality and Risk Management Partners on the issue arising, or in some instances a reduction in the overall compensation paid to the partner concerned.

Compensation and promotion

We have compensation and promotion policies that are clear, simple, and linked to the performance evaluation process so that our people know what is expected of them and what they can expect to receive in return. Our compensation policies do not permit audit partners to be compensated for the sale of non-audit services to their audit clients; other restrictions are also applied in accordance with national regulations.

Partner admissions

Our process for admission to the partnership is rigorous and thorough. Our key criteria for admission to partner are consistent with a commitment to professionalism and integrity, quality and being an employer of choice. Anyone who is being considered for promotion to partner is evaluated against criteria which include evidence of the way that an individual has managed quality and risk as well as their overall adherence to our Values. Similarly, attitude to quality and risk is explored for any external partner hires that we are considering.

The KPMG Europe LLP Board may, on the recommendation of the Executive Committee, invite any individual to become a member.

4.4.4 Assignment

We have procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment. Key considerations include partner experience, accreditation, and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, the complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement).

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies and capabilities, including time, to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving specialists from our own or other KPMG member firms.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- An understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- An understanding of professional standards and legal and regulatory requirements;
- Appropriate technical skills, including those related to relevant information technology and specialised areas of accounting or auditing;
- Knowledge of relevant industries in which the client operates;
- Ability to apply professional judgement; and
- An understanding of KPMG's quality control policies and procedures.

As an additional control in Audit (where the services are of more of a recurring nature than across much of the rest of our business), each national Head of Audit together with the Audit Quality & Risk partner performs an annual review of the portfolio of all of our Audit engagement leaders. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether or not, taken as a whole, the specific engagement leader has the appropriate time, suitable experience and the right level of support to enable them to perform a high-quality audit for each client in their portfolio.

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4.5 Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need. This includes access to networks of specialists and technical experts, in particular departments of professional practice ('DPP').These are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

At the same time we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. Our structure enables our engagement teams to apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.

4.5.1 Technical training

In addition to personal development discussed at 4.4.2, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Our technical training curriculum covers all grades of staff with a core training programme for junior staff and periodic and annual update training for qualified and experienced staff and partners.

Audit Learning and Development steering groups at the global, regional and, where appropriate, local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning and virtual classroom methods . Audit Learning and Development teams work with subject matter experts and leaders from Global Service Centre (GSC), the International Standards Group (ISG) and DPPs, as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job, and is delivered on a timely basis.

Audit training is mandatory and completion is monitored at country level through a Learning Management System. This allows individuals to monitor their compliance both with their ongoing Continuing Professional Development requirements and with KPMG's mandatory training and accreditation requirements (see 4.5.2). Non-attendance at mandatory training is captured as one of the measures on the quality and risk metrics.

In addition to structured technical training, there is a coaching culture that encourages consultation, on-the-job training and mentoring.

4.5.2 Accreditation and licensing

All KPMG professionals are required to comply with applicable professional licence rules in the jurisdiction where they practice.

We ensure that Audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework. We have accreditation requirements for many of our services (including for US audit and accounting work, International Financial Reporting Standards, Transactions Services and Corporate Finance services) which ensure that only partners and employees with the appropriate training and experience are assigned to clients and are appropriately licensed where necessary.

We require that all Audit professionals maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with IESBA requirements). Our policies and procedures are designed to ensure that those individuals who require a licence to undertake their work are appropriately licensed.

4.5.3 Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists or specialists in other KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g. Information Technology, Tax, Treasury, Pensions, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

4.5.4 Consultation

Internal consultation is a fundamental contributor to quality and is mandated in certain circumstances and always encouraged.

We provide appropriate consultation support to audit engagement professionals through professional practice resources that include a DPP or equivalent.

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The role of DPP is crucial in terms of the support that it provides to the Audit function. It provides technical guidance to client service professionals on specific engagement-related matters, develops and disseminates specific topic-related guidance on emerging local technical and professional issues, and disseminates international guidance on International Financial Reporting Standards (IFRS) and ISAs.

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, Head of Quality & Risk Management or ultimately the national senior partner (or appropriate nationally qualified delegates).

Technical support is also available to our operating firms through the International Standards Group (ISG) as well as the US Capital Markets Group based in New York, for work on SEC foreign registrants, or the US Accounting and Reporting Group based in London.

The ISG works with global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues and develop global guidance on a timely basis.

4.5.5 Developing business understanding and industry knowledge

A key part of engagement quality is having a detailed understanding of the client's business and industry.

For significant industries global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals within eAudIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available which provide general and business information in respect of particular industries as well as a summary of the industry knowledge provided in eAudIT.

