



KPMG in India's transparency report

For the year to 31 March 2016

June 2016

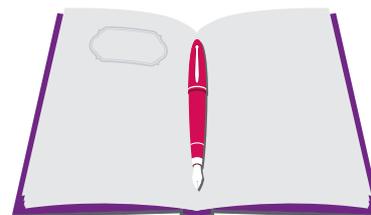
KPMG.com/in



Table of contents

Message from the Deputy Chief Executive Officer	1	3.5.2 Accreditation and licensing	15
1 Who we are	2	3.5.3 Access to specialist networks	15
1.1 Our business	2	3.5.4 Consultation	15
1.2 Our strategy	2	3.5.5 Developing business understanding and industry knowledge	16
2 Our structure and governance	3	3.6 Performance of effective and efficient audits	16
2.1 Legal structure	3	3.6.1 KPMG Audit Process	16
2.2 Name and obligations	3	3.6.1.1 Timely partner and manager involvement	16
2.3 Governance structure	4	3.6.1.2 Critical assessment of audit evidence with emphasis on professional skepticism	17
3 System of quality control	5	3.6.1.3 Ongoing mentoring and on-the-job coaching, supervision and review	17
3.1 Tone at the top-the foundation of audit quality	6	3.6.1.4 Appropriately supported and documented conclusions	18
3.1.1 Leadership responsibilities for quality and risk management	7	3.6.1.5 Appropriate involvement of the EOC reviewer	18
3.2 Association with the right clients	8	3.6.1.6 Reporting	19
3.2.1 Acceptance and continuance of clients and engagements	8	3.6.1.7 Insightful, open, and honest two-way communication with those charged with governance	19
3.2.2 Prospective client and engagement evaluation process	8	3.6.1.8 Focus on effectiveness of group audits	19
3.2.3 Continuance process	8	3.6.2 Client confidentiality, information security, and data privacy	19
3.2.4 Client portfolio management	9	3.7 Commitment to continuous improvement	20
3.3 Clear standards and robust audit tools	9	3.7.1 Monitoring	20
3.3.1 Audit methodology and tools	9	3.7.1.1 Internal monitoring	20
3.3.2 Independence, integrity, ethics and objectivity	10	3.7.1.2 External monitoring	21
3.3.2.1 Overview	10	3.7.2 Client feedback	21
3.3.2.2 Personal independence	10	3.7.3 Monitoring of complaints	21
3.3.2.3 Firm financial independence	11	4 Financial information	22
3.3.2.4 Business relationships/suppliers	11	5 Partner Remuneration	23
3.3.2.5 Independence training and confirmations	11	6 Network arrangements	24
3.3.2.6 Audit partner rotation	12	6.1 Legal Structure	24
3.3.2.7 Non-audit services	12	6.2 Responsibilities and obligations of member firms	25
3.3.2.8 Fee dependency	12	6.3 Professional Indemnity Insurance	25
3.3.2.9 Conflicts of interest	12	6.4 Governance structure	26
3.3.2.10 Breaches of independence policy	12	7 Statement by the Board of KPMG on the effectiveness of quality controls and independence	26
3.3.2.11 Compliance with laws, regulations, and anti-bribery and corruption	12	A.1 Public Interest Entities	27
3.4 Recruitment, development and assignment of appropriately qualified personnel	13	A.2 KPMG's Values	28
3.4.1 Recruitment	13		
3.4.2 Personal development	13		
3.4.3 Evaluation, compensation and promotion	13		
3.4.4 Partner admissions	14		
3.4.5 Assignment of personnel	14		
3.5 Commitment to technical excellence and quality service delivery	14		
3.5.1 Professional training	14		

Message from the Deputy Chief Executive Officer



This 2016 Transparency Report produced in accordance with the standards of Article 40 of the European Union Statutory Audit Directive contains steps that KPMG takes to uphold its professional responsibilities and describes the firm's legal and governance structure and approach to quality control.

We are committed to provide high quality professional services in an ethical manner to our clients. At KPMG, quality is about the resources we bring to our audits, our understanding of each client's industry and business and the insights we provide together with a high degree of rigour and professional skepticism.

KPMG has a set of shared values which are fundamental to providing quality professional services and which guide our people's behaviour when dealing with both clients and each other.

