



Addendum to the 2017 Audit Quality Report

Monitoring quality: Internal and external inspections

November 2018

KPMG remains steadfast to its commitment to performing consistently high-quality audits. Internal and external inspections are essential to identifying opportunities to improve audit execution and our system of audit quality control at KPMG. We consider the inspection process an integral extension of our high-performance culture and critical to our ongoing mission to achieve quality in everything we do.

External regulatory reviews

In October 2018, CPAB released its annual inspections report focused on Canada's four largest public accounting firms. The CPAB Audit Quality Insights Report covers the 2018 inspections of the Big Four, including KPMG in Canada.

KPMG in Canada and CPAB share the common goals of improving audit quality and maintaining the public's trust in the capital markets. The inspection of public accounting firms represents an important element of this initiative and we fully support CPAB's responsibility. A copy of this report is available on CPAB's website at <http://www.cpab-csrc.ca/en/news-and-publications/Pages/CPAB-releases-2018-fall-inspections-results.aspx>

CPAB inspections of KPMG in Canada

CPAB has issued a confidential report to KPMG in Canada on the results of its inspections for each of the past thirteen years. Under CPAB's rules, the recommendations or other comments contained in these reports may not be made public by either CPAB or the inspected firms. KPMG in Canada fully intends to implement the recommendations for improvements that CPAB has made related to our audit methodology, quality control processes and engagement execution.

The PCAOB inspections of KPMG in Canada

KPMG in Canada issues audit opinions on the financial statements of registrants with the U.S. Securities & Exchange Commission (SEC) and is registered with the PCAOB. KPMG in Canada has been subject to an annual PCAOB inspection from 2005 to 2017.

For its 2017 inspection, as in prior inspections of KPMG in Canada, the PCAOB selected a cross-section of audit engagements to review. In addition, the PCAOB performed certain procedures relating to KPMG in Canada's

executive and national offices. In November 2018, the PCAOB released its report on the 2017 inspection of KPMG in Canada.

The PCAOB's Reports are presented in two parts. Part I is a public document containing observations relating to specific engagements reviewed by the PCAOB. Part II is a private document containing the PCAOB's observations regarding KPMG in Canada's quality control systems related to audit performance and firm-wide functions. This part of the Report will be made public only to the extent that any of the PCAOB's comments and observations have not been adequately addressed within 12 months of the date of the Report.

KPMG in Canada is committed to responding to all reports on a timely basis. The inspection reports for KPMG in Canada, and the related responses to Part I of these reports are available on PCAOB's Website at <http://www.pcaobus.org>.

Internal quality reviews

KPMG in Canada conducts an annual internal review of its audit practice through its Quality Performance Review (QPR) program. The QPR is designed to meet the quality control elements of monitoring as required by professional standards. For the five-year period ended September 30, 2018, our QPR has not identified any issues considered to have a material effect on the conduct of the firm's audit practice. Like most companies with quality review programs, we identify areas for continuous improvement. Where warranted we conduct formal root cause analysis over audit quality issues and design remedial actions that are responsive to the underlying root causes. These actions include the enhancement of policies and guidance, communications and training for our partners, managers and staff.

Governmental or other inquiries

Currently, KPMG in Canada is not aware of any inquiry or investigation by governmental or regulatory authorities against the firm or any of its partners that the firm believes might adversely affect the firm's operations or its ability to fulfill its obligations as an independent auditor to its clients.