We, along with other KPMG member firms, provide specialist input into the development of global industry knowledge, and deploy it via the use of eAudIT.

4.6 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the audit engagement team's performance during the conduct of every audit.

We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. These behaviours are discussed below.

4.6.1 KPMG Audit Process

As set out above, our audit workflow is enabled in eAudIT. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- Timely partner and manager involvement;
- Critical assessment of audit evidence;
- Exercise of professional judgement and professional scepticism;
- Ongoing mentoring and on-the-job coaching, supervision and review;
- Appropriately supported and documented conclusions;
- If relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC reviewer);
- Clear reporting of significant findings;
- Insightful, open and honest two-way communication with those charged with governance; and
- Client confidentiality, information security, and data privacy.

4.6.1.1 Timely partner and manager involvement

To identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates. The engagement partner is responsible for the overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement.

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Involvement and leadership from the engagement partner during the planning process and early in the audit process helps set the appropriate scope and tone for the audit, and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters significant to the engagement, including critical areas of judgment, and significant risks.

The engagement leader is responsible for the final audit opinion and reviews key audit documentation – in particular documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the partner in meeting these responsibilities and in the day-to-day liaison with the client and team.

4.6.1.2 Critical assessment of audit evidence with emphasis on professional scepticism

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. The analysis of the audit evidence requires each of our team members to exercise professional judgement and maintain professional scepticism to obtain sufficient appropriate audit evidence.

Professional scepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence. Professional scepticism features prominently throughout auditing standards and receives significant focus from regulators. Our Audit Quality Framework emphasises the importance of maintaining an attitude of professional scepticism throughout the audit.

We have developed a professional judgement process that provides audit professionals with a structured approach to making judgements. Our professional judgement process has professional scepticism at its heart. It recognises the need to be alert to biases which may pose threats to good judgement, consider alternatives, critically assess audit evidence by challenging management's assumptions and following up contradictory or inconsistent information and document the rationale for conclusions reached on a timely basis as a means of testing their completeness and appropriateness.

Professional judgement training has been embedded in our core Audit Technical training Programme for junior staff as well as being included in our periodic and annual update training for qualified and experienced staff and partners.

4.6.1.3 Ongoing mentoring and on-the-job coaching, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Ongoing mentoring and on-the-job coaching and supervision during an audit include:

- Engagement partner participation in planning discussions;
- Tracking the progress of the audit engagement;
- Considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement;
- Helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately; and
- Identifying matters for consultation with more experienced team members during the engagement.

A key part of effective monitoring, coaching and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

4.6.1.4 Appropriately supported and documented conclusions

Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

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Our methodology recognises that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalized. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not more than 60 calendar days from the date of the audit report but may be more restrictive under certain applicable regulations.

The key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement will understand:

- The nature, timing, and extent of audit procedures performed to comply with the ISAs;
- Applicable legal and regulatory requirements;
- The results of the procedures performed;
- Significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained); and
- The basis for the conclusions reached, and significant professional judgments made in reaching those conclusions.

We have a formal document retention policy in accordance with the applicable regulation that governs the period we retain audit documentation and other client-specific records.

4.6.1.5 Appropriate involvement of the Engagement Quality Control reviewer (EQC reviewer)

EQC reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgements made by the engagement team. They are experienced audit professionals who are independent of the engagement team. They provide an objective review of the more critical and judgemental elements of the audit.

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the quality & risk management partner or country head of audit. Before the date of the auditor's report, these individuals review:

- Selected audit documentation and client communications;
- Appropriateness of the financial statements and related disclosures; and
- Significant judgements the engagement team made and the conclusions it reached with respect to the audit.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved.

We are continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control. In recent years we have taken a number of actions to reinforce this, including:

- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers;
- Incorporating specific procedures into eAudIT to facilitate effective reviews; and
- Ensuring that the role performed by EQC reviewers is also taken into account when performing the Partner Portfolio Review process (see section 4.4.4) to ensure adequacy of time and appropriate skill set for the role and reallocation if needed.

4.6.1.6 Clear reporting of significant findings

Auditing standards and local legislation or regulation largely dictate the format and content of the audit report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement leaders arrive at all audit opinions based on the audit performed. In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support to audit through consultations with DPPs, especially where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

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4.6.1.7 Insightful, open and honest two-way communication with those charged with governance

Two-way communication with those charged with governance is key to audit quality. Often the audit committee will be the body identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. We achieve this through a combination of reports and presentations, attendance at Audit Committee or Board meetings, and ongoing discussions with members of the Audit Committee.

We deliver insights such as the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgements and any matters where we may disagree with management's view, and any uncorrected audit misstatements. We ensure the content of these reports meets the requirements of auditing standards and we share our industry experience to encourage discussion and debate with those charged with governance.

