



cutting through complexity

KPMG in Brazil

Sustainability Report 2012

kpmg.com/BR



2012 Headlines

OUR REVENUE
WAS **R\$ 805** MILLION
IN 2012
UP BY **13.7%**
OVER 2011

840 HOURS OF PRO BONO
WORK FOR NON-PROFIT ORGANIZATIONS

INVESTED
R\$ **29.9** MILLION IN
EDUCATION, LEARNING AND DEVELOPMENT

INVESTED
R\$ **2.78** MILLION IN
SOCIAL, ENVIRONMENTAL AND CULTURAL PROJECTS

Diversification of our portfolio into supply chain

Corporate INTL Magazine Global Prize:
KPMG International was elected Consultancy Firm of 2012 in the Category Transfer Pricing.

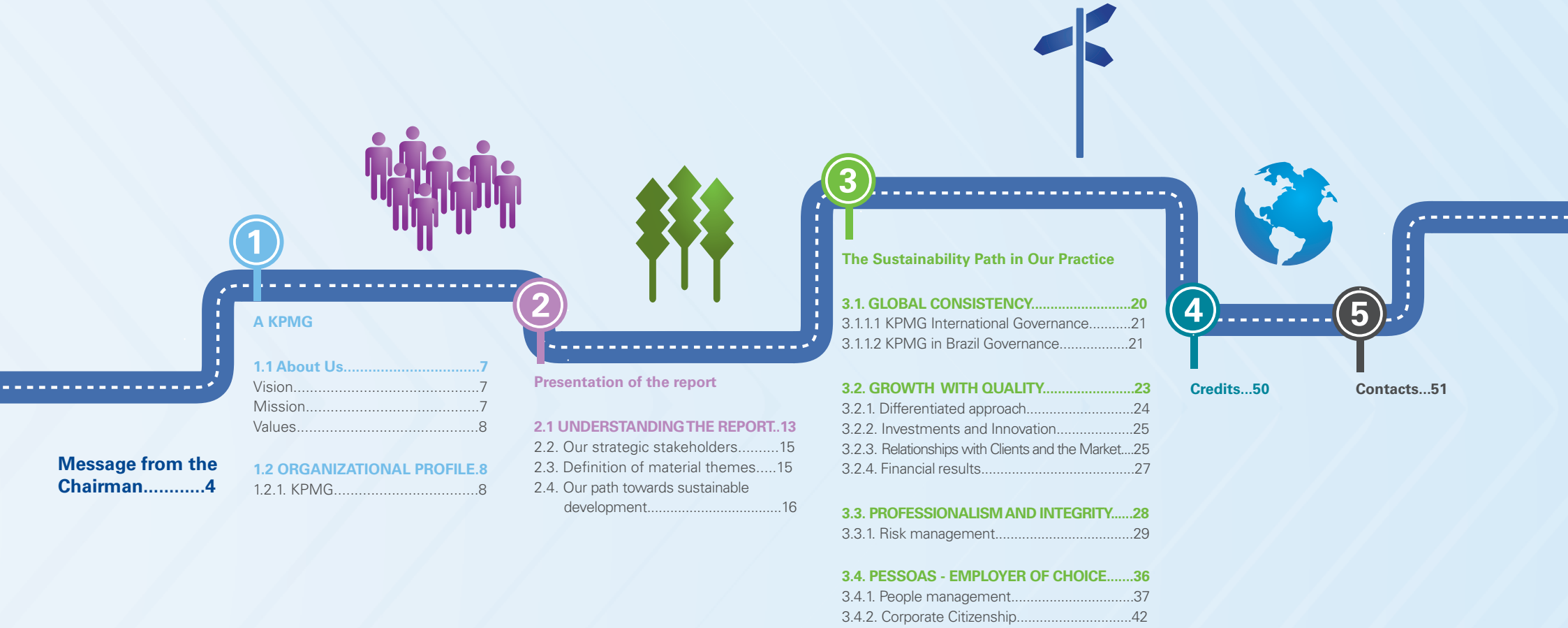
The World's most Attractive Employers 2012
KPMG International continued in first place amongst the Big Four and second place in the business segment in the ranking compiled by UNIVERSUM, a global talent consultant.

Finances Executive of the Year Award - Equilibrist Trophy:
Awarded by IBEF Porto Alegre to our partner Wladimir Omiechuk.

The Sustainable firm of 2012/2013
KPMG International was elected Sustainable firm in its segment by the International Accounting Bulletin (IAB).

The Most Admired Companies in Brazil 2012:
KPMG in Brazil came second in the awards organized by magazine Carta Capital in its segment.

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See the full electronic version of this report to gain access to detailed information, as well as the GRI Index and Warranty Statement, the result of the independent assurance process conducted by BSD Consulting.
www.kpmg.com.br/relatoriodesustentabilidade2012

Message from the Chairman



For the third year running we are proud to present the KPMG in Brazil Sustainability Report, produced in accordance with the international guidelines issued by the Global Reporting Initiative (GRI). By submitting it for independent assurance by BSD Consulting we are demonstrating our commitment to transparency and to the evolution of our practices.

This report sets out the strategies and initiatives we have put in place to preserve core aspects of our business, such as ethics, transparency, governance, quality, independence and the fair treatment of our employees, all of which are key attributes of sustainability and given priority by our stakeholder consultation.

As in previous years, the preparation of this document mobilized staff at KPMG in Brazil in multiple, productive efforts involving both looking back and looking ahead.

LOOKING BACK

Challenges: Brazil's economy and regulatory restrictions are impacting our revenue

In hindsight, 2012 was an extremely challenging year. In Brazil we are experiencing the effects of the country's economic slowdown in all segments in which our clients operate, which led to paltry GDP growth of 0.9%.

Our sector also experienced volatility. In the quest for a response to the economic and confidence crisis that originated in the global financial market, regulations and restrictions were heightened on auditing, which impacted our activities worldwide.

Specifically in Brazil, the Brazilian Securities Commission determined that the auditing of companies listed on the stock exchange must be carried out by alternate firms, which has had a major impact on our revenue. In view of this, we decided that rather than shrinking our operations, it was time to invest heavily in our growth strategy and in restructuring our portfolio.

In addition to our internal drive for growth and innovation, in 2012 we worked actively with governments, regulatory authorities, investors and professional boards around the world to ensure that opportunities to move forward are not wasted and confidence in the markets is restored.

Opportunities: the entrepreneur market and foreign investment sustain our growth

The consistency with which foreign investment continued pouring into Brazil led us to invest in the acquisition of expertise in the tax compliance and supply chain areas, that have expanded our portfolio of solutions on offer to help our domestic and foreign clients navigate their way more safely through current tax, social, economic and market complexities.

As a result, in 2012 the turnover of the network of independent firms that operate under the KPMG brand in Brazil reached R\$ 805 million, 13.7% up on 2011.

The outlook for 2013 is an environment favorable to the development of a range of services which we provide. A series of changes in tax law means companies must revise their tax processes and procedures, which is likely to mean they will seek expert guidance.

Another favorable aspect is the entrepreneur market, which continues to boom and is in the sights of foreign investors, stimulating demand for diagnostics, compliance and governance. The expansion of our head and sub-regional offices has been intensified to respond to these specific needs, increasing the presence of our Organization's partners and directors in various regions of the country.

Government measures in favor of transparency and initiatives like the Natural Capital Declaration – whereby financial institutions make a commitment

to incorporate environmental, social and corporate-governance factors into business – promise to build up a head of steam and cause clients to seek our assistance to adapt their businesses in line with new standards.

In view of these aspects, we are forecasting significant growth of 25% for 2013.

The contribution of sustainability to our strategy

Our core vocation in sustainability is working with quality and integrity, developing skills and generating knowledge and value through our services, contributing towards best practices in the markets in which we operate.

We believe that the greatest contribution we can make to sustainable development is by applying our abilities, values, knowledge and experience to the wide-ranging challenges facing our clients and communities. Therefore, we have invested globally both in our high performance culture to develop our professionals' potential and to produce and share knowledge which generates value for our stakeholders.

Globally, KPMG has gained recognition for its services to sustainability and for its efforts to promote debate and produce knowledge on the subject. KPMG International was elected Sustainable Organization of the Year for the second consecutive year at an awards ceremony held by the British publication which specializes in the accountancy sector and related areas, the International Accounting Bulletin (IAB).

For us, this recognition is a sign that we have chosen the correct path. We are aware that we are

only in the early stages of this process of building a genuine culture of sustainability which truly guides the way we think, take decisions and act. This report expresses how we are striving hard, so that we may evolve on this journey every year.

Finally, I would like to register my thanks to all our stakeholders who helped us to overcome challenges during 2012. I hope that each accomplishment has paved the way so that we have another great year of achievements.

I hope you enjoy reading this report.

Pedro Melo

Chairman KPMG in Brazil



1

KPMG





1.1 ABOUT US

Constituted in Switzerland and headquartered in Amsterdam, KPMG International Cooperative (KPMG International) is a global network of independent firms, operating in 152 countries around.

We have more than 145,000 outstanding professionals with multidisciplinary skills offering services in the audit, tax and advisory segments to private companies and government agencies, helping them detect risk and capitalize on opportunities.

- We are **EXPERTS**. We apply our extensive knowledge and experience, discriminating what is important in resolving the most complex questions.
- We maintain a **GLOBAL MINDSET**. We connect globally and see the big picture, offering a differentiated perspective.
- 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.
- **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.

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.

Mission

High-performance individuals with multidisciplinary backgrounds, who help to cut through complexity, offering clear solutions to the benefit of our clients.

Values

1. We lead by example
2. Work together
3. We respect individuals
4. We seek the facts and provide insights
5. We are open and honest in our communication
6. We are committed to our communities
7. Above all, we act with integrity

We believe our greatest contribution to society stems from applying core values, skills and experience to the various challenges faced by our clients and communities.

Michael Andrew, Chairman of KPMG International

1.1 ORGANIZATIONAL PROFILE

1.2.1 KPMG

The member firms of KPMG International - including KPMG in Brazil - are independent legal entities and are responsible for their own management. They are entitled to use the name, brand and methods of KPMG when providing services to their clients, providing they commit to the values, policies and quality standards that govern the way it operates and provides services to clients, in order to compete efficiently on the market.

KPMG International's activities are exclusively for the general benefit of the network of independent member firms, such as the protection and strengthening of the brand, promoting and maintaining the uniformity of our policies and standards and therefore, does not provide client services.

This structure provides a consistent global strategy and quality standards and technical accuracy in the services provided to all clients and markets, which led the KPMG International network of member firm to achieve global recognition in Audit, Tax and Advisory. An example of this is the network's combined turnover which in 2012, despite the high complexity of the economy and business in the principal market in which we act, reached the record level of USD 23.03 billion, which is 4% higher than 2011.

In Brazil, we are a network of independent corporations with local ownership and management, which comprises 26 strategically located offices in 20 cities in 11 States and the Federal District. Our **3,634 professionals** assisted **3,692 clients** around Brazil by the close of the financial year in 2012, producing a revenue of **R\$ 805 million**, which is 13.7% higher than the previous year.

Our revenue is the result of the Organization's investment in a team of high-performance specialists, which is guided by our vision of contributing through knowledge and services, to develop the potential of our clients and our communities.

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 in different stages of their **life cycle**, and help them define a long-term competitive business strategy.

Our services also provide confidence to the capital markets and its agents, such as analysts, investors and regulatory bodies, thereby contributing to building a vibrant and more sustainable society.

Audit: Committed to quality, ethics, transparency and independence, the objective of our audit services is to enhance the reliability and quality of the information prepared by clients for use by their investors, creditors and other stakeholders.

