



KPMG

cutting through complexity

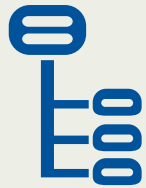
KPMG IN BRAZIL

Sustainability Report 2011

kpmg.com/BR



Highlights



■ Increasing **regional diversification**, adding **six offices**.



■ **Tax Innovation**, technological solutions to reviewing accounting and fiscal information and tax compliance.



■ **R\$ 708 million** in revenue, growth of 29% compared to 2010



■ **Climate Change Sustainability Services** (CC&SS), service that assists organizations to understand the global context of sustainability in **40 countries**, with the involvement of **350 specialists** that work in multidisciplinary teams.



■ **Entrepreneur Market area**, dedicated to attend the demand from small and medium sized companies.



■ **The World's Most Attractive Employer 2011**, recognition of KPMG International in research performed by Universum: 1st place amongst the Big Four and 2nd place in the business segment.



■ **Acquisition of fifth largest audit company** in Brazil.

■ **The Sustainable Firm of 2012**, award granted to KPMG International in April 2012 by the International Accounting Bulletin (IAB).



■ **R\$ 24.9 million** invested in **training**.

Index

Message from the Chairman 02

01. KPMG 05

02. Organizational Profile 08

03. Presentation of the Report 10

Our Path towards
Sustainable Development 10
Understanding the Report 10
Our Strategic Stakeholders 11

04. The Path towards Sustainability
in our Practice 14

Growth with Quality 14

Our Practices 15

Client and Market Relations 18

Financial Results 20

Professionalism and Integrity 21

Risk Management 22

People – Employer of Choice 26

Human Resource Management 26

Our Team 28

Corporate Citizenship 32

Global Consistency 39

Governance Structure of KPMG in Brazil 40

Credits 41

See the complete electronic version of this report to get access to detailed information, as well as the GRI Index and the Assurance Statement by BSD Consulting: http://www.kpmg.com/BR/en/Estudos_Analises/artigosepublicacoes/Paginas/Relatorio-Sustentabilidade-2011.aspx



Message from the Chairman

At KPMG, we view sustainability as a path to take, and as such, we have evolved in the way we manage and communicate. We are proud to present the second edition of our Sustainability Report, in accordance with the guidelines from the Global Reporting Initiative (GRI). Through this report, we are accountable to our clients, partners and professionals, to sector specialists, society and the media. We present below our work, guidelines and main achievements in 2011, and we sought to demonstrate how, in all of our activities, we prioritize ethics and independence, and view challenges as opportunities for growth and innovation.

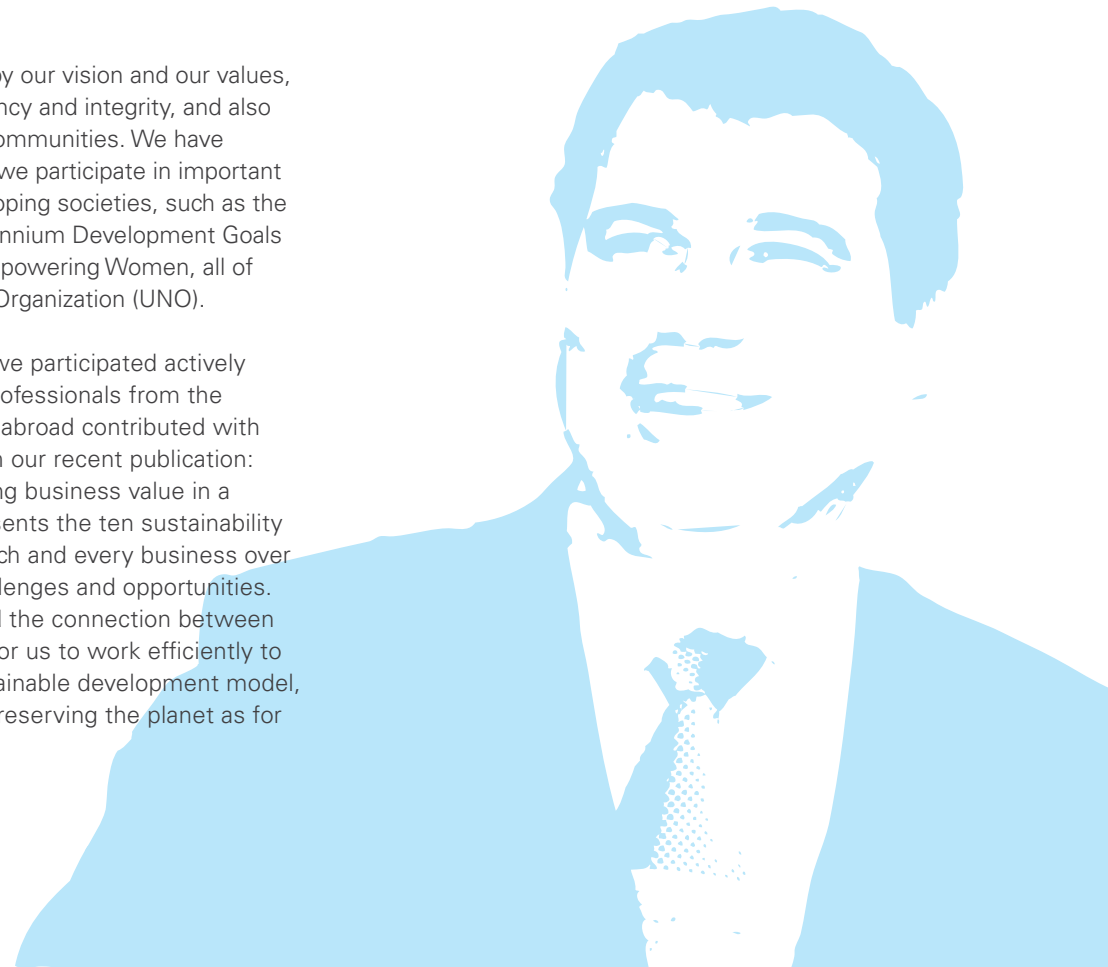
In preparing this publication, we were able to rely on the participation of our professionals, clients, specialists and various stakeholders. We performed real team work, and through this engagement, our main stakeholders expressed their opinions on the most important themes that a responsible company, from our segment, should focus on.

At the heart of their concerns are ethics, governance, quality and independence and the well being of our professionals. The message is clear and is aligned to KPMG's understanding that these are attributes of sustainability, and our main contribution to society.

We believe that responsible practices contribute towards the sustainable development of our country, and that our services can add value to societies and the markets in which we operate.

Our performance is supported by our vision and our values, which strengthen our transparency and integrity, and also our commitment towards our communities. We have adopted a citizen approach and we participate in important global initiatives aimed at developing societies, such as the Global Compact, the Eight Millennium Development Goals and the Seven Principles for Empowering Women, all of these from the United Nations Organization (UNO).

Prior to publishing this report, we participated actively in Rio+20, in June 2012. Our professionals from the sustainability area in Brazil and abroad contributed with our knowledge and a debate on our recent publication: Expect the Unexpected: Building business value in a changing world. This study presents the ten sustainability megaforges that will impact each and every business over the next 20 years, through challenges and opportunities. Above all, the study highlighted the connection between the megaforges and the need for us to work efficiently to achieve the transition to a sustainable development model, since this is as necessary for preserving the planet as for the longevity of businesses.



Our organization adapts and transforms every day, and we always work to anticipate trends, identify challenges and work together with our clients and other stakeholders

And speaking of development, in 2011, the international scenario was marked by significant macroeconomic instability, particularly in the developed countries. Brazil, despite the external volatility, presented both solid growth and reliable institutions, and achieved the position of the 6th largest economy worldwide.

At KPMG in Brazil, we also commemorated the performance of our operations during the year. Our organization adapts and transforms every day, and we always work to anticipate trends, identify challenges and work together with our clients and other stakeholders. We acquired the fifth largest audit firm in Brazil and we successfully integrated approximately 1,000 professionals within our team. As a result of this acquisition, we strengthened our position on the entrepreneur market, improving our services to small and medium sized companies. In 2011, revenue for the network of independent entities that operate under the name KPMG in Brazil reached a high of R\$ 708 million, an increase of 29% compared to 2010.

To support our growth and guarantee transparency and the quality of our services, we continue to rely on our outstanding professionals, who are the main pillars of our strategy.

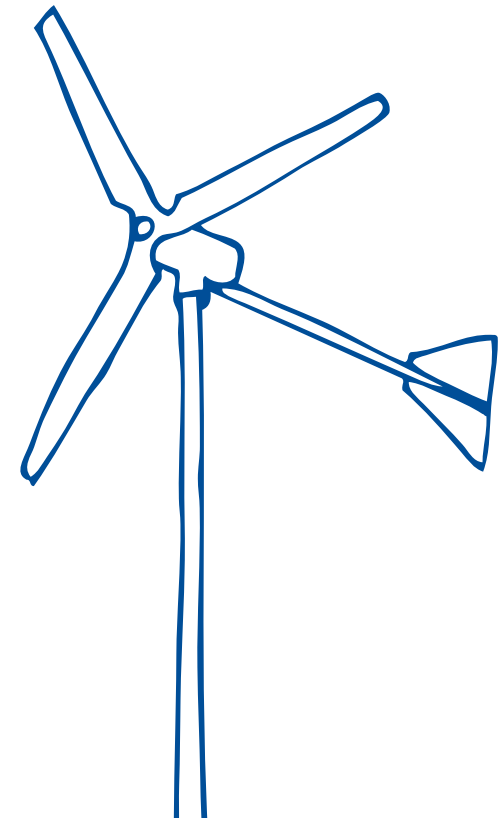
We continually seek to attract talent and train staff to work together with our clients, in order to deal with the growing complexity of our market.

It is with this spirit that we published the second edition of our Sustainability Report. We were pioneers in this initiative in 2010, within our segment in Brazil. With this clear commitment to looking towards the future, we have taken another step along this path and we are the first from our segment to publish the report with the independent assurance. Thus, we strengthen our engagement and our commitment to the demands of a new market and a new society, which is increasingly concerned with business transparency and sustainability.

The year of 2011 was an important year for Brazil and for KPMG. We are grateful to everyone for sharing these important achievements with us.

Enjoy the read!

Pedro Melo
Chairman of KPMG in Brazil

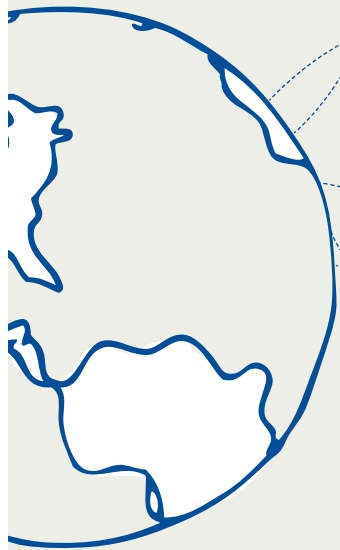




01.
KPMG

Who we are

We are people with multidisciplinary backgrounds and high performance, who help to simplify complexity, offering clear solutions to the benefit of our clients.



- We maintain a **global mindset**. We connect globally, we see the overall scenario and offer a differentiated perspective.
- We are **passionate**. Commitment towards excellence from conception to delivery. Our goal is to simplify and identify clear and correct answers, communicating them in a positive way.
- We are **experts**. We apply our extensive knowledge and experience, discriminating what is important in resolving the most complex questions.
- We are **forward-thinking**. We support the success of our clients, anticipating the unexpected. We are pro-active clarifying implications and opportunities.
- We are **value-adding**. We listen and ask our clients the right questions. Our activities optimize valuable time and create competitive advantages.

