



# Sustainability Report 2013

2013



cutting through complexity

# 2013 Headlines



**R\$ 799  
million**

revenue in 2013



invested in education  
and development



**top companies**

for People Management  
Practices 2013, as ranked  
by Gestão RH



Dynamic Audit  
launched in Brazil

**243**



**thousand**  
training hours



Invested in  
cultural, social and  
environmental projects

**new offices**

Opened in Belém and Cuiabá

**Professional  
Excellence in  
Financial Reporting  
Convergence to IFRS**

KPMG in Brazil won awards in  
three categories from the São Paulo  
State Federation of Accountants  
in partnership with the Brazilian  
Association of Publicly Held  
Companies (Abrasca) and the Brazilian  
Investor Relations Institute (Ibri)

**The Sustainable  
Firm of 2013**

KPMG International was a recipient of  
International Accounting Bulletin (IAB)  
awards in its segment

**New Tax solutions**

notably Ktax

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# Message from the Chairman

New audit approach  
will change the way  
we perform our work

## <GRI 1.1/1.2>

As we entered 2013, we anticipated a period of major challenges ahead. We needed to invest in good resource management, improve efficiency, and stabilize the audit practice following losses from auditor rotation in the previous period. Projections predicted growth of 4% in Brazil's economy and in our planning we set out to grow five times the GDP. Come the first months of the year, however, those projections failed to materialize. The economy was not growing at 4% and at times fell short of 2%.

Faced with this environment, we decided to look ahead and think long term. Instead of cutting jobs in our operations, we retained our talent within the Organization to pursue new markets and prepare for the future.

This required extra caution in building our functions and in the bids we made to market. Our first step was to grow the audit practice and bring to Brazil a new audit approach developed by KPMG's research and development center in New Jersey. This concept, which we call Dynamic Audit, will dramatically change the way we perform our

audit work and will allow us to perform certain tasks with the aid of electronic tools developed by member firms of KPMG International (KPMGI) or by a team allocated at a shared services center, streamlining our professionals' field work. This will provide a quantum leap in efficiency, as well as improved quality.

Concurrently, we continued to invest in other areas and ventured into new markets. We onboarded a team of professionals who are experienced in integration and separation processes following recent merger and acquisition deals. In our Tax practice, we expanded our offering of solutions enabling our clients to deal with the current electronic tax filing and payment environment, such as the Public Digital Accounting System (SPED) and Integrated System for Foreign Trade, Intangible Assets and Other Transactions Producing Changes in Equity (SISCOSERV). In Markets, we introduced new tools for managing accounts and clients relevant to KPMG in Brazil, and in our Supply Chain operations we achieved good results in our first year. We also saw significant performance in a segment dedicated to unregulated companies, which we call the Entrepreneurial Market, achieving growth of 20% during the period.

Also noteworthy in 2013, we upgraded our people management tools to redesign our variable income program. Our continuing education system incorporated additional soft skills training and we improved our customer service, as indicated by our satisfaction survey results. Integration with KPMG International remained strong and we attended a number of forums with international leaders.

These and other achievements yielded positive results for the period, especially considering the adverse macroeconomic environment and the loss of clients in 2012 as a result of mandatory auditor rotation. We ended our financial year at September 30, 2013 recording growth of 8% compared with the previous year, although for the 12 months ended December 31, 2013 (the reporting period for this report) our revenue of R\$ 799 million declined slightly compared with 2012. These results provide us with the certainty that we have emerged yet stronger to face the contingencies of the market in which we operate and, with a robust structure, the support of our network of member firms and the global strength of the KPMG brand, we are confident that our investments throughout 2013 will yield promising results going forward.

In 2014 we will continue to invest in key sectors for our business, especially infrastructure, energy and natural resources, and health and government. Our primary goal, however, is to take the knowledge our Organization possesses to where our services are required, opening a broad spectrum of opportunities and solutions. Just think of the number of companies looking to improve their processes, incorporate good governance practices and implement efficient risk management.

In this vein, the entrepreneurial market continues to offer a vast horizon of possibilities, in which we can use the expertise of all our practices to contribute to the social and economic

development of regions outside the Rio-São Paulo hub. This led us to open two additional offices in 2013, in Belem and Cuiaba. With increasing local development, especially in mining, retail and services, we hope to double in size over the next three years.

### **The contribution of sustainability**

In recent years, the problems that plunged the global economy into a deep recession have also severely undermined society's confidence in governments and private companies. This reaction has created positive effects on how leaders in the public sector and large corporations think, making room for new conceptions on business models as we know them today. This is precisely where we can provide our greatest contribution to the sustainable development of society, bringing our values of ethics, integrity and transparency to the various stakeholders we interact with.

The experience and skills we have acquired over time make us uniquely positioned to help our clients tackle today's challenges. We are recognized internationally for organizing debates on social and environmental issues, and we have increasingly incorporated sustainability into our practices and services. A recent example is Sustainable Value Improvement, a concept that brings a new approach to our Advisory practice by proposing a road map toward long-term efficiency based on financial analyses, rather than only reducing immediate costs.

Internally, we have also made progress in adopting practices that are aligned with the Global Compact commitments and other UN initiatives, such as the Millennium Goals and the Women's Empowerment Principles. These guidelines have been part of the global strategy of KPMG International Corporate Citizenship, and also underpin the objectives of member firms globally.



We recognize we still have a long way ahead, but we are confident that, with each step we take, we are creating the conditions necessary to generate value and enable the sustainable development of our stakeholders. A testament to this is the publication of this KPMG in Brazil Sustainability Report, which is being produced for the fourth consecutive year in accordance with Global Reporting Initiative (GRI) guidelines. The following pages will take you along part of the path we have traveled, and helped our clients travel, in this direction.

I hope you enjoy reading this report.

**Pedro Melo**  
Chairman, KPMG in Brazil

# Forward

<GRI 2.9/3.1/3.2/3.3/3.4/3.6/3.7/3.8/3.9/3.10/3.11/3.13>

In this fourth edition of the KPMG in Brazil Sustainability Report, we report to our stakeholders on the social, environmental and economic performance of the 26 offices making up the network of independent firms operating under the KPMG brand in Brazil, all of which are collectively referred to throughout the report as KPMG in Brazil. This publication follows the Global Reporting Initiative (GRI) G3 guidelines (self-declared to application level B+) and covers the period from October 1, 2012 to September 30, 2013, KPMG in Brazil's financial year. For easier reading, our financial year is referred to as year 2013.

The information here was provided by the various departments managing activities relating to the performance disclosures presented. The contents of

this Report also derive from interviews with executives and professionals across the Organization to incorporate strategic insights from our leadership.

As in the previous edition, the financial information has been prepared in accordance with Brazilian generally accepted accounting principles, within the same scope and boundaries, and using the same measurement basis. Independent assurance has been provided by BSD Consulting.

To provide the context surrounding some of the information presented, we may include information on KPMG International, the methodology and basis used, or the specific periods to which the information refers (for example, indicators reported for calendar years).

Please send us any comments, questions, suggestions or feedback so we can enhance our Sustainability Report every year.

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## Our stakeholders

<GRI 3.5 / 4.14 / 4.15 / 4.16>

KPMG in Brazil's first stakeholder mapping process was conducted in 2009 and brought together representatives from the different practices and offices of our Organization in Brazil. In total, 14 stakeholder groups were identified in this first stage. In a second stage, the Executive Committee of KPMG in Brazil and managers from Corporate Citizenship ranked the previously mapped stakeholder groups by their influence on our business performance: those that impact KPMG in Brazil most and those that are affected most by our business.

This yielded four priority stakeholder groups for our business, namely: **partners and partner-directors; internal stakeholders; clients and the market; regulators and the Government.**

In 2011, our participation in Stakeholder Engagement Research, a pilot program run by KPMG International, resulted in another three key groups being included: **industry specialists, civil society and the press.** This process was facilitated by UK-based independent consultants Good Business.

Identifying these seven priority stakeholder groups was essential to developing increasingly effective management practices, and helped develop appropriate and targeted dialog with each stakeholder. We have also invested in our relations with all the stakeholders mapped out in stage one, as they contribute to consolidating our reputation.

### Map of stakeholders



The stakeholders  
consultation brought  
the vision from  
different audiences  
to KPMG

## Definition of material topics

< GRI 3.5 / 4.14 / 4.17 >

After defining our priority stakeholder groups, we proceeded to the stakeholder engagement stage to gain an understanding of their views on our business and responsibilities as a professional services firm.

Based on their understanding of our three core practices - Audit, Tax and Advisory – Good Business identified nine topics entailing a wide range of impacts deriving from the duties and responsibilities of these practices, both toward businesses and toward the general public.

Through individual interviews (in person or by telephone) stakeholders were invited to evaluate the importance of each listed topic and to add any others they believed were material to our business.

This was important to our engagement with stakeholders and provided us with valuable feedback on our activities, helping improve our practices.

The consultation did not produce additional themes to those

suggested, which were considered sufficient to cover all issues material to KPMG in Brazil.

The findings of these interviews revealed four topics of major importance. The priority topics are strongly linked to the foundations of our global strategy and throughout this report we seek to demonstrate their interdependence with our management, policies and corporate actions (read more under *Strategy*).

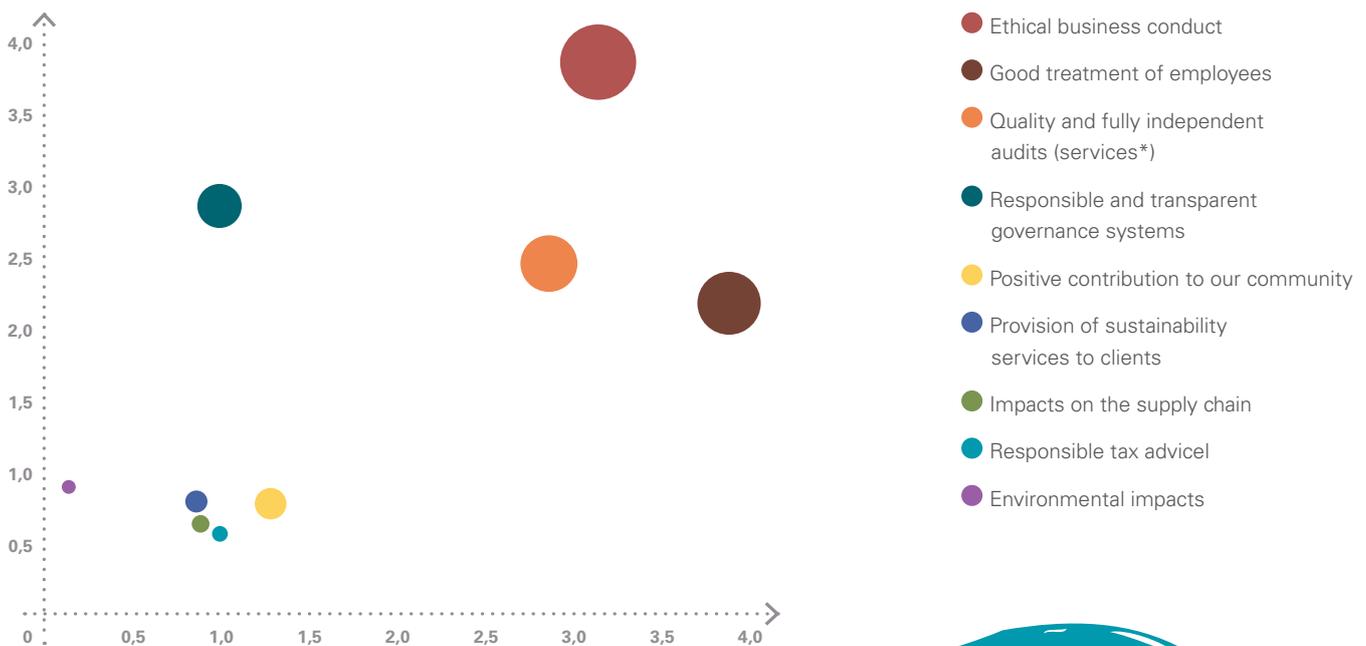
In 2012 and 2013, we conducted an internal engagement process involving our professionals so they could assess the report and review the priority topics. The topics have been maintained and, overall, the priority ranking is the same as defined in 2011.

### Consultation and engagement

During the consultation and engagement process conducted in 2011, KPMG in Brazil interviewed 37 representatives from priority stakeholder groups, including 7 clients, 18 professionals from all practices (partners, partner-directors and employees in general), 3 representatives from regulators, industry specialists and/or trade associations, 5 representatives from civil society and 4 from the press.

## Topics identified

- Ensuring good treatment of employees (i.e. equality, diversity, development, career, well being).
- Ensuring responsible and transparent governance systems are in place.
- Managing and reducing our direct impacts on the environment.
- Managing the supply chain in terms of social, ethical and environmental impacts.
- Making positive contributions to society and the local community (e.g. philanthropy, fund raising, voluntary work and pro bono work).
- Ensuring business is conducted ethically (e.g. guidelines on our work, and impartiality towards clients).
- Providing responsible tax advice.
- Provision of sustainability services to clients.
- Conducting quality audits (services\*) with total independence.

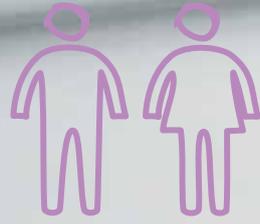


## Material (or priority) topics

- Ethical business conduct
- Good treatment of employees
- Quality and fully independent audits (services\*)
- Responsible and transparent governance systems

*\*KPMG in Brazil believes all its services have to be provided with quality and independence; we have therefore extended the scope of this material topic.*

KPMG



## Vision, Mission and Values

### Vision

We will build and sustain our reputation as the best company to work with, ensuring our people, our clients, and our communities achieve their full potential.

### Mission

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

## Values

1. **We lead by example** at all levels, acting in a way that exemplifies what we expect from each other and our clients.
2. **We work together** with the best of what we have to offer and the best in others, creating strong and successful working relations.
3. **We respect the individuals** for who they are and for their knowledge, skills and experience as individuals and team members.
4. **We seek the facts and provide insight**, challenging assumptions and strengthening our reputation as trusted and objective business advisors.
5. **We are open and honest in our communication**, sharing information, insight, and advice frequently and constructively and managing tough situations with courage and candor.
6. **We are committed to our communities**, acting as responsible corporate citizens and broadening our skills, experience, and perspectives through work in our communities.
7. **Above all, we act with integrity**, constantly striving to uphold the highest professional standards, provide sound advice, and rigorously maintain our independence.



## Who we are

### **KPMG International**

<GRI 2.1/2.3/2.8>

KPMG International (KPMGI) is a global network of independent firms operating in 155 countries. We have more than 155 thousand 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.

Founded in Switzerland in accordance with Swiss law, and headquartered in Amsterdam, KPMG International Cooperative (KPMG International) coordinates activities for the general benefit of member firms. It develops and ensures that policies and standards are consistent in order to protect and strengthen the KPMG brand and thereby ensure the sustainable growth of the Organization as a whole. It does not provide client services and its activities are financed by member firms.

Member firms are independent legal entities and are responsible for their own management and service quality. They are entitled to use the name, brand and methods of KPMG, providing they commit to the values of KPMG International. They are contractually required to observe the corporation's policies and regulations, including the standards of quality that govern the way it operates and provides services to clients, in order to compete efficiently on the market.

Over 155 thousand professionals worldwide

This structure based on member firms strengthens KPMG International's global strategy; improves adherence to our values; and delivers the same quality and technical accuracy in services provided to clients across all markets. This approach also allows experience and knowledge to be continuously shared among professionals across the network, so that all are highly capable to perform in the various sectors of the economy.

This has placed the member firms of KPMG International in a leading position and earned them global recognition for the quality of their services and the integrity of their professionals.

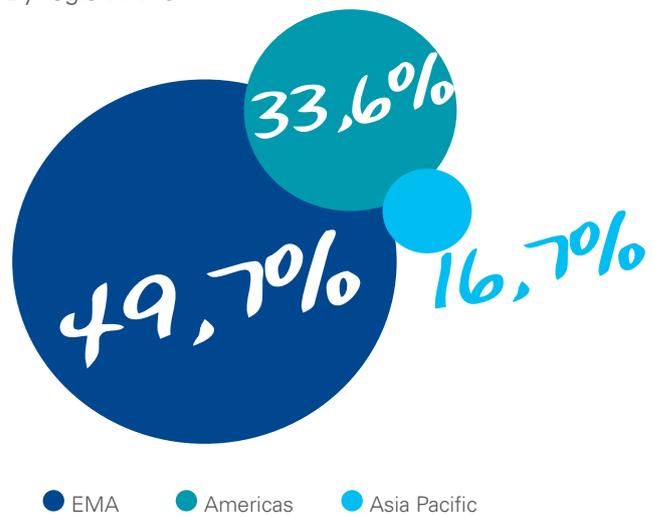
**Global presence <GRI 2.2 / 2.5>**

Revenues across the member firms of KPMG International grew for the second consecutive year and reached a record USD 23.42 billion in financial year 2013, up 3.7% from the previous period. This performance is the result of growth in all three practices (Audit, Tax and Advisory) worldwide and investments in key industries for the Organization, as well as in new Data and Analytics services (read more in *Strategy*).

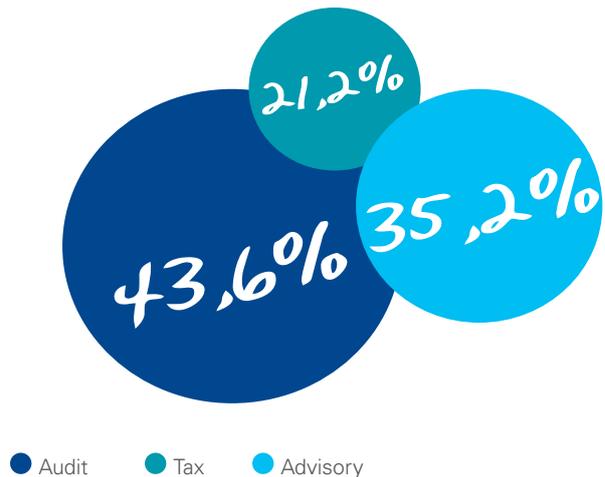
Revenues also grew across all three regions in which we operate (Americas; Europe, Middle East, Africa and India; and Asia-Pacific), particularly in markets such as India, Mexico, Africa and China.

**Member firms of KPMG International in 2013**

By region FY13



By function FY13



\*FY12 – 1 October 2011–30 September 2012  
 FY13 – 1 October 2012–30 September 2013

\*The financial information set forth represents combined information of the separate KPMG member firms that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.





Afghanistan, Albania, Algeria, Andorra, Angola, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Bermuda, Bosnia and Herzegovina, Botswana, Brazil, British Virgin Islands, Brunei Darussalam, Bulgaria, Cambodia, Cameroon, Canada, Cayman Islands, Chile, China, Colombia, Congo (Democratic Republic of the), Congo (Republic of the), Cook Islands, Costa Rica, Croatia, Curaçao, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Fiji Islands, France, French Polynesia, Georgia, Germany, Ghana, Gibraltar, Greece, Guatemala, Guernsey, Honduras, Hungary, Iceland, India, Ireland, Isle of Man, Israel, Italy, Ivory Coast, Jamaica, Japan, Jersey, Jordan, Kazakhstan, Korea (Republic of), Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malawi, Malaysia, Maldives, Mali, Malta, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Netherlands, New Caledonia, New Zealand, Nicaragua, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Senegal, Serbia, Sierra Leone, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Surinam, Swaziland, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Togo, Trinidad e Tobago, Tunisia, Turkey, Turks and Caicos Islands, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uruguay, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

## KPMG in Brazil

<GRI 2.1/2.3/2.4/2.5/2.6/2.7/2.8/2.9>

In Brazil, KPMG consists of a network of independent firms under local ownership and management, with head offices defined in their respective articles of incorporation. Our primary locations are in São Paulo and our 26 offices in Brazil are strategically located in 22 cities in 13 Brazilian states and the Federal District. At the close of our financial year on September 30, 2013, our 3,657 employees were serving 4,365 clients across Brazil. Our client base includes private companies, government agencies and non-profit organizations, which can rely on a solid structure and a multi-disciplinary, high-performance team to help them cut through the complexity of daily business.

Our professionals are prepared to offer comprehensive and specialist insight into each industry, as well as innovative Audit, Tax and Advisory solutions. Their work is supported by a range of initiatives, proprietary methods and training, as well as the international network through which we share the knowledge acquired by other member firms and adapt and perfect those methods to suit our clients' needs, opportunities and challenges.

KPMG in Brazil actively contributes to the development and dissemination of good practices. Our Chairman in Brazil, Pedro Melo, serves on the Global Board and Global Executive Team, two of the four main governance bodies of KPMG International, where we also help define strategies and generate global expertise.