In recognition of the demanding and important role that audit committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, the KPMG Audit Committee Institute ('ACI') was created in Russia in 2008 to help Audit Committee members enhance their awareness, commitment and ability to implement effective Audit Committee processes. The Institute provides Audit Committee members with authoritative guidance on matters of interest to Audit Committees as well as the opportunity to network with their peers during an extensive programme of technical updates and awareness seminars.

4.6.1.8 Focus on effectiveness of group audits

Our audit methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality. The group Audit engagement leader is required to evaluate the competence of component auditors, whether or not they are KPMG member firms or not, as part of the engagement acceptance process. Our audit methodology incorporates the heightened attention currently being given to key risk areas for group audits, e.g., emerging markets and business environments that may be subject to heightened fraud risks.

4.6.2 Client confidentiality, information security and data privacy

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and our third parties.

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including through regular communication on the topic, the Code of Conduct, training, and the annual affidavit/confirmation confirmation process, which all of our professionals are required to complete.

We have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG personnel.

As part of the Global requirements, each KPMG Europe LLP operating firm appoints a National IT Security Officer (NITSO), with the necessary authority, skills and experience, to lead the information security function. The NITSO is in charge of the firm's information security programme and works closely with the local IT services and Quality and Risk Management. The NITSO also reports to the firm's Senior Management and also to the Global IT Security Officer and Global Head of Information Protection.

We have implemented an incident response procedure to minimise the impact of a security breach or data loss.

Everyone has role to play in protecting client and confidential information. Policies and practices are communicated to all personnel and, as appropriate, reinforced through guidance, awareness and training. We have published an Acceptable Use Policy that applies to all KPMG personnel. The policy encourages effective and appropriate use of KPMG information technology resources, and highlights the protection requirements of all employee, KPMG, and client confidential and personal information. Data privacy policies are also in place governing the handling of personal information.

We have a formal document retention policy concerning the retention period

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for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, standards and regulations.

4.7 Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for continuous improvement.

Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

4.7.1 Monitoring

4.7.1.1 Internal monitoring

KPMG International has an integrated monitoring programme that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and KPMG International policies and procedures.

The results and lessons from the programmes are communicated within each of our operating firms, and the overall results and lessons from the programmes are considered and appropriate actions taken, at group, regional and global levels.

Our internal monitoring programme also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively.

Our monitoring procedures involve ongoing consideration of:

- Compliance with KPMG's policies and procedures;
- The effectiveness of training and other professional development activities; and
- Compliance with applicable laws and regulations and member firms' standards, policies, and procedures.

Two KPMG International developed and administered inspection programmes are conducted annually across the Audit, Tax, and Advisory functions: the Quality Performance Review (QPR) Programme; and the Risk Compliance Programme (RCP). Both programmes are developed and administered by KPMG International.

Additionally all KPMG member firms are covered by cross-functional Global Compliance Reviews (GCRs). These Programmes are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network (see Section 7 for further details on the KPMG network).

We also perform periodic compliance testing, the reports for which are consolidated at the group level once every six months and presented at the joint Quality & Risk Committee and Public Interest Committee meetings.

Quality Performance Reviews (QPRs)

The QPR Programme is the cornerstone of KPMG's efforts to monitor engagement quality and one of the primary means of ensuring that member firms are collectively and consistently meeting KPMG International's requirements and applicable professional standards. The QPR Programme assesses engagement level performance in the Audit, Tax, and Advisory functions and identifies opportunities to improve engagement quality. All engagement partners are generally subject to selection for review at least once in a three-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a Lead Reviewer from outside the specific member firm being reviewed, and are monitored regionally and globally.

We perform a root cause analysis for pervasive issues. Remedial action plans for all significant deficiencies noted are required at an engagement and member firm level. We disseminate our findings from the QPR Programme to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasised in subsequent inspection programmes to gauge the extent of continuous improvement. RCP and GCR Programmes also require action plans to address identified issues, with time lines, to be developed by the member firm, and these actions to improve performance are followed up at the regional and global level to ensure that the actions address the identified issues with the objective of continuous improvement.

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In 2013 the following number of engagements and engagement leaders were reviewed:

2013 Quality Performance Reviews

	2013 Number of engagements reviewed	2013 Number engagement leaders reviewed	2013 % of engagement leaders reviewed
Audit	56	50	71%
Tax	54	18	56%
Advisory	39	34	68%

KPMG International continues to refine and strengthen the Audit QPR Programme in light of latest developments. All engagements are awarded one of three grades; 'Satisfactory', 'Performance Improvement Necessary' and 'Unsatisfactory'. A 'Satisfactory' grading requires both (i) the audit work performed, the evidence obtained and the audit documentation produced to comply with our internal policies, applicable auditing standards and legal and regulatory requirements, and (ii) key judgments concerning significant matters in the audit and the audit opinion itself to have been appropriate. A 'Performance Improvement Necessary' grading is attributed where the auditor's report is generally supported by the work performed, and is not incorrect in any material aspect but where improvements are necessary in some areas including with respect to the documentation of the work performed. An 'Unsatisfactory' grading is attributed where the engagement was not performed in accordance with the firm's policy and professional standards in a significant area, in particular where there are significant deficiencies in the financial statements themselves, the audit work paper documentation or the actual work undertaken.