Vision

We will build and sustain our reputation as the best company to work with, **creating opportunities** so that our people, our clients and our communities achieve their full potential.

Values

- We lead by example.
- We work together.
- We respect individuals.
- We seek the facts and provide insights.
- We are open and honest in our communication.
- We are committed to our communities.
- Above all, we act with integrity.





02. Organizational Profile

Consult the countries where we operate at www.kpmg.com/global/en/pages/locations.aspx and in the full version of our Sustainability Report

KPMG International Cooperative (KPMG International) is a Swiss entity – a corporate firm constituted in accordance with the Law from Switzerland – operating in 151 nations on all continents through a **global network** of independent firms, which, together, employ approximately 145 thousand professions, providing **Audit, Tax** and **Advisory** services for a wide variety of companies from the private and public sectors.

Each member firm is an independent legal entity, with the right to use the KPMG name and brands. KPMG International undertakes activities that are exclusively for the general benefit of the network of independent member firms, such as the protection and strengthening of the KPMG brand, promoting and maintaining the uniformity of our policies and standards and therefore, does not provide services to clients. This structure provides a consistent global strategy for KPMG International and adherence to our values throughout the world, as well as the same quality and technical accuracy in the services offered to all clients and markets.

In Brazil, we are a network of independent entities, operating in 21 cities in 12 States and also the Federal District. At our 25 offices we have approximately 4,000 people who are committed to the Organization's global values, and who, through their work in the **Audit, Tax and Advisory** practices, comply with the regulations and standards of quality determined nationally and internationally.

To maintain this governance, as a network of independent entities under local ownership and management, and member firms of KPMG International, our administration is focused on maintaining a solid structure and a multi-disciplinary high performance team, that helps to simplify the complexity of the daily business of our 3,600 clients and offers clear and innovative solutions in the most varied business segments.

For such, we can rely on a network of international knowledge that enables us to share global methodologies perfected to meet the needs of the communities in which we operate, adding value for clients and sustainability to businesses.

Audit

Independent auditing services that include analytical work and encourage quality and transparency in the financial accountability of companies.

- Audit of Financial Statements
- International Financial Reporting Standards (IFRS)
- GAAP accounting

Tax

Tax advisory for developing tax policies and processes to make feasible compliance with tax obligations, to assist in structuring operations, manage tax risks and reduce operational costs.

- Corporate Taxes
- Indirect Taxes
- Tax Planning
- Transfer pricing
- Advisory for International Executives
- International Taxation
- Mergers and Acquisitions
- Financial Services and Outsourcing

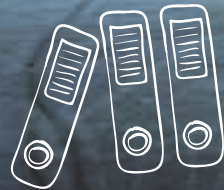
Advisory

Services that support strategic decisions and the development of company projects with a multidisciplinary approach, aimed at improving results.

- Risk Consulting
- Management Consulting
- Transactions & Restructuring
- Business Process Outsourcing

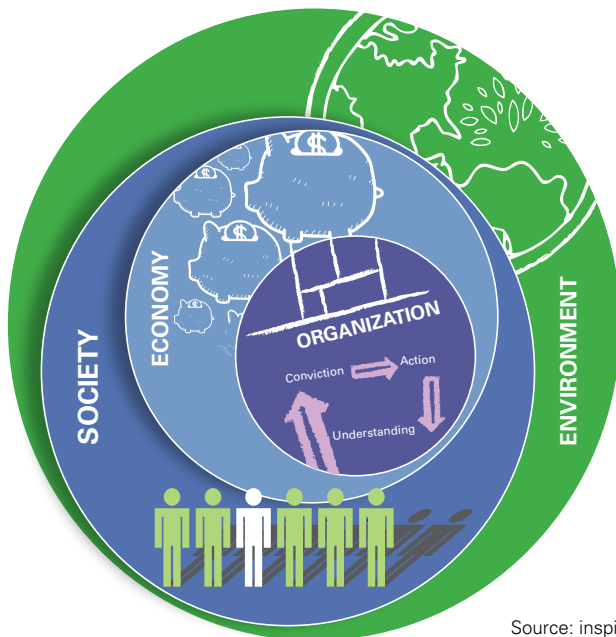
03.

Presentation of the Report



Our path towards sustainable development

Extraordinary transformations have been observed in the economic, regulatory, political, social and natural environments. Businesses both contribute towards these transformations and are affected by them. The path chosen by KPMG was to understand these changes and their effects, in order to manage them in a strategic way, creating conviction and involvement throughout our Organization. We will follow this path based on an ethical and responsible vision and behavior which contributes with the transition to sustainable development and to the generation of collective value.

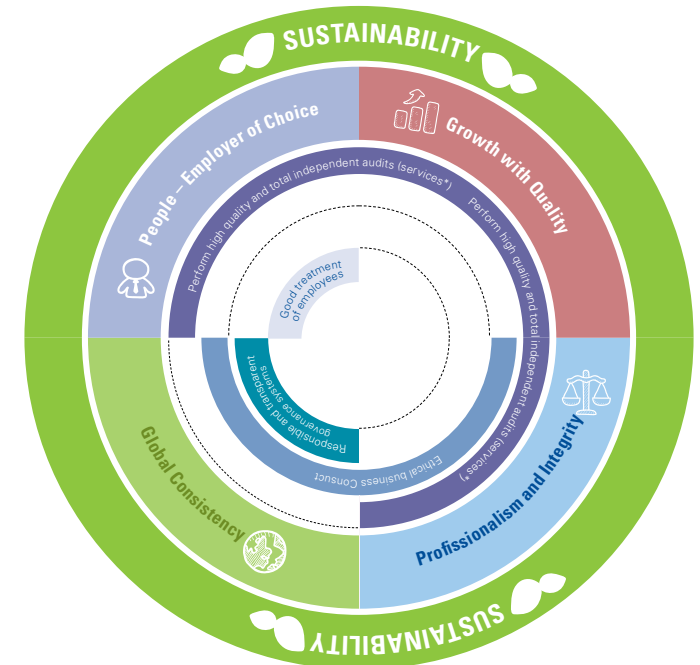


Within this context, sustainability has become an increasingly important value within our management. We maintain policies, principles and values that are related to human and labor rights, ethics, governance, anti-corruption and responsible management of natural resources and the impacts of our activities. We encourage these principles throughout our value chain, through the various services that we provide to our clients, in the relationships with our suppliers and with our communities.

Understanding the Report

This is a summary of the KPMG in Brazil Sustainability Report – 2011, and presents the material themes identified after consulting our stakeholders, together with some important complementary aspects to contextualize our business. The full version of the report is aligned with the guidelines from the Global Reporting Initiative (GRI), with B+ for application level, assured by BSD Consulting and checked by GRI.

For a deeper understanding of our business we recommend consulting our webpage http://www.kpmg.com/BR/en/Estudos_Analises/artigospublicacoes/Paginas/Relatorio-Sustentabilidade-2011.aspx which will provide access to the on-line version and also to



download the full versions of the report (English and Portuguese). The full report provides the reader with consolidated information on the management and performance of the network of independent entities that operate under the name KPMG in Brazil (which are referred to throughout this publication as KPMG or KPMG in Brazil) during the period from October 01, 2010 to September 30, 2011 (reported as "2011").

As in the previous publication, the report is structured based on the four fundamental pillars of global strategic of KPMG International, which maintains a direct relation with the themes prioritized by the stakeholders in 2011, as illustrated in the diagram above.



Our strategic stakeholders

Our relationship with all of the different stakeholders occurs naturally and in different ways whilst undertaking our business. However, the prioritization of stakeholders that most influence or are influenced by our business is fundamental to ensure more effective management.

In 2009, KPMG in Brazil performed its first mapping, prioritization and engagement of its stakeholders. This study identified 14 groups of stakeholders and of these, four were prioritized: partners and partner-directors; clients and the market; internal public; regulatory bodies and the government.

In 2011, there were no changes in our activities that required new mapping. However, we participated in the pilot program prepared by KPMG International, called Stakeholder Engagement Research, which included an independent consulting firm – Good Business, in England – which acted as facilitator.

The consulting firm suggested that we include three further groups in the engagement stage: sector specialists, civil society (represented by NGOs and the community) and the Media.

After identifying our strategic stakeholders, we consulted them in individual interviews (personally or by telephone) in order to understand what these stakeholders believed to be the main responsibilities of a professional service company and based on this information, identify the themes that we needed to focus on in a more strategic way. **Four themes were considered of greater relevance and will be examined throughout this report.** They will also act to support corporate policies and determine action plans for our Organization.

It is important to highlight that the themes prioritized in 2011 are strongly related to the basis of our global strategy presented in the previous report, which confirms the path chosen by KPMG and justifies adopting the same structure for the report in this new cycle.

- Ethical business conduct
- Responsible and transparent governance systems
- Conduct high quality and independent audits (services*)
- Good treatment of employees

**KPMG in Brazil understands that all of its services have to be provided with high quality and independence, consequently, we extended the scope of this material theme.*

Material themes

Ethical business conduct

Responsible, transparent governance systems

High quality independent audits

Good treatment of employees

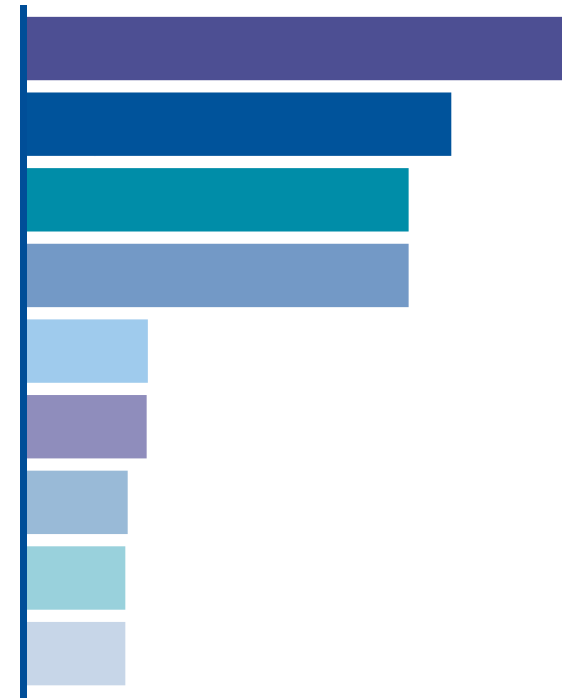
Supply chain impacts

Positive social and community contributions

Environmental impacts

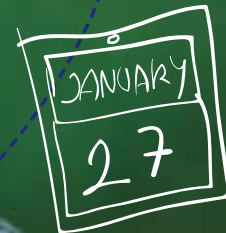
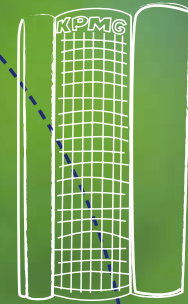
Environmental and social client services