## Local presence

KPMG in Brazil ended its fiscal year at September 30, 2013 recording a growth of 8% compared with the previous year, although for the 12 months ended December 31, 2013 (the reporting period for this report) our revenue of R\$ 799 million declined slightly compared with 2012. This result is a reflection of the macroeconomic scenario in the country and the rotation of auditors we faced in 2012. The assertiveness of our management and our investments, coupled the efficiency initiatives adopted enabled us to stabilize our businesses while maintaining our quality of service. For 2014, we project a 14% growth for Audit area, 21% for Tax and 9% for Advisory.

## Consolidated revenue by region and practice\*

by region\*

Independent firms operating under the brand KPMG in Brazil

Regions	Audit	Advisory	Tax	Brazil – Share of growth by region
São Paulo and Rio de Janeiro	72%	93%	72%	79%
South	9%	2%	9%	7%
Center	15%	4%	14%	11%
North/Northeast	4%	0%	4%	3%
Brazil - Share of growth by practice	56%	29%	15%	100%

\*Referring to the period January to December 2013.

## KPMG in Brazil offices



## Our practices

< GRI 2.2 >

### Audit

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. We use our own methods, including KPMG International's proprietary methods and electronic tools, in compliance with local and international financial reporting standards.

Our teams are trained to perform financial statement audits to International Financial Reporting Standards (IFRS), a set of global standards published by the International Accounting

Standards Board (IASB), as well as in accordance with Brazilian generally accepted accounting principles and the regulations issued by Brazilian regulators.

### Tax

The Brazilian tax system has unique characteristics that increase the challenges and opportunities to work in this sector. Our service portfolio, which draws on experience working internationally, helps our clients anticipate and respond to tax changes and governance requirements.

We believe pursuing efficiency is the best way to create value for our

clients, and that paying less taxes is not a goal in itself, but the natural result of work based on trust and clear and transparent rules and policies. The services we provide in this segment include advisory services for developing tax processes enabling compliance with tax obligations, assisting in structuring transactions, managing tax risks and reducing operational costs.

We offer solutions for Corporate Tax, Indirect Taxes, Transfer Pricing, International Taxation, Mergers & Acquisitions, Financial Services, Individual Income Tax and Labor and Social Security matters. We also have



teams of professionals dedicated to corporate and tax law, as well as a wide range of solutions to assist our clients in complying with their statutory and regulatory obligations (read more on our new Tax services and facilities in *Quality Growth*).

### **Advisory**

Our Advisory practices support strategic decisions and development of projects with a multidisciplinary approach that includes skills in strategic planning, mergers and acquisitions, corporate governance, outsourcing, innovation and strategic use of technology.

Our services are distributed between Risk Consulting, Management Consulting, and Transactions & Restructuring. In 2013, as part of our strategy of focusing on our core practices, we disposed of our Business Process Outsourcing services.

### **Risk Consulting**

Risk Consulting helps clients deal with the risks inherent to their business, and covers governance structures, management and operational processes. This approach provides the ability to mitigate strategic, regulatory, management and operations risk.

We assess the risks related to financial reporting, information technology (IT Advisory Services), operational processes (internal audit and compliance), financial (Basel and

Solvency), corporate governance (going public, family companies, corporate aspects), fraud (Forensic) and sustainability (environmental, social and regulatory).



### Management Consulting

Aimed at performance improvements and strategic implementation of technology and innovation processes, Management Consulting supports clients in the strategic delivery of their objectives and identifying and implementing improvements and innovations through an integrated approach to Processes, Information Technology and People.

The services offered by our Management Consulting practice include: Financial Management; Business Process Redesign and Improvement; Business Effectiveness; Project Management; Business Process Sourcing & Shared Services; Change Management; Talent Development & Management; IT Governance; and Information Security.



### Transactions & Restructuring (T&R)

T&R helps clients achieve results in a range of financial transactions, based on a combination of business, technical and industry insight.

T&R services include: Corporate Finance (including Appraisals, Mergers & Acquisitions advisory, financial advisory for Infrastructure Projects/ PPPs and Debt Advisory); Transaction Services (including Financial Due Diligence, Vendor Due Diligence and Strategic and Commercial Intelligence); and Restructuring Services/Non Performing Loans Advisory.

### Climate Change and Sustainability Services (CC&SS)

KPMG International has a multi-discipline team of over 350 specialists in 40 countries to help organizations of any size and in any country understand the context of sustainability, position themselves within this context and develop an optimal action and reporting strategy, including risk management.

#### Services provided

- Assessing risks and opportunities related to climate change.
- Providing support in compiling information and completing benchmarking questionnaires proposed by the Business Sustainability Index (ISE), Dow Jones Sustainability Index (DJSI), Carbon Disclosure Project (CDP), amongst others.
- Assessing greenhouse gas emissions across the supply chain and/or by product
- Defining social and environmental Key Performance Indicators (KPIs).
- Assessing the social and environmental performance of the supply chain.
- Environmental assessments and due diligence.
- Developing waste management strategies.
- Assessing impacts on and consumption of water resources by product (water footprint).
- Preparation and independent assurance of Greenhouse Gas Inventories.
- Independent assurance for sustainability reports, social balance sheets, and other documents.

## The KPMG Client lifecycle Value proposition <GRI EC9>

The expansion of global markets and the countless possibilities deriving from technology have created a social and economic environment in which KPMG plays a key role. The diversity of our services and the high-level knowledge of our professionals spanning a range of economic sectors enable us to work strategically across our clients' value chain, advising them on short, medium and long-term decisions.

We continually invest in people, quality, technology and services that create value for our stakeholders, as well as for broader society. This materializes in different ways in our day-to-day activities: we implement good governance practices for businesses, we improve ethics and transparency in the range of solutions we offer to the market, and we improve efficiency in our clients' process management and internal controls, which has direct and indirect impacts on the communities they operate in.

Aligned with the Organization's global strategy, this also goes beyond services and products within our offering. We have a significant indirect impact on the economy by, for example, helping restore confidence in capital markets; by actively participating in debates on the regulatory environment surrounding our activities; by broadening the debate on issues such as tax morality, which is high on the international agenda and calls for fairer and more equitable tax systems; and by taking into consideration the local reality of the regions in which our clients operate so they can create income and job opportunities beyond their business.

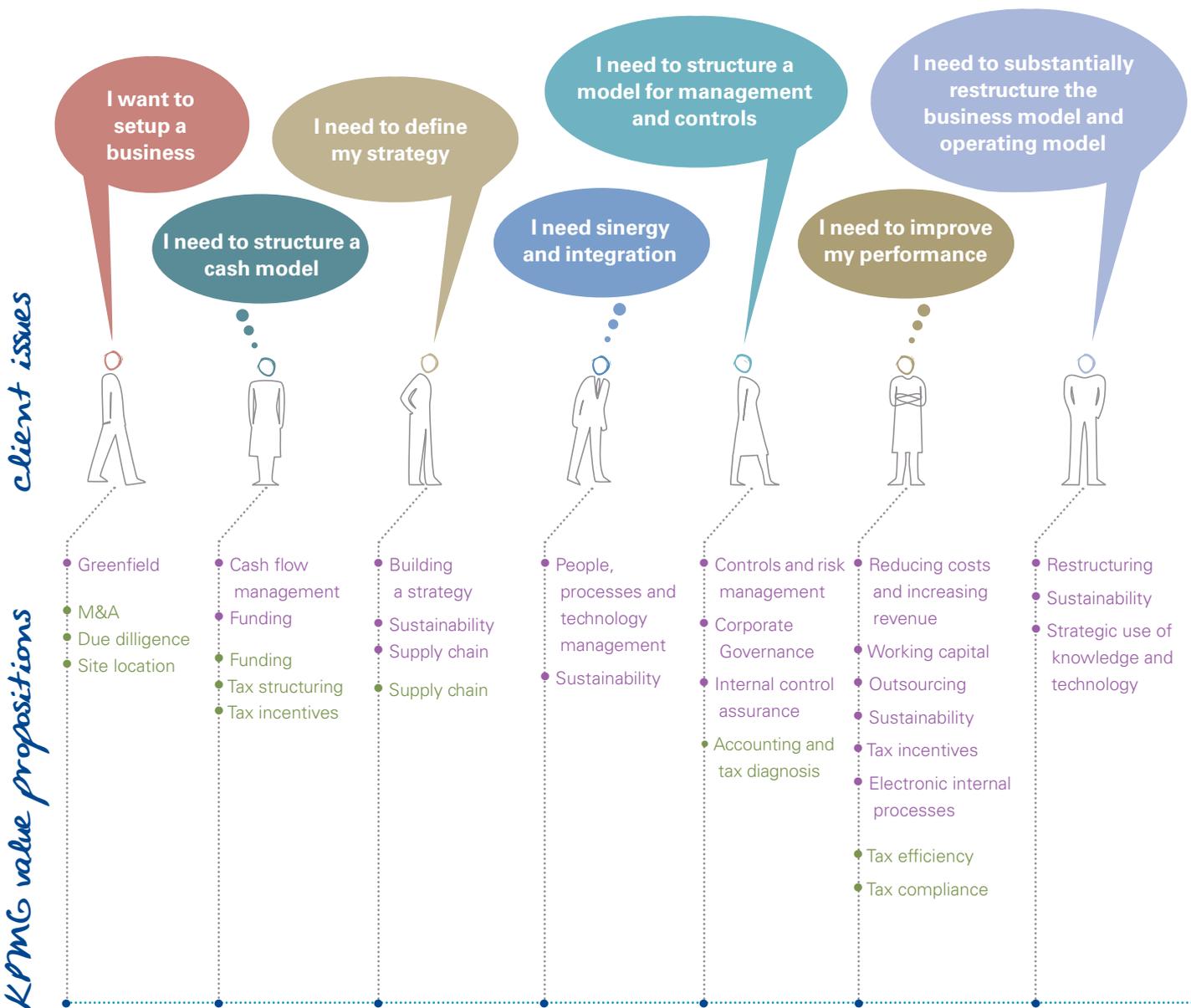
In addition, our substantial investment in professional training and development helps build a deep pool of skills providing insight into the dynamics of today's world. We train people to work in our Organization in a way that enables them to optimally incorporate our high-performance culture and use this knowledge initially for the clients they service. However, we believe the goal is also to prepare professionals for the broader market, who can provide the expertise they have acquired at our Organization to any company they work for in the future.

*We continually invest in people, quality, technology and services that create value for our stakeholders*



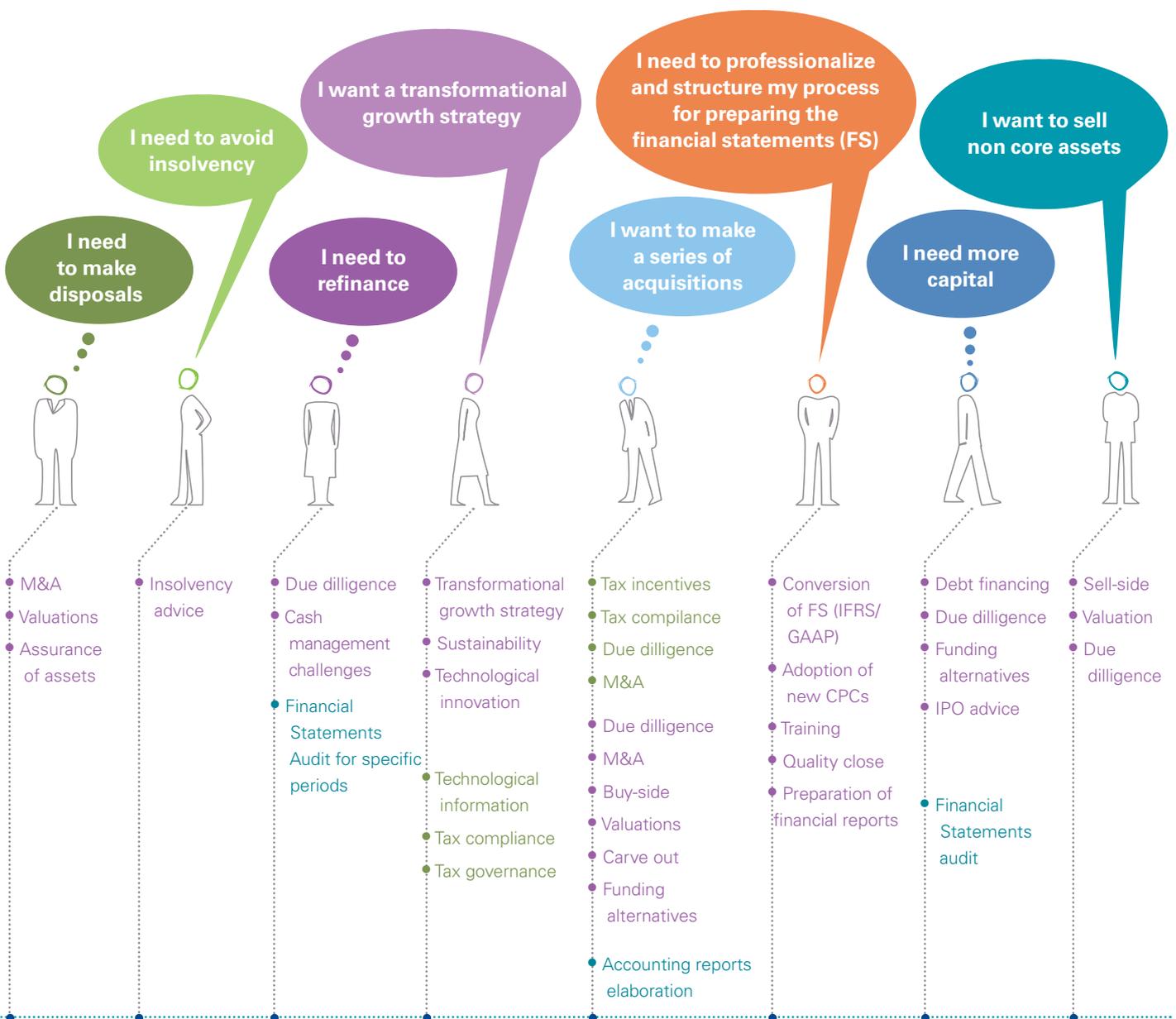
# value proposition

The infographic below shows some of the solutions KPMG in Brazil offers throughout the different stages of the client lifecycle. It also illustrates the direct economic impacts on companies and indirect impacts on surrounding communities, bearing in mind that pursuing efficiency is not a matter of cutting costs as an end in itself, but that is one of the paths to be followed for the sustainable growth of our clients and their stakeholders.



## 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).



### Legend



Client issues

• Audit

• Tax

• Advisory

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

Strategy



<GRI 2.3, 2.5 e 2.7>

KPMG International has based its Global Strategy 2011-2015 on four pillars: Global Consistency, Quality Growth, Professionalism and Integrity, and People. These pillars guide the actions of member firms around the strategic objectives defined for the period, and point the way to achieving our aspirations.

We believe following this path is only possible with the structured integration of member firms so that all our specialists can consistently offer high-

quality solutions and services. We must also ensure transparency and good conduct in our business, in an ethical and independent manner, through responsible governance systems that ensure the integrity of our operations both globally and locally.

To support this structure and keep it operating effectively and efficiently, we develop our people so they achieve their full potential and are motivated and equipped to use their knowledge to

further their careers and our business. This way we ensure quality of delivery and create the conditions necessary for four solid and permanent growth.

### Pillars of KPMG in Brazil's strategy

The fundamental pillars of our strategy are the elements that sustain our growth: high-performance people who are passionate about what they do, and who rely on a global network of specialists whose governance and ethics ensure that quality and consistent services are delivered, generating value for our Stakeholders.

Understanding the four pillars will show that ongoing growth can only be achieved when underpinned by the quality of our services.

- Global Consistency
- Quality Growth
- Professionalism and Integrity
- People – Employer of Choice

Pillars



Strategic Goals



Material topics

### Material topics

Aspects seen by stakeholders as most material to KPMG in Brazil's business

The foundations and goals of our strategy are linked to the four priority topics indicated by our stakeholders and validated during the materiality assessment conducted in 2011 (read more in *Foreword*). Together, they demonstrate KPMG in Brazil's understanding of sustainability in our segment.

- Ethical business conduct
- Good treatment of employees
- Quality and fully independent services
- Responsible and transparent governance systems

### Strategic goals

- Invest in emerging markets.
- Focus on key sectors such as financial services, health, government, infrastructure, energy and natural resources.
- Conduct strategic acquisitions and investments to extend our capabilities in highly complex services, including management and tax consulting.
- Retain an extensive pool of professionals specializing in these segments.

# Pillars of KPMG in Brazil's strategy

## sustainability



### Global Consistency

- Ethical business conduct
- Responsible and transparent governance systems



### Quality Growth

- Quality and fully independent services



### Professionalism and Integrity

- Ethical business conduct
- Quality and fully independent services



### People – employer of choice

- Quality and fully independent services
- Good treatment of employees



This guidance has helped us maintain a leading position across a number of segments and enabled us to sustain vigorous growth in terms of performance and results. In 2013, despite unfavorable economic conditions, we continued to invest in the training and development of our professionals, in more efficient technologies and tools, and in exploring new business opportunities.

Globally, this strategy has proven highly effective in enabling us to help our clients operate in a new economic environment that seeks above all to achieve greater balance between financial, social and environmental aspects.

In practical terms, this translates as continuing efforts to restore confidence in capital markets and ensure the credibility of both the KPMG brand and the organizations we work with. These efforts go well beyond statutory and regulatory compliance.

KPMG International played a decisive role in 2013 as a member of the G20 Transparency and Anti-corruption Working Group, which developed recommendations on improving transparency and corporate governance practices in emerging markets.

We have also been extensively engaged in the tax morality debate, a concept that seeks to establish a balance between tax payments and gains and has held center stage in discussions on government policy worldwide. Tax morality is one of the G20's focus areas in seeking greater cooperation between nations to ensure fairer taxation.

Another important investment during the year centered on the Data and Analytics (D&A) practice with the goal of creating value for the business from the vast amount of information available today. This market has evolved considerably in recent years, creating challenges as well as opportunities for businesses in general, and for KPMG in particular. In November 2013, KPMG International formed the KPMG Capital fund to support technology partnerships, strategic alliances and the recruitment of top talent to create new D&A solutions, with the Organization in Brazil among its investors.

#### **Local approach**

In Brazil, despite a significant loss of clients in 2012 as a result of mandatory auditor rotation, we successfully stabilized our practices in 2013 by identifying needs in other segments, such as the entrepreneurial market. Today, our 26 offices across 13 Brazilian states operate as a gateway into different economic and market segments.

*In 2013 we continued to invest in people, technology and new business opportunities*

During the period, we also established that we would continuously pursue management and process efficiency rather than layoffs or profound changes in the structure of the Organization. We initiated construction of a center that will host a range of audit services, optimizing our professionals' time efficiency and further enhancing our quality of delivery. We expect this will provide an efficiency gain of 10% in our activities. We will work faster, with greater quality and lower costs (read more in *Quality Growth*).

Also in 2013, the Advisory practice enhanced its integration and separation services (transactions involving organizations that have recently

undergone mergers or spinoffs) and restructured a number of areas to improve the level of customer service. Particularly noteworthy among the changes in Advisory was the sale of the Business Process Outsourcing (BPO) services to focus our resources on the core services of this practice. In Tax, we grouped the various specialist centers into two leadership groups (National Tax and International Tax) based on the knowledge and expertise of their professionals. The first group encompasses all areas of compliance related to Brazilian legislation, while the second encompasses international M&A and other transactions (read more in *Quality Growth*).





# Our journey to sustainable development

<GRI 1.2 / EC9>

Our professionals' knowledge and expertise in a wide range of sectors makes us uniquely positioned to understand some of the key dilemmas facing us today. Our targeted research, continuous updates on regulations and legislation and the numerous communication channels providing our specialists with in-depth analyses on specific issues, give us extensive insight into the needs of businesses, governments and general society.

We believe this knowledge can be channeled not only into the services we offer, but also into the very relationship we establish with our clients and business partners. Our growth can only

be sustainable in the long term if it is associated with the development of the economy, the market and society, understood in synergistic terms, while respecting the limits of our planet.

We also believe that integrating sustainability into our strategic vision sets out a broader purpose for us: that of enhancing public confidence and helping solve the complex issues facing the world today. For this reason, sustainability is being incorporated into the way we handle opportunities and challenges in our business environment.

Evidence of this is the link between the pillars of our Global Strategy and

the material topics identified by our stakeholders (read more on materiality in the Foreword), which strengthens our belief that we are on the right path. It can be said that in our journey to sustainable development, we travel on two convergent paths: the one we travel as an Organization and the one we help our clients travel.

## The path we walk

- Our vision
- Our values
- Our capabilities
- Our commitments
- Our management and our indicators

## The path we help others walk

- Helping professionalize clients
- Sharing know-how
- Restoring market confidence
- Training professionals
- Spearheading positive change



# We want to encourage responsible businesses

## **The path we walk**

The first path is KPMG in Brazil's internal journey toward understanding our contribution to sustainability. We want to develop conviction in our professionals in respect of this and encourage responsible actions by all in the conduct of our business and our personal lives. This is our homework assignment, one we complete each day and for the long term, and which is shaping the way we relate with our stakeholders.