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

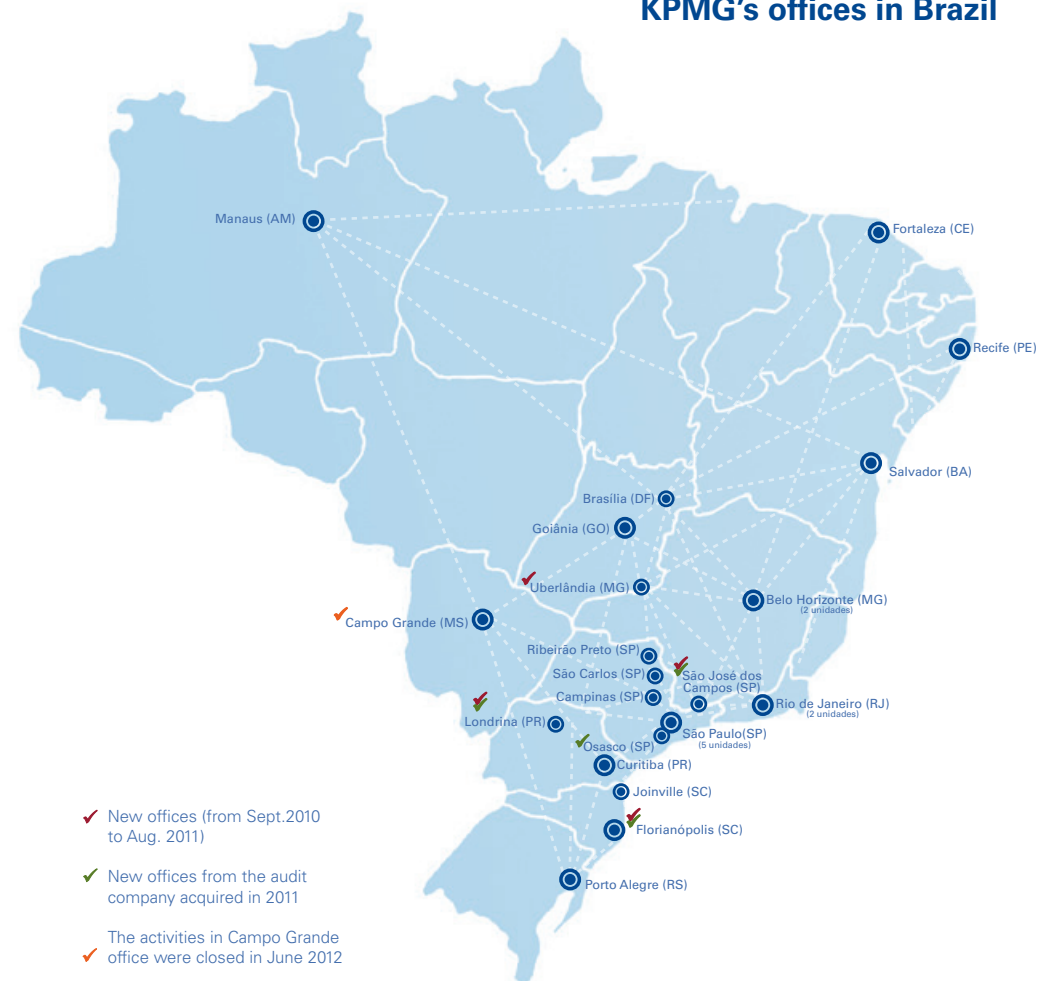
Tax: The provision of services in this segment include advisory for developing tax policies and processes aimed at making feasible compliance with tax obligations, assisting in structuring operations, managing tax risks and reducing operational costs.

- Corporate taxes
- Indirect taxes
- Tax planning
- Transfer pricing
- Advice for international executives
- International taxation
- Advisory for acquisitions and mergers
- Financial services and outsourcing

Advisory: Services that support the strategic decisions and development of projects adopting a multidisciplinary approach, which includes skills in strategic planning, mergers and acquisitions, corporate governance, risks and compliance, improvement of financial and operational performance, outsourcing of services, innovation and strategic use of technology.

- Risk consulting
- Management consulting
- Transactions & restructuring
- Business process outsourcing

KPMG's offices in Brazil



KPMG value proposition on client's life cycle



← Financial Statements Audit

Financial Statements Audit has an important role in capital markets, providing transparency and reliability of financial information essential at all times in the company (e.g.: obtaining financing, acquisitions, IPO, capital increase, providing accountability to shareholders, among others).

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

• Insolvency advice

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

- Transformational growth strategy
- Sustainability
- Technological innovation
- 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

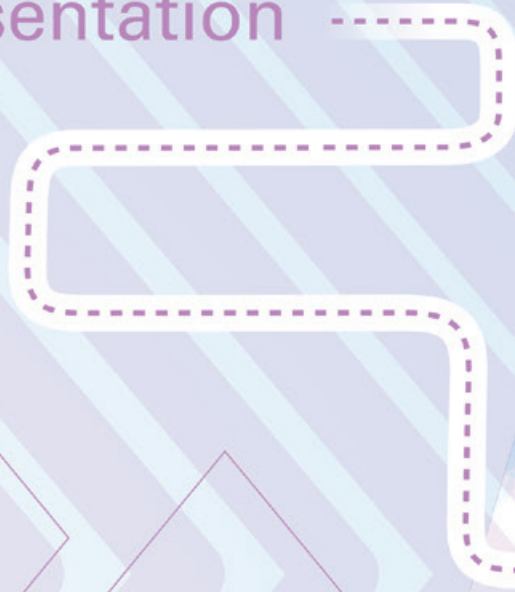
KPMG value propositions

Financial Statements Audit

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

2

Report Presentation



2. PRESENTATION OF THE REPORT

This is the abridged version of the third edition of the KPMG in Brazil Sustainability Report, the full version of which can be seen on our webpage. It has been prepared in accordance with the international guidelines of the Global Reporting Initiative (GRI), version G3, with the self-declared application level of B+ and independent assurance of BSD Consulting.

It reports the performance of the 26 offices comprising the network of independent companies that operate under the brand KPMG in Brazil throughout the fiscal year 2012, which ran from October 01, 2011 to September 30, 2012.

The structure of our 2012 Sustainability Report is based on the Global Strategy of KPMG International for the period 2011-2015: Global Consistency, Growing with Quality, Professionalism & Integrity and People. These foundations maintain a complete connection with the material themes that our stakeholders put forward as being most relevant, as described below.

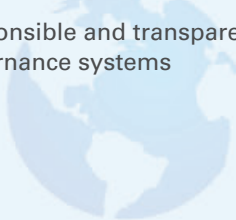
Integrating sustainability into our strategic view means we have a broader sense of purpose, geared toward serving public confidence and helping resolve some of the world's most complex problems.

Strategy Fundamentals at KPMG

SUSTAINABILITY

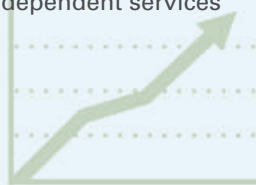
GLOBAL CONSISTENCY

- Ethical business conduct
- Responsible and transparent governance systems



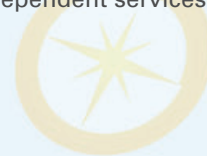
GROWTH WITH QUALITY

- Perform high quality and total independent services



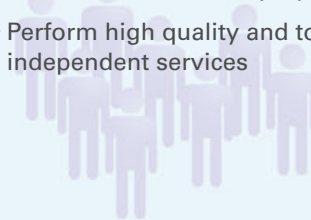
PROFISSIONALISM AND INTEGRITY

- Ethical business conduct
- Perform high quality and total independent services



PEOPLE EMPLOYER OF CHOICE

- Good treatment of employees
- Perform high quality and total independent services



2.2 OUR STRATEGIC STAKEHOLDERS

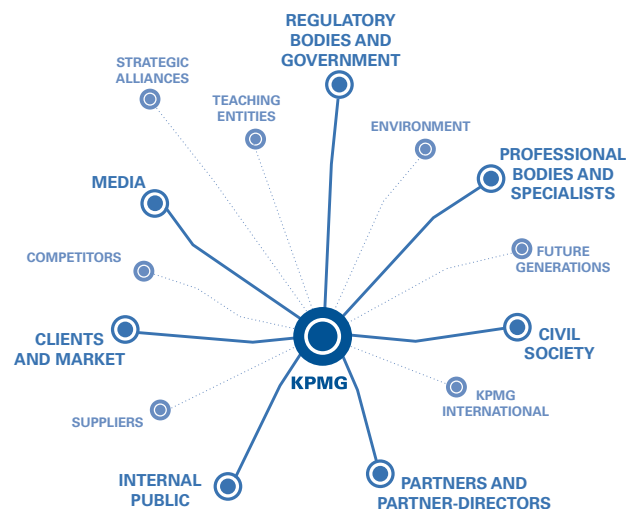
In 2009, KPMG in Brazil prepared its first mapping, prioritization and engagement of stakeholders. Representatives from all of the group's areas and offices participated in a workshop, which mapped out 14 groups of stakeholders.

In the second stage, the KPMG in Brazil Executive Committee and Corporate Citizenship Director elected four priority target audiences for our business, while considering those which have the most influence or are most influenced by our business: **partners and partner-directors; internal public; clients and the market; regulatory bodies and the Government.**

Our participation in 2011 in the Stakeholder Engagement Research, a pilot program of KPMG International, contributed to by UK independent consultants Good Business resulted in including three more important groups: **sector specialists, civil society and the media.**

The selection of these seven priority stakeholders has enabled us to invest in a progressively qualified dialogue tailored to each stakeholder, without overlooking the other stakeholders who also contribute to consolidating our repute.

Map of Stakeholders



2.3 DEFINITION OF MATERIAL THEMES

After KPMG in Brazil had defined its priority stakeholders, the next step in 2011 was to consult them so as to understand what these stakeholders believed to be the main responsibilities of a professional service company.

Via individual interviews stakeholders were invited to evaluate the importance of nine themes entailing a wide range of impacts deriving from the duties and responsibilities of our services – Audit, Tax and Advisory - in relation to the business world and the public in general. The interviewees can also add others which they believed were important to our business.

The result of these interviews highlighted four themes of greatest relevance, which are strongly connected to the foundations of our global strategy and are reflected in our management, policies and corporate actions, as we will demonstrate throughout this report.

IMPORTANT (OR PRIORITY) THEMES

- 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.

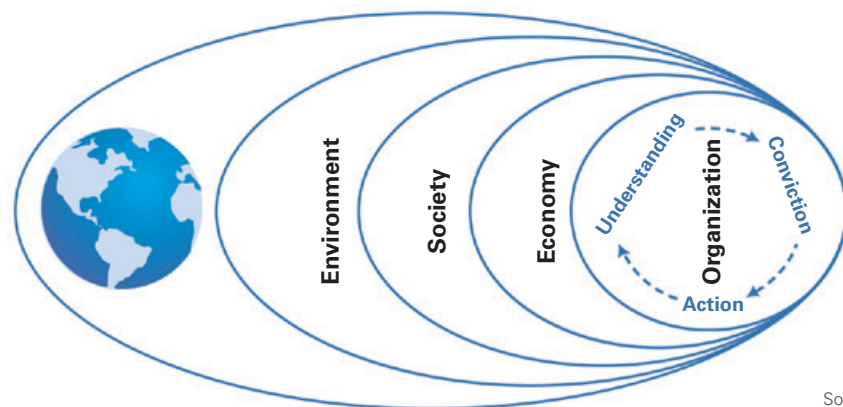
Prioritization results



2.4 OUR PATH TOWARDS SUSTAINABLE DEVELOPMENT

WHAT IS THE SUSTAINABILITY ROLE OF A COMPANY LIKE KPMG?