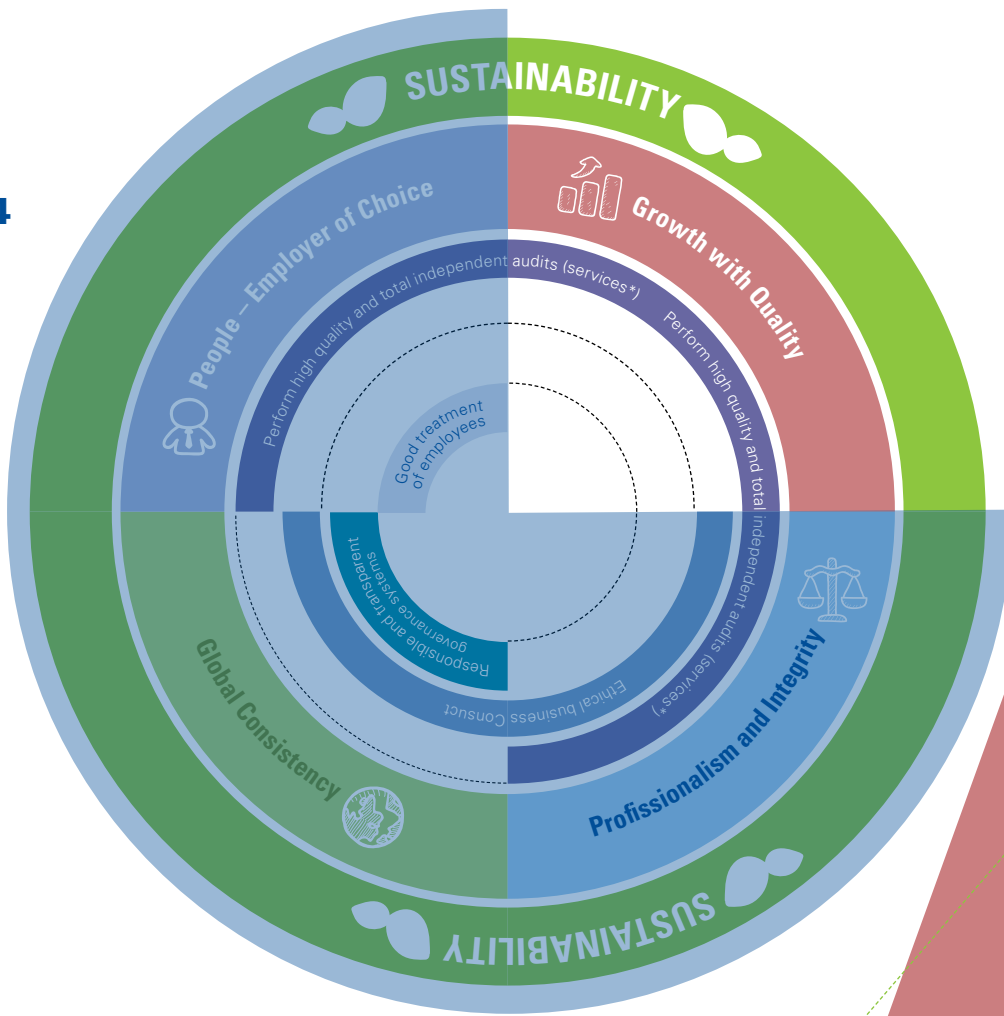
Responsible tax advice



04.

The
Sustainability
Path in Our Practice





Growth with Quality



As reported in the previous chapter, four pillars form the strategic basis of our Organization, and based on these four pillars, strategic objectives and goals were established and prioritized, aimed at integrating and potentializing the actions of the KPMG International member firms around the world.

Sustainability is a value that permeates our strategy, and like the connection between the strategic pillars and the material themes, it is illustrated throughout this report, reflected in the management and performance presented, and in the challenges and opportunities that we will face along the path towards sustainable development.



Amongst the four material themes prioritized by our stakeholders, providing high quality and independent services, is in the third place. KPMG also understands that sustainable growth can only be reached when grounded on the quality of its services, and consequently Growth with Quality is one of the fundamental pillars of our strategy.

Performing with quality, ethics and independence, supported by respect for the needs of our clients and the capital markets and the ability to head towards our vision, creating value and opportunities to enable our different public to achieve their full potential is our way of addressing this material theme.

Our practices

Within the global ambit, KPMG offers professional Audit, Tax and Advisory Services. We aim to provide services that are adapted and personalized to the segment in which each client operates, through our Industry Program. In order to attend our clients in a customized manner, we rely on high performance professionals who have differentiated skills – accounting, finance and management – and an operational process aligned worldwide, and supported by constant market research.

We always aim at the quality of our services, and as such, we seek to align this differentiated approach to the training and development of our professionals as well as to risk, quality and integrity reliable control systems, which underpin our organizational structure globally. These points are evidenced in the existing strategic pillars, reported briefly in this publication, and in depth in our full online version.

Aligned with the strategic objectives established for the period 2011-2015, we acquired the fifth largest audit company in Brazil, integrating 1,000 new professionals within our structure. We also extended our regional diversification and created an exclusive area, called Entrepreneur Market, to attend the growing market for small and medium sized companies.

Our services have a strategic role and can generate value and positive direct and indirect impacts for our clients, by offering solutions to the challenges and opportunities during the different stages of their life cycle, and help them define a long term competitive business strategy.

Besides helping our clients during their journey of growth, creating income and employment in the communities in which they operate, we actively participate in debates on the regulatory environment for our activities. Our services also provide confidence to the capital markets in general and its agents, such as analysts, investors and regulatory bodies. With our intensive investment in learning and professional development, we contribute through the placing of specialized individuals on the market, which generates value for our company, clients and society.

Industry Program



KPMG value proposition on client's life cycle



FINANCIAL STATEMENTS AUDIT



I need to avoid insolvency

I need to refinance

I want a transformational growth strategy

I want to make a series of acquisitions

I need to professionalize and structure my process for preparing the financial statements (FS)

I need more capital

I want to sell non-core assets

CLIENT ISSUES

KPMG VALUE PROPOSITIONS

- Insolvency advice

- Due Dilligence
- Cash management challenges
- Financial Statements Audit for specific periods

- Transformational growth strategy
- Sustainability
- Technological innovation
- Tax compliance
- Tax governance

- Tax Incentives
- Tax compliance
- Due Dilligence
- M&A
- Due Dilligence
- M&A
- Buy-side
- Valuations
- Carve out
- Funding alternatives
- Accounting reports preparation

- Conversion of FS (IFRS/GAAP)
- Adoption of new CPCs
- Training
- Quality close
- Preparation of financial reports

- Debt financing
- Due Dilligence
- Funding alternatives
- IPO advice
- Financial Statements audit

- Sell-side
- Valuation
- Due Dilligence

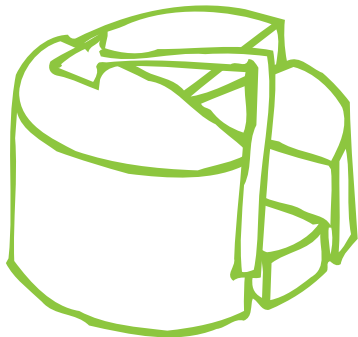
FINANCIAL STATEMENTS AUDIT

Note: To maintain independence, some services may not be offered simultaneously by KPMG.

Client and Market Relations

Client satisfaction

Every year KPMG in Brazil performs Satisfaction Research, which complements the feedback received by teams working in the field and helps us to adapt our services to client expectations, strengthening our relationships and encouraging our development. The results from the research in 2011/2012 identified that 97% of the executives who replied would use other services offered by KPMG and 95% would recommend the Organization.



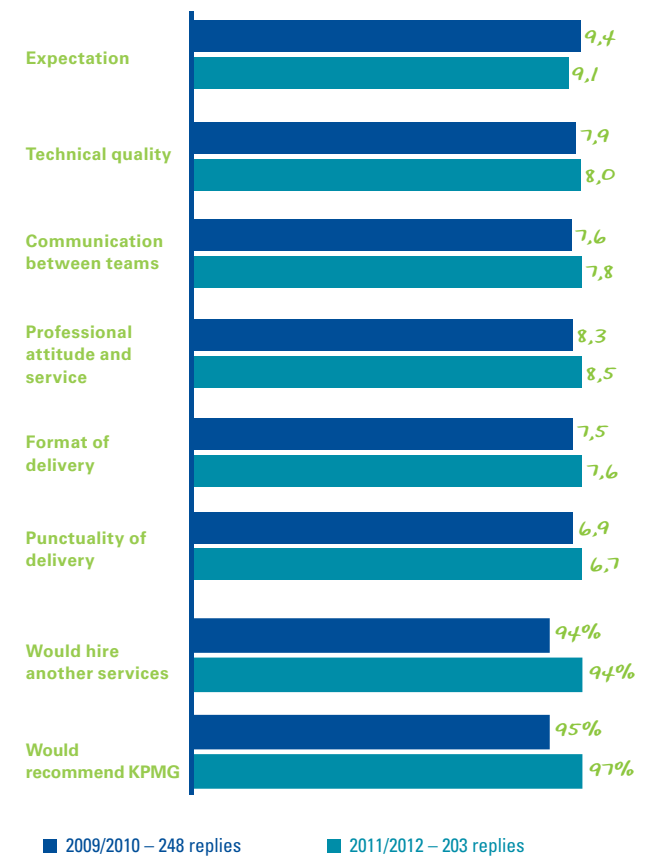
Dialogue, promotion and exchange of knowledge

We aim to develop close relationships with our clients to improve the efficiency of our services. Businesses face numerous challenges and opportunities and besides the services we offer, the network of KPMG International member firms promotes environment for debates, researches and studies and sponsors seminars and events that address a lot of these complex questions, providing clarity and guidance. Thus, we also encourage the development of companies and the markets through dialogue and the exchange of knowledge.

The **Audit Committee Institute (ACI)** is a debating group organized by KPMG aimed at disseminating and absorbing knowledge and good practices related to the main political economic trends, and corporate, legal and tax trends. In addition, during the year, we invested R\$ 2.37 million in events, seminars, lectures and we published researches and studies related to market practices and KPMG services in Brazil.

Client Satisfaction Research

maximum grade: 10.0



**Audit Comitee Institute (ACI)**

Approximately 600 executives participated in the six meetings sponsored by the ACI in 2011.

Whilst undertaking our business, another way that we engage with our public and participate in important discussions for the capital market and our communities as a whole, is through associations with several entities, where we also share knowledge and offer our professionals to be members of boards, councils and working groups that address specific themes.

More information on KPMG's participation in these forums, events, publications and associations is available at the online version of this report.

For more publications by KPMG in Brazil access

http://www.kpmg.com/br/en/estudos_analises/Pages/default.aspx



Integrated Report

In response to the transformations and demands brought by a new business context, for the previous five years, professionals from the accounting and sustainability areas have been discussing ways to prepare an **Integrated Report**, in which information on sustainable practices is incorporated as part of the Financial Statements, including the notes to these statements. This model report would provide a more holistic vision of the organization, in which corporate governance and transparency are even more valued.

In 2010, to support this initiative, the International Integrated Reporting Council – IIRC was created, of which KPMG is a member. The IIRC Working Group launched a pilot program in which 48 companies participate, including KPMG International, to prepare integrated reports based on elements and principles suggested by the IIRC, thus contributing to this process.

The primary objective of the integrated report is to enable interested parties to assess the ability of the company to create and sustain value in the short, medium and long term. Based on the integrated report, its users should be able to determine whether the governance structure of the company is sufficiently dedicated to identifying social, environmental, financial and governance questions that have an impact on its business and whether these questions, risks and opportunities have been properly addressed in its strategy.

For more information, access www.theiirc.org.



Financial results

The fundamental pillars of KPMG' strategy comprise the elements that align its positioning in its search for results. Our activities are based on ethics and independence standards and are attentive to the complexities of the business environment and our responsibility in orientating and developing clear solutions that help our strategic public develop their potential.