## **Our vision, our values and our principles**

– The path we walk is underpinned by policies, principles and values 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 throughout our value chain in Brazil and globally, and are materialized through the various services that we provide to our clients, in relations with our suppliers and with our communities.

**Our commitments** – To help us outline the policies and actions on our path to sustainability, we have also subscribed



voluntarily to a number of international initiatives already consolidated by the UN and the World Economic Forum (read more in *Corporate Citizenship* and *Global Compact*).

**Our capabilities** – To maintain our leading position, we need to be **specialists** in everything we do, using our insight to simplify complex issues in our activities. Our work approach also requires **global reach** through our network of member firms, enabling us to provide broader and differentiated insights into the market. We also need to be **forward thinkers** so we can anticipate issues that are key to the success of our clients' business and create competitive advantages, **creating value** through our work. Above all, **we are passionate in what we do** and committed to excellence from design to delivery.

**Our management** - We have operated in an increasingly committed and collaborative manner. Through a more reflective approach and a more integrated vision, we have gained an understanding of the connection between sustainability and our businesses and 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 of our activities. Although our 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 carbon footprint, with the global *per capita* figure having fallen by 29% from 2007 to 2010, and new targets have been established for 2015. Social impacts involve the hiring and training of personnel, ethical conduct in business, and the provision of *pro bono* services to nonprofit institutions. Economic impacts include the payment of salaries and taxes and the value generated for clients by our services. These indicators reflect the priority topics identified by our stakeholders.

We recognize the need to provide further depth to our analysis in order to both improve the results for each indicator and incorporate additional indicators. This report aids us on our journey by providing economic, environmental, social and governance indicators that are aligned with the pillars of our strategy and the priority topics identified by our stakeholders for our business.

### The path we help others walk

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

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

### **Helping professionalize 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 surrounding their operations. We also create value by helping them pay taxes appropriately under current regulations, and to impart quality, transparency and credibility to their financial statements. In this way, we encourage good 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 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 audit, 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 affects 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 example and inspiring our stakeholders to do the same.

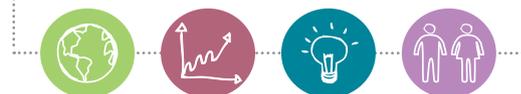
As we advance along these pathways, we contribute to the transition to responsible capitalism and creating collective value.

### **Risks and challenges**

For a company like KPMG in Brazil, the primary sustainability risks and challenges are related to ethics and integrity. We operate in a heavily regulated environment and our primary contribution, in many cases, is to assist our clients in statutory reporting to regulators. That is why credibility is a key issue for the survival of our brand and of the very market served by our Organization.

On a daily basis we come in contact with information that is crucial to our clients' business, and we are aware that our investments in training and technology, though equally crucial for our quality of delivery, are not sustainable without our professionals' commitment to ethics. They are equally unsustainable without the principles, values and culture of integrity as the only means of ensuring that KPMG remains a reputed and trusted brand.

*Our practices offer insight into the complexity and anticipate the potential impact of the changes in the environment in which we operate*



For this reason, one of the pillars of our sustainability strategy is Professionalism and Integrity, by which we seek to ensure that our professionals are committed to and follow the policies and principles established by KPMG International and applied to all member firms (read more on page 60 and learn about our internal risk and quality management tools).

The risks and challenges of our business also involve an essential discussion on auditors' roles and limits in their day-to-day activities. Since the crisis of 2008, this debate has become even more pivotal, especially in a strongly regulated environment where responsibilities are shared among clients, auditors and the regulators themselves.

In recent years, this environment has brought us closer to regulators and has

led KPMG International to increase the number of working groups established to discuss the auditor's role in greater depth. Professionals at KPMG in Brazil are strongly engaged in these working groups and have actively contributed to bringing the debates to the appropriate levels of government, enabling all parties to improve performance and promote the principles of ethics and transparency in reporting.

This is also done through multi-discipline groups comprising private companies and other auditors to discuss the regulatory environment and the impact of constant tax developments. This debate is taken to the three levels of government so that municipal, state and federal regulators are aware of and consider the views of the professionals directly connected to and involved in the issue.





*Global consistency*

*Responsible and transparent governance systems*

*Ethical business conduct*



# Governance is a key aspect of our strategy

<GRI 4.1>

Integration among the member firms of KPMG International is essential to the Organization's global strategy and is the basis of a solid and dynamic framework that ensures services and solutions are delivered to the same standards in all countries in which we operate. We also believe our specialists and centers of excellence can only create value for clients if they are united by the same vision and the same principles of ethics, transparency and integrity in order to uphold the brand's reputation and ensure KPMG continues to be recognized as one of the world's leading firms in our segment.

Global Consistency is the pillar that strengthens this integration and places governance as a key aspect of our strategy, with common values and goals spanning the entire network of member firms. The importance of governance was also validated in our stakeholder engagement process as the second most material topic for a professional services

company such as KPMG in Brazil (read more on materiality on page 8).

KPMG International establishes and coordinates policies, working standards and codes of conduct for all countries. Each member firm, however, is responsible for its own management and for the quality of its services and is contractually committed to KPMG International's values and to observing global policies and regulations – including the quality standards governing how we operate and provide services to clients.

See below a description of the governance tools and structures we have both at KPMGI and in Brazil.

# Governance at KPMG International

The corporate governance structure at KPMG International is supported by four main bodies:

**Global Council** - This body focuses on strategy and governance, and performing functions equivalent to a shareholders' meeting for a public stock corporation. Among other things, the Global Council elects the chairman of KPMG International for a term of up to four years (renewable for a further four) and approves the appointment of Global Board members, including representatives from 55 member firms of KPMG International, in accordance with Swiss Law (sub-licensees are generally indirectly represented by a member firm). It maintains an active forum for discussions and communications between member firms.

**Global Board** - This is the principal governance and oversight body, and is responsible for introducing and

approving strategies, protecting and enhancing the KPMG brand, overseeing management, and approving policies and regulations. It also admits member firms and ratifies the chairman's appointment of the members of the Global executive team. This Board includes the Chairman of KPMG International, the vice Chairman, and the Chairman of each of the three regions – the Americas; Asia Pacific (ASPAC); and Europe, the Middle East and Africa (EMA) – and 20 senior partners from some of the largest member firms, including Brazil.

**Global Executive Team (GET)** - This is the principal management body, and is responsible for executing the strategy approved by the Global Board and for establishing processes to monitor and enforce policy compliance. It is led by the Chairman and includes global practice heads, regional leaders and senior partners of member firms.

**Global Steering Groups** - Supporting GET, these bodies are responsible for implementing approved action plans to address the strategies determined for each specific business area, such as Global Audit, Tax, Advisory, and Markets; People, Performance and Culture (PPC), and the Global Quality and Risk Management Group.

To support the global strategy, each of the three regions in which KPMG operates— the Americas (North, Central and South America), EMA (Europe, the Middle East and Africa) and ASPAC (Asia and Pacific) — is administered by a Regional Board that assists in the implementation of policies and regulations focusing specifically on the needs of the member firms within their regions. David Bunce, the chairman of KPMG in Brazil from 1999 to 2008, is a member of the Regional Board for the Americas, as the chairman for South America.

## Global Board

- **Michael Andrew**  
Chairman, KPMG International
- **John Scott**  
Deputy Chairman, KPMG International/ Chairman, EMA
- **John Veihmeyer**  
Chairman, Americas
- **Tham Sai Choy**  
Chairman, Aspac
- **Moses Kgosana**  
Africa
- **Peter Nash**  
Australia
- **Pedro Melo**  
Brazil
- **William Thomas**  
Canada
- **Frantisek Dostalek**  
CEE
- **Stephen Yiu**  
China
- **Oleg Goschchansky**  
CIS
- **Jay Nirsimloo**  
France
- **Klaus Becker**  
Germany
- **Richard Rekhy**  
India
- **Shaun Murphy**  
Ireland
- **Domenico Fumagalli**  
Italy
- **Tsutomu Takahashi**  
Japan
- **Kyo Tae Kim**  
Republic of Korea
- **Jamal Fakhro**  
Mesa
- **Guillermo Garcia-Naranjo**  
Mexico
- **Jurgen van Breukelen**  
The Netherlands
- **Roger Neining**  
Switzerland
- **Simon Collins**  
United Kingdom

# Governance at KPMG in Brazil

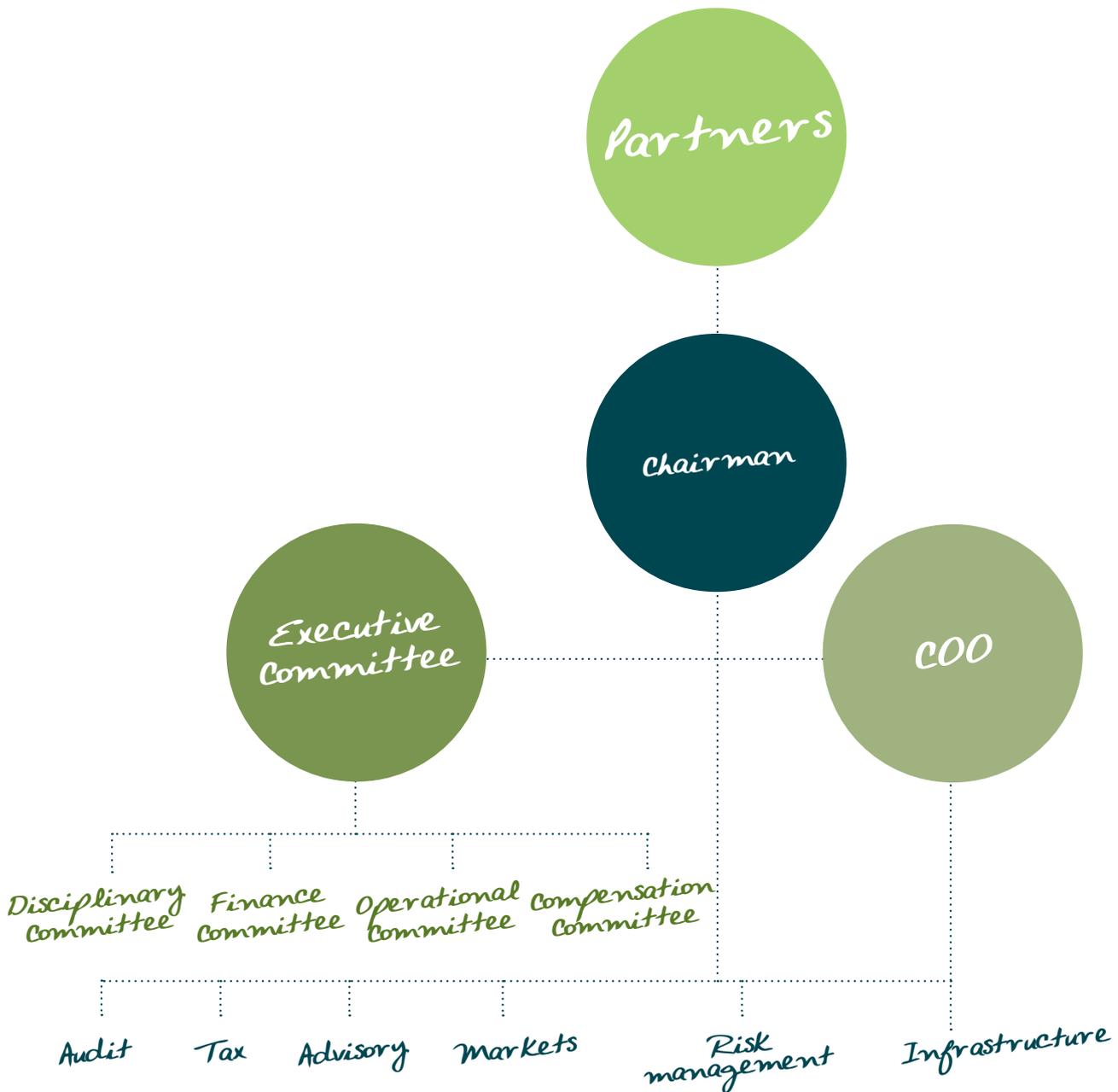
<GRI 4.9>

Our local governance structure follows the global standards established by KPMG International and has its own additional bodies for management coordination and oversight, in compliance with Brazilian law. The chairman at KPMG in Brazil is the principal local executive and is elected by the other partners for a term of three years, renewable for a further two mandates of the same period. With this limitation, we promote leadership rotations and

encourage various partners to join senior management, maintaining our succession process.

<GRI 4.2>

As part of the career development process, professionals showing outstanding performance become partners of the Organization and can apply as candidates for chairmanship, provided they meet the requirements established in applicable regulations.



The chairman is responsible for appointing the Executive Committee, which comprises the Chairman and seven other partners, usually heads of the main business practices so that all are represented. The Management department – which comprises Corporate Citizenship, Marketing, People, Performance & Culture, Training & Development, Controllership, Financial, Facilities and Information Technology – is led by the Chief Operating Officer (CEO).

In Brazil, sustainability performance is assessed in two spheres by Corporate Citizenship, which reports directly to the Chief Operating Officer – COO:

**Strategic sphere:** monitoring performance against the goals and policies adopted globally and locally.

**Operational sphere:** this includes submittal of annual action plans and projects to the COO and the chairman of the Executive Committee, as well as quarterly meetings with the COO to report on progress on actions.

In addition, members of the Executive Committee are involved in the initial interviews for preparing our sustainability report, and also in reviewing it, which is when our results are presented in a more systematic manner.

Together, the chairman and the Executive Committee are responsible for policy, planning, supervision and general management of activities, including defining goals for local growth and determining the strategic management of business areas, ensuring consistency with global strategy.

The members of the Executive Committee meet on a monthly basis and, as leaders of their practices, continue to exercise their responsibilities for the provision of services to clients. Because it consists of partners who continue to perform their professional activities, the Executive Committee does not include any independent members.

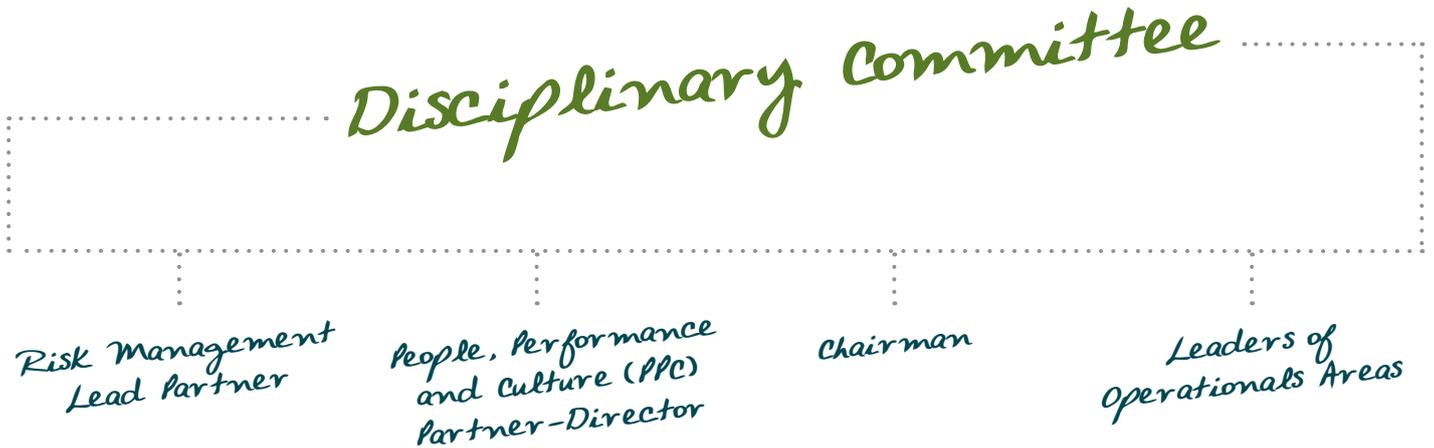
<GRI 4.3>

This organizational structure favors dialog between leaders and other partners and professionals, ensuring all areas are represented at the Organization's primary decision making bodies. All partners are called to quarterly meetings to report on results and for strategic alignment. In addition, all partners attend statutory annual meetings to approve reports and discuss other subjects related to the business.





## Disciplinary Committee Structure of KPMG in Brazil



We also organize periodic business group meetings through bodies such as the Women’s Committee and the PLL Committee (read more in *People*). <GRI 4.4>

KPMG in Brazil’s governance structure also includes an **Operational Committee**, consisting of operational department leads and the Markets lead, which manages routine business in accordance with the goals established in the strategic plan; as well as a **Finance Committee**, which is responsible for the Organization’s investments; and a **Compensation Committee**, which deals with the rules for remunerating partners and partner-directors.

Another essential body for our governance structure is the **Disciplinary Committee**, presented in *Professionalism and Integrity*, which investigates suspected violations of rules and policies by any of our

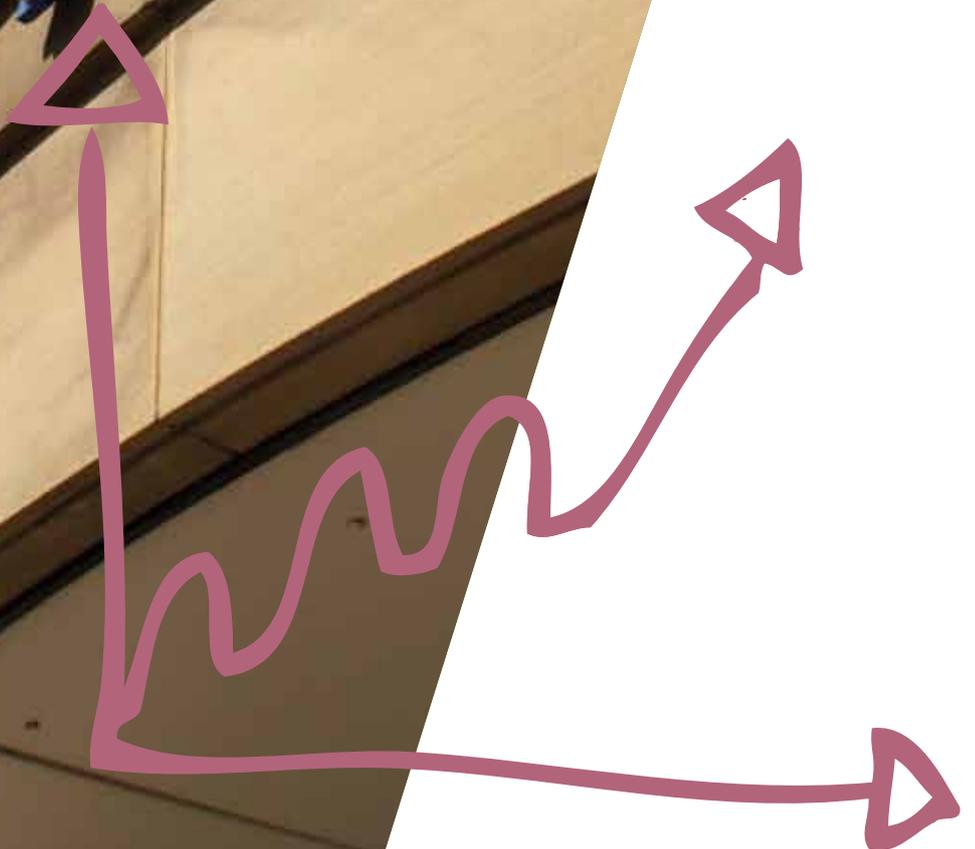
professionals, including partners. This committee comprises practice leads, Human Resources, Performance and Culture Directors, the Risk Management partner and the chairman. <GRI 4.6>

All of these governance practices, based on globally adopted standards, strengthen our brand and reputation and help us uphold the standards of quality for which we want to be recognized in all markets we serve.

*Quality  
Growth*

*Quality and fully  
independent  
services*

**KIPVING**





# The variety of expertises is our great asset

Providing quality service and creating value for our clients is one of the four pillars of our strategy and is at the heart of KPMG's business at a local and global level. This is underpinned by continual development of solutions that fully meet the needs of our clients, the market and general society, enabling us to incorporate our professionals' knowledge and expertise into a comprehensive product portfolio.

This means we can offer a broad range of expertise to suit the specific requirements of a given company or industry, while delivering quality of service as an indispensable prerequisite if we are to understand and meet our clients' real-life requirements. It also means we use the knowledge circulating across our global network to position ourselves as a forward-thinking organization, alert to key market trends and developments, so we are able to anticipate the various issues surrounding our business.

This way, we will be prepared to assist our stakeholders in identifying the

aspects most material to their business, ensuring quality growth not only for KPMG in Brazil, but also for those with a need for our services.