Risk Compliance Programme (RCP)

The RCP is a member firm's annual self-assessment Programme. The objectives of the RCP are to monitor, assess, and document firm wide/cross functional compliance with the system of quality control established through KPMG International's quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The Programme is overseen and monitored regionally as well as globally.

Member firms are required to self-assess their overall levels of compliance as 'Green', 'Yellow' or 'Red'. A 'Green' grade indicates that the firm is substantially compliant with KPMG's policies and procedures and where there are issues identified these are minor and isolated and are acted on promptly. A 'Yellow' grade also indicates that the firm is substantially compliant with KPMG policies and procedures although there may be several instances of non-compliance with policies or procedures, however these do not indicate serious deficiencies within the firm as a whole. A 'Red' grade indicates that there are serious deficiencies.

Within the CIS firm many of the processes and procedures in the quality management system are operated centrally. These were tested centrally and the results used in the assessment of the individual countries compliance with policies and applicable legal and regulatory requirements. In all countries in which the KPMG CIS practice is represented, the firms were assessed as being in substantial compliance with KPMG policies. Robust action plans are in place to remediate any issues identified.

All actions resulting from the 2012 RCP have either been already cleared or are in the progress of being cleared.

Global Compliance Review Programmes (GCRs)

GCRs are performed by reviewers independent of the member firm led by the Global Compliance Group. GCRs are carried out on member firm once in a three-year cycle. These reviews focus on significant governance, risk management and independence and finance processes (including an assessment of the robustness of the firm's Risk Compliance Programme). Each major review area is assigned a "traffic light" rating by the GCR review team. A 'Green' rating indicates that policies and procedures are generally satisfactory and that the firm is substantially compliant with KPMGI's policies and procedures. A 'Yellow' rating is given when the results indicate that the firm is generally compliant with KPMGI's policies and procedures. There may be several instances of non-compliance with policies and procedures; however these do not necessarily indicate serious deficiencies within the firm as a whole. A 'Red' rating indicates that a firm has serious deficiencies.

System of quality control continued

During the year ended 30th September 2013, KPMG CIS has been subject to a GCR review and found to be compliant with KPMG policies, although specific instances of non-compliance were identified as well as recommendations for improvement. Action plans are in place to address such recommendations.

4.7.1 External monitoring

Within the CIS the country practices are subject to independent regulatory review from the relevant local regulatory body. Such reviews were performed in Russia, Kazakhstan and Ukraine during the year to 30th September 2011 and in Azerbaijan during the year to 30th September 2013.

Certain of the countries in the CIS firm are also registered with regulators in the European Union and the Russian firm is also registered in Jersey. Within the European Union Russia is registered in the UK and France, Kazakhstan is registered in the UK and Luxembourg and Georgia is registered in the UK. No reviews have been performed in respect of the European registrations. The ICAEW, on behalf of Jersey, performed a review of the Russian practice in September/October 2012. No such reviews were performed in 2013.

The Russian firm is also registered with the US PCAOB. The last review by the PCAOB was in October 2009 and the draft report was received in 2011.

None of these reviews identified issues that have a material impact on the conduct of our audit business.

4.7.2 Client feedback

In addition to internal and external monitoring of quality, we operate a formal programme across our operating firms where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that we receive from this programme is formally considered by our operating firms and individual engagement teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

4.7.3 Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received from clients relating to the quality of our work. These procedures are detailed on our websites.

4.7.4 Interaction with regulators

At an international level, KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss issues identified and actions taken to address such issues at a network level.

In respect of KPMG Europe LLP countries a forum has been established, referred to informally as the ‘College of Regulators’ which consists of representatives from the Regulators of many members of our group. The College liaises with our group to increase mutual understanding our key areas of focus.

4.7.5 Other assessments of audit quality

Within the CIS practice all reports issued from the Audit department are subject to a pre issuance review by DPP or an experienced partner. Any issues identified need to be cleared before the report can be issued.

Feedback is provided on a monthly basis to individual engagement leaders as regards the quality of reports submitted for review and the annual results are taken into account in the engagement leader’s performance evaluation.

Financial information

A summary of revenues for 2013 and 2012 by category of service is shown below.