The value generated to society through our services is, at times, intangible. However, we are sure that the economic value generated is distributed, financially, through paying operational costs, salaries and benefits to our employees, and through the taxes that are reverted to society and the voluntary investments in the communities.

Statement of Added Value * (R\$)

	2011	2010	2009
Direct economic value generated	707,690,443	548,297,900	492,321,007
Income	707,690,443	548,297,900	492,321,007
Economic value distributed	602,494,364	413,783,958	367,846,251
Operational costs	152,652,931	105,861,276	94,248,005
Employee salaries and benefits	328,407,119	223,170,973	190,653,085
Payments to the government	119,227,162	83,018,156	82,013,106
Investments in the community	2,207,151	1,733,533	932,055
<ul style="list-style-type: none"> • Voluntary contributions (including pro Bono) to social, environmental and cultural projects 	2,063,274	1,528,396	722,055
<ul style="list-style-type: none"> • Contributions to social, environmental and cultural projects through Tax Incentive Laws 	143,877	205,157	210,000
Accumulated economic value	105,196,080	134,513,942	124,474,756

* This information refers to the periods January to December 2011, 2010 and 2009, and represents the activities of all of the independent entities that operate under the name KPMG in Brazil. According to legislation in force, the independent entities that operate under the brand name KPMG in Brazil are exempt from publishing a balance sheet, except for KPMG Structure Finance and KPMG Transaction Services whose balance sheets are already compulsorily published in major newspapers.

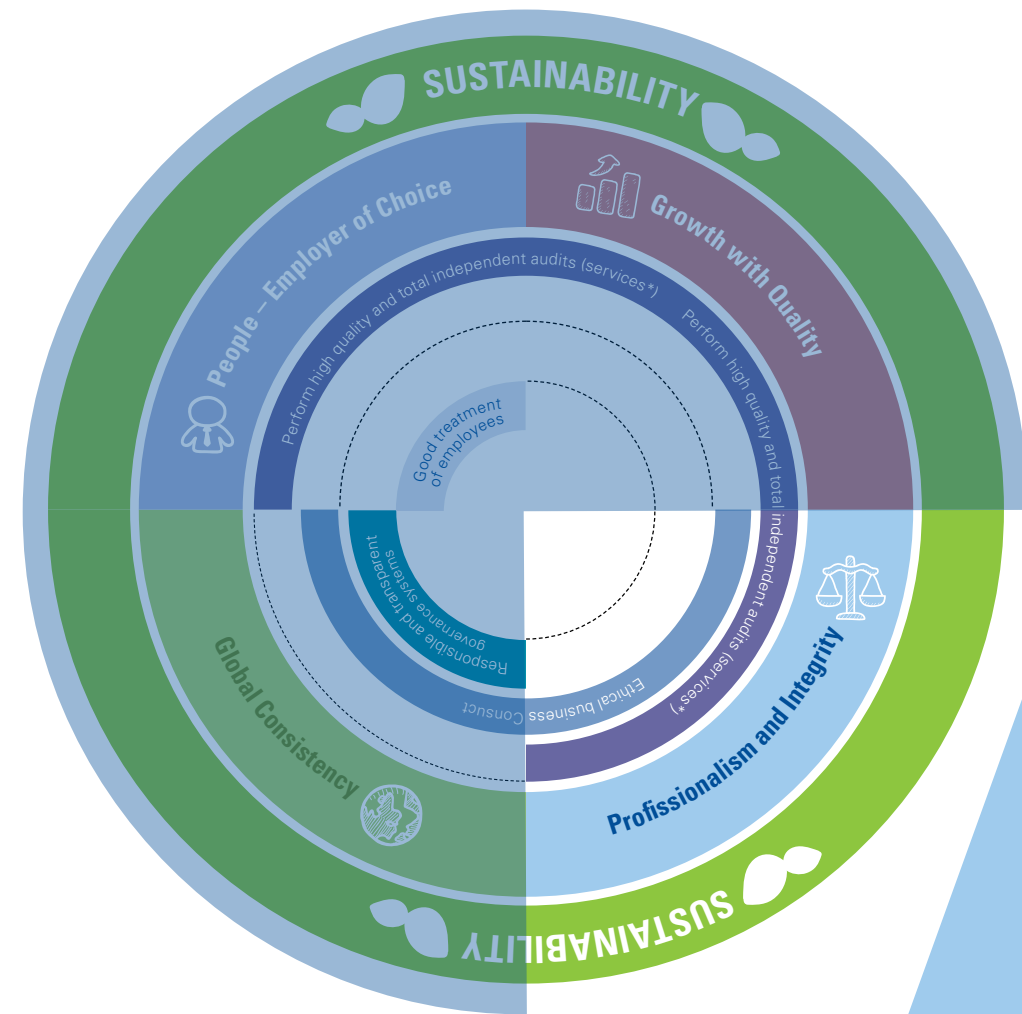
Professionalism and Integrity



Our strategic pillar Professionalism and Integrity addresses the material theme that was considered by our stakeholders to be the most important: ethical business conduct. In addition, this pillar deals with questions that have an impact on the quality and independence of the services we provide, another theme identified by our stakeholders as being highly relevant.

Ethics, professionalism and integrity of our people enables KPMG to be one of most highly regarded professional services companies worldwide. As has been demonstrated, transparency and integrity are values of our Organization, and as such, KPMG International relies on policies and procedures that are strengthened by the involvement of experienced leaders from each member firm. These leaders emphasize the importance of quality control, risk management and compliance, and act as examples in providing high quality services to our clients.

In this chapter we show the main elements related to that topic. We strongly recommend the reading of the complete version of the report, which explains in detail these elements.



Risk Management

Through the Risk Management area, we manage factors that could have an impact on our business, our professionals and clients, the capital markets and the environment in which we operate.

For us, **risk management**, which includes our operational risks, is accompanied by the **quality control system of our services** since, in our business segment, objective, quality work is a determining factor to meet the public interest and retain the confidence of the capital markets and that of regulatory bodies. Thus, we provide quality services, based on independence, integrity, ethics and objective behavior, and our anticorruption and anti-bribery procedures permeate the management of these risks through all the network of independent entities that operate under the brand name KPMG in Brazil.

In order to make feasible this management, we maintain an **internal structure**, represented below, whose team, comprising of partners, directors, managers and technical staff, consists of an integrated management, that includes five fundamental groups for quality control and risk management throughout KPMG in Brazil and is briefly presented in this publication: (i) independence, integrity, ethics and objectivity; (ii) people management, including professional training and development; (iii) acceptance and continuance with clients and work; (iv) execution of work; and (v) monitoring.

Risk Management Structure at KPMG



Department of Professional Practices (DPP) Provide technical guidelines and consultations on professional practices and distribute updates for emerging technical guidelines both local and foreign. Coordinate quality analysis programs.



Risk Compliance Area responsible for issues related to management of regulatory risk, testing adherence to KPMG practices and training by means of electronic tools.

Sentinel KPMG Global on-line system for including all projects. The objective is to verify whether it is possible to undertake the Project, given the requirements of independence and norms applicable.



Ethics and Independence (E&I) Maintain controls and analyses of conformity of our operations and services provided in relation to our policies and the procedures from regulatory bodies, with respect to independence and verification of any conflicts of interest.



National IT Security Officer (NITSO) Responsible for maintaining the policies that protect the confidentiality of information in both electronic form and hard copies. As part of the information security policy, all of the computers have software for encrypting data and access protected by passwords. In addition, all professionals have to maintain confidentiality of client and ex-client information. Knowledge and compliance with this commitment are checked annually by means of a statement via web. For the period covered by this report there were no substantiated complaints of this nature.



Litigation Undertake any judicial claims. During the period covered by this report, we were not subject to any relevant sentence resulting from disputes related to services rendered.



Office of General Counsel (OGC) Assist the Organization with corporate issues, analyzing our commercial relationship with clients, and monitoring the Standards established for the proposals to provide services.

Fundamental groups for quality control and risk management

Independence, Integrity, Ethics and Objectivity

In Brazil, we have adopted and disseminated the **Code of Conduct: Performance with Integrity**, which expresses the commitments to our stakeholders and the behavior to be adopted by our professionals to ensure ethical principles in their professional relations.

Through the Global Marketing Risk Management (GMRM) and Global Quality & Risk Management Manual (GQ&RMM), we disseminate guidelines on:

- **Marketing**, for open and honest communication with all of our stakeholders, based on ethics, objectivity and transparency.
- **Our services**, with priority on transparency in client relations.
- **Our Global People, Performance and Culture Manual**, which considers human resource management as an integral part of the process to analyze quality and risk management, attending to the norms enacted by the local laws and also professional requirements in Brazil, requirements of the Federal Accounting Council (CFC), IBRACON – Institute of Independent Auditors in Brazil, the National Monetary Council (CMN), the Securities Commission (CVM), the Secretary for Complementary Social Security and by international bodies, such as Public Company Accounting Oversight Board (PCAOB) and US Security and Exchange Commission (SEC).
- **Annual Training in Ethics and Independence and Anticorruption**, which strengthen our policies amongst our professionals. In 2011, 100% of the required professionals were trained.

Principles of the Code

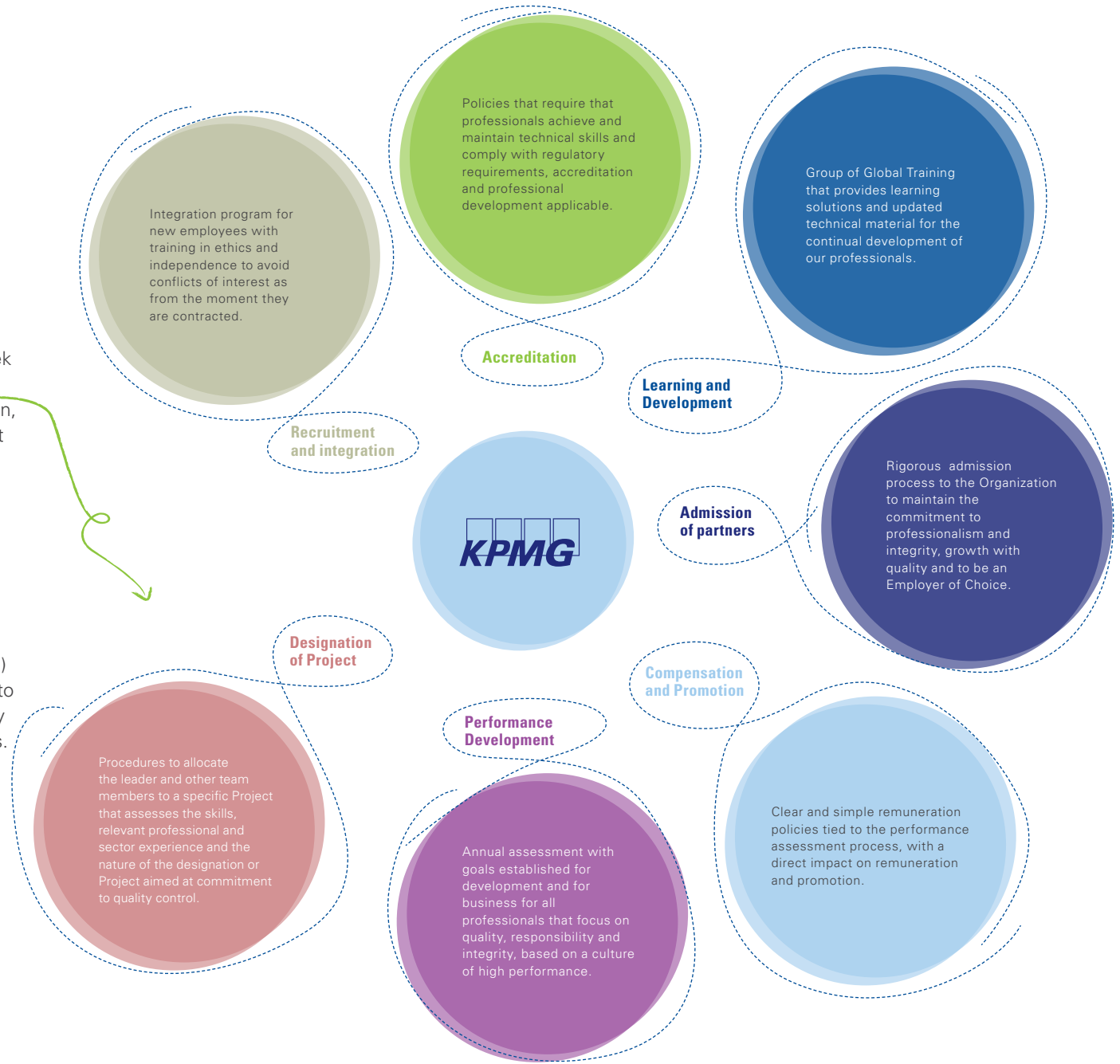


People Management, Training and Development

The dynamic nature of our work and the environment in which we operate demands that we continually seek professional excellence. Consequently, **our people management** includes actions to attract, retain, train, develop and recognize our professionals, which reflect the way we want to grow and be recognized.