Our contribution to sustainability is being built via two convergent paths: what we follow as an Organization and what we help our stakeholders to follow.



Source:
inspired by the model
"Knowledge, Conviction and Action" proposed by
Russel Colley (1961) and "The Natural Step", by Karl-Henrik Robert.

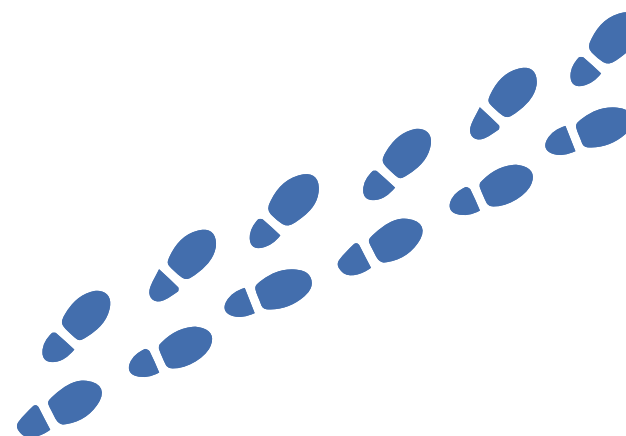
throughout our chain of values, and are materialized through the various services that we provide to our clients, in the relationships with our suppliers and with our communities.

- **Our management** - We have been increasingly committed and collaborative. Through a more reflective attitude and a more integrated vision, we are understanding the connection between sustainability and our businesses and learning how to identify the positive and negative impacts deriving from our activities.
- **Our indicators** - A major challenge of this process is to identify the environmental, economic and social impacts resulting from our activities. Although the environmental impacts are negligible in our segment and have not been identified as material by our stakeholders, we take our corporate responsibility seriously. Two indicators we use to map them out are our local environmental targets and the carbon footprint target, with the combined global per capita figure of the members firms having fallen by 29% from 2007 to 2011. Social impacts involve the hiring and training of personnel, ethical conduct in business, and the provision of pro bono services to nonprofit institutions. Lastly, the economic impacts include the payment of salaries and taxes and the value generated for clients by our services. We are aware that we need to further our analysis, both in the search to improve the results of each indicator and by incorporating complementary indicators. Our annual report process has been a great ally on this journey of learning.

The path we walk

This concerns our internal journey to understand our contribution to sustainability, to earn the conviction of our professionals in respect of this and to encourage responsible actions by all in the conduct of our business and our personal lives. It's our homework assignment, to develop each day for the long term, and which is shaping the way we relate with our stakeholders.

- **Our principles** - The path we walk is underpinned by policies, principles and values that are related to human and labor rights, ethics, governance and anti-corruption, responsible management of natural resources and the impacts our activities. These principles are encouraged by KPMG in Brazil and elsewhere



The path we are helping to pioneer

The second way in which we are making a contribution to sustainability is by putting our know-how at the service of our clients, voluntary organizations, the press and industry bodies.

Our practices offer an insight into the complexity, identify opportunities and challenges, and anticipate the potential impact of the changes that are continually taking place in the field in which we operate. Using that information, we can help our stakeholders to find the best solutions. That contribution involves:

- **Professionalizing our clients** - We help our clients in their expansion process, by offering them training and know-how so that they can navigate their way more safely around the complexities. In so doing, we help them generate revenue and jobs in the communities where they are based. We also create value by helping them to make the appropriate contribution under the current tax system, and to introduce quality, transparency and credibility into their financial statements. In this way, we encourage best practice in the markets in which we operate.
- **Sharing know-how** - The active participation of our staff in debates and discussions about the regulatory environment and the markets in which our practices are involved helps to form a critical mass on important themes, through research, representations, talks, events and publications.
- **Restoring market confidence** - When we look at the serious crisis of confidence that has gripped the world, it is clear that responsible auditing, tax and advisory practices have an important role to play in creating a more transparent, responsible and effective business environment. We are committed to making our own contribution to that process.
- **Training professionals for the market** - Our intensive investment in the training and development of our staff not only impacts on the performance excellence of KPMG in Brazil and our clients, but also equips the market with qualified professionals. Those who do not pursue their careers in our Organization take our expertise with them to major Brazilian and multinational companies, which creates value for KPMG in Brazil, our clients and society as a whole.

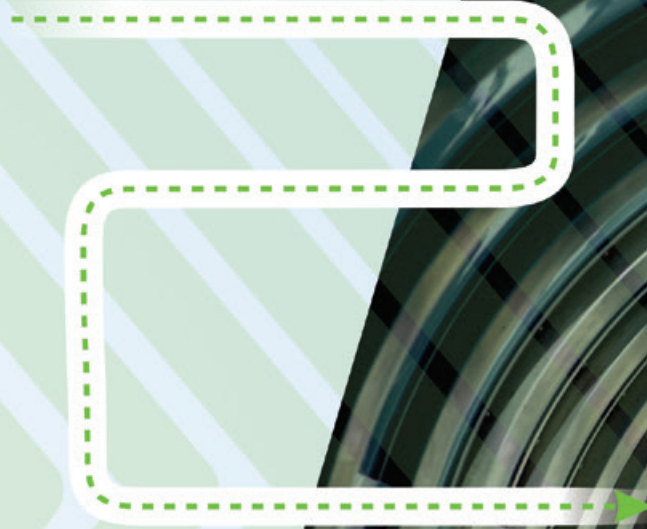
- **Spearheading positive change** - We are committed to the values of the communities in which we operate and to the events that affect them. That commitment is one of the most lasting qualities of our staff and brand. We are committed to bringing about positive change, leading by way of example and inspiring our stakeholders to do the same.

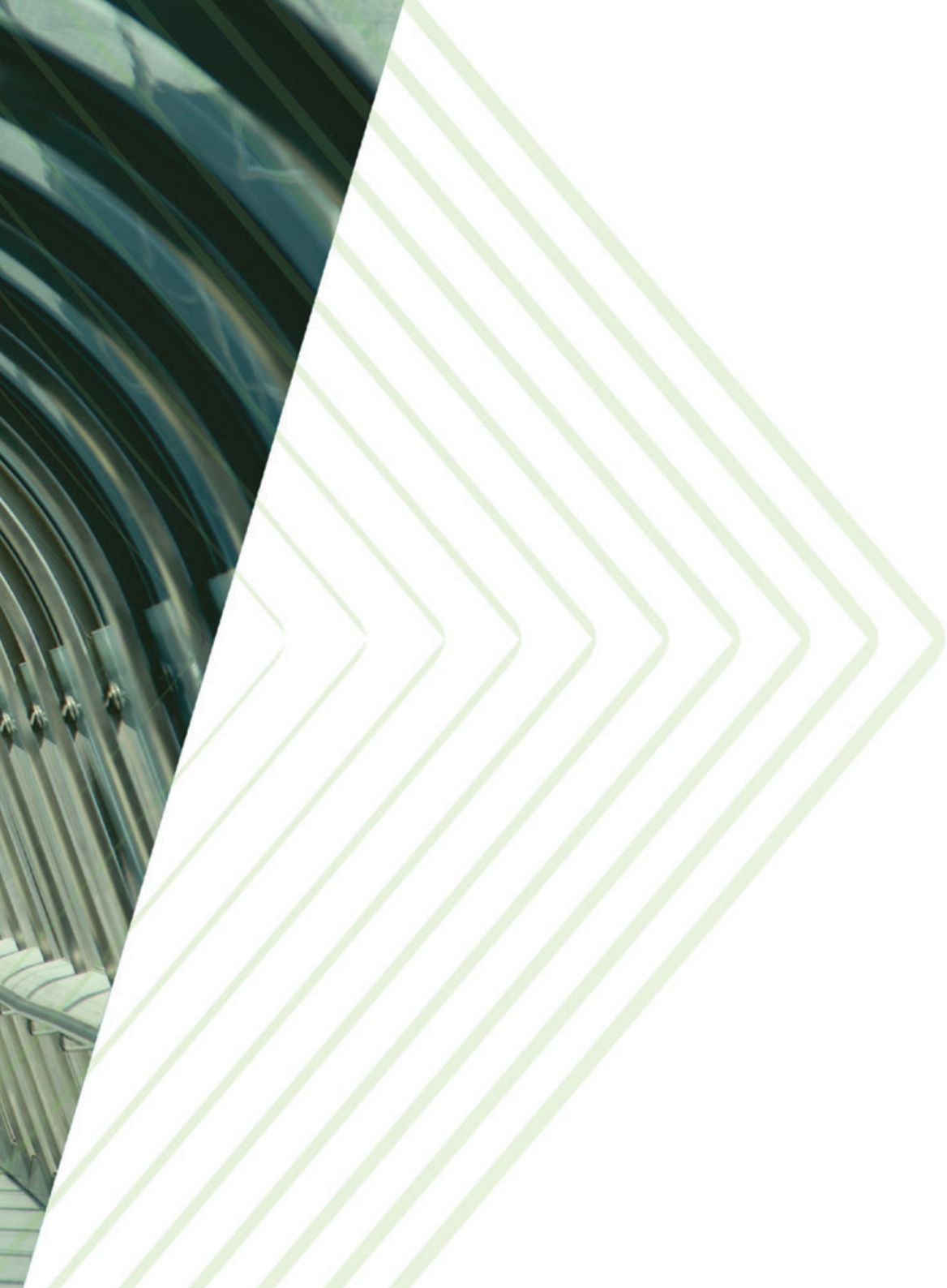
As we advance along these pathways, we contribute to the transition to responsible capitalism and to the generation of collective value.



3

The Path Towards Sustainability in Our Practice





As shown in the previous chapter, our stakeholder survey reiterated the fact that interaction with our staff, ethics, governance, quality and the independence of our services are the best way for us to influence and add value to the market and society, contributing to sustainable development.

In this topic, we will set out the policies and actions we have put in place at KPMG in Brazil to incorporate sustainability into our business, taking into account both the issues considered priority by our stakeholders and the cornerstones of our global strategy: **Global Consistency, Growing with Quality, Professionalism, Integrity and People.**

3.1 GLOBAL CONSISTENCY

Global Consistency is the pillar that integrates the network of member firms and enables them to offer high-quality solutions and services, with access to experts and centers of excellence which generate value for clients and give KPMG its international reputation.

As highlighted, the KPMG International member firms are united by the same vision and same values. They also have a global strategy, with common fundamental pillars and strategic objectives, which are put into practice through the local planning and governance structures.

Strategy Fundamentals at KPMG



3.1.1 Corporate Governance

We are one of the biggest organizations in the world in our sector and are entirely dependent on the ethical commitment of our staff and member firms to maintain our reputation. For that reason, our structure is designed so that we conduct our business according to the highest standards of corporate governance, based on transparency and ethics.

Governance, then, is one of the cornerstones of our strategy, and its importance was validated in our recent stakeholder survey, in which it was ranked the second most important issue for a service provider like ourselves.

Each member firm is independent and responsible for its own management and the quality of its work but KPMG International guarantees the global consistency of its strategy through labor and world conduct policies and standards, protecting and enhancing the use of the name and brand and providing services with the same quality to all clients and markets.