Service

	Year ended 30th September 2013 Millions Roubles	Year ended 30th September 2012 Millions Roubles
Audit – statutory audit	4,893	3,597
Audit – non statutory and other services	2,097	3,064
Total Audit services	6,990	6,661
Tax and Advisory services	4,105	4,284
Total revenues	**11,095**	**10,945**

Partner remuneration

CIS partners are employed by corporate entities and part of their remuneration comprises a base salary and associated benefits as for other employees. They receive an additional variable element to their pay which is established once the profits for the year have been determined.

Partners currently make their own provision for retirement and are personally responsible for funding most benefits.

The final allocation of all variable elements of partner's remuneration and hence overall remuneration is proposed by the CIS Executive to the Executive Committee of the group, after assessing each partners contribution for the year in line with the process followed for all KPMG personnel. This takes into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the Values of the firm. Audit partners are explicitly not rewarded for non-audit services sold to their audit clients.

The Board's Remuneration Committee makes recommendations on policies for partner remuneration, approves the process used by the Executive Committee, and determines the remuneration for the Chairman, Executive Committee and Head of Quality & Risk of the group. The Remuneration Committee also reviews the remuneration of a selection of partners across the group on an individual basis, specifically considering their quality and risk compliance metrics.

Network arrangements

7.1 Legal Structure

The independent member firms of the KPMG network (including KPMG Europe LLP's operating firms) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. The KPMG International network consists of approximately 155,000 professionals working in 155 countries. For the year ended 30 September 2013 the member firms comprising the network generated aggregate revenues of US$23 billion.

KPMG International carries out business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by member firms of high-quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes, and facilitates the implementation and maintenance of, uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity which is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

7.2 Responsibilities and obligations of 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.

In these agreements, member firms commit themselves to a common set of KPMG Values. 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. This includes having a structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources, service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work.

In accordance with the Global Code of Conduct, partners and professionals working within member firms are required to act with integrity at all times. Compliance with key quality standards (including key aspects of methodologies, tools and management of risk) are specifically assessed as part of the International Review Programmes described in Section 4.7.1. The results of these Programmes are reported to various governance and management bodies within KPMG International which can, at its discretion, take a number of actions against the firm concerned – including, ultimately, removal from the KPMG International network for any firm which fails to meet the required quality standards.

Member firms are also required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate (for example, if the engagement concerns work in that other member firm's country and that other member firm has the required capacity and expertise to perform the work).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts (which is currently based on revenue) is approved by the Global Board and consistently applied to the member firms.

A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

7.3 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 through a programme that is available to all KPMG member firms.

Network arrangements continued

7.4 Governance structure

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

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the Chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 54 member firms that are 'members' of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms and ratifies the Chairman's appointment of the Deputy Chairman and members of the Global Executive Team.

The Global Board includes the Chairman, the Deputy Chairman, the Chairmen 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. One of the Board members is elected as the "lead director" by those Board members who are not also members of the Global Executive Team ('non-executive' members). A key role of the lead director is to act as liaison between the Chairman and the 'non-executive' Board members.

The Global Board is supported in its oversight and governance responsibilities by several committees, including a Governance Committee; an Audit, Finance, and Investments Committee; a Compensation and Nomination Committee; a Quality & Risk Management Committee; and a Professional Indemnity Insurance Committee. The lead director nominates the Chairs and members of Board committees for approval by the Board.

The Global Executive Team is the principal management body of KPMG International. The Global Executive Team drives the execution of the strategy approved by the Global Board and establishes processes to monitor and enforce policy compliance. It is led by the Chairman and includes the Deputy Chairman, the Chief Operating Officer, Global Practice Heads, regional leaders, and a number of senior partners of member firms.

The Global Executive Team is supported by Global Steering Groups responsible for executing the approved strategy and business plan in their respective areas. In particular, the Global Quality & Risk Management Steering Group operates under delegated authority from the Global Executive Team.

Each member 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 or Executive Officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

Members of the Global Board and Global Executive Team are members of the various network firms. Such members perform these roles on behalf of KPMG International and in that capacity do not act for KPMG Europe LLP or any entity within our group.

Further details about KPMG International, including the governance arrangements, can be found in its Transparency Report which is available at: http://www.kpmg.com/Global/en/about/governance/Pages/transparency-report.aspx.

7.5 Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders (AQRMLs), reporting to the Global Vice Chair–Quality & Risk Management. The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML performs a monitoring function over a group of member firms. Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms. Our group's Head of Quality & Risk is also the AQRML for KPMG Europe LLP.. Our group's Head of Quality & Risk is also the AQRML for KPMG Europe LLP.