Acceptance and Continuance of Clients and Work

We rely on policies and procedures for assessing the decision to accept and continue with clients and projects, for example, the use of tools such as CEAC (Client and Engagement Acceptance and Continuance) and Sentinel. Rigorous compliance is essential for us to provide professional services with quality and integrity necessary for building ethical and sustainable markets.



Execution of the Work

The execution of our work follows methodological guidelines and policies that aim to maintain integrity, compliance with local and international regulations and the incorporation of good global practices during all of the stages of the services. The professional practice, risk management and quality control are the responsibility of each KPMG professional.

We invest significant resources to maintain our standards and tools up to date. Our global audit methodology, is included in the KPMG Audit Manual (KAM) and is supported by eAudIT, an electronic audit tool that provides the teams with immediate access to relevant information at the correct time during the audit, increasing efficiency and value for our clients.

The policies and procedures established in KAM are specific for audits and complement the policies and procedures established in the Global Quality and Risk Management Manual (GQ&RMM) which is applicable to all KPMG International member firms, to all positions and all personnel. The rulings in the International Standard of Quality Control I (ISQC-I) are covered in KAM and implemented by the member firms through the GQ&RM Manual.

Monitoring

Monitoring procedures complete the five groups from our quality control and risk management system, and include permanent assessments by means of internal and external reviews to check the integrity and independence of our professionals and adherence to our practices, methodologies, training and internal controls.

- **Risk Controls Checklist (RCC):** annual verification performed by KPMG International on the internal controls, procedures, practices and global training (80 hours/day).
- **Quality Review Program:** annual review performed in the Audit, Tax and Advisory work to verify conformity with our standards and norms and with Professional standards required (2,120 hours/year).
- **Peer Review:** local review, required by the Federal Accounting Council (CFC), which consists of external verification of our work every four years, performed by our peers, i.e. by another audit company of the same size, and supervised by representatives from Brazilian regulatory bodies. (320 hours/year).
- **PCAOB Review:** three yearly review and anticipated for all companies registered with this body and which provide accounting audit services. This review assesses adherence to the norms and regulations adopted by the Public Company Accounting Oversight Board (PCAOB), the North American regulatory body (480 hours/year).

We also monitor compliance with ethical standards and the integrity of our professionals, through the **Disciplinary Committee**, which assesses any deviations in our procedures or professional norms to which our services are subject.

We provide a confidential **international hotline** for denouncing possible illegal, ethical violations or violations of norms and standards.



Hotline to denounce illegal acts

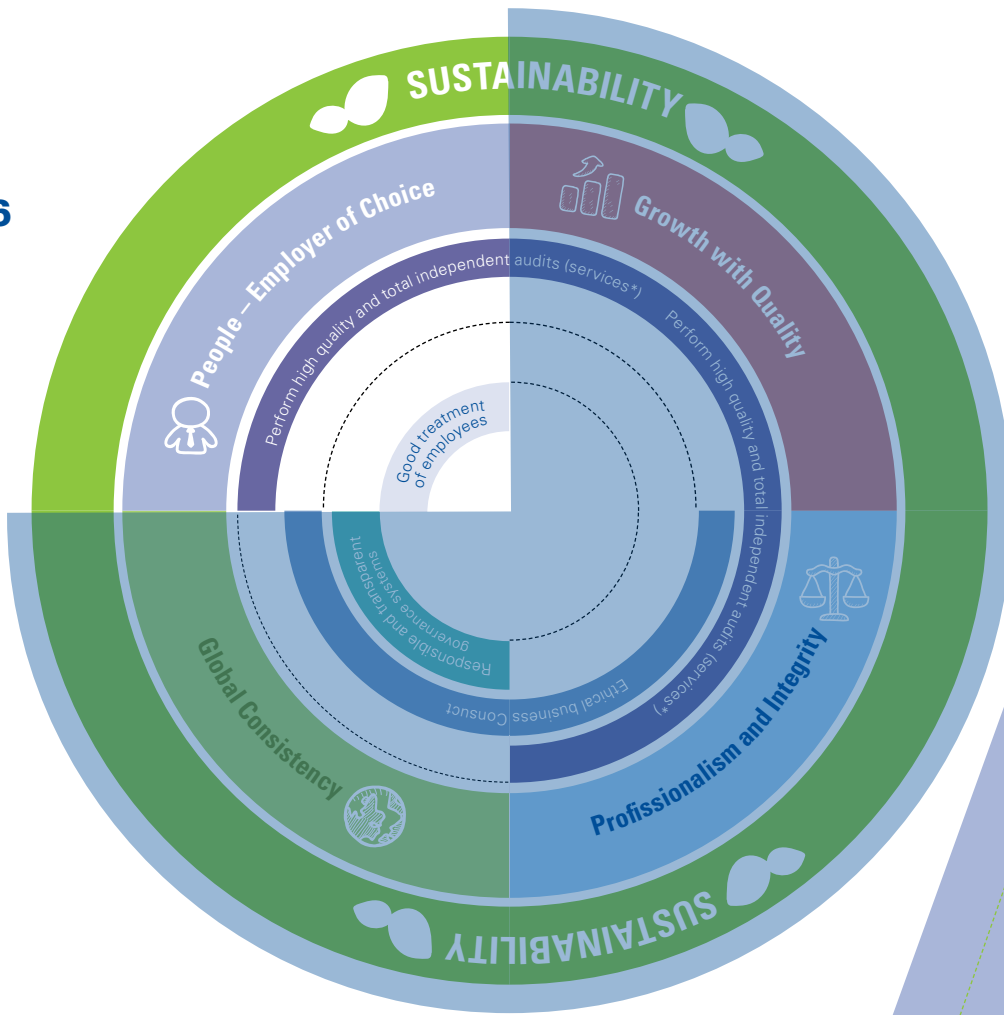
By Telephone:

Brazil – 0800 891 7391

Other countries – www.kpmg.com/Global/en/Pages/International-hotline-numbers.aspx

On-line: www.clearviewconnects.com

Post: P.O. Box 11017 – Toronto, Ontario
– M1E 1N0 Canadá



People – *Employer of Choice*

Human resource management

In defining the material themes for this report, amongst various issues assessed, our stakeholders stated that our business, given its nature, should always focus on ethical management, with transparent and responsible governance, capable of delivering high quality services based on the good treatment of its employees.

The four themes prioritized, not by chance, constitute the fundamental strategic pillars of the KPMG International member firms.

Our people constitute one of our pillars and it is through them, that we implement our vision and our strategy. On this journey, our personnel will find challenging and innovative employment opportunities, and a solid career plan to develop their full potential. We constantly invest in our professionals so that we can grow together and have a crucial role in the business world.



We want to develop people and to be the best company to work with, acting with professionalism and integrity and maintaining the global consistency, to grow with quality

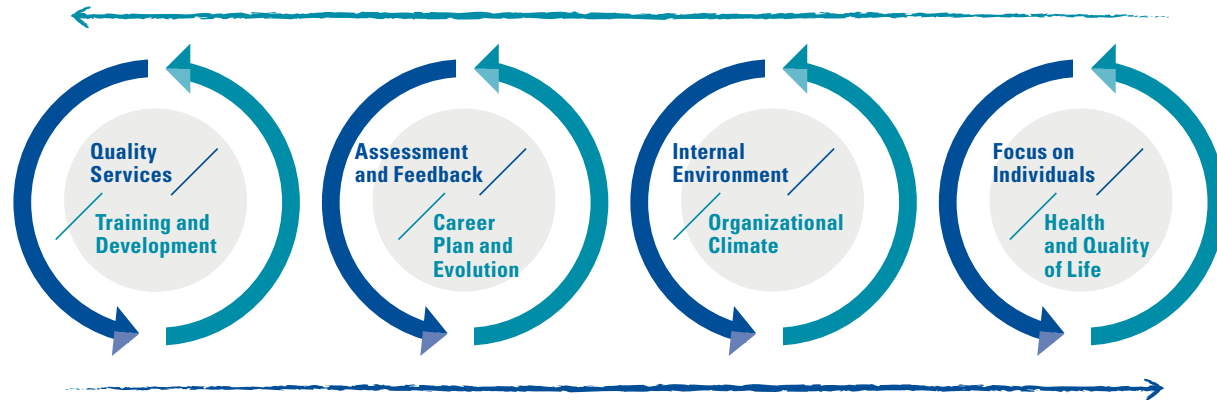
We are committed to a high performance culture, and we are an Organization that attracts important talent. Our personnel are global minded and forward-thinking, they are experts who are passionate about the work they undertake and generate value for clients.

Attract, contract, develop, support, recognize and retain the best professionals is essential for the enduring growth of our Organization. Therefore, we offer our team an environment that contributes towards personal and professional development, led by human resource management and by the Learning and Development area.

Attract

In 2011, KPMG International was awarded first place amongst the Big Four and second place in the Business Segment, in the research undertaken by Universum that identified **the most attractive companies to work for**: The World's Most Attractive Employer 2011.

 Fundamentals for human resource management



*Global goal by 2015
Have 25% of the leadership positions in KPMG International member firms occupied by women*

Our team

At September 2011, there were 4,073 people working for KPMG in Brazil. Of these, 3,830 are KPMG professionals, being 3,566 employed by the Organization, contracted based on the Consolidated Employment Law (CLT), 21 apprentices, and 243 partners and partners-directors. That number of people also includes 220 workers from contracted companies (outsourced), who do not have an employment relationship with KPMG - the majority for infrastructure support services - and 23 temporary workers.