3.1.1.1 KPMG International Governance

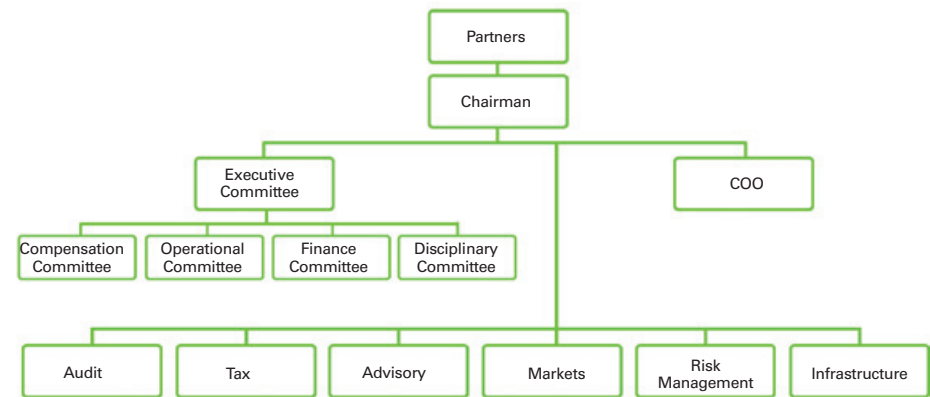
Is supported by four main bodies: **The Global Council** - performs functions equivalent to a shareholders' meeting for a public stock corporation; **The Global Board**, the principal governance and oversight body; **The Global Executive Team**, which manages the strategy approved by the Global Board and *compliance with* global policies; and **Global Steering Groups**, responsible for implementing the action plans for each of the specific business areas.

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

3.1.1.2 KPMG in Brazil Governance

Our structures also adhere to global standards. KPMG in Brazil has its own governance bodies for coordinating and supervising its management, structured in accordance with Brazilian laws.

KPMG in Brazil Governance Structure



The **chairman** at KPMG in Brazil 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. With this restriction, we promote changes in command and encourage various partners to join top management, maintaining our succession process.

The chairman appoints the **Executive Committee**, which comprises the Chairman and seven other partners, who represent the main business practices. Together, the chairman and the Executive Committee are responsible for the policy, planning, supervision and general management of activities, including defining goals for local growth and determining the strategic management of the business areas, ensuring consistency with global strategy.

Our governance structure also comprises: **Operational Committee**, consisting of leaders from the operational areas and the leader from the Markets area, which determines the undertaking of routine business to achieve the goals established in the strategic plan; **Finance Committee**, which takes care of the Organization's investments; **Compensation Committee**, which deals with payment regulations for partners and partner-directors and the **Disciplinary Committee**, which analyzes possible violations of rules and policies by any of our professionals, including partners, as explained in the chapter Professionalism and Integrity.

This set of the governance practices, based on standards adopted globally, strengthens 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 maintain global consistency, KPMG International conducts annual reviews on all of its member firms, as explained in the chapter Professionalism and Integrity.



3.2 GROWTH WITH QUALITY

The fundamental pillars of our strategy present elements that sustain our growth: high performance people who are passionate about what they do, and who rely on a constantly enhanced global network of specialists whose governance and ethics ensure that quality and consistent services are delivered, generating value for our different public. Understanding the four pillars demonstrates that ongoing growth can only be achieved when grounded upon the quality of our services.

The themes that structure our Growth with Quality pillar - providing quality and independent services, appear in third place in the opinion of our stakeholders. We rely on quality, ethics and independence, with respect for the requirements of our clients, market and society, to address them. We are therefore continuing in the direction of our mission, creating

Strategy Fundamentals at KPMG



3.2.1 Differentiated approach

For a strategic use of our services we prize a personalized service in each client segment we operate in, offered by way of our Industry Program. We rely on top performing professionals in the accounting, financial and specific management areas of each market segment, and an operational process aligned worldwide, supported by constant market research, offering highly specialized and tailored solutions to our clients.

Our business model is complemented by the activities of the Markets practice that seeks to maximize relations between the three areas – Audit, Tax and Advisory –, and by the Business Development Managers (BDMs), who are responsible for developing business and attending clients from different market sectors.

In addition, we have structured the Brazilian Multinational segments focused on assisting Brazilian companies to expand their operations throughout the world, and also the German, China and Japanese Desks, which attend German, Chinese or Japanese companies or joint ventures, which do business in Brazil. With knowledge of the original cultures, we are in a position to meet their specific requirements.

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 the risk, quality and integrity reliable control systems, which underpin our organizational structure globally, as will be described in the next pillars.

Industry Program



3.2.2 Investments and Innovation

The contexts in which we operate are constantly changing and we need to be continually updating if we are to help our clients protect themselves from the risks and take advantage of the resulting opportunities.

The frequently analysis of the market allows us to identify new practices which might be incorporated to expand the portfolio of solutions we offer our clients. We consolidated our expertise in the vigorous **Entrepreneurial Market** (non-regulated companies) in 2012, which is growing extensively in Brazil and is investing in professionalization, visibility, management and corporate governance; and in the **Tax Technology** area, with the launch of Ktax, a complete tax compliance solution which allows the client to electronically verify a database which is reported to the fiscal authorities, in accordance with regulations in force; in the **Supply Chain**, whose national and international know-how is enabling us to expand the support offered to our clients for the strategic management of the entire supply chain, cost cutting and adaptation of the service level.

3.2.3 Relationships with Clients and the Market

3.2.3.1 Client satisfaction

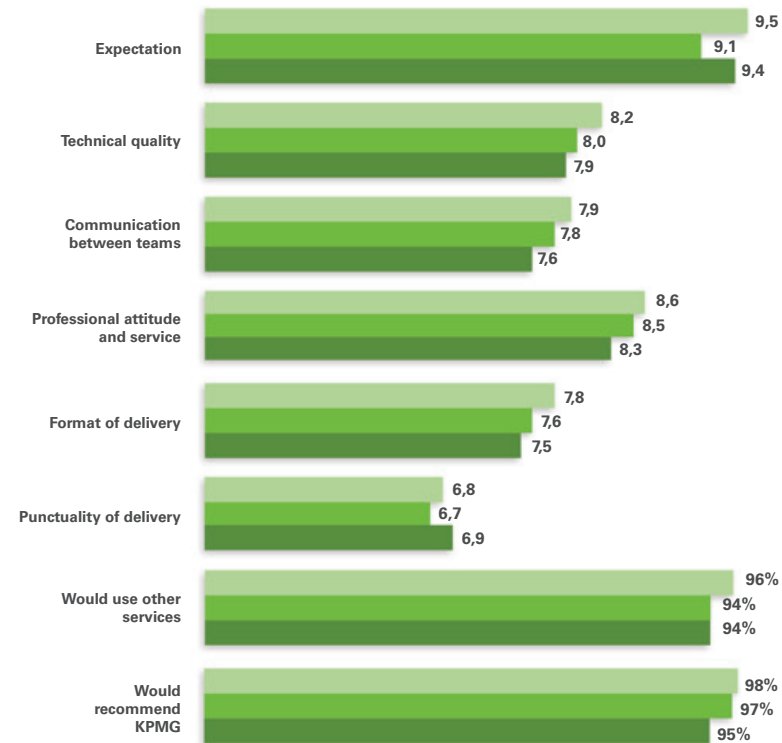
One of the main ways of measuring the quality of our service is to talk to our clients through: routine client service through our field teams-which provide feedback about our strengths and how we can improve - and the Satisfaction Survey, which is conducted annually and helps us to adapt our services to clients' expectations, fostering our development, strengthening our relationships and permitting material issues related to our business to be monitored.

According to the surveys conducted in 2010, 2011 and 2012, **95%**, **97%** and **98%** (respectively) of executives said that they would recommend KPMG's services to other companies.



Client Satisfaction Research

Maximum grade: 10.0



Legend



*From 2012 the Client Satisfaction Survey follows the calendar year (January 2012 to December 2012).

3.2.3.2. Dialogue, production and sharing knowledge

The raw material of our work is knowledge, which we generate and process daily in our quest to understand the innumerable business challenges and opportunities and help our clients to handle them.

This is why we continually invest in ways of obtaining quality information and getting it to our professionals. To maintain their high performance they are constantly encouraged to seek qualified information in their departments and segments, building up strategic expertise that renders our services effective and internationally renowned.

Part of the repertoire we build is also placed at the disposal of our stakeholders in order to qualify the debate about the complex issues we address.

- **Audit Committee Institute (ACI)** - A debate group organized by the member firms of KPMG International involving professionals from more than 30 countries to disseminate and absorb knowledge and good practices about political, economic, corporate, legal and tax trends that influence business. In 2012 KPMG in Brazil held six meetings attended by more than **500 people**.
- **The Press** - In 2012 we were directly or indirectly cited in **5008** news articles, most of which reported on studies and research carried out by us or consulted our professionals as a source to conduct market valuations.
- **Studies and research** - used to update our professionals around the world and the market as a whole.
- **Events** - we also encourage the dissemination of knowledge through events, seminars and lectures we sponsor. In 2012 we invested **R\$ 1.7 million** in these initiatives.
- **Membership of entities** - keeping in touch with important themes to our stakeholders is strategic so we can meet their expectations and effectively contribute to the market and society. This is why our professionals are members of several associations, sharing expertise through debates and serving on councils, boards and workgroups addressing specific issues.

See these KPMG publications at
www.kpmg.com/br/pt/estudos_analises/artigosepublicacoes/

Highlights of KPMG in Brazil's publications in 2012



Corporate Governance and Capital Markets Study - 2012 edition



Accounting and Tax Synopsis 2012



Consolidated Regulatory Practice 2012 - Banks and Insurance



Research on Mergers and Acquisitions 2012



Business Magazine - quarterly

A number of important publications by other KPMG International member firms:



Expect the Unexpected: building business value in a changing world



Business Perspective on Sustainable Growth: Preparing for Rio+20



Capitalizing on Sustainability on Mining



Transport perspectives - November/December 2012



Global Oil & Gas - Profile and perspectives



Optimizing banking operating models



Impact of IFRS: Shipping

3.2.4 Financial results

“Growing with Quality” is the lever that drives the growth in revenue, sustained by the attributes of our brand expressed in the performance of each KPMG professional.

Despite the poor performance of Brazil’s economy and the crisis that persisted in Europe and the US, KPMG in Brazil experienced growth compatible with the strategic planning outlined for 2010 to 2015.

The value generated to society through our services is, at times, intangible. However, as can be seen in the Statement of Added Value, in 2012 we made substantial efficiency gains in operating costs while expanding the distribution of wealth via salaries, taxes and investment in the community.



Statement of Added Value * (R\$)

	2012	2011	2010
Direct economic value generated	805.111.888	707.690.443	548.297.900
Revenue	805.111.888	707.690.443	548.297.900
Economic value distributed	627.281.780	602.494.364	413.783.958
Operational costs	137.498.458	152.652.931	105.861.276
Employee salaries and benefits	350.811.678	328.407.119	223.170.973
Payments to the government	136.183.828	119.227.162	83.018.156
Investments in the community	2.787.817	2.207.151	1.733.533
• Voluntary contributions (including pro Bono) to social, environmental and cultural projects	2.387.453	2.063.274	1.528.396
• Contributions to social, environmental and cultural projects through Tax Incentive Laws	400.364	143.877	205.157
Accumulated economic value	177.830.108	105.196.080	134.513.942

* This information refers to the periods January to December 2012, 2011 and 2010, and represents the activities of all of the independent entities that operate under the name KPMG in Brazil. According to the legislation in force, the independent entities that operate under the brand KPMG in Brazil are exempt from publishing a balance sheet. This does not apply to the companies KPMG Structure Finance and KPMG Transaction Services, which are required to publish their balance sheets in mainstream newspapers in Brazil.

3.3 PROFESSIONALISM AND INTEGRITY

KPMG understands that growth relies on “Professionalism and Integrity,” values central to protecting the reputation and quality of our services around the world. This pillar of our strategy is in full harmony with the two themes stated by our stakeholders: conducting business ethically and ensuring the quality and independence of our services.