A handwritten signature in black ink, appearing to read 'Akhil Bansal'. The signature is stylized and fluid, with a long horizontal stroke at the end.

Akhil Bansal
Deputy Chief Executive Officer
KPMG in India
30 June 2016

Throughout this document, "KPMG" ("we," "our," and "us") refers to KPMG India, which is affiliated with KPMG International. KPMG International provides no client services.

1. Who we are



1.1 Our business

KPMG was established in India in September 1993. KPMG is one of the leading providers of audit related, taxation, business advisory and other services as approved from time to time.

The firm operates from its offices in Gurgaon, Noida, Chandigarh, Mumbai, Pune, Ahmedabad, Kolkata, Bengaluru, Hyderabad, Chennai, Kochi and Vadodara.

KPMG in India in the year to 31 March 2016 had 4687 personnel working in offices across 12 locations in India. Further, KPMG utilises the resources of other member firms where required.

KPMG does not provide statutory audit services in India pursuant to the Indian Companies Act or under the requirements of the Institute of Chartered Accountants of India. It only provides permissible audit related services e.g. assurance opinions under IFRS, US GAAP, etc. (hereinafter referred to as 'audit services') and other permissible tax and advisory services. Full details of the services offered by KPMG may be found on our website.

<http://www.kpmg.com/IN/en/about/Pages/Default.aspx>

1.2 Our strategy

Our strategy is set by the KPMG Leadership Team (ILT). Our overall ambition remains to be seen by our key stakeholders as the best firm in consistently achieving the highest standards of quality, ethics and integrity.

2. Our structure and governance



2.1 Legal structure

Legal structure and ownership

KPMG is a partnership firm registered under the Indian Partnership Act 1932.

The two legal partners in KPMG are two companies incorporated in the Netherlands: KPMG International Investments BV (a wholly owned subsidiary of KPMG International Cooperative) and KPMG Advisory NV (a company which is part of the KPMG Europe LLP group of companies). However, both such companies hold the interests in KPMG ultimately for, and at the direction of, KPMG International Cooperative, a Swiss cooperative which is a legal entity formed under Swiss law ("KPMG International").

Notwithstanding the legal ownership structure, KPMG International and/or the legal partners do not manage or exercise control over the management of KPMG or extract profit from KPMG. KPMG is governed and managed as described in Section 2.3 of this report. As used in the rest of this report, the term "partner" refers to individuals who are senior employees of KPMG who are designated as partners.

KPMG is affiliated with KPMG International, being a member of KPMG International.

Further details about KPMG International and its business are available in the 2015 KPMG International Transparency Report

<http://www.kpmg.com/Global/en/about/governance/Pages/transparency-report.aspx>

2.2 Name and obligations

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.

Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Each member firm is a separate legal entity responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

2.3 Governance structure

National governance

Consistent with our aspiration to be the most relevant, trusted professional services firm of choice, we apply high standards of corporate governance.

Our Chief Executive Officer

The Chief Executive Officer has the ultimate responsibility for quality and system of quality control and is also responsible for leading the Board and ensuring that the Board members receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large.

The KPMG Board

The main governance body for KPMG is the KPMG Board, which is responsible for the long term growth and sustainability of the Firm. It provides leadership to the organisation, sets the Firm's strategy and oversees its implementation, monitoring performance against our business plan.

The KPMG Board includes the Chief Executive Officer, the Deputy Chief Executive Officer, certain functional heads and other senior members. The Board meets from time to time to undertake various duties for KPMG, including policy decisions and approving the business plan.

In addition, certain committees deal with key aspects of governance within the group as under.

Disciplinary Committee

The principal role of the Disciplinary Committee is to provide oversight on the disciplinary matters across the firm.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the partners and making recommendations on policies for partners' remuneration. Further information regarding partner remuneration is set out in section 5 of this document.

The India Leadership Team

The India Leadership Team 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 firm (including the operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment and retention policies).

The India Leadership Team includes the Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, Functional heads and other senior officials.

The India Leadership Team meets frequently to address the matters within its remit.

Information on KPMG International's governance structure may be found in the 2015 KPMG International Transparency Report.

<https://home.kpmg.com/xx/en/home/about/governance/transparency-report.html>

3. System of quality control



A robust and consistent system of quality control is an essential requirement in performing high quality services.