Board confirmations

In accordance with the Audit Firm Governance Code the group Board has reviewed the effectiveness of the group's systems of internal control. One element of this review has been to request sign-offs from the senior partner in each operating firm that:

1. They are in compliance with those quality and risk management policies which relate to the delivery of professional services that are required by KPMG International;
2. Their system of quality control has operated effectively during the year; and
3. Their accounts are complete and accurate, adhere to policy, and that no material post balance sheet events that require disclosure exist to the best of their knowledge.

With regard to the KPMG CIS firm, based on:

- The design and operation of the quality management systems as described in this report;
- The findings from the various compliance Programmes operated by our firm (including the KPMG International Compliance Programmes as described in section 4.7 and our local compliance monitoring programmes); and
- Formal reporting by the CIS Head of Finance and Infrastructure on the firm's financial performance and the report of the group's external auditors in their annual audit.

The Senior Partner of the KPMG CIS firm has been able to provide the above confirmations to the group Board.

More details on the group Board confirmations process are set out in the 2013 KPMG Europe LLP Transparency Report: http://www.kpmg.com/EU/en/Documents/ellp-transparency-report-2013.pdf.

Appendix 1.
Key Legal Entities and areas of operation

Key legal entities that were part of the KPMG CIS as at 30 September 2013

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG Ukraine Limited	Ukrainian Limited Liability Company	Ukrainian Valuation Regulated	Tax, Advisory & Valuation Services	Ukraine
KPMG Limited Branch Office (BO)	Guernsey Limited Liability Company	None	Advisory & Tax Services	Russia
ZAO KPMG*	Russian Closed Joint Stock Company	Audit & Valuation Regulated	Audit, Audit Related Valuation, Tax and Advisory Services	Russia
KPMG Audit CJSC*	Ukrainian Private Joint Stock Company	Audit Regulated	Audit Services	Ukraine
KPMG CIS Limited	Guernsey Limited Liability Company	None	Audit & Advisory Services	Georgia
KPMG Bishkek LLC	Kyrgyz Limited Liability Company	Audit Regulated	Audit Services	Kyrgyzstan
KPMG Tax & Advisory LLC	Kazakh Limited Liability Company	Valuation Regulated	Tax & Advisory Services	Kazakhstan
KPMG Audit LLC (Kazakhstan)	Kazakh Limited Liability Company	Audit Regulated	Audit Services	Kazakhstan
KPMG Valuation LLC	Kazakh Limited Liability Company	Valuation Regulated	Valuation Services	Kazakhstan
KPMG Armenia cjsc* (Armenia)	Armenian Closed-Joint stock company	Audit Regulated	Audit, Tax & Advisory Services	Armenia
KPMG Azerbaijan Limited RO	Guernsey Limited Liability Company	Audit Regulated	Audit, Tax & Advisory Services	Azerbaijan

* Not wholly owned

Appendix 2.
Details of those charged with governance at KPMG CIS – the CIS Executive

KPMG CIS Executive members as at 1 October 2013 are:

Oleg Goshchansky

CIS Chairman and Managing Partner, CIS Head of Markets

Oleg is a member of the CIS Executive, a member of the Audit Committee. He is also a member of the Board of KPMG International. He has been a partner with KPMG for 11 years and was Head of Audit in the CIS for 3 years before taking up the position of the CIS Chairman and Managing Partner and joining the KPMG Europe LLP Board on 1 October 2012, and taking up the position of the CIS Head of Markets on 1 July 2013.

Andrei Shvetsov

CIS Head of Audit

Andrei is a member of the CIS Executive. He he has been a partner with KPMG for 7 years and was Head of the Industrial Markets audit unit for 3 years before taking up the position of CIS Head of Audit on October 1st 2012.

Sean Tiernan

CIS Head of Advisory

Sean is a member of the CIS Executive. He has been a partner with KPMG for 15 years and was the CIS Head of the Transactions and Restructuring since 1 September 2012 before taking up the CIS Head of Advisory role on 1 July 2013.

Graham Povey

CIS Head of Tax

Graham is a member of the CIS Executive. has been a partner with KPMG for 4 years and the Head of tax in Russia and CIS.

Gregor Mowat

Managing Partner of KPMG Kazakhstan and Central Asia and CIS Head of Finance and Infrastructure

Gregor is a member of the CIS Executive. He has been a partner with KPMG for 8 years and became CIS Head of Finance and Infrastructure in January 2011 and took up the position of Managing Partner of KPMG Kazakhstan and Central Asia as of 1 July 2013.

Alevtina Borisova

CIS Head of People

Alevtina is a member of the CIS Executive. She has been a partner with KPMG for 5 years and became CIS Head of People in September 2011.