The quality and independence that underpin our services primarily derive from a set of quality control, risk management and compliance policies and procedures implemented both nationally and internationally. Risk management is the fundamental element, which connects this set and we recommend reading the full version of this report to acquire further details.

A lot of the quality control and risk management processes we use are multi-functional and applicable to our three sectors – Audit, Tax and Advisory. Despite this, the report focuses on the Audit Practice which is highly regulated and whose practices depend on the degree of reliability attributed to our clients’ financial statements.

Strategy Fundamentals at KPMG

SUSTAINABILITY

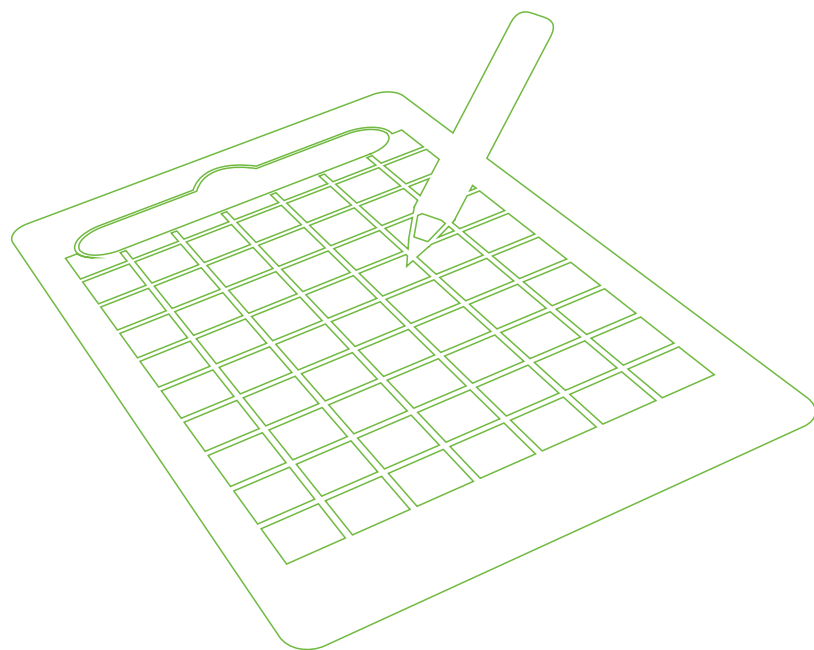


3.3.1 Risk management

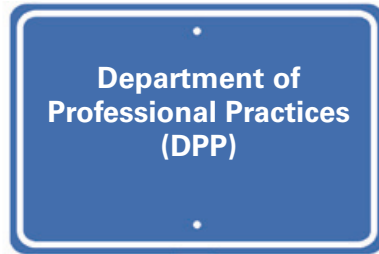
Through the Risk Management area, we manage factors that could have an impact on our business, our professionals and clients, the capital market and the environment in which we are operate. Therefore, this area is essential to KPMG, and is directly related to sustainability.

Alongside the Service Quality Control System, this shapes our policies, people development, client acceptance guidelines, engagement monitoring and implementation, in particular anticorruption and antibribery procedures, which underpin all the activities of the entire network of independent companies operating under the brand KPMG in Brazil.

We maintain an internal structure, which is indicated below, comprising a team of partners, partner directors, managers and technical staff which makes the integrated management of five fundamental groups to control quality and risks throughout KPMG in Brazil viable, and which will be briefly reported in sequence.



Risk Management Structure at KPMG



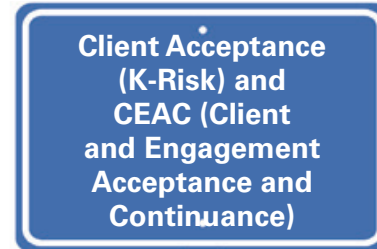
Provide technical guidelines and consultations on professional practices and distribute updates for emerging technical guidelines both local and foreign. Coordinate quality review programs.



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



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.



Manage a rigorous and systematic policy for accepting and continuing with clients and projects, which includes verifications and consulting public information about the business and administration of potential clients, such as the financial health, the reputation of its management, type of products, technical risk of the Project and questions related to ethics and independence.

Sentinel

KPMG's global online system to verify whether it is possible to undertake the projects, given the requirements of independence and norms applicable.

Office of General Counsel (OGC)

Assist the Organization with corporate issues, analyzing our commercial relationship with clients and suppliers, and monitoring the standards established for the proposals to provide services

Litigation

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

National IT Security Officer (NITSO)

Responsible for policies that protect the confidentiality of information in both hard and soft form. 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. Our e-learning about ethics and independence also addresses the matter and notices are routinely issued reinforcing the procedures. There was such a claim in the period embraced by this report, which was duly investigated and resolved with the client.



Fundamental groups for quality control and risk management

I. Independence, Integrity, Ethics and Objectivity

The procedures and policies that underpin our work in respect of these principles are set out in the Code of Conduct, Global Marketing Risk Management (GMRM) and Global Quality and Risk Management Manual (GQ&RM Manual). These documents express our values, commitments to our public and the conduct to be adopted by our professionals to ensure ethical principles in their relations with KPMG, with other professionals, clients and with the community. They establish directives for open and honest communication with all of our target audiences, which are to be respected in all the marketing strategies and agreements that we forge. They also foresee the **People, Performance and Culture** policy as an integral part of the process to analyze quality and risk management, seeking to promote our professionals' independence, ethical performance and objectivity when providing services, involving the assessment of any possible conflicts of interest and monitoring fulfillment of our investment policies. This set of procedures is in compliance with local laws and professional requirements established by Brazilian authorities such as the Federal Accounting Council, Institute of Independent Auditors in Brazil, National Monetary Council, Brazilian and Department of Complementary Social Security and by international bodies such as the Public Company Accounting Oversight Board and US Security and Exchange Commission.

Every year, trainings in Ethics + Independence and Anti-corruption are provided. In 2012, 100% of the required professionals received those trainings.

Code of Conduct - Commitments

OUR PROFESSIONALS



The employees, partners, subcontractors, consultants and others with whom we work when providing or supporting professional services.

- Help our professionals to be objective, ethical and professional
- Encourage our people to address ethical and professional issues without fear of retaliation
- Invest in developing professionals so they can achieve their full potential
- Cultivate an inclusive and collaborative culture which is free from intimidation, discrimination and harassment, where all are treated with respect and dignity
- Respect the confidentiality of our professionals' personal data
- Provide a safe and healthy working environment
- Provide flexibility between professional/private lives
- Implement a fair and correct approach for compensation

OUR CLIENTS



Organizations and individuals to whom we - or any member firms of KPMG International - provide professional services.

- Deliver high-quality services to clients, in accordance with our qualifications, experience, professional commitments and contractual terms
- Act legally, ethically and in the public interest
- Maintain independence and objectivity, avoiding real or apparent conflicts of interest
- Ensure client confidentiality and only use the information for appropriate professional purposes
- Provide member-firm services honestly and compete fairly
- Forbid bribery and acts of corruption by professionals and do not tolerate illegal or unethical conduct by clients, suppliers or authorities

OUR NETWORK



This is the organizational structure that connects KPMG's member firms around the world.

- Accept the right clients and only accept a job when we can do it in accordance with our high standards of quality
- Work with clients, suppliers and subcontractors that accept the main ethical standards of KPMG
- Improve quality by developing and applying KPMG methods and procedures
- Handle challenging situations correctly by using professional ethics and consulting experienced KPMG personnel to reach the right conclusions
- Always strive to protect and value the KPMG brand and repute
- Keep assets and resources safe and only use for appropriate commercial purposes

OUR COMMUNITIES

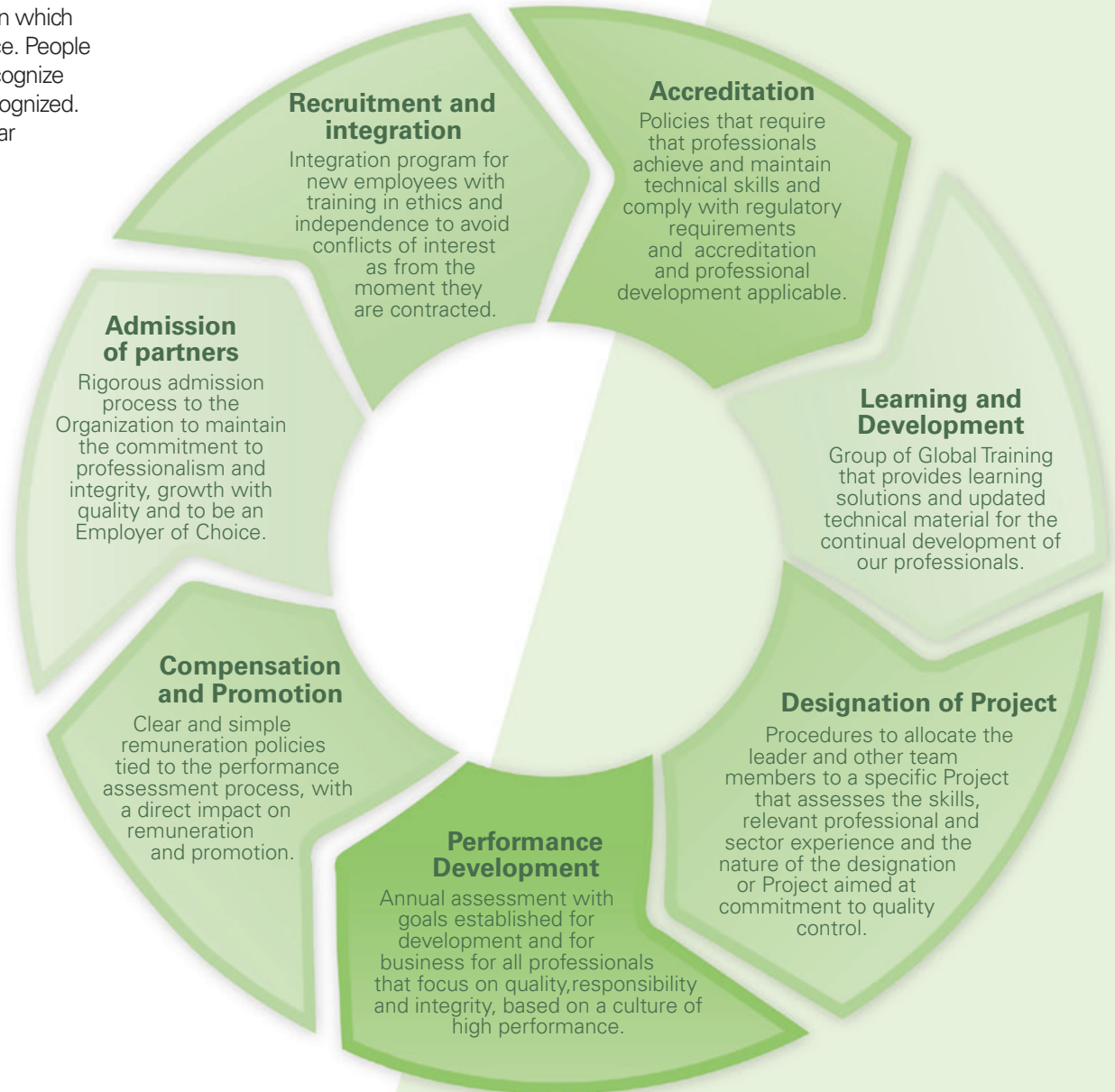


The markets, locations, authorities and societies in which or with which we operate and are committed to.