The topics underlying the Quality Growth pillar –providing quality and independent services – appear in third place. To address these topics, we have mechanisms for sharing knowledge, and methodologies that are continually improved.

These rely on the crucial support of our Global Centers of Excellence, which are units specializing in specific fields and capable of covering a range of industries and business areas. Located in a number of countries around the world, these centers are home to some of KPMG's leading specialists and are a source of reference on matters within their fields of expertise. In practical terms, Global Centers of Excellence are tasked with identifying the needs of related markets and finding the best way for member firms to operate. They compile and provide relevant information to

support our tasks, develop and perfect our methods, and standardize the way we work around the globe.

To ensure the system operates properly, these centers are in constant contact with our various member firms to share insight and experience in specific markets. This is done through meetings, teleconferences and discussions that address trends and market needs in a mutual and continuous exchange of knowledge.

## Centers of Excellence

Global Centers of Excellences are home to specialists from various member firms of KPMGI, including KPMG in Brazil, providing leadership, insight and experience in key sectors within the strategies of businesses and governments, such as:

- Audit
- Advisory
- Tax
- Risk & Regulatory Compliance
- Telecommunications
- Markets
- Health
- Insurance
- Oil & Gas
- Cloud Computing
- Shared Services & Outsourcing
- Climate Change and Sustainability
- Defense
- Law Enforcement & Security
- Infrastructure

## Business Model

Our differentiated approach uses a model in which our business areas are divided into key markets for the business. This model, which we call the Industry Program, allows us to use a targeted, specialist, industry-specific approach and pool together Accounting, Financial and Management professionals who are top performers in each segment, aligned with global operating processes and supported by continual market research.

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

In 2013, we invested consistently in Markets and strengthened our structure across a range of operating segments. We virtually doubled the number of teams specializing in sectors such as Government & Infrastructure, and we gained recognition as the most capable professional services firm for structuring Public-Private Partnerships (PPPs), as well as in other business areas.

In addition, our multi-discipline teams from Advisory and Tax – with specialist professionals ranging from engineers and systems consultants to economists and tax consultants – have developed solutions to meet specific requirements related to tax incentives and accessory obligations arising from technological innovation programs, such as *linha azul*, Siscoserv, FATCA and SPED.

A particularly noteworthy aspect of the Electronic Public Accounting System (SPED) is eSocial. As announced by the Federal Government, eSocial is designed to streamline the processes and bureaucracy inherent to employee, employer and government relations by transitioning to paperless data and information. KPMG has developed a specialist team to advise corporations on the transition process.

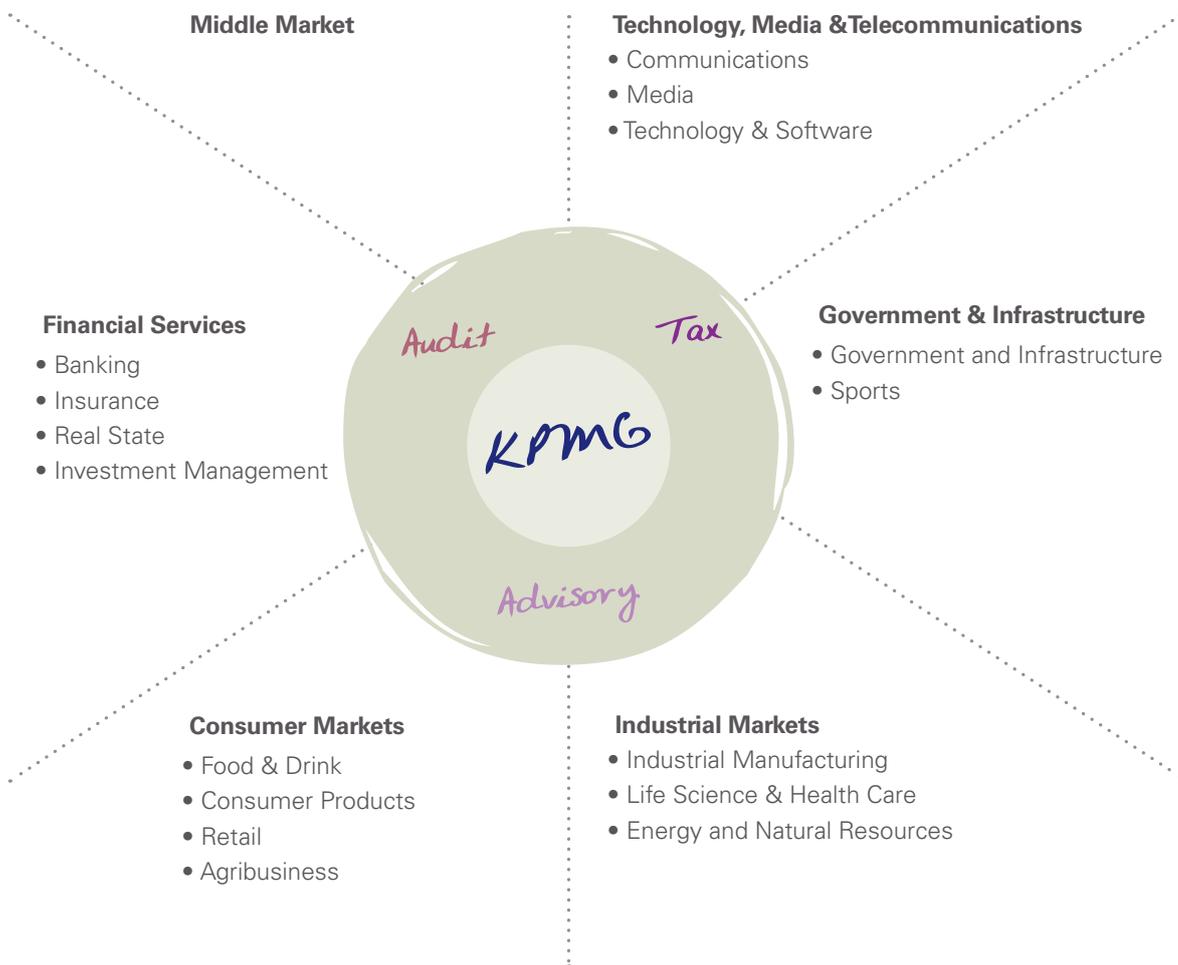
Our Organization also has a function called Brazilian Multinationals dedicated to assisting Brazilian companies in their global expansion, as well as to assisting companies or joint ventures from Germany, China and Japan interested in the Brazilian market. In 2013, we expanded this function to include a French Desk in order to maximize our service opportunities and better assist French-based

companies either already operating, or looking to operate, in Brazil.

We also moved closer to one of our key international business partners, the US, by opening a KPMG in Brazil office in Miami. The US Desk allows us to use a more active and assertive approach, as well as providing the natural benefits of being closer to US companies with local professionals deeply knowledgeable of the market and the specific aspects of the Brazilian business environment. The initiative was launched in June and has already yielded good results for our business.



## Industry Program



## Investment and innovation

### <GRI 2.9>

The need to continually update our professionals and remain up-to-date on the constantly changing environment in which we operate has placed us in a virtuous cycle of investment in new solutions for the market. This environment is conducive to developing a range of innovative solutions bringing mutual benefits to clients and our own organization, further cementing KPMG in Brazil's leading position and helping our clients protect themselves from risks and take advantage of good opportunities.

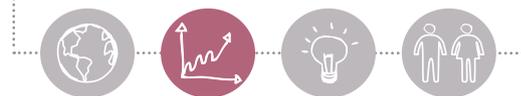
These solutions draw heavily on our research, knowledge exchange among professionals from member firms and development of new practices to expand our service portfolio. In 2013, this approach provided important gains in all three practices, with significant results already seen in the first months of operation and good prospects for the coming years. Learn more about some of these initiatives and/or the topics they relate to below:

### Dynamic Audit

The result of a comprehensive program designed by the Global Audit Steering Group (GASG) with significant support from the Global Service Center (GSC) in New Jersey – a KPMG research and development center created to develop new audit solutions – Dynamic Audit proposes a new approach for professionals in the practice, designed to ensure greater quality, efficiency and agility in delivery. It is a transformation program that will help us put our business and industry knowledge into use, anticipate challenges and discover new opportunities, while continuing to uphold regulations.

In practical terms, this approach means dozens of tasks currently performed manually by Audit will hereafter be performed using sophisticated electronic tools, increasing testing accuracy and coverage and enabling comparisons to be made against each client's market or industry standards. In addition, Dynamic Audit will centralize tasks currently performed by the same field audit teams within a specialist center, called a Local Delivery Center, where work will be performed more efficiently by other KPMG professionals.

*Dynamic Audit is a new approach to perform audits*



Essentially, client-facing professionals will delegate repetitive tasks that do not require their judgment, freeing them to focus on the most critical tasks of their professional activities.

This way of organizing and structuring audit work is already in place at several member firms of KPMGI worldwide, and has provided a range of benefits for clients (which have gained from greater efficiency and quality of delivery), for the Organization (by improving operating efficiency), for audit professionals (who unlock unique opportunities in their practice) and for the environment, as it reduces commuting and therefore pollutant emissions.

A Local Delivery Center in Brazil will be opened in 2014 and will build on the extensive progress already made throughout 2013, with the objective of improving service efficiency at no loss to quality of delivery. The center will service all three practices (Audit, Tax and Advisory) and is expected to absorb around 40 routine audit tasks, providing an estimated 10% improvement in efficiency.

With Dynamic Audit, we also hope to offset the losses we sustained in 2012 as a result of mandatory auditor rotation, and prepare ourselves for the next major rotation cycle in 2017, in which 298 companies will change auditors, compared with only 49

companies in 2013. We also hope to regain some of our clients sooner than the five years established by law, as companies are allowed to re-engage their previous service providers as soon as three years from rotation.



A photograph of two men in business suits standing on a wide set of stone steps. The man on the left is holding a briefcase and gesturing with his hand while talking to the man on the right, who is holding a folder. The background shows classical architectural columns.

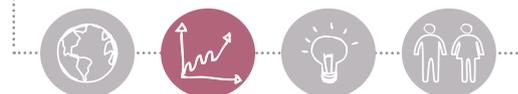
*We develop services  
to provide a range  
of benefits for  
clients*

### **End of the Transitional Taxation Scheme (RTT)**

The complexity and constant changes in Brazil's tax framework create a number of challenges for companies seeking to comply with new rules and regulations. This environment requires our teams to be kept up-to-date and increases the demand for a range of tax-related services.

In 2013, the primary change in this regard was the end of the Transitional Taxation Scheme (RTT), which provided a period for transition from Brazilian generally accepted accounting principles to International Financial Reporting Standards (IFRS). This change will have a significant impact on companies' financial statements and will produce a number of industry-specific effects.

In recent years, the Transitional Taxation Scheme and its expected discontinuance have generated much discussion on alternatives to neutralize the tax impacts arising from the transition to IFRS. The end of the RTT was determined by Provisional Measure 627 in November 2013, and the new regulations, which involve wide-ranging and highly complex



matters, are expected to place a greater demand on specialist tax services.

Other matters high on the agenda in 2012 continued in 2013, including:

- **Siscoserv** – Requires parties resident or domiciled in Brazil (individuals or companies) to record services, intangibles and any other transactions producing changes in equity in transactions with overseas parties.
- **Act 12741** – Requires sales invoices to specify the amounts of the main taxes payable on goods and services.
- **Brasil Maior Plan** – A set of measures introduced by the Federal Government in a bid to make local industry more competitive internationally, offering tax exemptions and reductions for certain products and activities.
- **Unification of ICMS rates** – From January 01, 2013 the ICMS rate applicable to interstate transactions involving imported goods has been unified at 4%, reducing the effects of the so-called “port wars”.

## *eSocial now live*

KPMG in Brazil has developed an integrated and multidisciplinary approach to assisting companies in complying with a new requirement of the Federal Revenue Service as part of the Electronic Public Accounting System (SPED). The Government program, called eSocial, is designed to unify tax, labor and social security filings in electronic form, facilitating oversight of information sent to the Federal Revenue Service.

Announced in 2013, *eSocial* went live in January 2014 and will create a number of challenges for companies, especially in terms of reviewing and changing internal processes and the need to ensure compliance with legal requirements.

KPMG in Brazil’s experience in these aspects has led to the development of a set of solutions to assist corporations in complying with the new requirements and ensuring the conformity of information sent to the Federal Revenue Service. This entails process and system reviews, analysis of data conformity and special insight into the risks inherent to Human Resources and compliance with labor and social security regulations.

A key aspect of this service is the use of KTAX, a solution developed by KPMG to assist clients in pre-checking all electronic filings sent to tax authorities. Launched in 2012, KTAX saw growing demand throughout 2013 and gained client recognition for excellence in tax compliance. Also used within the Organization, the tool has become essential in the day-to-day tasks of our professionals, ensuring greater efficiency, quality and security in delivery.

*In 2013 we strengthened our business structure focussing on the largely unexplored market*

### **Integration & Separation**

In 2013 we strengthened our specialist team dedicated to helping companies that have recently undergone mergers, disposals and acquisitions to find better solutions for their division integration or separation requirements. This capability, known as Integration & Separation, is crucial to ensuring the success of any large transaction, developing the necessary synergies between disparate cultures and creating value for the new investment, while ensuring that the changes inherent to these processes are as undisruptive as possible.

Investments in this segment throughout the year have enabled us to capitalize the necessary resources and build a highly qualified team consisting of a lead partner and high-performance professionals. After only a short period of activity, year-end results indicate good prospects for 2014. Despite the macroeconomic instability, this business area has proven highly effective in advising on major integration and separation transactions, especially those involving companies with highly disparate cultures.

### **Sustainable Value Improvement**

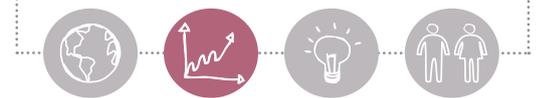
Sustainable Value Improvement is a concept that introduces a new approach to Advisory activities by establishing a practice of looking at the company's operations based on financial analysis, delivering long-term efficiency.

Unlike traditional methods – which focus on process efficiency, people and technology – this approach brings a comprehensive overview of the client's business and provides benchmarks for the client's industry, supporting continual and sustainable cost reduction. We seek significant windows of opportunity to focus on managing results, taking economic aspects, social aspects and stakeholder relations, for example, into account.

Throughout 2013, Sustainable Value Improvement delivered significant results and is expected to see significant growth in the following period.

### **Entrepreneurial Market**

The growth of Brazil's domestic market over the past decade has supported substantial expansion of small, medium and unregulated companies and created new prospects for KPMG in Brazil, which has always worked very closely with this market segment. Since 2011, when we formally structured a solution offering to target this segment, we have expanded our operations outside the Rio-Sao Paulo hub to include an increasing number of unregulated companies, which are part of a service line we call Entrepreneurial Market.



Even when faced with economic instability, these companies tend to increase their presence in the capital market and are required to achieve new levels of professionalization, management and corporate governance. We believe our expertise in these areas can significantly contribute to the structured growth of these organizations so they are able to gain recognition for their management practices and expand their presence in markets beyond their current boundaries.

The consolidation of our service offering for the entrepreneurial market in 2012 made room for us to grow exponentially in this segment during the following periods. Indeed, this

service line saw growth of 20% in 2013, largely driven by industries such as agribusiness, IT services, retail and oil and gas service companies.

The entrepreneurial market now accounts for an important portion of our client base. In some regions, especially Santa Catarina, Parana, the interior of São Paulo, Bahia, Pernambuco and Ceara, we have achieved particularly significant results and further growth is expected for 2014.

### Supply Chain

The year 2013 was also one of consolidation for a new business line created to provide strategic management support across the supply chain (procurement, logistics and operations) in order to drive efficiencies in internal processes and improve service levels. Aligned with KPMG's global strategy, this business has proven highly successful, delivering significant year-end performance for the Management Consulting practice.



## Client and market relations

<GRI 4.16>

Our relations with clients and the market are underpinned by ethics and independence and are one of fundamentals for ensuring the quality of our work and the sustainability of the business. This interaction occurs through our professionals in the field, satisfaction surveys and the various channels available to share the knowledge flowing through KPMG International's network of member firms, such as studies and publications, events, seminars and road shows.

### Client satisfaction

Client Satisfaction Surveys are conducted annually and help us identify the most relevant issues for KPMG in Brazil from the perspective of our

stakeholders, as well as strengths and opportunities for improvement in our work dynamics. <GRI PR5>

We use two criteria to determine the sample of clients responding to the survey: clients that have had projects completed in the relevant financial year and clients paying remuneration above R\$ 50 thousand. These are sent an e-mail questionnaire that rates us on a series of standard indicators, and also has a dedicated field for additional comments.

For financial year 2012-2013, questionnaires were sent to 1551 companies matching these criteria, 12% of which responded.

### Communicating, producing and sharing expertise

<GRI 4.16>

The knowledge we acquire in our quest to understand the world of business is the raw material for our work. At all times, our professionals have at their disposal a wide array of information that is crucial for their tasks, whether within their own practice or in the industry of the client they are servicing. This requires continual investment in a number of forms of transmitting relevant information so our professionals can maintain excellence in service and ensure high-quality delivery.

Part of the repertoire we build is also placed at the disposal of our stakeholders in order to qualify the

### Client Satisfaction Survey 2011 to 2013 (maximum score: 10.0)

	2012/2013 186 respondents	2012* 164 respondents	2011/2012 203 respondents
Expectation	9.4	9.5	9.1
Technical quality	7.9	8.2	8.0
Cross-team communication	7.8	7.9	7.8
Professional conduct and service	8.5	8.6	8.5
Form of delivery	7.6	7.8	7.6
Timely delivery	6.9	6.8	6.7
Would use other services	93%	96%	94%
Would recommend KPMG	97%	98%	97%

\* Exceptionally, in 2012 the Client Satisfaction Survey was on a calendar year basis (January to December).



## Online app available for iOS and Android platforms

debate about the complex issues we address. Constant collaborations with the press, research, studies, debates and sponsorship of events provide clarity and guidance about complex issues and are some of the strategies for disseminating this expertise.

We are certain that developing and disseminating relevant and high-quality content makes our services more effective and recognized internationally. Below we outline some of the dialogue and knowledge sharing tools we use:

**Audit Committee Institute (ACI)** – a debate group organized by the member firms of KPMG International that convenes professionals from more than 30 countries to disseminate and absorb knowledge and good practices related to political, economic, corporate, legal and tax trends that influence business. In 2013 KPMG in Brazil held six meetings attended by more than 369 people.

**Press** – In 2013 we were directly or indirectly cited in 4,547 news articles, most of which reported on studies and research carried out by us or in consultation with our professionals as a source of reference for market assessments.

**Research** – Our research covers a variety of topics concerning our activities and is used to update our professionals worldwide and the overall market.

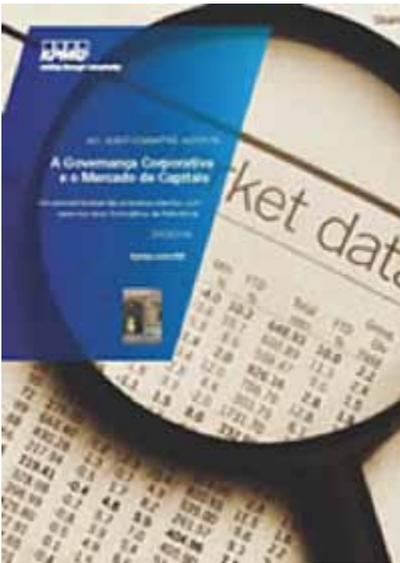


### Our app

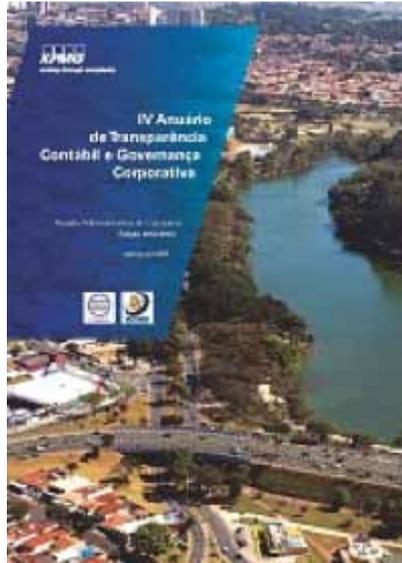
This application is the most recent digital communication channel available for our professionals, clients and targets. With interactive content, it allows users to obtain information on services, receive research alerts, information on events, videos, office locations, social media and the latest news from KPMG.