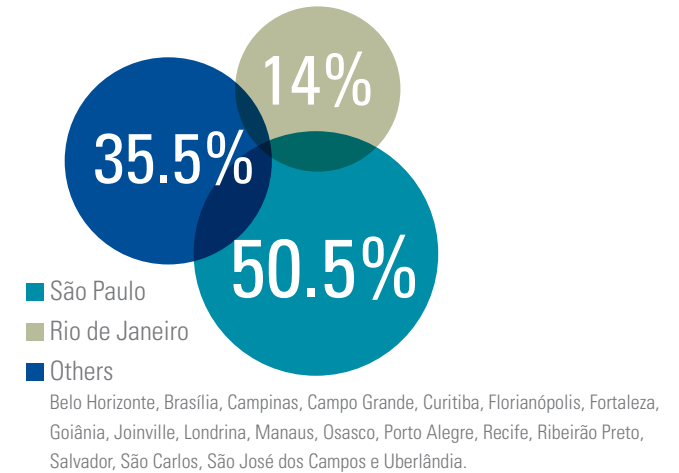
We value and encourage an environment of respect for uniqueness. We are responsible for promoting diversity and inclusion, offering an environment free of discrimination. Our promotion and remuneration policy is based exclusively on merit – guaranteed by the performance assessment processes – and in accordance with the relevant laws.

In order to prepare and offer inclusion opportunities, we started the first personalized trainee program for individuals with disabilities (PCD) which included an extensive awareness and integration campaign amongst our employees, and also adapting the infra-structure to meet accessibility criteria. In 2011, we employed 46 PCDs, being 29 administrative personnel and 17 technical personnel.

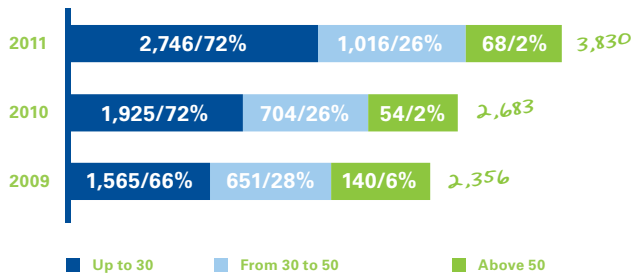
Furthermore, KPMG supports the UNO's (United Nations Organization) eight Millennium Development Goals. Globally, we focus our actions on three of these objectives: eradication of extreme poverty and hunger; universal access to primary education; promote gender equality and empowerment of women. Currently in Brazil, 24% of the positions of **manager, partner-director and partner** are held by women.

Distribution by office

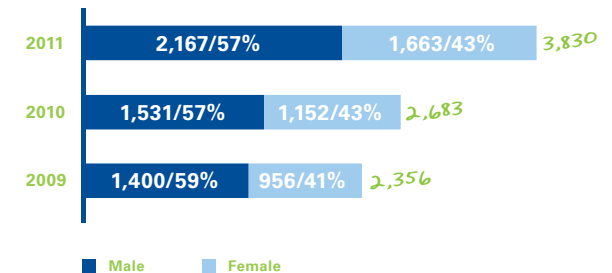
KPMG professionals



Total KPMG professionals by age



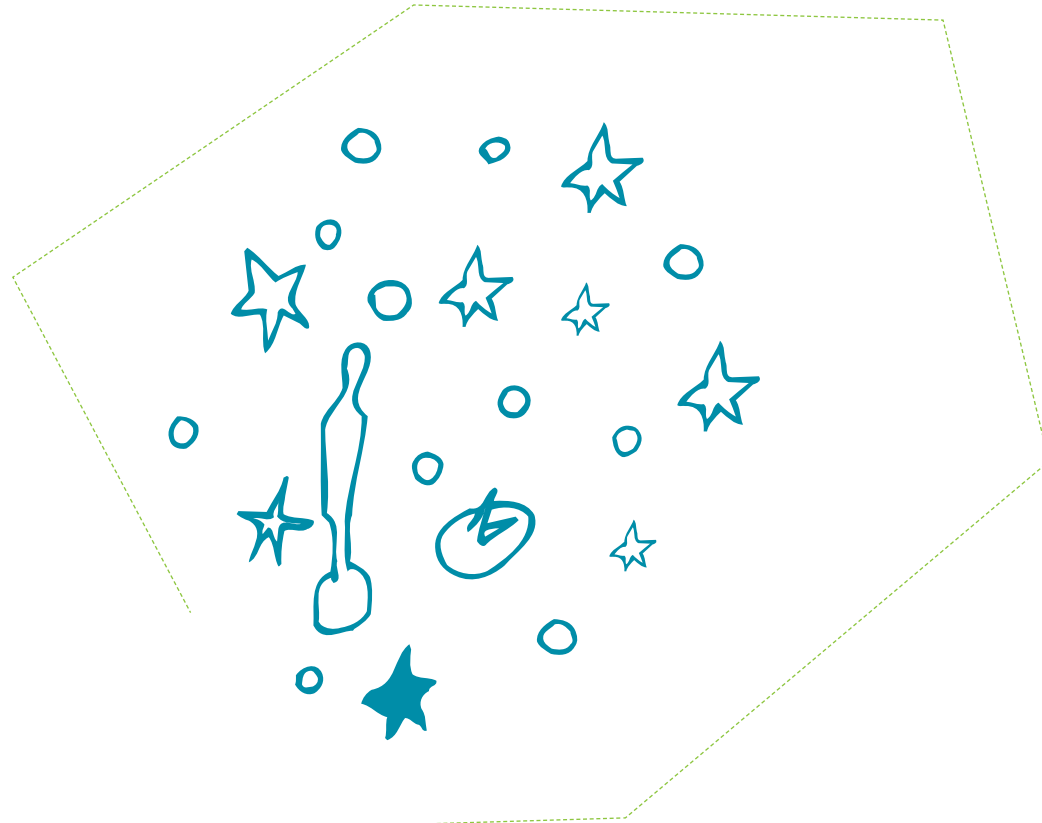
Total KPMG professionals by gender



Quality Services

Learning and Developing

Within the Brazilian context, we play an important role in developing talent. KPMG Business School is responsible for planning the learning and development programs, which is the focus of our investments, and go beyond the professional regulations for continued education, encouraging graduate, post graduate and specialized courses, language courses, behavioral training, exchange programs (KPMG Mobility Program) and a variety of technical courses. We also have specific leadership training, such as Chairman 75 and the Partner Development Program.



Total investment in Learning and Development

	2011	2010	2009
Time (thousand hours)	366	285	305
Financial (R\$ million)	24.9	23.0	21.7
a) Specific investments in technical and behavioral skills	10.5	10.9	8.5
b) Investments in graduate, post-graduate, language courses, exchange programs and other	14.4	12.1	13.2

Hours invested in Learning and Development – KPMG Professionals

	2011			2010			2009		
	Hours	People	Average	Hours	People	Average	Hours	People	Average
Technical team									
Apprentice	509	5	102	N/D	N/D	N/D	N/D	N/D	N/D
Trainee	106,480	1,041	102	124,876	787	159	111,367	625	177
Staff	135,656	1,369	99	98,676	1,172	84	118,519	1,015	117
Manager	37,116	340	109	30,479	313	97	36,538	273	134
Partner and Partner-director	25,422	217	117	18,218	183	194	18,462	168	219
Subtotal Technical team	305,182	2,972	103	272,198	2,454	111	283,886	2,081	136
Administrative team									
Apprentice	1,019	16	64	N/D	N/D	N/D	N/D	N/D	N/D
Trainee	3,876	70	55	0	0	0	96	1	96
Staff	42,157	668	63	11,111	209	53	19,303	247	78
Manager	8,293	78	106	1,142	14	82	1,275	15	85
Partner and Partner-director	5,117	26	197	426	5	85	930	12	150
Subtotal Administrative team	60,462	858	70	12,730	229	56	21,604	275	79
Total	365,644	3,830	95	284,928	2,683	106	305,490	2,356	130

We have improved the data collected in 2011, including the category "Apprentice". In previous years, the Apprentices were included to the category "staff".

Assessment and Feedback

Our global career development policy is based on the principles of merit and equal opportunities. We have counseling and annual performance assessments, performed using the Dialogue and 360° Assessment tools, and include social-environmental goals. Through the promotions, we recognize our professionals and their contribution to our business and make feasible our career and succession plan.

In addition to the structured career plan and fixed and variable remunerations, we also offer benefits that provide access to improved health, quality of life, the development and well being of our professionals, which are presented in the full version of this report available online.

Internal Environment

The organizational climate is one of the essential factors that enables us to retain talent and achieve our strategic objective to be considered one of the best companies to work for. The management of the organizational climate at KPMG is a continual improvement process, consequently, every two years we implement the Global People Survey (GPS) which measures the motivation and satisfaction of our team.

The Global People, Performance and Culture (PPC) team is re-designing this research and a new version of the GPS is programmed to be applied at the start of the financial year 2012-2013.

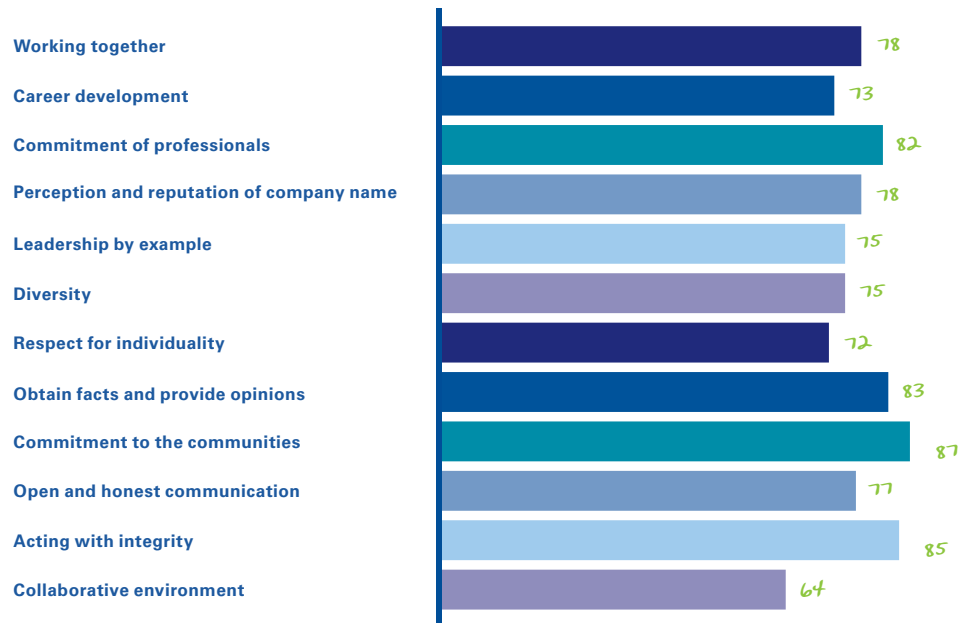
Number of promotions

	2011	2010	2009
Staff	1,872	1,059	1,080
Staff to manager	106	90	48
Manager to senior manager	78	49	28
Senior manager to partner-director	26	25	8
Partner-director to partner	13	17	8
Total	2,095	1,240	1,172



Results of the Global People Survey – Brazil 2010

(Satisfaction percentage – Scale of 0 to 100)



Corporate Citizenship

Corporate Citizenship derives from KPMG's vision and values, and thus influences our strategy, our choices and our relationships with our stakeholders.

Our role in society is defined by the services that we provide and the way we get involved in the communities in which we operate. KPMG in Brazil works to construct transparency and trust on the market through the accuracy of financial reports, and by assisting companies to improve their management systems.

We are aware that there is still room to advance in the direction of our vision, leveraging the potential of our communities, and KPMG International has assumed certain commitments that help us on this journey, such as the **United Nations Organization (UNO) Global Compact** and the **UNO's eight Millennium Development Goals**.