- Value the role of the accountancy profession and instill confidence in the global capital markets
- Help improve the working of the market economy
- Act as a responsible corporate citizen - playing an active role in global initiatives related to climate change, sustainability and international development
- Manage our environmental impacts
- Follow high standards of ethical conduct around the world, and comply with the ten principles of the United Nations' Global Compact
- Work with other companies, governments and charities to create stronger communities

II. People management, training and development

The complex and dynamic nature of our work and the environment in which we operate demands that we continually seek professional excellence. People management includes actions to attract, retain, train, develop and recognize our professionals, which reflect the way we want to grow and be recognized. This system will be presented in more detail in the next strategic Pillar "People."



III. Acceptance and continuance of clients and work

We rely on policies and procedures for assessing risk that support decision making regarding the acceptance of and continuance with clients and projects (such as the tools referred to previously, CEAC and Sentinel). Rigorous compliance is essential for us to provide professional services with quality and integrity that are necessary for building ethical and sustainable markets.

IV. Performing engagements

The implementation of all stages of our engagements follows methodological guidelines and policies that aim to maintain integrity, compliance with local and international regulations and the incorporation of good global practices. The professional practice, risk management and quality control are the responsibility of each KPMG Professional, who has to adhere to the policies and procedures (including independence policies) and to the extensive range of tools developed to support them in attending these expectations.

Our global audit methodology appears in the KPMG Audit Manual (KAM) and is based on International Standards on Auditing (ISA), and actually goes beyond them, for cases where KPMG understands that this increases the quality of our analyses. The member firms of KPMG International can also include local procedures to comply with professional, legal or regulatory requirements, and through the electronic tool eAudIT, auditors access the methodology, guidelines and knowledge of the sector necessary to conduct efficient and high quality audits.

V. Monitoring

Permanent assessments by means of internal and external reviews check the integrity and independence of our professionals and adherence to our practices, methodologies, training and internal controls of KPMG. The verifications, to which we are periodically subject, and for which we have always received adequate classifications, are:

Risk Controls Checklist (RCC) - Annual verification performed by KPMG International on the internal controls, procedures, practices and global training.

Quality Review Program - annual reviewed performed of the Audit, Tax and Advisory work to verify conformity with our standards and norms and with professional standards required.

Peer Review - local review, required by the Federal Accounting Council, 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.

Review of the Public Company Accounting Oversight Board (PCAOB) three yearly review and anticipated for all companies that provide accounting audit services, to assess adherence to the norms and regulations adopted by the PCAOB, the North American regulatory body.

In the period covered by this report, KPMG in Brazil did not incur any sanctions or fines as a result of these reviews. In addition to these, we monitor fulfillment of ethical and integrity standards by our professionals through the **Disciplinary Committee**. We provide an independent hotline for denouncing possible illegal, ethical violations or violations of norms and standards.

Hotline for Denouncing Unlawful Acts

Brazil: 0800 891 7391

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

On-line: www.clearviewconnects.com/

By post: P.O. Box 11017 –Toronto, Ontário – M1E 1N0 Canadá

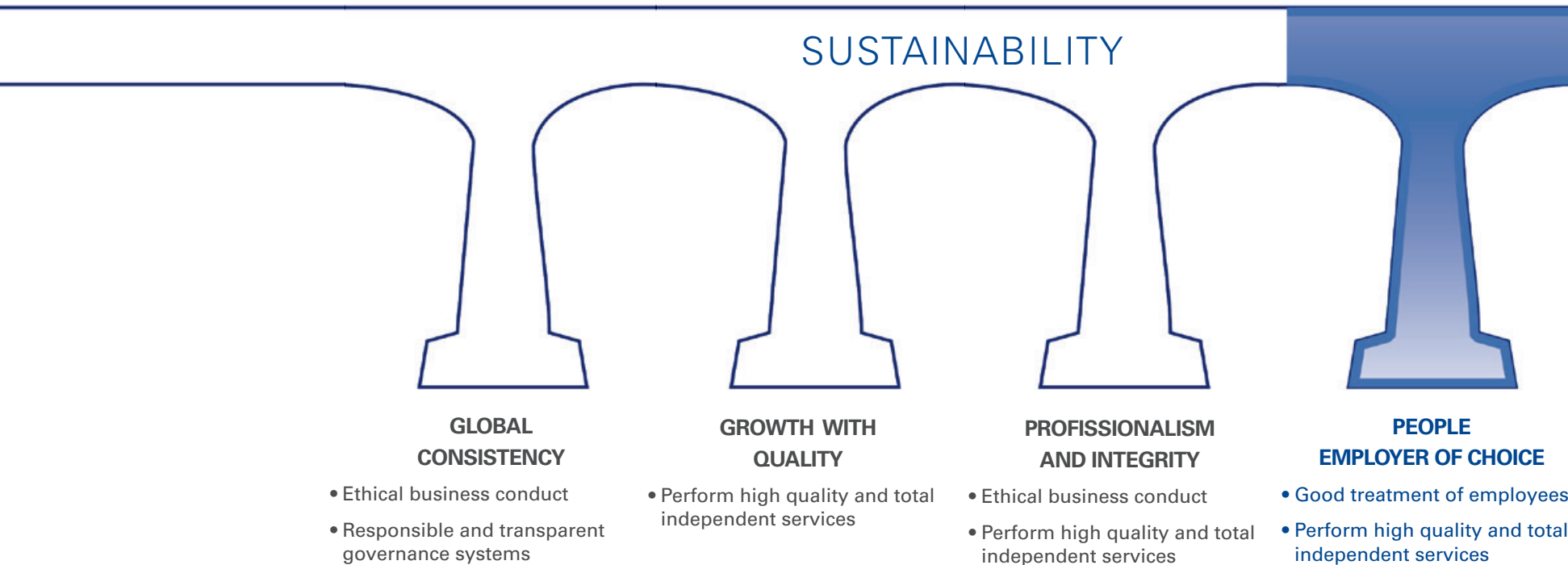
3.4 PEOPLE – EMPLOYER OF CHOICE

Completing our four strategic pillars and addressing the fourth theme indicated as a priority by our stakeholders, we will demonstrate how the People, Performance & Culture, Learning & Development and Corporate Citizenship areas seek to develop the potential of our professionals and the societies in which we operate.

It is our personnel who materialize our vision, mission and strategy, and transform knowledge into value.

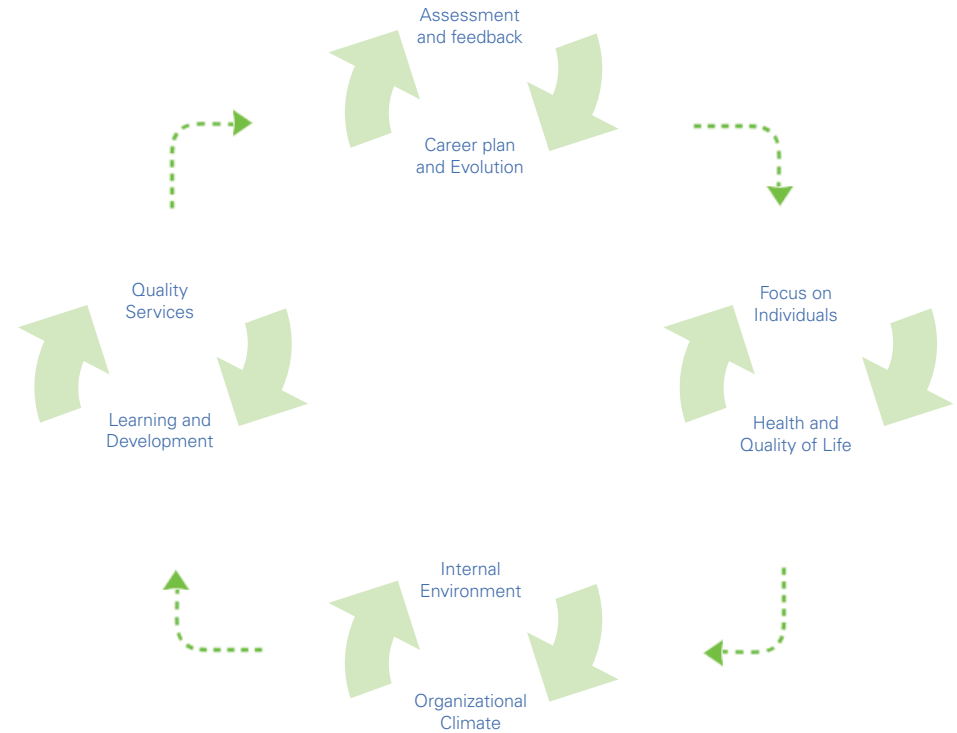


Strategy Fundamentals at KPMG





Fundamentals of People Management



3.4.1. People Management

People are essential to KPMG. In order to play a crucial role in the business world, especially in respect of helping clients achieve their full potential, we encourage our professionals to also maximize their potential.

A robust career plan supports this development, along with works that provide our professionals with constant opportunities to face challenges and innovation.

This commitment to a high performance culture drives our professionals to have a global and forward-looking vision, to be specialists and to carry out their work and create value for clients. This has made KPMG an organization recognized for attracting and developing great talents.

Our team - as of September 30, 2012, the KPMG in Brazil team consisted of 3,885 people, distributed as follows:

- 3,634 **professionals of KPMG**, with:
 - 3,354 own staff registered in accordance with Brazil's labor legislation
 - 17 apprentices
 - 263 partners and partner-directors.
- **227 employees of contractors**, with no employment relationship with KPMG, mainly allocated to infrastructure support services
- **24 temporary staff**

Distribution by office

KPMG Professionals



*Belo Horizonte, Brasília, Campinas, Curitiba, Florianópolis, Fortaleza, Goiânia, Joinville, Londrina, Manaus, Osasco, Porto Alegre, Recife, Ribeirão Preto, Salvador, São Carlos, São José dos Campos and Uberlândia.

Diversity - As a citizen Organization, we are responsible for encouraging diversity and inclusion. This commitment is declared in our value "we respect people for who they are," and in accordance with the relevant laws and our Code of Conduct, which promotes an environment free of discrimination.

Inclusão Group - Reinforces our program stimulating diversity, encouraging the recruitment of a creative means of facilitating the inclusion of individuals with disabilities (PCDs). This involves a personalized trainee program for young PCDs, pilot program for PCD training, manual on working together for the internal audience, renovation work to promote accessibility and the use of social networks to create awareness on the theme.

Gender equality and women's empowerment - In global alignment with the UN's 8 Millennium Development Goals and Women's Empowerment Principles, we have created conditions that contribute to the professional development of women and their promotion to leadership positions within KPMG in Brazil. **KPMG's Network of Women (KNOW)** has been very active in this process, both internally and externally.



Hiring locally - we give attention to local talent as a means of furthering the development of the communities we operate in and incorporating regional cultural knowledge into our business.



KPMG values and encourages maintaining an environment of respect for uniqueness, in which rich and innovative solutions can thrive.

KPMG professionals

BY AGE	< 30 years	30 < 50 years	> 50 years	Total
2012	2,686	889	59	3,634
	74%	24%	2%	
2011	2,746	1,016	68	3,830
	72%	26%	2%	
2010	1,925	704	54	2,683
	72%	26%	2%	

BY GENDER			Total
2012	2,029	1,605	3,634
	56%	44%	
2011	2,167	1,663	3,830
	57%	43%	
2010	1,531	1,152	2,683
	57%	43%	

Fundamentals for People Management

3.4.1.1 Quality Services / Teaching and Development

Our investments in this area go beyond the professional regulations of the Federal Accounting Council, encouraging continued education, graduate, post graduate and specialized courses, language courses, behavioral training, exchange programs and a variety of technical courses. The **KPMG Business School** and international, online platform of CLIX are the principal tools for providing more than 200 training courses. Exchange programs such as **Mobility**, leadership training such as the **Partner Development Program** and also the **Trainee Program** are strong allies in the team's training process at all levels.