*The dissemination  
of knowledge  
is one of the  
KPMG's greatest  
contributions to  
society*

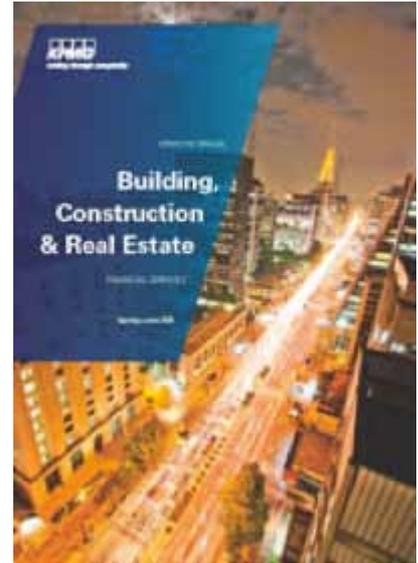
*Key KPMG in Brazil publications in 2013*



*Corporate Governance and Capital Markets 2013/2014*



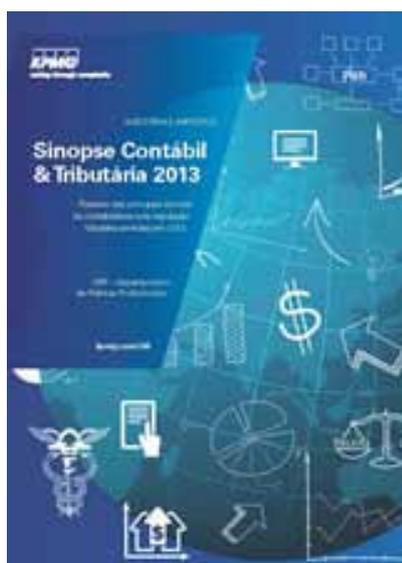
*4th Annual Accounting Transparency and Corporate Governance Roundup, Administrative Region of Campinas - SP - 2012/2013 Edition*



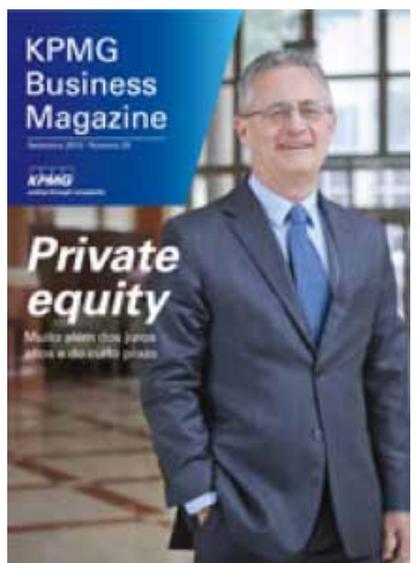
*Building, Construction & Real Estate*



*Brazilian Insurance Distribution Market Outlook*



*Tax & Accounting Synopsis - 2013*



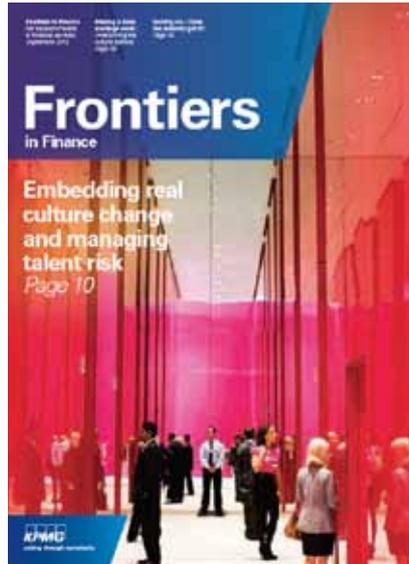
*KPMG Business Magazine – Quarterly*



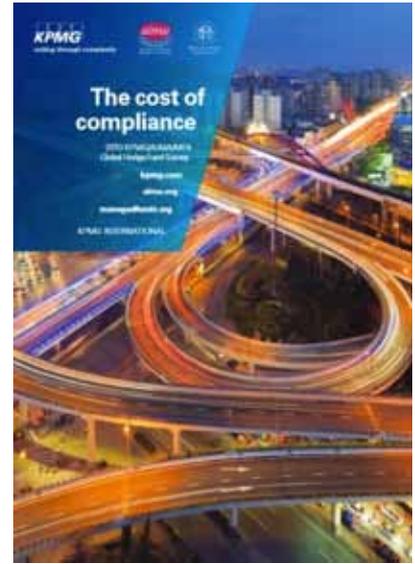
*Some key publications by other KPMG International member firms*



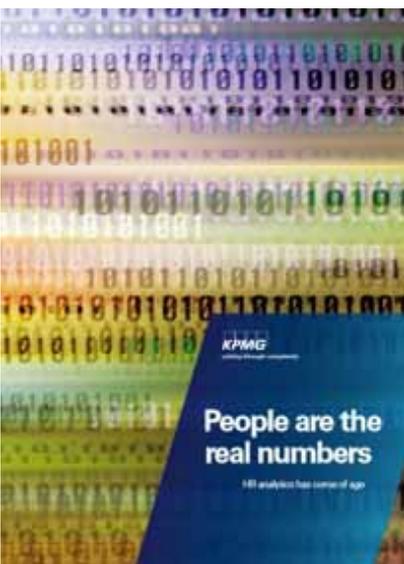
*Insight: Resilience – Latin America's infrastructure market*



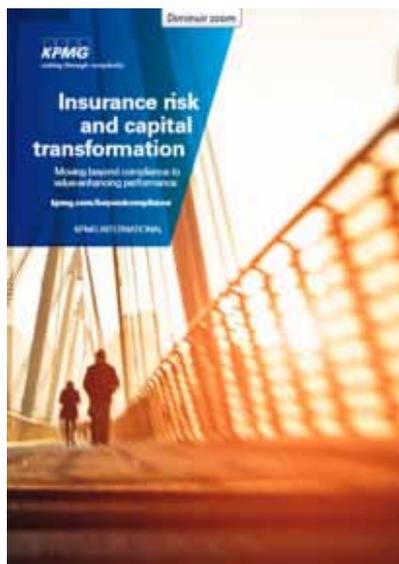
Frontiers in Finance



*The cost of compliance – Global Hedge Fund Survey*



*People are the real numbers – HR analytics has come of age*



*Insurance risk and capital transformation – Moving beyond compliance to value-enhancing performance*



*Industry Insights – A snapshot of the key trends, issues and challenges facing the investment management industry*

## Key events in 2013

### February

- IBEF-SP: Period-End IFRS Seminar

### April

- Brazil Investment Summit 2013
- Outreach 2013 – Leasing and Revenue Recognition
- LIDE: 12<sup>th</sup> Comandatuba Forum

### June

- 2<sup>nd</sup> Capital Market and Small and Medium Enterprises (SME) Workshop
- IBEF-MG: Lunch Seminar - Credit Risk Management to Drive Sales Growth
- LIDE: 1st World Environment Day Forum
- Amcham-GO: 5th CEO Forum
- Ethanol Summit 2013

### March

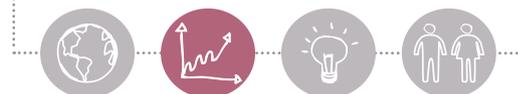
- 16<sup>th</sup> Women Corporate Directors Meeting Brazil – 2013
- IBEF-RJ: Oil & Gas Forum
- IBEF-Campinas: Treasury Research Group, “Economic Outlook - A Practical Approach”

### May

- ProcureCon Latin America
- Expogestão 2013
- ANEFAC and KPMG Road Show: DIPJ/2013 and Digital Tax Compliance – Porto Alegre, Rio de Janeiro, São Paulo, Salvador, Campinas, Belo Horizonte
- Field Leads 2013 – 1st Phase
- Amcham-Uberlândia: CFO Forum

### July

- Latin America Ethics Summit 2013
- IBEF-MG: Carlos Garrido Young Talent Awards
- Brazilian Retail Week



## August

- Brasil Econômico: Seminar: Entrepreneurial Market -The Financing Roadmap
- Amcham-Curitiba: CEO Fórum 2013
- IBEF-CE: Lunch Seminar: "Big Data - Agile, Flexible and High-Performance Data Analysis and Business Intelligence"
- IBGC: Diversity in Boards of Directors – Challenges and Opportunities

## September

- 7<sup>th</sup> Tax Management and SPED Forum
- 3<sup>rd</sup> Accountancy and Auditing Meeting for Listed Companies and Corporations
- CNseg: Seminar on Internal Controls and Compliance, Audit and Risk Management
- 17<sup>th</sup> ANEFAC Awards -Transparency Trophy 2013

## October

- FEBRABAN: 3rd International Risk Management Conference
- Futurecom 2013
- Amcham – Ribeirão Preto: Business Round Up 2013
- Amcham – Curitiba: Corporate Governance Forum
- Amcham – Campinas: CEO Forum 2013

## November

- LIDE: 4<sup>th</sup> Entrepreneurs' Forum
- 10<sup>th</sup> International CPC Forum - International Financial Reporting Standards
- IBEF-Campinas: Technology and Innovation Study Group – "Civil Framework for the Internet – Brazilian Law on the Internet and its impact on companies, users and services in the digital era"
- 6<sup>th</sup> Latin American Smart Grid Forum
- 29<sup>th</sup> Enconsel 2013

## December

- FEBRABAN Seminar on the Foreign Account Tax Compliance Act – FATCA 2013
- Eco Awards 2013
- 5<sup>th</sup> Private Equity Brazil Forum, 2013
- IBEF-Campinas: Controllership Study Group – "The Impact of eSocial on day-to-day business"
- IBEF-RS: *Equilibrista* Awards 2013

## Entities supported by KPMG in Brazil

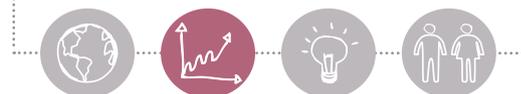
### Memberships in associations

<GRI 4.13>

Our professionals are members of a number of associations representing various industries and society, where they share knowledge in debates or serve on boards, executive committees and working groups for specific topics.

*KPMG  
Entities supported and the type of contribution offered*

- **Brazilian Association of Financial Law (ABDF/RJ)**  
Membership and participation in events
- **Brazilian Infrastructure and Heavy Industry Association (ABDIB)**  
Member of the Infrastructure Committee and Power Generation Committee.
- **Brazilian Human Resources Association (ABRH/RJ)**  
Membership and participation in events
- **Brazilian Association of Listed Companies (Abrasca/SP and RJ)**  
Membership and participation in events. José Gilberto M. Munhoz (KPMG partner) is a member of the Audit and Accounting Standards Commission (CANC) and representative at Abrasca. Manuel Fernandes (KPMG partner) is also a member of CANC and Rodrigo Camargo is a member of the Legal Commission (COJUR).
- **Brazilian Private and Venture Capital Association (ABVCAP/ SP and RJ)**  
Membership and participation in events
- **Rio de Janeiro Commerce Association (ACRJ)**  
Membership and participation in events
- **Brazilian Association of Financial, Management and Accounting Executives**  
Membership and participation in events at the Rio de Janeiro and Salvador chapters. Cristiano Girolamo is regional director for Salvador.
- **Association of Capital Market Investment Analysts and Professionals (Apimec)**  
Membership and participation in events at Apimec/São Paulo and Apimec/Porto Alegre.
- **Uberlândia Commerce and Industry Association**  
Membership and participation in events.
- **Paraná Commerce Association**  
Membership and participation in events.
- **Porto Alegre Commerce Association**  
Membership and participation in events.
- **British Chamber of Commerce and Industry in Brazil**  
Britcham/SP and RJ – Membership and participation in events. David Bunce (KPMG partner) is vice-chairman of the Board of Directors. Roberto Haddad (KPMG partner) is a member of the Tax Committee and Stephen Rimmer (KPMG partner) is coordinator of the Committee for Consular Affairs (internal) and a member of the Energy Committee.
- **American Chamber of Commerce (Amcham Brasil)**  
Pedro Melo (Chairman of KPMG in Brazil) is a member of the Board of Directors.



- **American Chamber of Commerce** (Amcham, Belo Horizonte, Campinas, Curitiba, Goiânia, Ribeirão Preto, Rio de Janeiro and São Paulo chapters)  
Membership and participation in events and committees. In all, nine KPMG in Brazil professionals are members of a range of Strategic Committees, including Energy, Business Affairs, Economics and Finance, Tax and Sustainability. Jaime Cervatti (KPMG COO) is a member of the Amcham Board in Curitiba. Marcelo José de Aquino, Marcos Roberto Bassi and Elizabeth Campos Fontanelli are regional directors.
- **Brazil-Germany Chamber of Commerce** (AHK, regional chapters of São Paulo, Rio de Janeiro and Porto Alegre)  
Membership and participation in events. At AHK São Paulo, Charles Kriek (KPMG partner) is a member of the Executive committee. In Porto Alegre, Wladimir Omiechuk (KPMG partner) is a member of the Business Council.
- **Dutch-Brazilian Chamber of Commerce** (Dutcham)  
Participation in activities. Alexandre Fujimoto is a Consulting Board member.
- **Japanese Chamber of Commerce and Industry in Brazil (São Paulo)**  
Participation at events. Fujii Toshiharu, partner and head of the KPMG Japanese Desk, is a member of the Statutory Audit Council.
- **Official Spanish Chamber of Commerce in Brazil**  
Participation in activities.
- **Amazonas State Center for Industry**  
Participation in activities.
- **Caxias do Sul Chamber of Industry, Commerce and Services (CIC)**  
Participation in activities.
- **Centro das Indústrias do Estado de São Paulo (Ciesp), regionais São José dos Campos e Porto Alegre)**  
Participation in activities.
- **Portuguese Chamber of Commerce in Brazil (CPCB, Regional chapters of Rio de Janeiro, São Paulo, São José dos Campos and Salvador)**  
Participação em eventos. Na CPCB do Rio de Janeiro, Bernardo Moreira (sócio de Audit da KPMG) é membro titular do Conselho Fiscal.
- **Paraná State Industry Federation (FIEP)**  
Participation in activities. Jaime Cervatti (KPMG COO) is a member of the Paraná Council for Corporate Citizenship.
- **National Quality Foundation (FNQ)**  
Iêda Novaes is a member of the Board of Trustees.
- **Business Leadership Group (LIDE, regional chapters of São Paulo, Curitiba, Porto Alegre and Rio de Janeiro)**  
A number of partners represent KPMG in Brazil within the group. Marianne Coutinho and Patrícia Salem Molino are specifically active in the Women as Business Leaders Group (LIDEM).
- **Brazilian Institute of Financial Executives (IBEF, regional chapters of São Paulo, Campinas, Curitiba, Rio de Janeiro and Ceará)**  
Participation in events, conferences, boards and working groups. At IBEF São Paulo, Pedro Melo (chairman of KPMG) is a member of the Board, Marianne Coutinho (KPMG partner) is a member of the Tax Commission and IBEF-Mulher, Charles Kriek is vice-president (Executive Management) and José Luiz Ribeiro de Carvalho is deputy director. In Rio de Janeiro, Manuel Fernandes (lead partner at the local KPMG office) is a member of the Board of Directors and Roberto Haddad (KPMG partner) is deputy director. In Campinas, Jean Paraskevopoulos Neto is Vice President, Member Relations and Juliana de Lira Bilachi is a member of the Controllership Studies Group. In Ceará, Eliardo Araujo Lopes Vieira is 1st vice president (Executive

We ended 2013  
with R\$ 799  
million revenue

**KPMG**  
Entities  
supported and  
the type of  
contribution  
offered

Management). In Porto Alegre, Wladimir Omiechuk is Vice Chairman of the Steering Committee.

• **Brazilian Institute for Corporate Governance (IBGC, regional chapters of São Paulo and Rio de Janeiro)**  
Participation in activities. Sidney Ito (KPMG partner) is financial director for São Paulo and Rio de Janeiro. In São Paulo, Ricardo Algis Zibas is a member of the Sustainability Committee and Marianne Coutinho is a member of the Diversity Studies Group.

• **Brazilian Institute of Oil, Gas and Biofuels (IBP)**  
Participation in events and activities.

• **Brazilian Institute of Independent Auditors (IBRACONSP)**  
Contribuição com verba fixa. Eduardo Pocetti (sócio da KPMG) ocupa a Presidência da Diretoria Nacional e é membro do Conselho de Administração. Pedro Melo (presidente da KPMG) é secretário do Conselho de Administração. Danilo Simões (sócio da KPMG) é membro da Comissão Nacional de Normas Técnicas. Em São Paulo, João Paulo Neves é membro do Grupo de Capital Markets, e Carla Bellangero é diretora técnica (5ª Seção Regional). Em São Carlos, André Monaretti é coordenador do Grupo de Trabalho de Agribusiness.

• **Ethos Institute for Social Responsibility**  
Contribution as member.

• **Movimento Brasil Competitivo**  
Membership and support for sponsor.

• **Movimento +Mulher 360**  
KPMG in Brazil is a consulting member providing technical expertise and three professionals acting in working groups.

• **Junior Achievement Brasil**  
KPMG in Brazil is a national program sponsor and organizes corporate volunteer initiatives. Pedro Melo (chairman of KPMG) is a member of the Board.

• **Junior Achievement Rio de Janeiro**  
Membership and corporate voluntary work. Manuel Fernandes (lead partner at the Rio de Janeiro office) is a member of the Executive Committee

• **Rede das Mulheres Líderes pela Sustentabilidade (Ministry of the Environment)**  
Iêda Novais (lead partner at KPMG) is a member of the Strategic Board.



## Financial results

<GRI EC1 / EC4 / EC8>

We ended our financial year at September 30, 2013 recording growth of 8% compared with the previous year, although for the 12 months ended December 31, 2013 (the reporting period for this publication) our revenue of R\$ 799 million declined slightly compared with 2012. This was, in part, due to Brazil's economic slowdown and the effects of mandatory auditor rotation on our client base. The Statement of Added Value also shows an important increase in operating costs, which includes investments in our service structure, and in wealth distributed through salaries and employee benefits.

### Statement of Added Value\* (R\$)

	2013	2012	2011
<b>Direct economic value created</b>	<b>799,436,864</b>	<b>805,111,888</b>	<b>707,690,443</b>
Revenue	799,436,864	805,111,888	707,690,443
<b>Economic value distributed</b>	<b>650,729,691</b>	<b>627,281,780</b>	<b>602,494,364</b>
Operating costs	149,266,106	137,498,458	152,652,931
Employee salaries and benefits	366,690,234	350,811,678	328,407,119
Payments to the Government	132,469,321	136,183,828	119,227,162
Community investments	2,304,029	2,787,817	2,207,151
Voluntary contributions (including <i>pro bono</i> ) to social, environmental and cultural projects	2,020,957	2,387,453	2,063,274
Contributions to social, environmental and cultural projects under tax incentive laws	283,072	400,364	143,877
<b>Accumulated economic value</b>	<b>148,707,173</b>	<b>177,830,108</b>	<b>105,196,080</b>

\* This information refers to the periods January to December 2013, 2012 and 2011, and represents the activities of all independent entities operating under the KPMG brand in Brazil. Under the legislation in force, the independent entities that operate under the brand name KPMG in Brazil are exempt from publishing a statement of financial position. This does not apply to KPMG Structure Finance and KPMG Transaction Services, which are required to publish their statements of financial position in mainstream newspapers in Brazil.

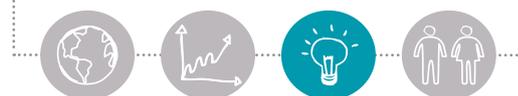
*Professionalism  
and Integrity*



*Ethical business  
conduct*

*Quality  
and fully  
independent  
services*





# Policies and practices to promote the integrity of our services

Professionalism and integrity are two values central to protecting the reputation and quality of KPMG's services around the world. These principles guide our day-to-day actions so we can protect our reputation and the brand wherever we are present. They are also in line with our stakeholders' perception of the segment we operate in and feature prominently in the stakeholder surveys we have conducted. Doing business in a sustainable manner and maintaining the quality and independence of the services we provide are therefore crucial to the sustainability of the Organization.

To ensure the integrity of our professionals and our quality of delivery, we have a set of quality control, risk management and compliance policies and procedures in place both locally and globally. Risk management is a central element of articulating and disseminating these mechanisms, and many multi-function processes are applicable to all three practices: Audit, Tax and Advisory. The Audit

practice, however, is the primary focus due to the heavily regulated environments in which it operates and the level of reliability required in our clients' financial statements.

We also have mandatory training programs for compliance with our local and global policies and practices, ensuring our professionals act in strict conformity to ethics and integrity standards. We also conduct periodic internal checks and quality reviews on the work conducted by KPMG professionals seconded to other countries. (read more on page 72).

# Quality and Risk Management

<GRI 4.6 / 4.11 / SO2>

Our Risk Management department is responsible for controlling and monitoring factors that could affect our business, our professionals and clients, or the capital market and the environment in which we operate. Risk Management is directly related to sustainability and the very nature of our business, as it entails information analysis to enable us to anticipate any conflicts of interest or issues in complying with the rules, standards and policies established locally and globally by KPMG.