Accordingly, KPMG International has policies of quality control that apply to all member firms.

These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

These policies and procedures are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both of these are relevant to firms that perform audits and other assurance and related services engagements.

KPMG implements International policies and procedures and adopts additional policies and procedures that are designed to address rules and standards issued by relevant regulators as well as applicable legal and other requirements.

KPMG International's policies reflect individual quality control elements to help our 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 audit, tax and advisory work, the remainder of this section focuses on what we do to enable the delivery of quality audits. In this section, we, therefore, focus on our system of audit quality control.

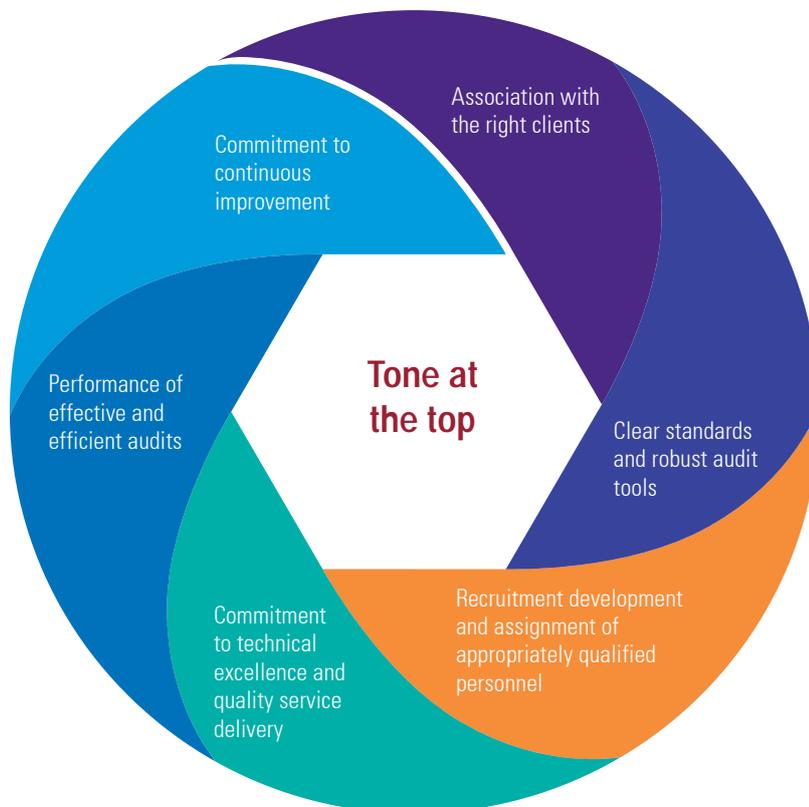
At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought, and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing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

To help all audit professionals concentrate on the fundamental skills and behaviors 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
- 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 the firm. 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.



3.1 Tone at the top – the foundation of audit quality

Tone at the top is a term used to describe an organization's general ethical climate, as established by its leadership. KPMG and its leadership use "tone at the top" to indicate its commitment to quality, ethics and integrity.

KPMG's focus on quality

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
- focused and well-articulated strategy - incorporating quality at all levels
- standard set by our leadership
- 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.

This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities.

Our Code of Conduct incorporates our core values and addresses the commitments that we make as well as the responsibilities of our personnel at all levels across the firm. Our core values are further described in Appendix A.2.

A KPMG International hotline is available for KPMG personnel, clients, and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, those who work for KPMG International, or the senior leadership of a KPMG member firm.

3.1.1 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.

Chief Executive Officer

In accordance with the principles in ISQC 1, our Chief Executive Officer, has the ultimate responsibility for KPMG's system of quality control. Details of some of the measures that he and the rest of the Board have taken to ensure that a culture of quality prevails within KPMG are set out later in this section.

National Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance in KPMG has been delegated to the National Risk Management Partner who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the firm. The National Risk Management Partner has a direct reporting line to the Chief Executive Officer and is a member of the Board and the India Leadership Team. The role underlines the significant importance that the firm places on risk and quality issues. The National Risk Management Partner is supported by a team of partners and professionals in each of the functions.