Total investment in Learning and Development

	2012	2011	2010
Time (thousands of hours) – item “a” only	306	366	285
Financial (R\$ million)	29,9	24,9	23,9
a) Specific investments in technical and behavioral skills	21,8	18	18,2
b) Investments in graduate, post-graduate, language courses, exchange programs and other	8,1	6,9	5,7

In 2012, the valuation of hours of training performed by our professionals was considered in paragraph “a.” Based on that criterion we adjusted data from previous years for better comparison.

Hours invested in learning and development – KPMG Professionals

	2012			2011			2010		
	Hours	People	Average	Hours	People	Average	Hours	People	Average
Technical team									
Apprentice	398	7	57	509	5	102	-	-	-
Trainee	141.663	1.047	135	110.355	1.111	99	124.876	787	159
Staff	92.915	1.421	65	135.656	1.369	99	98.676	1.172	84
Manager	23.427	420	56	37.116	340	109	30.479	313	97
Partners and partner-directors	18.405	230	80	25.422	217	117	18.218	183	194
Subtotal Technical team	276.808	3.125	88	309.058	3.042	101	272.198	2.454	111
Administrative team									
Apprentice	546	4	136	1.019	16	64	-	-	-
Trainee	287	10	29	0	0	0	0	0	0
Staff	24.645	424	58	42.157	668	63	11.111	209	53
Manager	2.196	38	58	8.293	78	106	1.142	14	82
Partners and partner-directors	1.878	33	57	5.117	26	197	426	5	85
Subtotal Administrative team	29.552	509	58	56.586	788	72	12.730	229	56
Total	306.360	3.634	84	365.644	3.830	95	284.928	2.683	106

We improved the data collected in 2011, including the category “Apprentice”. In previous years, the Apprentices were included in the category staff. In 2011, we corrected the allocation of 70 trainees in the technical area, since they had been mistakenly considered in the administrative area. From 2012 on, data collection is considering the training hours actually performed, instead of the total training hours offered.

3.4.1.2 Assessment and feedback/Career and progress plan

Our global career progress policy is based on the principles of meritocracy and equal opportunities. For such, we have counseling and annual performance assessments like Dialogue and the 360° Evaluation, to enable our professionals to accompany their performance, identify positive points and improve technical or behavioral aspects. Through the promotions, we recognize our professionals who effectively contributed to our business, making feasible our career and succession plan.

Number of promotions

	2012	2011	2010
Staff	1.954	1.872	1.059
Staff to manager	90	106	90
Manager to senior manager	35	78	49
Senior manager to partner-director	23	26	25
Partner-director to partner	12	13	17
	1.954	2.095	1.240

3.4.1.3 Focus on individuals / Health and quality of life

By creating the conditions that enable our professionals to develop their potential and obtain professional and personal satisfaction, we provide our services with excellence and create value for our clients. In parallel to the career and fixed payment plan, we encourage meritocracy through our Profit Sharing Program and a set of Benefits which contribute to our professionals' well-being, which can be seen in the full version of this report.

3.4.1.4 Internal environment/Organizational climate

The organizational climate is one of the essential factors that enables us to retain talent and achieve our strategic object to be considered one of the best companies to work for. The management of the organizational climate at KPMG is undergoing continual improvement and checked every two years by the Global People Survey (GPS) which measures the motivation and satisfaction of our team. The latest version of GPS was applied at the start of the 2012-2013 financial year and enjoyed 83% participation, with 2,600 professionals replying.



3.4.2. Corporate Citizenship

Corporate Citizenship derives from KPMG's vision and values, and thus influences our strategy, our choices and our relationships with our stakeholders. We believe that business plays a unique role and can contribute to resolve complex world problems, and that responsible practices help to encourage sustainable development.

As a company our role is to offer adequate solutions so our clients can develop their potential at each stage of the life-cycle of the business. This concern with the development of the maximum potential underpins our People Management work and embraces the community via our Corporate Citizenship initiatives.

Our operations in this area are based on a set of international initiatives already consolidated in the UN and the World Economic Forum, which we have agreed to voluntarily:

United Nations (UN)

Global Compact - KPMG International has been a signatory to this initiative since 2002, by which companies sign up to ten principles embracing human rights, labors' rights, the environment and combating corruption in business. In the report **Communication on Progress (COP)** KPMG International records the coordinated initiatives implemented by the member firms to consolidate the Global Compact principles.

"Client work and community service complement each other. This gives the KPMG International member firms a larger purpose and a vision of involvement in the wider world".

Lord Hastings of Scarisbrick,
CBE Global Citizenship Leader of KPMG International.



The 8 Millennium Development Goals - An initiative aimed at encouraging people and companies to act in favor of positive changes in their local communities. Globally, we focus our actions on the first three objectives: eradication of extreme poverty and hunger; universal access to primary education; promote gender equality and empower women.



Leadership Development Program (LEAD) - As a result of its effective engagement with the Global Compact and with various UN initiatives aimed at influencing public policies in the search for equality, since January 2011, KPMG International has been a member of LEAD, a platform for corporate sustainability leadership, focused on helping companies integrate the ten principles of the Compact into their business.

Guiding Principles On Business and Human Rights - In 2012 we updated our Code of Conduct to incorporate the commitment to achieve principles 1 and 2, fostering respect for human rights and supporting human rights in our sphere of influence.

World Economic Forum

KPMG International intensively participates in three initiatives, which helped underpin our policies and practices and consolidate new parameters for companies' operations.

Partnering Against Corruption Initiative - We signed the initiative in 2007, which means that we adopt and implement a zero-tolerance policy on bribery and corruption.

The Principles of Responsible Capitalism - We have been adhering to the principles since 2010, on the understanding that they constitute good practices for our business.

The Future Role of Civil Society - A project which aims to develop effective means of promoting collective work between communities, markets and governments, analyzing trends and opportunities and creating dialogues and strategies so that a resilient and dynamic economy is constructed.

These external commitments assumed by KPMG International are reflected in its member-firms, so that as well as providing responsible and qualified services, they also generate benefits for companies, governments and society. A set of initiatives in the field of corporate citizenship involving volunteering, private social investment, investment by means of incentive laws and pro-bono services also positively impacts our communities.

Two global KPMG programs aligned our Corporate Citizenship initiatives with these international commitments: the Global Development Initiative (GDI), which deals with questions related to development and social justice and the Global Green Initiative (GGI), which addresses questions related to the environment and climate changes.

The KPMG International Directory of Corporate Citizenship is responsible for defining, organizing and encouraging the guidelines and accompanying the performance of sustainability practices at the member firms, which set out their action plans and targets in accordance with local realities.

The Corporate Citizenship in Brazil strategy has three pillars, which underpin all of our initiatives: Education, Development and Environment. Our priority is to make them interconnected, generating positive effects on the three pillars.

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 climate changes

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

In Brazil, R\$ 2.7 million was invested in several initiatives aimed at different communities in 2012

3.4.2.1. Education

Education is an essential factor for our business and for the development of Brazil. Leverage of the full potential of the communities involves training and developing the skills of individuals. Consequently, we intend to work with schools, universities and non-profit organizations to strengthen the skills of children and young adults. In practice, this support is also provided through the following projects.

Little Citizen Project - A program that offers a cycle of four years of supplementary educational activities, medical and nutritional supervision, daily meals and sports activities to 220 children, aged between 10 and 14, from impoverished neighborhoods in São Carlos/SP.

Bessan Award - In order to bolster the construction of the concept of meritocracy, we give study grants to middle schools at a private college in the region to those performing best in the Little Citizen Project. In 2012, four students received grants.

Apprentice Nucleus - The pilot program was implemented in 2012 with the participation of 20 students. It was created to continue the training process for young people who had completed the Little Citizen Project and includes a partnership with Sesi and Senac providing professional courses.

Students in Free Enterprise - SIFE/ENACTUS - a global institution operating in 39 countries aiming to incentivize university students to use their knowledge and entrepreneurial skills to develop programs which benefit their communities, with a focus on sustainability and social empowerment. The institution is supported by several member firms of KPMG International, including Brazil.

Junior Achievement (JA) - An institution 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 for young people. In addition to the financial support of KPMG in Brazil, via the partnership in 2012 our employees volunteered for the Mini-company, Let's Talk About Ethics, The Advantages of Remaining at School and an Introduction to the Business World programs, which benefited 1,553 students throughout Brazil.

Uniótica - Event is held by the Business Ethics Institute with the aim to promote ethics, social responsibility, transparency and sustainability among young university students across the whole of Brazil.

Bio-diversity in your rucksack - WWF Brazil - A pilot-program on environmental education about the Cerrado biome sponsored by KPMG and conducted by WWF Brasil and supported by Instituto de Permacultura e Ecovilas do Cerrado (IPEC) and the participation of public school teachers and educators in Pirenópolis, Goiás. Lasting three years (2011-2013), the program has the potential to benefit 5 thousand students from public schools each year. It may also be copied in other biomes with new partners and therefore influence public policies on environmental education.



3.4.2.2 Development

KPMG's **Global Development Initiative (GDI)** is the basis for our activities for this Development pillar, since it focuses on promoting and making feasible sustainable enterprises. Our global guideline helps us to view big challenges through the lens of opportunity and helps us achieve the Global Compact principles and the Development Objectives for the Millennium.

In Brazil, our way of collaborating towards development and improving the conditions of our communities is through the following initiatives:

Providing pro Bono or compensation services¹ - Making our professional skills available to third sector/not for profit organizations which contribute to mitigating or solving social challenges is the most relevant way that we have found to transform our knowledge so that it is of value within the communities where we operate. In 2012 we donated 840 working hours and 13 organizations were benefited.

Private social investment - In alignment with our strategy of promoting the growth of our stakeholders, the focus of our direct investments is on initiatives which promote social development. In Brazil we have contributed with Unicef to make Infocriança and the Urban Center Platform viable. We take part in Millennium Villages internationally, which seeks to produce development solutions (facing problems such as hunger, illness and illiteracy) in ten cities in Sub-saharan Africa.

Social, Cultural and Sporting Investment through Fiscal Incentive Laws - KPMG is abreast of the opportunities offered by the Government to encourage the allocation of resources to projects and institutions that offer services to the community. In 2012 we supported projects such as: Reciclar Institute, Anhumas Quero-Quero, Noturno Cadeirante - Wheelchairs' users show - and the cultural book "Man and Water".

Voluntary work - KPMG wishes to lead by example and create a network of multipliers in favor of social-environmental development. We accordingly encourage our professionals to be good citizens and do volunteer work. In addition to taking part in Junior Achievement programs, our professionals have the possibility of participating in KPMG's Day in the Community and Trainee Challenge, which are annual events that benefit more than 1,000 people on each occasion.

Specific programs, emergencies and disasters relief- Our capacity for mobilization and action at these critical moments can make the difference and lead to comfort for those affected or assisting with the management of recovery processes for afflicted communities. Through direct donations from KPMG and our professionals, we donated more than 80,000 reais in 2012, as well as food, new and used clothing, books and computers to social organizations that deal with emergency situations.

Supplier Management - Influencing good practices in our value chain is also of growing concern at KPMG. The payment of our suppliers is only made following monthly confirmation of their teams' formal employment, as established in our agreements. We started to include anti-bribery clauses and pro-Human Rights in standard drafts and document requesting proposals from suppliers of products and services in 2012. We will continue to make progress in this area during 2013, mapping our principal suppliers and adapting internal procedures to the UN's Guiding Principles on Human Rights directives.

In 2012 we invested 840 pro bono hours, estimated at R\$ 553,000.

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



3.4.2.3. Environment

Global commitments and goals

Our Center of Global Excellence in Climate Change and Sustainability Services (CC&SS) has assisted clients to understand the competitive advantages of appropriately managing the challenges and opportunities related to sustainability.