Jim McKinven

CIS Head of Quality and Risk Management

Jim is a member of the CIS Executive. He has been a partner within KPMG for 16 years and the CIS Head of Quality and Risk Management for 8 years.

Appendix 2. Details of those charged with governance at KPMG CIS – the CIS Executive
continued

Marc Van der Plas

CIS Head of Markets
Marc was a member of the CIS Executive until he stepped down on 30 June 2013. He has been a partner within KPMG for 10 years and the CIS Head of Markets for 4 years.

Alun Bowen

Senior Partner in Kazakhstan and Central Asia
Alun was a member of the CIS Executive and stepped down on 30 June 2013. He has been a partner within KPMG for 24.5 years and the Senior Partner in Kazakhstan and Central Asia for 5.5 years.

Thomas Dix

CIS Head of Advisory
Thomas was a member of the CIS Executive until he stepped down on 30 June 2013. He has been a partner with KPMG for 9.5 years and was Head of the Transactions and Restructuring unit for 3.5 years before taking up the CIS Head of Advisory role on 1 September 2012.

Appendix 2. Details of those charged with governance at KPMG CIS – the CIS Executive
continued

CIS Executive – meetings attended during the year ended 30th September 2013:

Member	CIS Executive		ELLP Board		ELLP Remuneration Committee		KPMG International Board	
	No. meetings available	No. attended	No. meetings available	No. attended	No. meetings available	No. attended	No. meetings available	No. attended
Oleg Goshchansky	22	22	4	2				
Andrei Shvetsov	22	22						
Sean Tiernan	6	6						
Graham Povey	22	22						
Gregor Mowat	22	22						
Alevtina Borisova	22	22						
Marc Van der Plas	15	15						
Jim McKinven	22	22						
Thomas Dix	16	15						
Alun Bowen	2	2						

Appendix 3.
Public Interest Entities

The entities listed on a recognized stock exchange for which KPMG in the CIS has signed an audit opinion in the year ended 30 September 2013 is given below. Entities which could be regarded as public interest entities but are not listed on a recognized stock exchange are not included.

Acron
Aeroflot - Russian Airlines
AG Bank
Aiyl Bank OJSC
Alliance Bank JSC
ALOR Bank (fka: Stolichnoe Kreditnoe Tovarishchestvo Bank)
Anthousa Limited
ARARATBANK OJSC
Armenian Development Bank OJSC
Ashinskiy Metallurgical Works
Astra Bank PJSC
ATFBank JSC
Atomic Energy Power Corporation OAO (aka: Atomenergoprom)
AVANGARD Bank AKB
Aziatsko-Tikhookeanskiy Bank
Baltinvestbank OAO (aka: Baltic Investment Bank)
Bank Kassa Nova JSC
Bank Saint-Petersburg (aka: Bank Sankt-Peterburg)
Burovaya Kompaniya Eurasia
Corporation Tsesna JSC
Credit Europa Bank (fka: Financebank)
Credit Europe JSB
Credit West Bank PJSC
Dagestanskaya Energosbytovaya Company
DBK-Leasing subsidiary of joint stock company "Development Bank of Kazakhstan" JSC
Delta Bank JSC
Deutsche Bank DBU PJSC
Development Bank of Kazakhstan JSC
Donbasenergo BAT
Dorogobuzh
Dragon Ukrainian Properties and Development plc
Ekibastuzskaya GRES-1 named after Bulat Nurzhanov LLP
Energosbyt Rostovenergo
Eurasian Bank JSC
Eurasian Development Bank
Europlan
Far Eastern Shipping Company (aka: FESCO)
First United Bank (aka: Pervobank)
GAZ
Gazprombank (GPB)
Georgian Oil and Gas Corporation
Georgian Railway JSC
GPB-Ipoteka (aka: GPB-Mortgage; fka: ZAO)
Group of Companies PIK (aka: PIK Group)
HDI Insurance PJSC
Home Credit and Finance Bank (aka: HCF Bank; HKF Bank)
Intesa Bank
Investtorgbank AKB OAO (aka: Investment Trade Bank)
Irkut Corporation (fka: Irkutskoye Aviatsionnoe Proizvodstvennoe Ob'edinenie)
Irkutskenergo
Ivano-frankisvk cement
Kabbalkenergo
KAZEXPORTASTYK Holding JSC
Kedr Commercial Bank
Kramatorsky cement plant Pushka
Krasnoyarskaya GES
Krasny Kotelschik TKZ
Kubanenergo
Kuzbasskaya Toplivnaya Kompaniya
Kyrgyz Investment and Credit Bank CJSC
Lenenergo
Linde Gaz (Linde Gas) PJSC
LOCKO-Bank KB ZAO (aka: LOKO Bank)
LSR Group
LUKOIL OAO
Magnitogorsk Iron & Steel Works OAO (aka: MMK)
Maikuben West Holding JSC
Marienergosbyt
MDM-Bank
MOESK
Mortgage organization "Kazakhstan Mortgage Company" JSC
Moscow Credit Bank (aka: MKB; CREDIT BANK OF MOSCOW)
Moscow Integrated Power Company (aka: MOEK)
Mosenergosbyt
MOSTOTREST
MRSK Center
MRSK Center and Volga Region
MRSK Severnogo Kavkaza
MRSK Severo-Zapada OAO (aka: MRSK North-West)
MRSK Sibiri
MRSK Urala
MRSK Volgi
MRSK Yuga
National Reserve Bank (NRB)
Nizhegorodskaya Sale Company OAO (aka: Nizhegorodskaya Sbytovaya Kompaniya)
NORILSK NICKEL (aka: MMC NORILSK NICKEL; GMK NORILSKIY NICKEL)
North-Western Shipping Company (aka: Severo-Zapadnoe Parokhodstvo)
OGK-2 (aka: Second wholesale electricity generating company)
OMZ
Optima Bank OJSC
Peterburgskaya Sbytovaya Kompaniya
PhosAgro OAO
Pioneer Group
Power machines
Pravex-Bank JSCB
Raiffeisen Bank Aval PJSC
RESO Garantiya OSAO
Retail Group PJSC (fka: Velyka Kyshenya group of companies)
Rostelecom
RUSAL Bratsk (aka: BrAZ)
RUSAL Krasnoyarsk (KrAZ)
Russian Grids (fka: MRSK Holding)
Russian Investment Bank OJSC
Russ-Invest IK (aka: Russ-Invest IC OAO)
Russkiy Slavyanskiy Bank (aka: RusSlavBank)
Saratovenergo
Severstal