Principles of The United Nations Global Compact

These two external commitments act as guides for the operational strategy for Corporate Citizenship at all of the member firms worldwide, potentializing the positive impacts that are put into practice through two of KPMG International's global programs: the **Global Development Initiative**, which deals with questions related to development and social justice and the **Global Green Initiative**, which addresses the questions related to environment and climate changes.

KPMG in Brazil, aligned to these guidelines, presents below a summary of its initiatives, which is separated into three foundations: **Education, Development and Environment.**



Human Rights

- 1 Support and respect the protection of internationally proclaimed human rights
- 2 Make sure that they are not complicit in human rights abuses
- 3 Uphold the freedom of association and the effective recognition of the right to collective bargaining

Labor Rights

- 4 Elimination of all forms of forced and compulsory labor
- 5 Effective abolition of child labor
- 6 Elimination of discrimination in respect of employment and occupation



Environment



- 7 Support a precautionary approach to environmental challenges
- 8 Undertake initiatives to promote greater environmental responsibility
- 9 Encourage the development and diffusion of environmentally friendly technologies

Corruption

- 10 Work against corruption in all its forms, including extortion and bribery



Education

Education is an essential factor for our business, and also for the development of Brazil. Leverage of the full potential of the communities involves training and developing the skills of individuals. Consequently, we support and work together with schools, universities and ONGs, as presented below:

Little Citizen Project: offers a cycle of four years supplementary educational activities, medical and nutritional supervision, daily meals and sports activities for 220 children, aged between 10 and 14, in needy neighborhoods in the city of São Carlos (SP).

Bessan Award: in homage of one of our partners, Marcelo Bessan, who passed away in 2004, which consists of a study grant for high school given to the students who obtained the best results during the Little Citizen Project.

Apprentice Nucleus: a pilot program to be implanted as from 2012, created to complement the support to adolescents graduating from the Little Citizen Project when they reach the age of 14.

Students in Free Enterprise (SIFE): a non for profit, global institution, which encourages undergraduates to use their knowledge and entrepreneur skills to develop programs that empower and improve the quality of life in communities.

Junior Achievement (JA): an organization focused on practical education about the economy and business, that aims to encourage an enterprising spirit, stimulate personal development and facilitate access to the employment market.

Bio-diversity in your rucksack – WWF Brazil: a pilot program for environmental education on the Cerrado biome with involvement from public school teachers in Pirenópolis, Goiás, and specialists from the WWF.

Uniética: an event created by the Brazilian Ethics in Business Institute which encourages ethics, social responsibility, transparency and sustainability by university undergraduates throughout Brazil.

Book - Earth and the Human Element: the first of four volumes from the series Earth, Air, Water and Fire – Sustainability of the four elements of nature, published in 2011.

Açúcar de Piracicaba Museum (SP): In addition to the historic and pedagogical aspects, the restoration and architectonic adaptation offers the community with access to extraordinary cultural and educational resources.

Corporate Citizenship in Brazil – Strategy

Education



Develop at schools and universities the ability to determine the progress of skills and the potentials of adolescents and children, as well as helping to build business and community cohesion.

Development

Invest in social justice and build sustainable enterprises at the communities where we operate, based on the Millenium Development Goals.



Environment and climatic changes

Invest in the responsible use of energy, act with groups of leaders to deal with questions such as climatic changes and scarcity of water and foods and work to make the internal public more conscious of adopting sustainable behavior.



Development

KPMG's Global Development Initiative (GDI) is the basis for our activities for this Development pillar, since it focuses on promoting social justice and making feasible sustainable enterprises. In Brazil, our way of collaborating towards developing and improving the conditions of our communities is through the following initiatives:

Providing pro bono services or compensation¹: our

Audit and Advisory services, provided in this module, contribute towards developing sustainable enterprises by providing professionalism to management and credibility and transparency to financial statements of organizations from the third sector. Since 2007, we have accumulated 7,760 hours from providing services to institutions such as Ação Comunitária-SP, Associação Saúde Renascer-GO, Fundação Gol de Letra-SP and RJ, Instituto Ethos-SP, Instituto Ling-RS, IBEF-CE, amongst others.

Private Social Investment: resources that benefit institutions such as Unicef, to support the development of a system to present detailed information on HIV/AIDS, and also the Millennium Villages Project, a partnership with various organizations, including KPMG, to develop solutions aimed at developing ten sub-Saharan cities in Africa.

Social Investment through Tax Incentive Laws (IRPJ):

investment in social and cultural projects that are aligned with our Corporate Citizenship strategy. In 2011, KPMG benefited programs such as Quero-Quero Project, Fight for Peace Institute, Ponto a Ponto Project and the cultural dance show Evita.

Volunteering: KPMG wishes to lead by example and create a network of multipliers in favor of social-environmental development, encouraging our professionals to exercise citizenship. In addition to the voluntary work at the Junior Achievement programs, our professionals can also participate in two other activities that occur annually: Trainees Challenge and KPMG in the Community.

Specific Programs, emergencies and disasters relief:

Devastating natural disasters occur throughout the world, affecting our people, our communities and our business. Our technical skills can help in the management of the recovery process of the communities affected and bring long term benefits and our financial support contributes by bringing a little comfort in extreme situations. In 2011, KPMG in Brazil was involved in various specific campaigns, such as the earthquake following the tsunami in Japan, the food crisis in Horn of Africa, as well as local Winter and Christmas campaigns.

Supplier Management: All of our service contracts include clauses requiring that the professionals employed by our suppliers are registered in accordance with CLT and aligned to the principles and conventions of the International Employment Organization. Payment of these suppliers is dependent on presentation of monthly documents that provide evidence of the employment relationship. In the case of purchases of materials, our goal for 2012, is to include specific contractual clauses on Human Rights in the standard draft documents and in the documents requesting proposals from suppliers.



¹ Services provided to NGO and non profit making institutions. The amount for the services provided is paid by the Corporate Citizenship team to the KPMG area responsible for the rendered work and the organization benefited accepts to undertake an action previously agreed as compensation for the services provided.



Environment

Commitments and global goals

Our Commitment to the Global Compact, specifically the principles 7, 8 and 9, reflects KPMG's attitude in relation to environmental questions. The full version of our report provides details of our management of this aspect, which we have summarized herein.

KPMG has a Global Center of Excellence in Climate Changes and Sustainable Services (CC&SS) to assist our clients to understand challenges and opportunities in the search for a sustainable development model. At the same time, KPMG has reflected on this internally, and in response to the challenges imposed by climate changes, in 2008, KPMG International launched the Global Green Initiative (GGI), with one of its objectives being the **reduction in the combined carbon footprint *per capita*** of the member firms. In 2010, it reported a decrease of 29% of its emissions compared to 2007, exceeding the goal established.

Global goal, by 2015

A reduction of **15%** in the *per capita* carbon net emissions of the **member firms of KPMG International**, compared to 2010.

Environmental Policy in Brazil

KPMG in Brazil is in the Audit, Tax and Advisory services segment, and environmental aspects are not material for its operations. Nevertheless, KPMG is aware of its responsibilities and maintains a citizen approach, since it understands that it also has a role to play for a more balanced and fair development model. Thus, it has an environment policy and goals to reduce some indicators.

GGI is the basis for our local environmental policy, which defines our commitment to improve the environmental performance of our business through coordinated actions that reduce our *per capita* carbon footprint and focus on conscious consumption of natural resources and decreasing the generation of residues, as well as the challenge to have a positive influence on clients, professionals and the communities. Thus, like our country, KPMG in Brazil is growing and extending its operations with new offices in Brazil, which is the reason for the increase in total consumption of the majority of the indicators.

The environmental performance of our business depends on the engagement of our people. Through constant dialogues with our professionals, we provide information, suggest changes in habits, we get them involved in actions and publish the progress achieved.

In 2011, we launched our sustainability **e-learning at the KPMG Business School**. During the environmental week, our professionals answered the **Living Green Quiz** and participated in the raffle of various prizes. For the children of our professionals, we launched the **Living Green Gallery** and their drawings on environmental themes were transformed into a DVD distributed to all of the sons and daughters of our professionals, aged between 4 and 12.

Another internal action, which also collaborated towards external awareness, was our support of the **Limpa Brazil movement: Let's do it**. The movement, focused on conscious consumption, the correction destination of rubbish, and on recycling, was used as a basis for our **Trainees 2011 Challenge**, when our 417 trainees and 128 volunteers participated.

To influence the community in significant questions that involve sustainability, we highlight the partnership with **WWF Brazil** in the pilot program Bio-diversity in your rucksack and also the book **Earth, Air, Water and Fire - Sustainability in the four elements of Nature**, both detailed in the heading, Education.

Local eco-efficiency goals

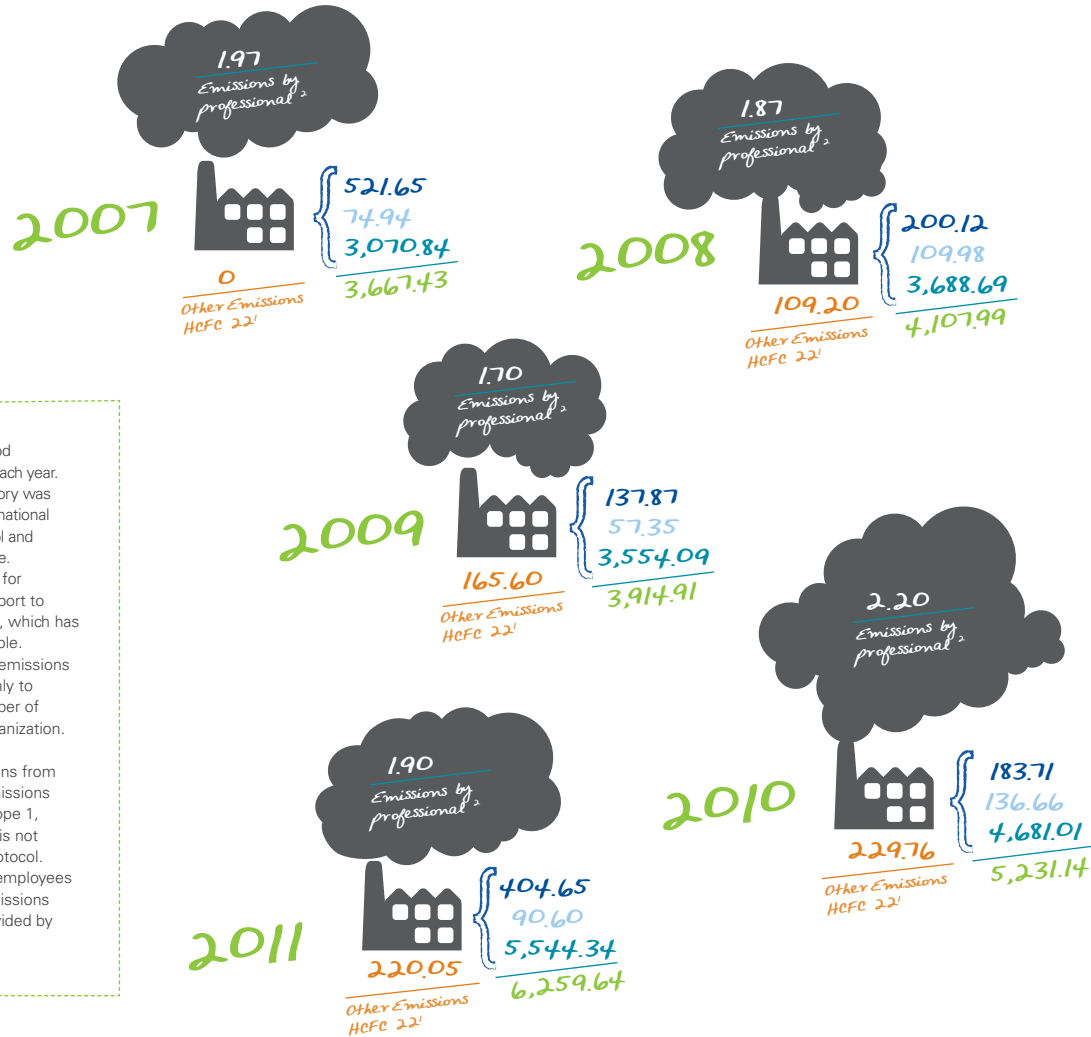
Indicator	Total 2010		Goal for 2012
	KPMG in Brazil	Per capita (FTE*)	as % of FTE
Disposable plastic cups/unit.	1,056,859	445	Maintain
Electricity/GJ	9,684	4	Maintain
Paper/sheets	10,614,400	4,467	Reduce 5%
Water/Cubic meters	16,545	7	Maintain
Printed material/sheets	12,834,348	5,402	Reduce 5%

*FTE = Full Time Equivalent, measure adopted by KPMG International to indicate the consumption per capita. Average employees for the calculation was provided by KPMGI.