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 per capita carbon footprint of the member firms. In 2010, GGI reported a decrease of 29% in the global per capita carbon footprint compared to 2007, exceeding the goal established. A total of 42 member firms from KPMG International – including Brazil - participated in this report, which represent 86% of our personnel worldwide.

In 2011, a new global goal was established: by the year 2015, we should achieve a 15% decrease in the combined carbon net emissions per capita of the member firms, compared to 2010. This ambitious goal will be achieved through sustainable technologies, responsible travel, the option for renewable energy and neutralization of our emissions, based on the purchase of certified reductions in emissions.

The overall emissions in 2012 are still being calculated and should be published in May 2013.

In 2012 KPMG International also undertook the commitment The Carbon Price Communiqué, an international initiative whereby companies around the world call for global policies to address the challenges posed by climate change.



The Environmental Policy in Brazil

KPMG does not produce direct impacts on the environment because of the segment in which it operates. Nevertheless, we maintain a citizen approach and use the Global Green Initiative (GGI) as 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 carbon footprint emissions per capita, 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 community.

Performance in relation to our local environmental goals in 2012 follows below. It is important to mention that our general consumption was affected by increasing operations, with new offices and new business, as the indicators which are detailed in the full version of this report show.

Local environmental goals

Indicator	Totais 2010			
	KPMG in Brazil	Per capita (FTE*)	Goal for 2012 as % of FTE	Results for 2012
Disposable plastic cups /unit.	1.056.859	445	Maintain	Performed
Electricity /GJ	9.684	4	Maintain	Performed
Paper / sheets	10.614.400	4.467	Reduce by 5%	Performed
Water / Cubic meters	16.545	7	Maintain	Not performed
Printed material / sheets	12.834.348	5.402	Reduce by 5%	Performed

*FTE = Full Time Equivalent, measure adopted by KPMG International to indicate the consumption per capita. The average number of employees used in the calculation was provided by KPMGI.

Environmental Education

The environmental performance of our business depends on the engagement of our people. Through constant dialogue, we provide information, suggest changes in habits, we get them involved in actions and publish the results. The Environment Week, e-learning on sustainability, 2nd Living Green Gallery event for our professionals' children, sponsorship of a Biodiversity Project and publishing a book entitled Water and Man (Sustainability in the four elements of nature) are some of the strategies that we use to promote stakeholder engagement in the sustainability theme.

Controlling emissions

In the service segment in which we act, our main impact on the environment is a result of greenhouse gas emissions (GGE) and the intensive transportation of our team by air and land to assist our clients around Brazil. Although this impact is within Scope 3 of the Inventory (indirect emissions which we do not manage or management is limited), KPMG in Brazil is aligned with the global commitment of reducing GGEs and has been preparing its carbon inventory since 2007. As a way of reducing the need for travel, we have increased web training courses, the use of audio and video-conferences and remote access to our network environment. Our 26 offices attend locally which reduces long-distance travel. However, these trips are intrinsic to our business and constitute the main dilemma faced.

Scope 1

3%

of emissions

Scope 2

4%

of emissions

Scope 3

90%

of emissions

HCFC 22

3%

of emissions



In 2012 KPMG in Brazil reduced its CO₂e emissions per capita by 5% compared with 2011.

Greenhouse Gases (GEE) Inventory Composition

Scope 1

DIRECT EMISSIONS

- Diesel consumption by generators at the São Paulo offices
- Reimbursement of fuel to partners

Scope 2

INDIRECT EMISSIONS

- Electricity consumption

Scope 3

INDIRECT EMISSIONS

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

OTHER EMISSIONS

HCFC Gas 22

GEE Emissions

Emissions (tons of CO ₂ e/year)	2012	2011	2010	2009	2008	2007
Total Scope 1 (t CO ₂ e)	182,12	404,65	183,71	137,87	200,12	521,65
Total Scope 2 (t CO ₂ e)	237,57	90,60	136,66	57,35	109,98	74,94
Total Scope 3 (t CO ₂ e)	5.602,70	5.544,34	4.681,01	3.554,09	3.688,69	3.070,84
Other Emissions: HCFC 22 ¹	200,25	220,05	229,76	165,60	109,20	–
Total emissions (t CO₂e)	6.222,63	6.259,64	5.231,14	3.914,91	4.107,99	3.667,43
Emissions per capita (by professional)²	1,80	1,90	2,20	1,70	1,87	1,97

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 was updated based on the 2011 report.

- In 2011 the decrease in emissions per capita was due mainly to the increase in the number of professionals in our Offices.

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 per capita/by professional was provided by KPMG International.

4

Credits

Coordination, Writing and Editing

Corporate Citizenship Department

Advice on GRI Guidelines, data review and consolidation

Climate Change & Sustainability Services – KPMG in Brazil

Independent Assurance

BSD Consulting

Graphics Project and collaboration with the text

Wake.up - Marketing Corporativo



Working Group

Adélia Belo

Ailton Souza

Alessandra Fernandes

Ana Paula Izu

André Furian

André Moraes

Andreia Kakazu

Angela Machado

Carlos Silva

Cilene Rodrigues

Claudia Salomão

Danilo Vieira

Diana Polo

Dyane Silva

Eduarda Bueno

Eliane Momesso

Elizabete Zambori

Fernando Monteiro

Flavia Corrêa

Fred Coutinho

Graciela Pereira

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

Ricardo Zibas

Roberto Coelho

Ronaldo Rodrigues

Silvia Rocha

Tatiana Gouveia

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relatoriodesustentabilidade2012](http://www.kpmg.com.br/relatoriodesustentabilidade2012)



Contacts and Addresses

São Paulo

Rua Dr. Renato Paes de Barros, 33
CEP: 04530-904 - São Paulo/SP
Tel.: +55 (11) 2183-3000
Fax: +55 (11) 2183-3001

Av. Nove de Julho, 5.109
CEP: 01407-905 - São Paulo/SP
Tel.: +55 (11) 3245-8000
Fax: +55 (11) 3245-8070

Rua Vergueiro, 3.111
CEP: 04101-300 - São Paulo/SP
Tel.: +55 (11) 3736-1000
Fax: +55 (11) 3736-1001

Av. Paulista, 2.313 - 5º, 6º e 7º andares
CEP: 01311-300 - São Paulo/SP
Tel.: +55 (11) 3138-5000
Fax: +55 (11) 3138-5058/5353/5346

Belo Horizonte

Rua Paraíba, 1.122 - 13º andar
CEP: 30130-918 - Belo Horizonte/MG
Tel.: +55 (31) 2128-5700
Fax: +55 (31) 2128-5702

Rua Paraíba, 1.174 - 2º andar
CEP: 30130-141 - Belo Horizonte/MG
Tel.: +55 (31) 2128-5700
Fax: +55 (31) 2128-5702

Brasília

SBS Quadra 2, Bloco Q, Lote 3
Salas 708 a 711 - Ed. João Carlos Saad
CEP: 70070-120 - Brasília/DF
Tel.: +55 (61) 2104-2400
Fax: +55 (61) 2104-2406

Campinas

Av. Barão de Itapura, 950 - 6º andar
Edifício Tiffany Office Plaza
CEP: 13020-431 - Campinas/SP
Tel.: +55 (19) 2129-8700
Fax: +55 (19) 2129-8728

Curitiba

Al. Dr. Carlos de Carvalho, 417 - 15º andar
CEP: 80410-180 - Curitiba/PR
Tel.: +55 (41) 3544-4747
Fax: +55 (41) 3544-4750

Florianópolis

Av. Rio Branco, 404 - 12º andar
CEP: 88015-200 - Florianópolis/SC
Tel.: +55 (48) 3029-6500
Fax: +55 (48) 3029-6515

Fortaleza

R. Desembargador Leite
Albuquerque, 635
Salas 501 e 502 - Aldeota
CEP: 60150-150 - Fortaleza/CE
Tel.: +55 (85) 3307-5100
Fax: +55 (85) 3307-5101

Goiânia

Av. Deputado Jamel Cecílio, 2.496 -
10º andar
Quadra B22, Lote 04-E
Salas A-103 a A-106 - Jardim Goiás
CEP: 74810-100 - Goiânia/GO
Tel.: +55 (62) 3604-7900
Fax: +55 (62) 3604-7901

Joinville

Rua São Paulo, 31 - 1º andar
Bairro Bucarein
CEP: 89202-200 - Joinville/SC
Tel.: +55 (47) 3205-7800
Fax: +55 (47) 3205-7815

Londrina

Av. Higienópolis, 1.100 - sala 62
CEP: 86020-911 - Londrina/PR
Tel.: +55 (43) 3323-4727
Fax: +55 (43) 3323-4727

Manaus

Av. Djalma Batista, 1.661
Salas 801 e 802 - Millenium Center -
Torre Business
CEP: 69050-010 - Manaus/AM
Tel.: +55 (92) 2123-2350
Fax: +55 (92) 2123-2367

Osasco

Av. Dyonyssia Alves Barreto, 500 - Conjs.
1.001, 1.002, 1.003, 1.004, 1.009 e
1.010
CEP: 06086-050 - Osasco/SP
Tel.: +55 (11) 3736-1260
Fax: +55 (11) 3736-1260

Porto Alegre

Av. Borges de Medeiros, 2.233 - 8º andar
CEP: 90110-150 - Porto Alegre/RS
Tel.: +55 (51) 3303-6000
Fax: +55 (51) 3303-6001

Recife

Av. Eng. Domingos Ferreira, 2.589 -
Sala 104
Ed. Alexandre de Castro e Silva
CEP: 51020-031 - Recife/PE
Tel.: +55 (81) 3414-7950
Fax: +55 (81) 3414-7951

Ribeirão Preto

Av. Presidente Vargas, 2.121 - 14º andar
Sala 1.403 - Edifício Times Square
Business - Jd. América
CEP: 14020-260 - Ribeirão Preto/SP
Tel.: +55 (16) 3323-6650
Fax: +55 (16) 3323-6651

Rio de Janeiro

Av. Almirante Barroso, 52 - 4º andar
CEP: 20031-000 - Rio de Janeiro/RJ
Tel.: +55 (21) 3515-9400
Fax: +55 (21) 3515-9000

Rua Rodrigo Silva, 26 - 5º andar
CEP: 20011-902 - Rio de Janeiro/RJ
Tel.: +55 (21) 3218-2061
Fax: +55 (21) 3218-2090

Salvador

Av. Tancredo Neves, 450
Sala 1.702 - Edifício Suarez Trade -
Caminho das Árvores
CEP: 41820-901 - Salvador/BA
Tel.: +55 (71) 3507-6600
Fax: +55 (71) 3507-6601

São Carlos

Rua Sete de Setembro, 1.950
CEP: 13560-180 - São Carlos/SP
Tel.: +55 (16) 2106-6700
Fax: +55 (16) 2106-6767

São José dos Campos

Av. Alfredo Ignácio Nogueira Penido, 255
Salas 2.207, 2.208 e 2.209
CEP: 12246-000 - São José dos
Campos/SP
Tel.: +55 (12) 3909-1760
Fax: +55 (12) 3909-1770

Uberlândia

Av. dos Municípios, 146 - sala 03 -
Tabajaras
CEP: 38400-254 - Uberlândia/MG
Tel.: +55 (34) 3303-5400
Fax: +55 (34) 3303-5405



contact

Pedro Jaime Cervatti
COO

Maria Cristina Bonini
Director of People, Performance and Culture,
Learning & Development
Corporate Citizenship

Eliane Momesso
Manager of Corporate Citizenship

comunidade@kpmg.com.br
www.kpmg.com/BR
Tel: +55 (11) 2183-3000

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