Alongside the Service Quality Control System, the Risk Management department also shapes our management, people development, client acceptance guidelines, and

engagement monitoring and delivery, in particular anticorruption and anti-bribery procedures, which underpin all the activities of the entire network of independent firms operating under the KPMG in Brazil brand.

<GRI SO2>

To ensure effective management, we run a department consisting of partners, partner-directors, managers and technical staff whose mission is to manage risks, disseminate professional practices and accounting standards, provide technical support and coordinate the implementation of quality programs.





## Quality and risk management functions at KPMG in Brazil

### Professional Practices Department (DPP)

Provides technical guidance and advice on professional practices and distributes updates on emerging technical guidance, both local and foreign; coordinates quality review programs

### Risk Compliance

The function responsible for issues related to management of regulatory risk, testing adherence to the Organization's practices and training by means of electronic tools

### Client Acceptance (Client and Engagement Acceptance and Continuance)

Manages a rigorous and systematic policy for accepting and continuing with clients and projects, which includes reviewing and consulting public information about the business and management of a potential client, including its financial health, the reputation of its management, type of products, the technical risk of the Project and ethics and independence issues.

### Ethics & Independence (E&I)

Maintains controls and analyses of the conformity of our operations and services to our policies and the procedures established by regulators with respect to independence and screening for conflicts of interest.

### Sentinel

The Organization's global online system for screening projects against independence requirements and applicable standards. <GRI 4.6>

### Office of General Counsel (OGC)

Advises the Organization on corporate matters, reviews our commercial relationships with clients and suppliers and monitors the standards established for service proposals.

### National IT Security Officer (NITSO)

Responsible for policies that protect the confidentiality of information, whether in electronic storage or on paper. As part of the information security policy, all computers have data encryption software and password-protected access. In addition, all professionals are required to keep confidential all client and former client information. Therefore, our professionals are trained

in these issues – including through the Ethics & Independence e-learning – and campaigns and notices are routinely issued as reminders of applicable procedures. Knowledge of, and compliance with this commitment are confirmed annually by means of a web statement. For the period covered by this report there were no complaints of this nature. <GRI PR8>

### Litigation

Handles any judicial claims. During the period covered by this report, we were neither subject to any award resulting from disputes related to our services, nor to significant fines or non-monetary sanctions from non-compliance with laws and regulations. <GRI PR4/SO8>

**The supporting teams for this function form an integrated management body that includes five key groups of functions for quality control and risk management throughout KPMG in Brazil:**

- Independence, integrity, ethics and objectivity;
- People management, including professional training and development;
- Client and engagement acceptance and continuity;
- Engagement delivery;
- Monitoring.



## Independence, integrity, ethics and objectivity

The procedures and policies that underpin our work in respect of these principles are set out in three documents: the Code of Conduct, Global Marketing Compliance (GMC) and the Global Quality and Risk Management Manual (GQ&RM), which are transmitted to our professionals through our leadership and systematic training on ethics, independence and anti-corruption. Our professionals can also see these documents via our Intranet.

### Code of Conduct

<GRI 4.8>

In Brazil, we have adopted and disseminated the **Global Code of Conduct**, which expresses the commitments to our stakeholders and how our professionals must conduct themselves in order to uphold the principles of ethics in their relations with KPMG in Brazil, other professionals, clients and with the community.

The Code emphasizes the personal responsibility of each professional to observe the legal and ethical standards applying to their position, as well as disclosing the resources and channels available to provide assistance on the themes covered.

The Code was last updated in 2012 to reflect changes in laws, regulations and codes of professional ethics. To ensure compliance with the latest standards and regulations, the Code now includes specific anti-bribery and anti-corruption commitments. It also takes into account our responsibility in broader issues, such as how we can contribute to development and sustainability.

<GRI 4.8>

Additionally, the Law against money laundering gave rise to the inclusion of parameters in our Sentinel system to identify the ultimate beneficiary of our services, as well as a specific internal policy for processing any complaints of this nature.



## Code of Conduct Commitments

### our network

The organizational structure that connects KPMG International's member firms around the world.

- Accept appropriate clients and only accept an engagement if we can complete it to our high standards of quality.
- Work with clients, suppliers and subcontractors that meet KPMG's main ethical standards.
- Improve quality by developing and applying KPMG methods and procedures.
- Handle challenging situations correctly by using the professional ethics and consulting experience of KPMG personnel to draw the right conclusions.
- Always strive to protect and value the KPMG brand and reputation.
- Keep assets and resources secure and only use them for appropriate commercial purposes.

### 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 line with our qualifications, experience, professional commitments and contractual terms and conditions.
- 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 information for appropriate professional purposes.
- Promote member-firm services honestly and in complete fairness.
- Forbid bribery and acts of corruption by professionals and never tolerate illegal or unethical conduct by clients, suppliers or authorities.

### our professionals

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

- Support our professionals in being objective, ethical and professional.
- Encourage our staff to address ethical and professional issues without fear of retaliation.
- Invest in developing our 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 life.
- Implement a fair approach for compensation.

### our communities

Markets, locations, authorities and companies 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 market.
- Help improve the operation 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 globally, and uphold the ten principles of the United Nations Global Compact.
- Work with other companies, governments and charities to create stronger communities.

## Global Marketing Compliance (GMC) and Global Quality and Risk Management Manual (GQ&RM)

Transparency is a core principle for maintaining our integrity. We therefore establish open and honest communication with all our stakeholders, based on ethics and objectivity. GMC and GQ&RM provide guidelines to ensure that these principles are present in relations with KPMG’s stakeholders, aligning our communications and marketing strategies.

These documents present a set of principles and rules which must be adopted by KPMG International member firms to ensure the global consistency of the brand name, control risks related to its reputation and manage client expectations with respect to services provided, disclosing clear and objective information. Below we provide important information about these two documents:

**Marketing** – All communication and marketing material prepared by KPMG is revised by qualified, GMC-accredited professionals. In 2013, a team of 19 professionals accredited by KPMG International in these standards confirmed that no violations or warnings relating to the Organization’s regulations and codes had occurred. <GRI PR6 / PR7>

**Information on products and services** – Based on the GQ&RM, our contracts provide full transparency to clients about details of the service, including the scope, description of deliverables, schedule, fees, client responsibility, subcontracting and responsibilities of KPMG in Brazil. <GRI PR3>

**People, Performance and Culture** – <GRI 4.6> – KPMG in Brazil have a specific policy statement in place establishing rules on relations with stakeholders, in order to avoid conflicts of interest and ensure

the Organization operates in an ethical and independent manner.

We also monitor compliance with our investment policies, whether by the Organization or its partners, partner-directors or managers, through an automated, integrated, web-based independence screening system. This system contains a list of public stock corporations, their branches and financial institutions and the types of securities they issue. It also includes a list of investments held by KPMG in Brazil and other financial relationships that have to be analyzed prior to the Organization accepting a new client. The Independence Department continually updates this list and these relationships.

### Mandatory\* Professional Attendance at Ethics & Independence and Anti-corruption training

	Ethics and Independence (E&I)			Anti-corruption		
	2013	2012	2011	2013	2012	2011
Non-management	2,256	2,440	2,128	2,084	2,878	2,214
Management	460	446	362	390	455	363
Partners and partner-directors	279	262	224	227	263	213
<b>Total professionals</b>	<b>2,995</b>	<b>3,148</b>	<b>2,714</b>	<b>2,701</b>	<b>3,596</b>	<b>2,790</b>

\* Ethics & Independence - Professionals required to attend training: Partners, partner-directors, managers, professionals and client-facing technical staff apprentices, and administrative department leadership. All professionals required attended training. Professionals in the categories above are not required to attend training if they were in Mobility or on leave during the relevant year.

\* Anti-corruption - Professionals required to attend training: partners, partner-directors, managers, professionals and client-facing technical staff apprentices, and administrative department leadership. Of professionals required to attend training, 89% had attended as of September 30, 2013. From September 30 to December 31, 2014, following the extension of the period for compliance, the training completion rate rises to 95%. Professionals who attended training after September 30, 2014 and those who have not attended training are subject to an assessment by the Disciplinary Committee, including: 78 non-managers, 42 managers, 18 partners and partner-directors.



# Ethics and objectivity guide our relationship with all stakeholders

Prior to acquiring securities, all partners, partner-directors and managers must use the independence screening system to determine whether the investment is restricted. They are also required to communicate all movements in individual investments within 14 days after purchasing or selling investments. If a security becomes restricted on a subsequent date, then its holders receive automatic notification stating that they must dispose of the restricted investment.

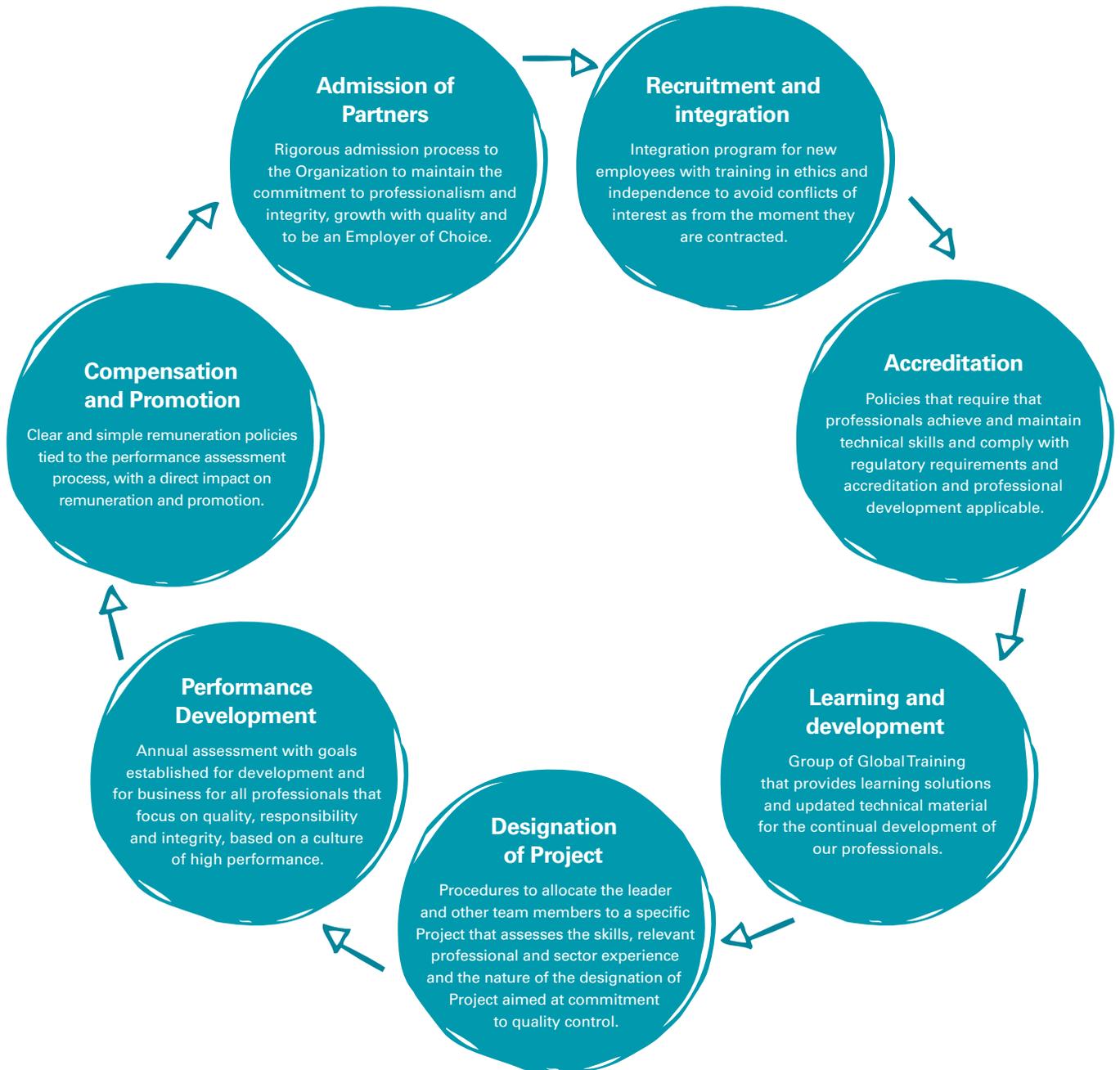
This set of documents (Code of Conduct, GMC and GQ&RM Manual) sets out the conduct to be adopted at each of the human resource management areas, as an integral part of the quality analysis and risk management process, in compliance with applicable professional requirements and the rules established by the local legislature, the Federal Accounting Council (CFC), IBRACON (Brazilian Independent Auditors Institute), the National Monetary Council (CMN), the Securities Commission (CVM), the Secretary for Complementary Social Security and by international bodies, such as Listed Company Financial Reporting Oversight

Board (PCAOB) and the US Securities and Exchange Commission (SEC).

Every year, we provide Training on Ethics and Independence and Anticorruption, which is mandatory for all partners, partner-directors, managers and other client-facing technical professionals, including apprentices at the technical department, as well as administrative leadership. After concluding this training, professionals sign an agreement confirming their understanding and acceptance of KPMG in Brazil's policies and their independence in performing their duties.

During the period covered by the report, 100% of the professionals required to attend training were trained in Ethics & Independence and 89% in Anti-corruption policies. <GRI SO3>

## People management, training and development





## Sentinel

Before being initiated, all projects at any member firm of KPMG international are also included in Sentinel for screening by audit leads, who may then approve or reject the engagements of restricted clients. Where the system identifies an existing or potential conflict of interest that cannot be eliminated, our policy is to reject the project.

The complex and dynamic nature of our work and the environment in which we operate demand that we continually seek professional excellence. People are our core asset and therefore constitute one of the groups integrating our risk management and quality program. In addition to the specific training described above, 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 (read more in *People*).

We strive to prevent conflicts of interest from arising and to ensure our professionals operate in an independent, ethical and objective manner through a global proprietary system called Sentinel. We have also implemented the rotation of Audit partners, in compliance with legislation, which limits the number of years that the leaders can provide this type of service to the same client. This change of leaders helps us develop transition and succession plans, supporting the continuity of our business. [GRI 4.6](#)

### Client and engagement acceptance and continuity

Our policies and procedures also include assessing risk in support of decision making regarding the acceptance of and continuity with clients and projects, such as through CEAC and Sentinel. Strict compliance with these policies and procedures is essential for us to provide Professional services with the quality and integrity necessary to build more ethical and sustainable markets.

#### Acceptance of potential clients

- Identification of risks by assessing the company's background, its administration, businesses and other relevant issues, focused on integrity
- Acceptance or otherwise of a client is determined by a partner who assesses the client, and this must be approved by the partner responsible for risk management, when necessary.

#### Acceptance of potential projects

- Assessment of the risks and skills of the client's financial management team, including safeguards in addition to the services, in order to mitigate any risks identified
- Assessment of other relationships and services provided by KPMG to the potential client that are not related to the Project, to avoid potential conflicts of independence
- Acceptance of the Project is approved by its potential leader, and another senior professional, when necessary.

#### Continuance of clients and projects

- The continuity of each client and Project is assessed every 12 months, or less if specific integrity issues are identified. -The company's risk factors are revised, as well as any changes affecting the continuity of the services provided.

## Engagement delivery

Our engagements follow methodological guidelines and policies that aim to maintain integrity, compliance with local and international regulations and the incorporation of good global practices.

In the Professional practice, risk management and quality control are the responsibility of each professional in the Organization, who must adhere to the policies and procedures (including independence policies) and to the extensive range of tools developed to support them in meeting these expectations. The policies and procedures we have established for audits include the requirements for accounting, audit, ethics and quality control standards and other relevant laws and regulations.

## Audit tools and methodology

We continually invest in updating our standards and the tools we use in our day-to-day activities. KPMG's global audit methodology was developed by the Global Service Centre (GSC) and is described in the KPMG Audit Manual (KAM). The tool is based on International Standards on Auditing

(ISA) and includes requirements that go beyond the requirements established in this document, particularly where KPMG believes this can increase the quality of our analyses. The member firms of KPMG International can also include local procedures to comply with professional, legal or regulatory requirements.

Our methodology encourages engagement teams to exercise professional skepticism in all aspects, from audit planning to execution. To support them in this process, KAM provides procedures for identifying and assessing the risk of material misstatement and procedures for dealing with those assessed risks.

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

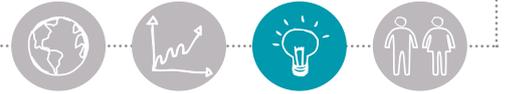
Its policies and procedures are specific to the Audit practice and are supplemented by the requirements set out in the Global Quality and Risk Management Manual (GQ&RM Manual), which is applicable to all KPMG

International member firms, functions and personnel. The provisions of International Standard of Quality Control I (ISQC-I) are addressed through KAM and implemented at member firms through the Q&RM Manual.

Our audit methodology is supported by eAudit, an electronic tool used by our Organization, which provides auditors from member firms worldwide with the methodology, guidelines and industry knowledge necessary to conduct efficient and high-quality audits.

The eAudit workflow provides teams with immediate access to relevant information at the right time during the audit, thus increasing efficiency and value for our clients. The main activities included in the eAudit work flow are:





## Engagement set up

- Engagement acceptance and scoping
- Team building and scheduling



## Risk assessment

- Understand the entity and identify and assess risks
- Plan for the involvement of specialists, including experts, internal audit, service organizations and other auditors
- Evaluate, design and implement the selected controls
- Assess risk and discuss planning
- Determine the audit strategy and planned audit approach



## Delivery

- Update risk assessment
- Perform completion procedures, including overall reviews of the financial statements
- Perform overall assessment, including assessment of significant findings and issues.
- Communicate with the individuals responsible for governance (for example, the Audit Committee)
- Form the audit opinion



## Tests

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

### Monitoring

Monitoring procedures complete the five groups of 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.

The assessments to which we are periodically subject, and for which we have always received adequate ratings, are:

#### Risk Controls Checklist (RCC) -

Annual verification performed by KPMG International on internal controls, procedures, practices and global training.

**Quality Review Programs** - Annual review performed on Audit, Tax and Advisory work to verify conformity to our standards and required professional regulations.

**Peer Review** - A local review required by the Federal Accounting Council, which consists of an external peer review of our work every four years (i.e. conducted by another audit company of the same size, and supervised by representatives from Brazilian regulatory bodies).

#### Review by Public Company Accounting Oversight Board (PCAOB) -

A periodic review established for all companies registered with this organization and providing accounting audit services. The review assesses compliance with the regulations of the PCAOB, a US regulator.

In the period covered by this report, KPMG in Brazil did not incur any sanctions or fines as a result of these reviews.

<GRI PR9>

In addition to these reviews, we also monitor compliance with ethical standards and the integrity of our professionals to identify any deviations in our procedures or the professional standards governing our services. This is conducted by the **Disciplinary Committee**, which is responsible for reviewing any information and documents suggesting potential violations of the rules and policies related to risk management, ethics and integrity and training by any professional, including partners.

If evidence of a violation is confirmed, it is qualified into one of four categories of seriousness (light, medium, severe or very severe) and results in disciplinary

People are our  
main asset, and  
professional  
excellence our  
great heritage





measures that range from simple notification and additional training to financial penalties in variable remuneration and even termination.

KPMG in Brazil provides a **confidential international hotline** for reporting suspected legal, ethical or regulatory violations. Coordinated by an independent supplier, the hotline is open to all our stakeholders 24 hours a day, seven days a week. All reports received are registered and trigger a confidential investigation process, which is also consistent with the legislation in force and our standards and procedures.

During the period covered by this report, no violations were registered by any of our monitoring tools. <GRI SO4>

**Whistleblowing Hotline**

**Brazil:** 0800 891 7391

**Other countries:**

[www.kpmg.com/Global/en/Pages/International-hotline-numbers.aspx](http://www.kpmg.com/Global/en/Pages/International-hotline-numbers.aspx)

**Online:**

[www.clearviewconnects.com/](http://www.clearviewconnects.com/)

**By post:** P.O. Box 11017 –Toronto, Ontario – M1E 1N0, Canada



people  
employer  
of choice

Good treatment  
of employees

Quality  
and fully  
independent  
services





# Our primary investment focus is the high-performance culture

The People Management function at KPMG in Brazil is committed to fostering a high-performance culture so our professionals can achieve their full potential and be fully prepared to perform their work and create value for clients and the Organization. This approach is crucial to driving our teams to have a global and forward-looking vision and provides a favorable environment for contributing to the sustainable development of society as a whole.

We believe our services play a crucial role in this regard due to the very nature of our activities: our people can help companies be transparent in reporting and comply with applicable legislation; they can also improve the efficiency of public services and the robustness of the financial market; and they can promote transparency and ethics in business as a way of creating a society that is fairer and more balanced in its relations.

We are recognized internationally for our ability to attract and generate talent, which requires us to invest all resources necessary to train and develop our professionals. This is crucial to aligning our activities with the other three pillars of our strategy, ensuring professional integrity and ethics, transparency and independent interrelations and quality growth.