The Audit, Tax and Advisory functions – Function heads

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Chief Executive Officer for the quality of service delivered in their respective functions. 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 National Risk Management Partner. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

3.2 Association with the right clients

3.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vital to our ability to provide high-quality professional services and to protect KPMG's reputation and support its brand.

Accordingly, KPMG International has established policies and procedures which all member firms have implemented in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

3.2.2 Prospective client and engagement evaluation process

Before accepting a client, we undertake an evaluation of the prospective client. This involves an assessment of its principals, its business, and other service-related matters. This also involves background checks on the prospective client, its key management, and significant beneficial owners. A key focus is on the integrity of management at a prospective client and the evaluation considers breaches of law and regulation, anti-bribery and corruption and human rights among the factors to consider. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk', the respective Functional Risk Partners are involved in approving the evaluation.

The prospective engagement partner evaluates each prospective engagement. The evaluation identifies potential risks in relation to the engagement. A range of factors is considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, our global conflicts and independence checking system) as well as factors specific to the type of engagement, including for audit services, the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior member firm personnel and includes review by quality and risk management leadership as required.

Where audit services to a public interest entity are to be provided 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.

Any potential independence or conflict of interest issues are documented and resolved prior to acceptance.

Depending on the overall risk assessment of the prospective client or engagement, additional safeguards may be introduced to help mitigate the identified risks.

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. The Non-Audit services and Conflicts of interests sections provide more information on our independence and conflict checking policies.

3.2.3 Continuance process

An annual re-evaluation of all audit clients and audit engagements 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 continue to act for any client where we are unable to deliver to our expected level of quality, or if we consider that it would not be appropriate to continue to be associated with the client. 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 the next engagement (this may include the assignment of additional professionals or the need to involve additional specialists on the audit).

3.2.4 Client portfolio management

Our leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement.

Each partner's client portfolio is regularly reviewed to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

3.3 Clear standards and robust audit tools

Professional practice, risk management, and quality control are the responsibilities of every KPMG professional. Our professionals are expected to adhere to KPMG policies and procedures (including independence policies), and are provided with 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.

3.3.1 Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our global audit methodology 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 which KPMG believes enhance the quality of our audits. KPMG member firms may 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 International's electronic audit tool, which provides KPMG auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits.

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 stakeholders. The key activities within the eAudIT workflow are:

Engagement setup

- perform engagement acceptance and scoping;
- 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;
- determine audit strategy and planned audit approach;

Testing

- test operating effectiveness of selected controls;
- 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 (e.g., 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 skepticism in all aspects of planning and performing an audit. The methodology encourages 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 (GQ&RMM) that is applicable to all KPMG member firms, functions and personnel.

3.3.2 Independence, integrity, ethics and objectivity

3.3.2.1 Overview

Member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially). These policies are supplemented by other processes to ensure compliance with the standards issued by relevant foreign regulators, as applicable.

To help ensure ethical conduct, including integrity and independence, KPMG International requires that each member firm and its personnel, must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

KPMG has a designated team of specialists to help ensure that we implement robust and consistent independence policies and procedures. Ethics and independence policies are set out on our intranet [hosted Quality & Risk Management Manual], which contains all our independence policies, and reinforced through an annual training programme. 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.

These policies and processes cover areas such as personal independence, firm financial independence, business relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services.

3.3.2.2 Personal independence

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit/ assurance client securities to every member firm partner and to certain other specified personnel in respect of any audit/assurance client.

Our professionals are responsible for making appropriate inquiries 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 client facing managers are required to use this system prior to entering into an investment to identify whether they are able 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 program of independence compliance audits of a sample of professionals.

Any professional providing services to an audit client is also required to notify the Risk Management Partner if he or she intends to enter into employment negotiations with that audit client and such professionals are immediately removed from the audit engagement.

If a professional accepts employment with an entity we audit, the engagement team gives active consideration to the appropriateness or necessity of modifying the audit procedure to adjust for risk of circumvention by the former professional of the firm.

3.3.2.3 Firm financial independence

KPMG maintains a record of its investments and other financial relationships in the Web-based independence tracking system. This record is monitored through our compliance process.

3.3.2.4 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.

3.3.2.5 Independence training and confirmations

We provide all relevant personnel with annual independence training appropriate to their grade and function, and provides all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon joining the 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, our independence policies. Also, at the time of exit, all personnel are required to provide a confirmation regarding compliance with the Independence policies.