Total emissions (tons of CO₂e/year)

■ Total Scope 1 (tCO₂e) ■ Total Scope 2 (tCO₂e) ■ Total Scope 3 (tCO₂e)



Composition of inventory of emissions

Scope 1 – Direct emission

- Diesel consumption by generators at the São Paulo offices
- Reimbursement of fuel to partners
- Use of GLP (Liquefied petroleum gas) at the São Carlos office

Scope 2 – Indirect emissions

- Electricity consumption

Scope 3 – Other indirect emissions

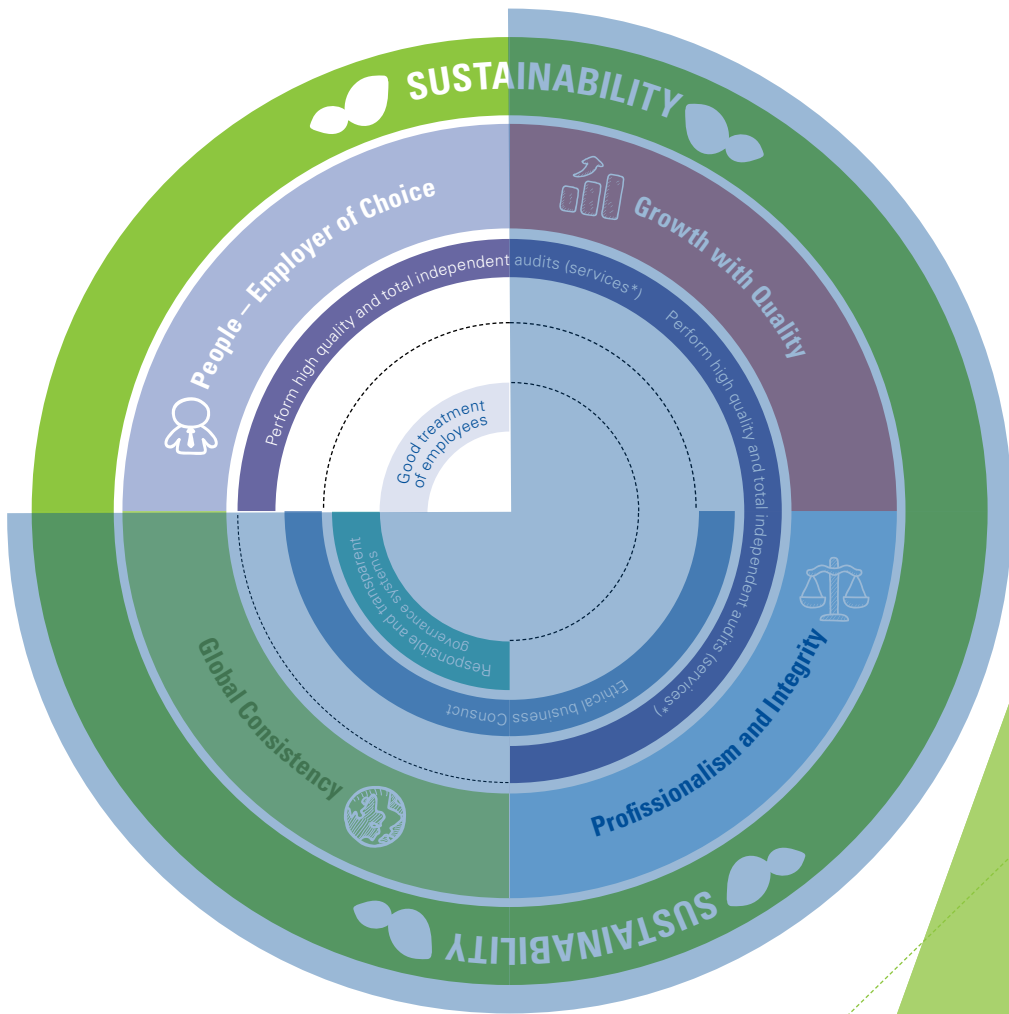
- Reimbursement for transporting KPMG professionals to clients
- Transport of materials and documents between offices
- Motoboy – Transport of documents
- Air travel of KPMG employees to clients

Other emissions¹

The data refers to the period January to December of each year. The method for this inventory was developed by KPMG International based on the GHG Protocol and DEFRA Reporting Guidance.

- KPMGI revised the data for reimbursement of transport to clients in 2010 (scope 3), which has been up dated in this table.
- In 2011 the decrease in emissions *per capita* was due mainly to the increase in the number of professionals in the Organization.

¹ Following the assumptions from GHG Protocol, these emissions were not included in Scope 1, since the gas HCFC 22 is not included in the Kyoto Protocol.
² The average number of employees used to calculate the emissions by Professional was provided by KPMG International.



Global Consistency

We are one of the largest organizations in our segment and we adopt high standards of **corporate governance**, based on transparency and ethics for undertaking our business. Our stakeholders identified this theme as the second most important theme for a service company.

The question of governance is treated as one of the basis of our strategy. KPMG International establishes and coordinates norms and policies for the work and conduct at all of the countries, protecting and enhancing the use of its name and brand. This means ensuring global consistency of its strategy, in order to strengthen its name and promote services of the same quality to all of its clients and markets. All of the activities of KPMG International are financed by its member firms.



Governance Structure of KPMG in Brazil

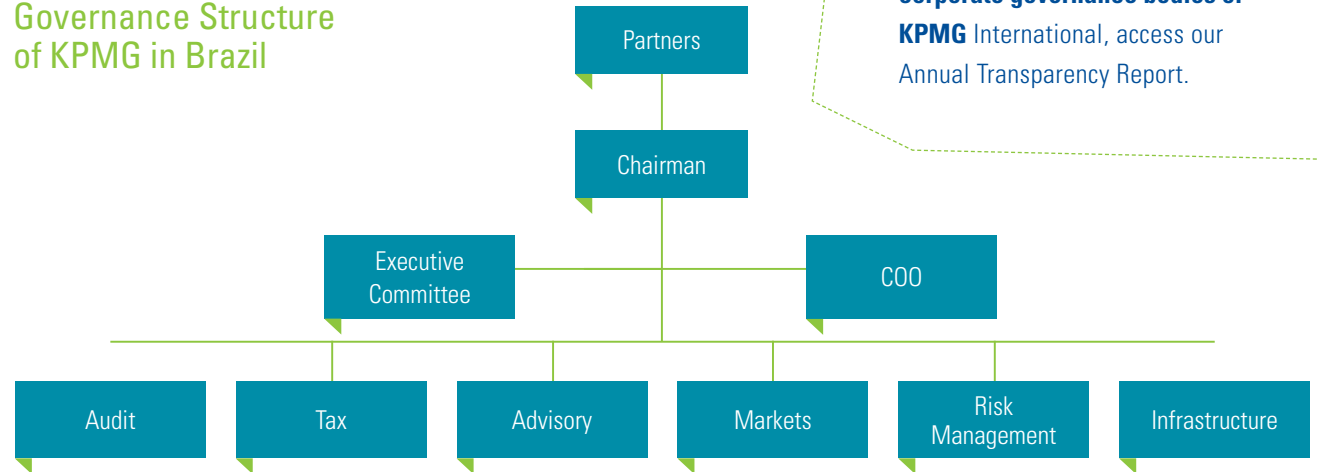
Each KPMG member firm is an independent entity and responsible for its own management and the quality of its services, and is committed to the values of KPMG International. Each firm is required, under contract, to observe these policies and regulations, including standards of quality that discipline the way it operates and provides services to clients, aimed at competing efficiently on the market.

KPMG in Brazil has its own governance bodies for coordinating and supervising its management, structured in accordance with Brazilian laws. The Chairman of the Organization is the principal local executive and is elected by the other partners for a term of three years, renewal for a further two mandates of the same period.

The Chairman is responsible for nominating the **Executive Committee**, which comprises the Chairman and seven other lead partners from the main business practices, so that all of them are represented. The administrative area is represented by the **Chief Operating Officer (COO)**. The Committee defines the policies, and the planning and supervision of activities, including defining goals for local growth and determining the strategic management of the business areas.

Our structure also has an **Operational Committee**, which determines the undertaking of routine business, aimed at achieving the goals established in the strategic plan and also the **Finance Committee**, which deals with the rules for remunerating partners and partner-directors.

Governance Structure of KPMG in Brazil



For further details on the main **corporate governance bodies of KPMG International**, access our **Annual Transparency Report**.

Another essential body for our governance structure is the **Disciplinary Committee**, presented in the chapter on Professionalism and Integrity, which analyzes possible violations of rules and policies by any of our professionals, including partners. This committee comprises leaders from the operational areas, the Director of Human Resources, the partner responsible for Risk Management and the Chairman.

These governance practices, based on standards adopted globally, strengthen our brand and reputation and assist in maintaining the standards of quality for which we want to be recognized in all of the markets where we provide our services.



To keep this global consistency, KPMG International **performs annual review in all member firms**, as explained in the Chapter Professionalism and Integrity.



Credits

Coordination, Writing and Editing

Corporate Citizenship Department

Advisor in the GRI Guidelines, Calculation and Consolidation of indicators

Climate Change & Sustainability Services – KPMG in Brazil

Independent Assurance

BSD Consulting

Graphics Project

TheMediaGroup

Working Group

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André Moraes

Andreia Kakazu

Angela Machado

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Cilene Rodrigues

Diana Polo

Dyane Silva

Eduarda Bueno

Eliane Momesso

Elizabete Zambori

Fernando Monteiro

Flavia Corrêa

Fred Coutinho

Katia Yumi

Lucimara Augusto

Marcela Navarro

Marcia Santos

Maria Cristina Bonini

Maria Silvia Vianna

Mariana Cherobim

Mariane Sá

Milena Soares

Paula Decomi

Paula Massini

Paulo Guzman

Paulo Shinohara

Renato Andrade

Rene Buttner

Ricardo Zibas

Roberto Coelho

Ronaldo Rodrigues

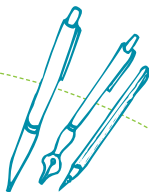
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We are extremely grateful to the stakeholders who participated in the consultations to define the material themes, which was fundamental for developing this report.

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The information and data in this Sustainability Report refer to the performance of the independent entities that operate under the brand name KPMG in Brazil during 2011.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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