Treating our employees well is one of the four key topics identified in our stakeholder survey. For this reason, we focus our efforts on creating a motivating work environment that is conducive to professional and personal development.

## People, Performance and Culture

To support this development, we have established a robust career development plan that provides our teams with constant opportunities to deal with challenges and innovation. Our initiatives focus on attracting and retaining talent through a comprehensive training and development program, promoting diversity, improving quality of life and offering a consistent benefits program.

The People Management function at KPMG in Brazil follows the guidelines established by KPMG International and uses an approach consistent with the specific challenges and needs of our market.

people

means all personnel working at KPMG in Brazil.

Professionals

meaning partners and partner-directors, employees of KPMG's technical and administrative departments (registered in accordance with Brazilian labor legislation) and occasionally apprentices.

We ended financial year 2013 with

3,657 people

including:

### 3,439 KPMG professionals

- **3,146** are employees hired under the Consolidated Labor Regulations (CLT);
- **279** are partners and partner-directors;
- **14** apprentices.

### 210 third-party employees

with no employment relationship with KPMG, mainly allocated to infrastructure support services

### 8 temporary members

#### Total of KPMG in Brazil people <GRI LA1>

Cities/offices	Permanent contract (CLT)			Partners and partner-directors		
	2013	2012	2011	2013	2012	2011
São Paulo	1,817	1,842	1,780	186	179	153
Rio de Janeiro	468	457	509	37	28	30
Other locations	875	1,072	1,298	56	56	60
Subtotal	3,160	3,371	3,587	279	263	243

#### Total of KPMG in Brazil professionals (Permanent Contract + Partners and Partners-directors)

Around 73% of our professionals are concentrated within the São Paulo and Rio de Janeiro offices and we have therefore opted to present the indicators divided into three categories: São Paulo office, Rio de Janeiro office and other offices.

Apprentices are included in the Permanent Contract category. For the detailed number of professionals by category.



Our staff works out of offices we maintain across Brazil, largely concentrated in the South-East, as shown in the chart.

### KPMG in Brazil Professionals Distribution by office

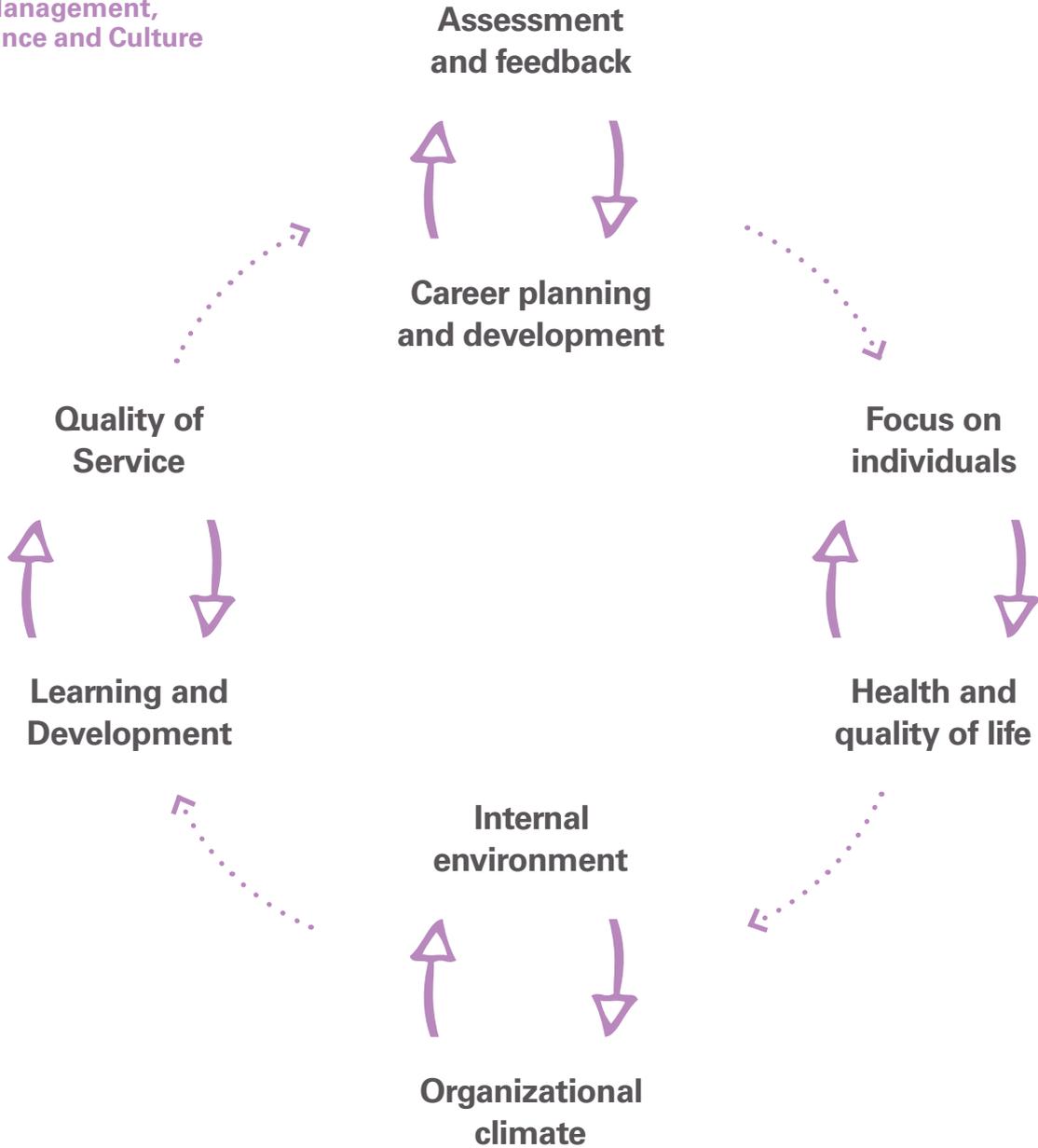


● São Paulo    ● Other offices\*    ● Rio de Janeiro

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

Temporary contract			Third-party			Total Staff		
2013	2012	2011	2013	2012	2011	2013	2012	2011
7	10	8	169	190	187	2,179	2,221	2,128
0	8	6	18	14	15	523	507	560
1	6	9	23	23	18	955	1,157	1,385
8	24	23	210	227	220	3,657	3,885	4,073
						3,439	3,634	3,830

**Foundations of our  
People Management,  
Performance and Culture**





**Quality of Service / Learning and Development**

Professional development is crucial to maintaining the quality of our services, ensuring the growth of the Organization and creating value for our clients. Because of the breadth of our portfolio and due to regulatory requirements, programs in this area are structured to developed general and specific skills according to the

different functions, capabilities and areas of expertise of our professionals.

As the focus of our investment in people, our training and development programs go well beyond the requirements of professional regulations and encourage continuing education through undergraduate, graduate, socialization, language, behavioral training and a range of technical and exchange courses.

**Educational levels of KPMG professionals**

	2013		2012		2011	
	Professionals	%	Professionals	%	Professionals	%
Higher or university education	3,331	96.9	3,536	97.3%	3,726	97.3%
Primary/secondary education	84	2.4	67	1.8%	95	2.5%
Technology	24	0.7	31	0.9%	9	0.2%
<b>Total professionals</b>	<b>3,439</b>	<b>100%</b>	<b>3,634</b>	<b>100%</b>	<b>3,830</b>	<b>100%</b>



This structure is provided with essential support from the KPMG Business School, the organization responsible for planning these programs through classroom-based or online activities. We also maintain Training Centers in São Paulo and Rio de Janeiro, where we centralize training and development activities, facilitating access and reducing team travel requirements and expenses.

Since 2012, KPMG in Brazil has also provided an online education platform for learning management, which offers over 200 courses to our professionals.

In general, our training and courses are divided as follows:

**Corporate training:** Mandatory for all professionals. This training develops behavioral skills and disseminates

corporate standards and policies, such as Risk Management, Ethics & Independence and Data Privacy.

**Core training:** This training develops the technical knowledge and skills necessary for each area of activity, and promotes excellence in providing services. Mandatory for all professionals.

**Professional training courses:** These courses teach concepts related to the methodology for performing services in each professional area.

**Specialization courses:** These courses develop specific subjects recommended by leaders according to the requirements and interests of each professional.

**Differentiated methodology used by the KPMG Business School**  
Training hours

78,782  
E-learning

991  
Virtual Class

154,047  
Classroom-based

### Total investment in training and development

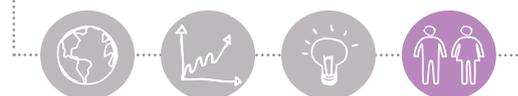
	2013	2012	2011
<b>Time (thousands of hours) – Item “a” only</b>	<b>243</b>	<b>306</b>	<b>366</b>
Financial (R\$ million)	23.4	29.9	24.9
a) Specific investments in technical and behavioral skills	15.5	21.8	18.0
b) Investments in undergraduate, graduate, language, exchange and other programs	7.9	8.1	6.9

In 2013, we invested R\$ 15.5 million in training and developing our professionals, although the average number of training hours per person declined, following the trend over the previous years due to the reduced number of hours dedicated to apprentices and trainees.

For managers, partner-directors and partners, however, we recorded an important increase as shown in the table on page 81.

We ended financial year 2013 with 70.7 hours of training per person, compared with 84 in the previous

period. This figure is still much higher than the average 40 hours per year established by the Federal Accountancy Council (CFC), thanks to initiatives such as a voluntarily extending our Continuing Education Policy to Administrative professionals.



## Hours invested in training and development <GRI 4.7 / LA10>

### Technical team

	2013			2012			2011		
	Hours	People	Average	Hours	People	Average	Hours	People	Average
Apprentice	174	5	34	398	7	57	509	5	102
Trainee	66,905	778	86	141,663	1,047	135	110,355	1,111	99
Staff	98,506	1,439	68	92,915	1,421	65	135,656	1,369	99
Manager	26,934	428	62	23,427	420	56	37,116	340	109
Partners and partner-directors	20,588	246	83	18,405	230	80	25,422	217	117
Subtotal technical team	213,107	2,896	73	276,808	3,125	88	309,058	3,042	101

### Administrative team

	2013			2012			2011		
	Hours	People	Average	Hours	People	Average	Hours	People	Average
Apprentice	398	9	44	546	4	136	1,019	16	64
Trainee	161	4	40	287	10	29	0	0	0
Staff	24,138	449	53	24,645	424	58	42,157	668	63
Manager	3,095	48	64	2,196	38	58	8,293	78	106
Partners and partner-directors	2,231	33	67	1,878	33	57	5,117	26	197
Subtotal administrative team	30,023	543	55	29,552	509	58	56,586	788	72

<b>Total</b>	<b>243,130</b>	<b>3,439</b>	<b>70</b>	<b>306,360</b>	<b>3,634</b>	<b>84</b>	<b>365,644</b>	<b>3,830</b>	<b>95</b>
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Only training hours actually taken are included. Temporary staff have not been included, although 197 hours of training were provided to this category during financial year 2013 (an average of 25 hours per professional).

Annually, all processes of the KPMG Business School undergo a Quality Review, which is an internal audit.

### Annual Trainee Program

KPMG in Brazil also invests consistently in developing young talent through our Trainee Program. In 2013, more than 45 thousand candidates participated in the selection process and 370 were hired to work within the Organization. These are very significant figures, especially compared with other firms, which also demonstrates people's keen interest in working at our Organization.

All trainees attend an intensive training program before they start working in different commercial areas, with the aim of developing our principles and quality standards, in addition to our corporate citizenship values. In Audit, the program has a duration of 113 hours.

### Mobility and exchange

Learning about KPMG International's global structure and having the opportunity to experience other cultures are very real possibilities for professionals at our Organization. Our leaders strongly encourage exchange programs and acquiring experience in other countries, so all staff can evolve and further develop their careers.

The exchange of knowledge and practices with other member firms of the Organization is formalized in our training and development policies. This is provided through our Mobility Program, an initiative that offers four ways in which our professionals can acquire a broad and in-depth understanding of our global structure.

### Number of new hires in the KPMG Annual Trainee Program

2013	2012	2011
370	530	714

### Mobility Program

Program	Duration	Participating professionals		
		2013	2012	2011
Global Opportunities	1 month to 3 years	20	19	21
Global Internship Program	1 month	0	8	8
TaxTrek	2 to 3 months	6	8	4
United States Mobility Program (USMP)	18 months	1	1	na





KPMG's global target is to achieve 25% women partners by 2015

#### Developing leaders

KPMG in Brazil offers dedicated training and development programs for senior leaders, preparing our professionals to succeed the Organization's key executives. In Chairman 75, a group of 75 KPMG partners worldwide, all aspiring to important positions within the Organization, met at quarterly events to discuss important issues and leadership responsibilities. The program has a duration of one year and a half and also involves CEOs from other firms and external consultants, in an environment that is highly favorable for sharing professional experience.

Another initiative designed for our leadership is the Partner Development Program (PDS), which involves all leaders and provides two options:

university training on subjects such as innovation, business management, international business, people management and sustainability; or training provided by a specialist consultancy on subjects such as leadership styles, strategy and communication. In 2013, 29 partners participated in the Partner Development Program. <GRI 4.7>

#### Diversity

Our approach to diversity is based on our value of "respecting people for who they are" and its broader objective is to create an environment that is free of discrimination, welcomes diverse opinions and safeguards the rights of each individual, regardless of personal characteristics such as race, color, religion, gender, nationality, special needs or marital status. These principles are further reinforced by our Code of Conduct and by merit-based compensation and promotion policies.

Globally, KPMG's Network of Women (KNOW) encourages the professional development and retention of women within the Organization by offering the resources and conditions necessary to



provide them with the opportunity to develop professionally. KPMG in Brazil have played an important role in this group through our leaders and a range of initiatives that promote gender equality, such as our internal mentoring program and the active participation of our leaders in specific forums, such as *CRC Mulher*, *IBEF Mulher*, *Movimento +Mulher 360*, LIDE and Women Corporate Directors (WCD). In 2013, as many women were promoted to partner as men. Globally, KPMG's target is to achieve 25% women partners by 2015.

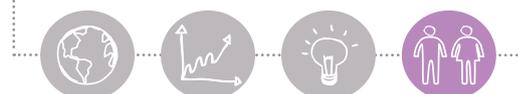
Our efforts in this regard are also based on the Women's Empowerment Principles, a joint initiative of the Global Compact and the United Nations Development Fund for Women (Unifem), of which we are signatories. Our participation in this group also provides access to a large network for sharing policies and good practices relating to gender equality and women's development.

#### Ratio of basic salary of women to men \* <GRI LA 14>

Group	Category	2013 Ratio*	2012 Ratio*
Technical	Apprentices	1.00	1.00
	Trainees	1.00	1.00
	Staff	0.89	0.90
	Managers	0.98	0.98
	Partner-directors	0.99	0.97
Administrative	Apprentices	1.00	1.00
	Trainees	0.94	**
	Staff	1.02	1.01
	Managers	0.86	0.80
	Partner-directors	0.99	0.99

\* Uses the average basic salary for each category, by gender, and states the ratio of basic salary of women to men.

\*\* There were no female trainees in the administrative group in 2012.



Diversity is also encouraged at KPMG in Brazil through *Grupo Inklusão*, which brings together people from different departments to facilitate and promote hiring and placing people with special needs in the Organization. This has led to the creation of an interaction manual for our staff, in order to communicate appropriate forms of interaction through information made available on the Internet, institutional videos and in internal newsletters.

In 2011, *Grupo Inklusão* initiated an innovative project that incorporated this aspect into the trainee program, enabling us to establish a selection process and recruit people with special needs into our staff. The initiative was initially effective and nine people with special needs were hired into

administrative areas, but the challenges faced in finding skilled labor in the Brazilian market prevented the project from achieving the same results in subsequent years.

We also found it difficult to deliver on our pilot program to train people with special needs, which was also delayed from 2011 to 2012 due to implementation issues. Throughout 2013, we remained in contact with organizations supporting people with special needs. While we have not achieved immediate results, this has created an important channel for us to improve this indicator and provide opportunities for people with special needs.

Other initiatives of *Grupo Inklusão* have resulted in accessibility improvements at our offices to ensure professionals with limitations are not adversely affected in our work environment. We also work continuously to raise awareness among our staff through specific and targeted initiatives. In 2013, 1,358 professionals participated in e-learning programs on Diversity and Inclusion. In addition, we sponsored a program developed by APAE SP, called Paths to inclusion, aiming to generate opportunities for young people with intellectual disabilities to develop the skills required to find jobs.

#### Local hiring

It is a way to promote development in the communities where we operate and incorporate knowledge of regional culture in our business. At KPMG in Brazil, 91% of senior leadership are Brazilians. When considering São Paulo, Rio de Janeiro and other states where we operate, the percentage of senior leadership from their state of origin is 71%, 75% and 50%, respectively.

#### People with Special Needs

	2013	2012	2011
Administrative	24	27	29
Technical	12	11	17
<b>Total</b>	<b>36</b>	<b>38</b>	<b>46</b>

#### Local hiring <GRI EC7>

Location	Total partners and partner-directors			Partners and partner-directors who work in their home States					
	Absolute number			Absolute number			Percentual		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
State of São Paulo*	209	197	181	149	144	135	71%	73%	75%
State of Rio de Janeiro*	36	29	34	27	22	22	75%	76%	65%
Other States*	34	37	28	17	18	11	50%	48%	39%
<b>Total Brazilian partners and partner-directors</b>	<b>279</b>	<b>263</b>	<b>243</b>	<b>255</b>	<b>229</b>	<b>226</b>	<b>91%</b>	<b>92%</b>	<b>93%</b>

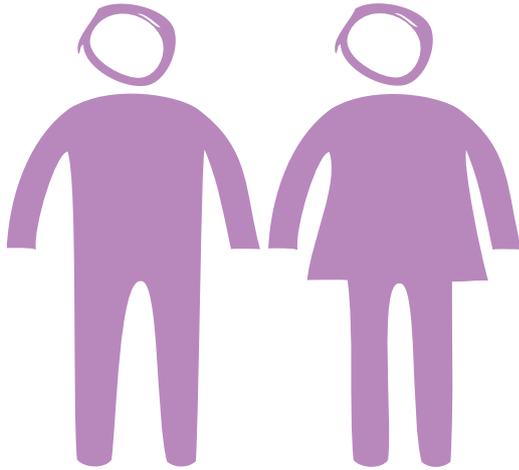
\* São Paulo and Rio de Janeiro are the states with the highest number of partners and partner-directors in Brazil, which is why we have presented the indicators in three categories: State of São Paulo, State of Rio de Janeiro and other States.

# KPMG in Brazil Professionals

<GRI LA1 / LA13>

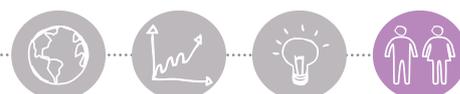
## Total professionals by age group

	Up to 29	30 to 50	Over 50	Total
<b>2013</b>	2,446 71%	929 27%	64 2%	<b>3,439</b>
<b>2012</b>	2,686 74%	889 24%	59 2%	<b>3,634</b>
<b>2011</b>	2,746 72%	1,016 26%	68 2%	<b>3,830</b>



## Total professionals by gender

	Male	Female	Total
<b>2013</b>	1,914 56%	1,525 44%	<b>3,439</b>
<b>2012</b>	2,029 56%	1,605 44%	<b>3,634</b>
<b>2011</b>	2,167 57%	1,663 43%	<b>3,830</b>



## Administrative team

By gender

	2013			2012			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Trainees	75%	25%	4	100%	0%	4	0%	0%	0
Apprendices	34%	66%	9	30%	70%	10	44%	56%	16
Staff	34%	66%	449	34%	66%	424	44%	56%	668
Managers	42%	58%	48	39%	61%	38	62%	38%	78
Partners and partner-directors	63%	37%	33	70%	30%	33	62%	38%	26
<b>Total administrative team</b>	<b>37%</b>	<b>63%</b>	<b>543</b>	<b>37%</b>	<b>63%</b>	<b>509</b>	<b>46%</b>	<b>54%</b>	<b>788</b>

## Administrative team

By age

	2013				2012				2011			
	Up to 29	30 to 50	Over 50	Total	Up to 29	30 to 50	Over 50	Total	Up to 29	30 to 50	Over 50	Total
Trainees	100%	0%	0%	4	100%	0%	0%	4	0%	0%	0%	0
Apprendices	100%	0%	0%	9	100%	0%	0%	10	100%	0%	0%	16
Staff	58%	37%	5%	449	59%	37%	4%	424	69%	28%	3%	668
Managers	8%	91%	4%	48	5%	92%	3%	38	9%	91%	0%	78
Partners and partner-directors	0%	75%	25%	33	0%	79%	21%	33	0%	81%	19%	26
<b>Total administrative team</b>	<b>51%</b>	<b>44%</b>	<b>5%</b>	<b>543</b>	<b>53%</b>	<b>42%</b>	<b>5%</b>	<b>509</b>	<b>61%</b>	<b>35%</b>	<b>4%</b>	<b>788</b>

## Technical team

By gender

	2013			2012			2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Trainees	51%	49%	778	51%	49%	1,047	50%	50%	1,111
Apprentices	20%	80%	5	43%	57%	7	80%	20%	5
Staff	55%	45%	1,439	57%	43%	1,421	58%	42%	1,369
Managers	69%	31%	428	68%	32%	420	72%	28%	340
Partners and partner-directors	89%	11%	246	88%	12%	230	89%	11%	217
<b>Total technical team</b>	<b>60%</b>	<b>40%</b>	<b>2,896</b>	<b>59%</b>	<b>41%</b>	<b>3,125</b>	<b>59%</b>	<b>41%</b>	<b>3,042</b>

## Technical team

By age

	2013				2012				2011			
	Up to 29	30 to 50	Over 50	Total	Up to 29	30 to 50	Over 50	Total	Up to 29	30 to 50	Over 50	Total
Trainees	99,5%	0,5%	0%	778	100%	0%	0%	1,047	100%	0%	0%	1,111
Apprentices	100%	0%	0%	5	100%	0%	0%	7	80%	20%	0%	5
Staff	89%	10,8%	0,2%	1,439	88%	12%	0%	1,421	80%	19%	1%	1,369
Managers	25,2%	74,3%	0,5%	428	28%	72%	0%	420	15%	84%	1%	340
Partners and partner-directors	0,5%	87,5%	12%	246	0%	87%	13%	230	0%	86%	14%	217
<b>Total technical team</b>	<b>75%</b>	<b>24%</b>	<b>1%</b>	<b>2,896</b>	<b>77%</b>	<b>22%</b>	<b>1%</b>	<b>3,125</b>	<b>74%</b>	<b>25%</b>	<b>1%</b>	<b>3,042</b>



**Assessment and feedback /Career planning and development <GRI 4.10 / LA12>**

KPMG in Brazil’s career development policy follows the Organization’s global guidelines and is based on the principles of merit and equal opportunities. Performance assessments are conducted annually with the aid of tools that assist in identifying strengths and areas for improvement in technical and behavioral aspects.