3.3.2.6 Audit partner rotation

Partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, and independence rules. These limit the number of years that partners in certain roles may provide audit services to an audit client. KPMG International rotation policies are consistent with the IESBA Code of Ethics and require our firm to comply with any stricter applicable rotation requirements. We monitor the rotation of audit engagement leaders (and any other key roles where there is a rotation requirement) and have 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.

3.3.2.7 Non-audit services

We have policies as to the scope of services that can be provided to audit clients which are consistent with IESBA principles and applicable laws and regulations. KPMG International policies require the lead audit engagement partner to evaluate the threats arising from the provision of non-audit services, and the safeguards available to address those threats.

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

In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

3.3.2.8 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when 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, KPMG International's 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 percent of the total fees received by a particular member firm for two consecutive years, a senior partner from another operating firm would be appointed as the engagement quality control (EQC) reviewer. Also, this would be disclosed to those charged with governance at the audit client.

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

3.3.2.9 Conflicts of interest

Conflicts of interest may prevent our firm from accepting or continuing an engagement. The Sentinel™ 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 outcome 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.

3.3.2.10 Breaches of independence policy

In the event of failure to comply with the firm's independence policies, whether identified in the 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 performance/ parameters. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, in accordance with appropriate framework.

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

Compliance with laws, regulation and standards is a key aspect for all KPMG personnel. In particular, KPMG has zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials.

Accordingly, 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 all professionals at a minimum of once every two years, with all new hires without any exceptions to complete such training within one month of joining the firm.

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

3.4 Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality is ensuring the successful recruitment, development and assignment of professionals with the skills and experience appropriate to the entity subject to audit. We monitor quality incidents for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

3.4.1 Recruitment

All candidates for professional positions submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, and qualification/ reference checks. For leadership positions, assessments include leadership assessment and panel interviews where the candidates are assessed by an independent panel of Partners.

Upon joining KPMG, new personnel are required to participate in a comprehensive onboarding program, which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as a partner or employee with the firm.

3.4.2 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 3.5.1).

In relation to audit, we provide opportunities for professionals to develop the skills, behaviors, 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, and country rotational and global mobility opportunities.

3.4.3 Evaluation, compensation and promotion

All professionals, including partners, undergo annual goal-setting and performance reviews. Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG global behaviors (one of which is 'Delivers Quality'), technical capabilities and market knowledge. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and propose a performance rating. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process. This is achieved through our global performance development process, which is supported by a web-based application.

Compensation and promotion

We have compensation and promotion policies that are clear, simple, and linked to the performance evaluation process, which for partners include the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them, and what they can expect to receive in return.

3.4.4 Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

3.4.5 Assignment of personnel

We have procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. 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 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 specialized areas of accounting or auditing;
- knowledge of relevant industries in which the client operates;
- ability to apply professional judgment; and
- an understanding of KPMG's quality control policies and procedures.

3.5 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 professional practice departments (DPP), which 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 applicable 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.

3.5.1 Professional training

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

Audit Learning and Development steering groups at the global, regional and, where applicable, 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 GSC, the International Standards Group (ISG) and DPP, 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.

3.5.2 Accreditation and licensing

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

We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework.

In addition, we have specific accreditation requirements for partners and managers working on IFRS engagements, US Generally Accepted Accounting Principles engagements, US Generally Accepted Auditing Standards engagements, and the Standards of the Public Company Accounting Oversight Board for SEC engagements performed outside the US. These require that the partner, manager, and Quality Control reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

We require that all Audit professionals maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

3.5.3 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, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

3.5.4 Consultation

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

To assist audit engagement professionals in addressing difficult or contentious matters relating to accounting standards etc, we have established protocols for consultation and documentation, including procedures to facilitate resolution of differences of opinion on engagement issues.

Across our firm, 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 technical and professional issues.

If, in the opinion of the engagement partner, the conclusions of DPP need further elucidation or they need a review in the light of certain facts, further discussions are initiated. Such consultations usually resolve the matter. However, if even after further discussions, the issue cannot be resolved, the matter is escalated to the head of audit.