Appendix 3. Public Interest Entities
continued

Sibirsky Cement HK
Slavuta Malt Plant PJSC (aka: Soufflet Slavuta)
Slavutych Brewery PJSC (aka: PBK Slavutich)
SMP Bank
Solikamsk Magnesium Plant
State Transport Leasing Company (aka: STLC; GTLK)
Subsidiary Bank Home Credit and Finance Bank JSC
SUEK-Finance OOO
Sukhoi civil aircraft
Tambovskaya Energosbytovaya Kompania
Texnikabank OJSC
TGK-12 (aka: Kuzbassenergo)
TGK-5
TGK-6
TGK-7
TGK-9
Tomsk Distribution Company
Transneft AK
Tsesnabank JSC
Turan Bank
Ukrtelecom JSC
Unicredit Bank
United Aircraft Corporation (aka: UAC)
Ural Bank of Reconstruction and Development (aka: UBRD)
URALSIB Bank
URALSIB Leasing company
Uralvagonzavod OAO (aka: Nauchno-Proizvod. Korporatsiya Uralvagonzavod)
Voronezh Energy Sale Company OAO (Voronezhskaya Energosbytovaya Kompaniya)
VSMPO-AVISMA Corporation
Wimm-Bill-Dann Foods (aka: WBD Foods)
Wimm-Bill-Dann Ukraine PJSC (WBD)
World Trade Center OAO
Yaroslavl Sale Company OAO (aka: Yaroslavskaya Sbytovaya Kompaniya)
Yu KZhSI (Yuzhno-Uralskaya Korporaciya Zhilishnogo Srtoitelstva i Ipoteki)
Zaporizhstal Integrated Iron & Steel Works JSC
Zarechnaya Coal Company
Voronezh Energy Sale Company OAO (Voronezhskaya Energosbytovaya Kompaniya)
VSMPO-AVISMA Corporation
Wimm-Bill-Dann Foods (aka: WBD Foods)
Wimm-Bill-Dann Ukraine PJSC (WBD)
World Trade Center OAO
Yaroslavl Sale Company OAO (aka: Yaroslavskaya Sbytovaya Kompaniya)
Yu KZhSI (Yuzhno-Uralskaya Korporaciya Zhilishnogo Srtoitelstva i Ipoteki)
Zaporizhstal Integrated Iron & Steel Works JSC
Zarechnaya Coal Company

Appendix 4.
KPMG's global values

We lead by example.	At all levels we act in a way that exemplifies what we expect of each other and our clients.
We work together.	We bring out the best in each other and create strong and successful working relationships
We respect the individual.	We respect people for who they are and for their knowledge, skills and experience as individuals and team members
We seek the facts and provide insight.	By challenging assumptions and pursuing facts, we strengthen our reputation to provide insight as trusted and objective business advisers
We are open and honest in our communication.	We share information, insight and advice frequently and constructively and manage tough situations with courage and candour.
We are committed to our communities.	We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities.
Above all, we act with integrity.	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.