The DPP team has dedicated experienced professional staff whose roles do not include managing business activities and objectives

For IFRS and ISA related matters, technical support is also available to us through the International Standards Group (ISG) as well as the US Capital Markets Group for work on SEC foreign registrants.

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.

3.5.5 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.

3.6 Performance of effective and efficient audits

3.6.1 KPMG Audit Process

As set out above, our audit workflow is enabled in eAudIT. The key behaviors that our auditors apply throughout the audit process to deliver high quality audits are:

- timely partner and manager involvement
- critical assessment of audit evidence
- exercise of professional judgment and professional skepticism
- ongoing mentoring and on-the-job coaching, supervision and review
- appropriately supported and documented conclusions
- if relevant, appropriate involvement of the EQC reviewer
- reporting
- insightful, open, and honest two-way communication with those charged with governance
- client confidentiality, information security, and data privacy.

3.6.1.1 Timely partner and manager involvement

To help 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.

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 partner 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.

3.6.1.2 Critical assessment of audit evidence with emphasis on professional skepticism

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 judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

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

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

3.6.1.3 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 involves:

- 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 mentoring, coaching and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

3.6.1.4 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.

Our methodology recognizes 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, and the audit evidence obtained;
- 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 applicable laws and regulations that govern the period we retain audit documentation and other client-specific records.

3.6.1.5 Appropriate involvement of the EQC reviewer

Engagement Quality Control (EQC) reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgments 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 judgmental 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 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 judgments the engagement team made and the conclusions it reached with respect to the audit.

For certain engagements designated as high risk in client and engagement acceptance and continuance (CEAC) process, where there is no requirement for an EQC review, a Limited Scope Quality Control (LSQC) review may be performed. The objective of LSQC review is to involve another partner with experience in an industry or a specific regulatory framework who reviews the financial statements and discuss significant matters arising during the audit, significant judgments made and related conclusions reached with the engagement partner.

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

We are continually seeking to strengthen and improve the role that the EQC review 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 in eAudit to facilitate effective reviews, and
- implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement

3.6.1.6 Reporting

Auditing standards and the reporting requirements of applicable regulators 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 partners 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 partners 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.

3.6.1.7 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 group 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 our assessment of the appropriateness of significant accounting practices, including accounting policies, accounting estimates, financial statement disclosures, significant deficiencies in the design and operation of financial reporting systems, controls when such deficiencies come to our attention during the course of the audit and any uncorrected misstatements. We share our industry experience to encourage discussion and debate with those charged with governance.

3.6.1.8 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 partner is required to evaluate the competence of component auditors, whether or not they are KPMG member firms, as part of the engagement acceptance process.

Consistent approaches, methodology and tools are used across the KPMG network. We provide lead audit engagement partners with information on component auditors within the KPMG network to help them evaluate their competence and capabilities including, where appropriate, the results of relevant inspection results.

Lead audit engagement partners may review component auditor engagement documentation in person or obtain electronic access.

3.6.2 Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Code of Conduct, training, and the annual affidavit/confirmation process, that all of our professionals are required to complete.

We have a formal document retention policy concerning the retention period 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

We have clear policies on information security 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.

3.7 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.

3.7.1 Monitoring

3.7.1.1 Internal monitoring

KPMG International has an integrated monitoring program 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 programs are communicated within each member firm, and the overall results and lessons from the programs are considered and appropriate action taken at regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed and effectively implemented.

Our monitoring procedures involve ongoing consideration of:

- compliance with KPMG International policies and procedures
- the effectiveness of training and other professional development activities
- compliance with applicable laws and regulation and member firms' standards, policies, and procedures.

Two KPMG International developed and administered inspection programmes are conducted annually across all functions, the Quality Performance Review (QPR) Programme and the Risk Compliance Programme (RCP).

Additionally all 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.

Quality Performance Reviews (QPRs)

The international QPR Program is the cornerstone of our efforts to monitor engagement quality, and one of our primary means of ensuring that member firms are collectively and consistently meeting KPMG International's requirements and applicable professional standards. The QPR Program 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, overseen by a senior experienced lead reviewer independent from the member firm, 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 Program to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Risk Compliance Programme (RCP)

The RCP is a member firm's annual self-assessment program. The objectives of the RCP are to monitor, assess, and document member firm-wide 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 program is overseen and monitored regionally as well as globally.

Global Compliance Review (GCR) programme

GCRs are performed by reviewers independent of the member firm, who report to Global Quality & Risk Management and are led by the Global Compliance Group. GCRs are carried out on member firms once in a three-year cycle. These reviews focus on significant governance, risk management, independence, and finance processes (including an assessment of the robustness of the firm's RCP). In the event that a GCR identifies issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

All three programs 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.

3.7.1.2 External monitoring

KPMG is registered with the US PCAOB, Financial Reporting Council U.K. and the Japanese Financial Services Authority. The US PCAOB inspected the firm in February 2015 and issued the final inspection report in October 2015. This Report comes 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 the firm's quality control systems related to audit performance and firmwide functions. This part of the Report will be made public only to the extent that any of the PCAOB's comments and observations are not adequately addressed within twelve months of the date of the Report.

3.7.2 Client feedback

In addition to internal and external monitoring of quality, we operate a formal program on selected engagements 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 program is formally considered centrally and by the individual client service 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.

3.7.3 Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed in our general terms of business, which mention names of relevant persons in the Firm who can be contacted for registering such complaints. The process also mentions the manner of escalation, in case of unresolved matters.

4. Financial information



Revenue of the Firm from Audit and other assurance services accounts for approximately 8 per cent of total revenue. Revenue from tax and advisory services accounts for 24 per cent and 68 per cent respectively of total revenue.

5. Partner Remuneration



In relation to each accounting year the firm determines the total amount available for distribution as remuneration to the Partners.

Compensation is determined in consultation with the various heads of departments after completion of annual performance evaluations for each of the Partners.

The firm's Remuneration Committee (comprising partners of the Board) approves the process and oversees its application.

The following aspects are considered when arriving at the compensation:

- Individual's performance
- Service line performance
- Function's performance
- Firm's results
- Individual's behavior (compliance with values, Code of Ethics)
- Risk incidents, if any (including training, results of independence compliance audits, in-flight reviews and QPR)

6. Network arrangements



6.1 Legal Structure

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

More information about the KPMG network can be found in the 2015 International Annual Review Report.

KPMG International carries on 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 that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No other 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.

6.2 Responsibilities and obligations of member firms

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

Member firms commit to a common set of KPMG values.

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.

6.3 Professional Indemnity Insurance

A substantial level of insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis.

6.4 Governance structure

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

Further details about KPMG International including the governance arrangements, can be found in the 2015 KPMG International Transparency Report, which is available at <http://www.kpmg.com/Global/en/about/governance/Pages/transparency-report.aspx>

7. Statement by the Board of KPMG on the effectiveness of quality controls and independence



The measures and procedures that serve as the basis for the system of quality control for KPMG outlined in this report aim to provide a reasonable degree of assurance that the audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The Board of KPMG has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programmes operated by our firm (including the KPMG International Monitoring Programmes as described in section 3.7.1 and our local compliance monitoring programmes); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Board of KPMG confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 31 March 2016.

Further, the Board of KPMG confirms that an internal review of independence compliance within our firm has been conducted in the year to 31 March 2016.

Akhil Bansal
Gurgaon, India, 30 June 2016

A.1 Public Interest Entities

The public interest entity audit clients for which KPMG has signed an audit opinion in the year ended 31 March 2016 are given below.

- Under the provisions of the Statutory Auditors (Transparency) Instrument 2008, issued by the Professional Oversight Board of the Financial Reporting Council, being an issuer whose transferable securities are admitted to trading on a regulated market and the audit of which is a statutory audit within the meaning of Section 12 of the Companies Act 2006:
 - None
- Other public interest audit clients for which KPMG has signed the audit opinion include the following US SEC registrants:
 - Dr Reddy's Laboratories Limited
 - Genpact Limited
 - ICICI Bank Limited
 - Infosys Limited
 - Makemytrip Limited
 - Wipro Limited
 - HDFC Bank Limited

A.2 KPMG's Values

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behavior when dealing with both clients and each other.

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 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 candor.

We are committed to our communities

We act as responsible corporate citizens by broadening our skills, experience, and perspectives through work in our communities and protecting the environment.

Above all, we act with integrity

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

© 2016 KPMG, an Indian Registered Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Printed in India. (014_THL0615)