In relation to senior leadership, professionals whose performance most effectively contributes to the Organization’s results are recommended as partners and are evaluated by an independent

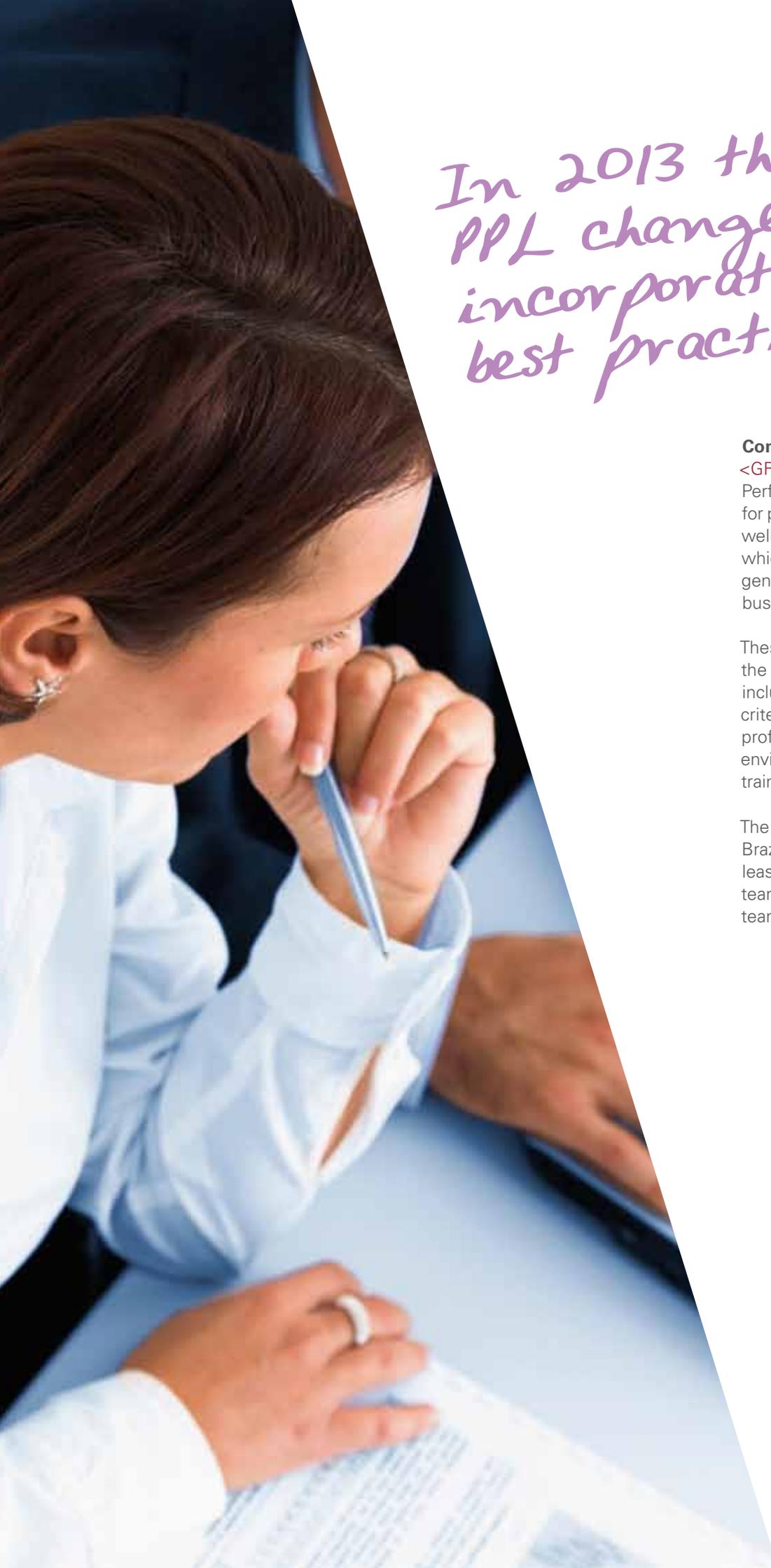
consultancy, by the members of the Executive Committee in Brazil and by Senior Partners at KPMG International.

In 2013, our assessment tool, Dialogue, was replaced with My Performance Development (MyPD), which improved our assessment and feedback process. During the period, 97% of eligible staff (a total of 2,921 people) participated in this process. We also have a 360° assessment in place for partners, partner-directors and managers, in which their superiors, peers, subordinates and internal clients participate. The 360° assessment was taken by 96% of the professionals falling under this category, involving a total of 693 people.

**Number of promotions**

	2013	2012	2011
Staff	1,900	1,954	1,872
Staff to manager	86	90	106
Manager to senior manager	52	35	78
Senior manager to partner-director	19	23	26
Partner-director to partner	4	12	13
<b>Total</b>	<b>2,061</b>	<b>2,114</b>	<b>2,095</b>





*In 2013 the PPL changed to incorporate market best practices*

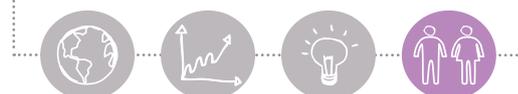
### **Compensation**

<GRI EC5>

Performance assessments are a basis for promotions and salary increases, as well as for the Profit-Sharing Program, which also takes into account the general results of the Organization, the business unit and the professional.

These principles are also used to define the compensation received by partners, including the chairman, as well as criteria such as the Organization's profitability in business, social and environmental targets (the latter for training purposes). <GRI 4.5>

The lowest salaries paid by KPMG in Brazil during financial year 2013 were at least 21% higher, for the administrative team, and 41% higher, for the technical team, than the national minimum salary.



## Ratio of lowest salary at KPMG in Brazil to national minimum salary

### Technical team

	2013	2012	2011
<b>Office (major operational unit)</b>			
São Paulo	41%	42%	38%
Rio de Janeiro	98%	100%	128%
Other units	132%	142%	132%

### Administrative team

	2013	2012	2011
<b>Office (major operational unit)</b>			
São Paulo	33%	38%	29%
Rio de Janeiro	21%	17%	35%
Other units	39%	55%	69%

In 2013 the Profit Sharing Plan was revised to include criteria reflecting the particularities of our Organization's different businesses and industry good practice.

Throughout the year, the Profit Sharing Plan assesses targets in the MyPD system and the overall results achieved by the Organization, business unit and professional. The new model is designed to be self-funded (rewards are distributed when financial targets are achieved), transparent (with clear communication of the program and interim results), participative (employees follow results and provide suggestions for improvement through the commission) and developmental

(rewarding the best results and individual performance).

The Program includes an Employee Commission that actively participates in defining its rules, following guidelines effective from 2013. KPMG in Brazil's executive committee was responsible for establishing the funding for profit-sharing payments in accordance with the Corporate Governance model in place at the Organization.

<GRI EC3>

Plan name  
KPMG Prev  
(Private Pension Fund)

Type of plan (Defined Benefit - DB, Defined Contribution - DC, other)  
DB

Total professionals (CLT + partners and partner-directors)  
3,425

Number of participants  
3,425

Contribution by professional - Voluntary (percent of basic salary)  
5% to 10%

Contribution by employer - Compulsory (percent of basic salary)  
8% for all professionals exceeding the UP amount (R\$ 3,467.00)

Percentage of participants out of total professionals  
100%

Level of participation in plan  
National / Annual

Closed-end fund?

Yes / No  
Yes

## Focus on individuals/ Health and quality of life

<GRI LA3>

Our quality of life program encourages healthy habits, well-being and care for body and mind, encouraging staff to balance their work and personal life.

**MyLife** has three main pillars: **Culture and Entertainment**, with special programs, options and discounts at artistic and cultural events; **Health**, providing discounts at fitness centers and pharmacies; and **Facilities**, in which we offer services that facilitate the daily routine of our professionals, such as partnerships with restaurants, shops and hairdressers.

Of the initiatives being considered for feasibility in 2013, the following were implemented:

- Hiring of a health and safety management technician, with greater participation from our professionals in these matters.
- Pilot jogging/walking group. In 2013, we supported several groups of professionals who participated in marathons and races in a few states

of Brazil. In 2014, we will invest in a more structured calendar with more activities.

- Nutritional education program. The first step was initiated in 2013 and is still ongoing with the development of an e-learning program addressing this subject. In 2014 we will develop an additional project to encourage nutritional education.
- Retirement preparation program. The concept of the program was further refined throughout 2013 and we expect to launch the program in 2014 for all professionals ages 55 and over and nearing retirement.
- Ergonomics assessment, identifying a number of improvements at workstations, currently pending approval.

Further partnerships within the Facilities pillar are planned for 2014 to expand our relations with consumer goods suppliers, and we also plan to develop an Intranet portal advertising discounts and special promotions for KPMG in Brazil professionals.



## Benefits

We offer a series of benefits that contribute to our professionals' well-being.

Benefits	Beneficiaries
Fitness centers	All professionals
Health insurance	All professionals
Dental insurance	All professionals
Day care allowance	Local collective bargaining agreement - Provided for mothers. Also for fathers who are guardians of the relevant child
Annual medical check-up	Partner-directors and partners
Parking	From senior analyst level
Incentive for graduate courses	From manager level
Language course	All professionals, except "E" level positions
Financial incentive for professionals fluent in English, Spanish or Japanese	All professionals from the technical function who provide evidence of fluency
Life insurance	All professionals
Payroll loans	All professionals after 12 months of CLT employment
Subsidy for fees paid to professional organizations (registration fees, transfers and annuity)	All professionals
KPMG Prev (complementary retirement plan)	All professionals
Profit sharing program (PPL)	All professionals hired under the CLT regulations, observing the target achievement and eligibility policy
Food allowance	All professionals – specific amount per office
Wedding gift	All professionals after 12 months of CLT employment
Transportation passes	All professionals
Incentive for undergraduate courses	All professionals
Drugstore facility	All professionals employed under CLT system
Birth gift	All professionals
Kfleet (car leasing)	All managers and senior managers from 2014 on

## Internal environment / Organizational climate

To understand the needs and views of our staff in relation to the Organization, every two years we conduct a Global People Survey that measures the motivation and satisfaction of professionals at KPMG in Brazil. Based on the results, each department's leaders and respective *business partners* (Human Resources) design specific action plans aimed at improving these indicators.

The previous survey was conducted at the start of the 2012-2013 financial year and enjoyed 83% participation, with 2,600 professionals responding.

Based on the results from the last survey, we began implementing a number of action plans in 2013 in order

to meet the expectations and needs of our various internal stakeholders. One such initiative was the creation of a Leadership Development Program designed to deepen the knowledge of managers about the tools and methodologies specifically used for team management. Comprising eight modules, the program will run from April 2014 and already includes Tax managers and Audit managers in Campinas. The goal is to extend the program to other areas in the future so all can develop self-confidence and self-awareness.

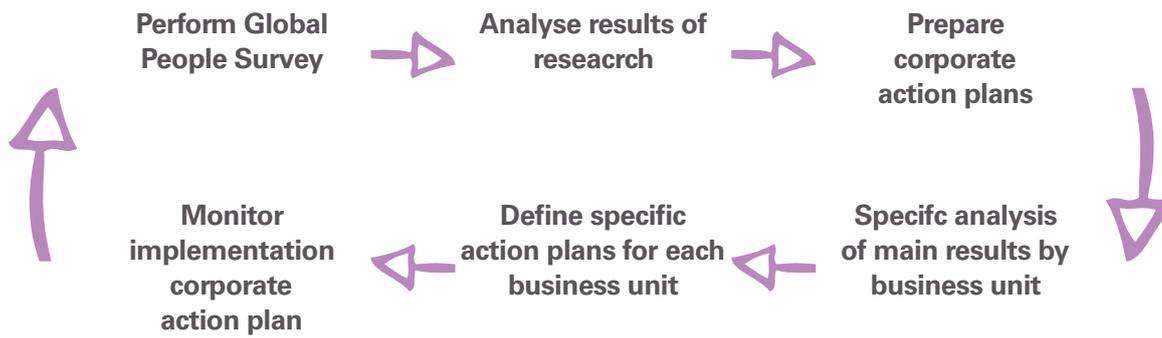
Other action plans also implemented throughout the year fall within four main aspects: Performance Development (including a larger number of behavioral courses, a review of our core training and expansion of e-learning modules); Recognition and Rewards (including

a review of meal voucher amounts, a new variable compensation model, the implementation of Kfleet leasing car benefit on 2014 for some categories, a salary survey and improvement in feedback quality). Relating to this aspect, KPMG in Brazil traditionally holds a "Seniority Celebration" in recognition of our professionals after five years working at our Organization; Client Focus (including changes in the satisfaction survey and the launch of an internal service satisfaction survey); and Communication (including the creation of the GPS seal and blog, communication agents, a Profit Sharing Plan portal and local presentation of results).



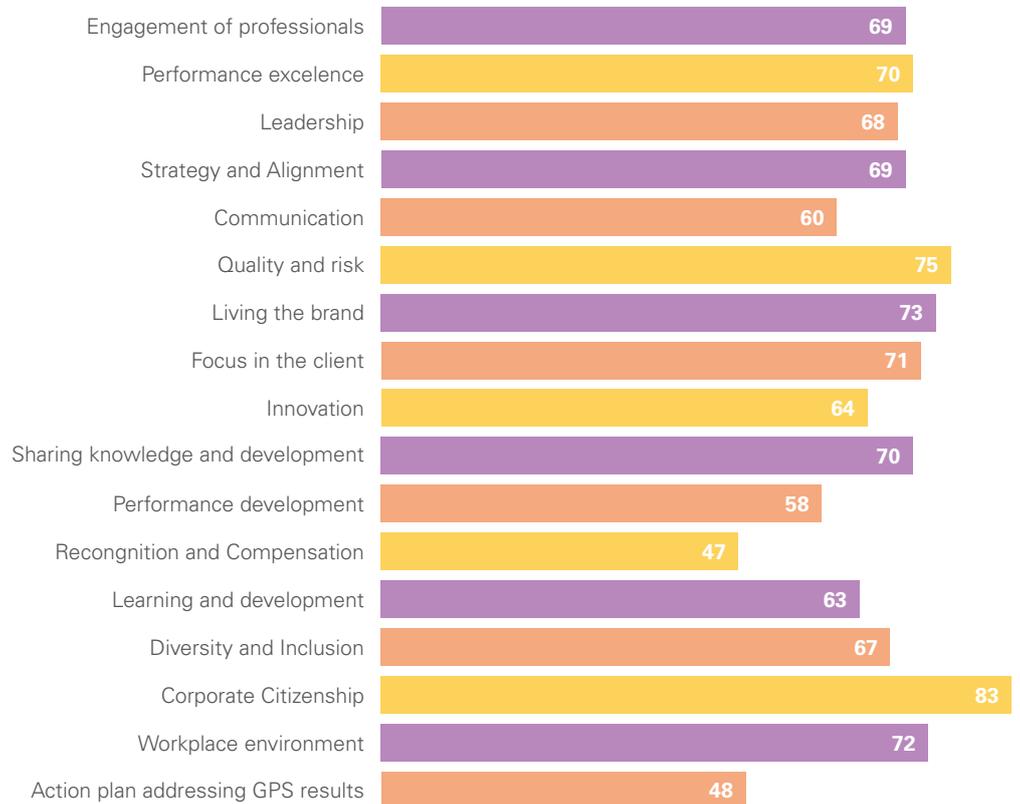


## Stages of the Global People Survey (GPS)



## Global People Survey Results – Brazil 2012

(satisfaction percentage – escale of 0 to 100)



*Corporate  
citizenship*



# It is also our role to raise standards of corporate social responsibility

<GRI 4.12 / EC8>

## Global

The wide-reaching presence of KPMG International member firms and the experience we acquire from each engagement make us uniquely positioned in the business world, but also impose an obligation to use our skills and expertise to face a challenge that large corporations increasingly face. Amid a crisis, which is not only financial, but also of credibility, we can and must focus our efforts on raising social and corporate responsibility standards in order to regain society's confidence in the public and private sectors, which account for most of our clients.

This means our role in society is defined by the services we provide and, especially, by the way we engage

with our stakeholders. It is against this backdrop that aspects such as ethics, integrity and transparency come into play, all of which are vital to our business and underpin our four strategic pillars. This is also the context surrounding the Corporate Citizenship team, which is responsible for influencing the strategy of KPMGI member firms based on our values and vision.

These actions are in line with a set of international initiatives promoted by the United Nations and the World Economic Forum, to which KPMG International has voluntarily subscribed.

Our actions are guided by some of the United Nations and the World Economic Forum initiatives



### United Nations (UN)

**Global Compact** – We have been signatories of the Global Compact since 2002 and we actively seek to ensure that our actions are strongly aligned with the commitments established in this document – ten principles addressing themes such as human rights, labor rights, the environment and anti-corruption.

### Millennium Development Goals –

We are also aligned with the eight Millennium Development Goals, an initiative aimed at encouraging people and companies to act in favor of positive changes in their local communities. Globally, KPMG member firms focus their efforts on the three first goals: eradicating extreme poverty and hunger, achieving universal primary education, and promoting gender equality and empowering women.

KPMG International actively participates in debates around the Sustainable Development Goals, which will replace the Millennium Development Goals from 2015 and were included in the final document from Rio+20. In general, these goals cover three primary values: respect for human rights, equality and sustainability.

### Leadership Development Program (LEAD)

– As part of KPMG International's engagement in UN initiatives, we continually seek to influence government policy to ensure equality. This has led us to play a leading role on other fronts and, since 2011, we have been members of the Leadership Development Program (LEAD), a sustainability leadership platform focused on helping companies integrate the ten principles of the Global Compact.

### Guiding Principles on Business and Human Rights

– We have also integrated the Global Compact principles relating to human rights into our strategies and operations worldwide. In practical terms, this led us to revise our Code of Conduct in 2012 and initiate a review of our current procedures and policies, including those relating to client acceptance and procurement.

## World Economic Forum

<GRI SO5>

KPMG International has also implemented several important initiatives from the World Economic Forum, which convenes business and political leaders, intellectuals and journalists to discuss and find solutions to the most pressing issues faced worldwide. These initiatives have underpinned our policies and practices and consolidate new parameters for companies' operations.

In January 2014, in partnership between KPMG in Brazil and the World Economic Forum, a study entitled Emerging Best Practices of Brazilian Globalizers will be presented in Davos to shed light on best practice and the most relevant and innovative corporate citizenship initiatives by Brazilian globalizers.

## Partnership against Corruption

We have been signatories since 2007. In practical terms, this means we have adopted and implemented a zero-tolerance policy on bribery and corruption. We report to Audit Management Committees, regulatory bodies, governments and our clients on the measures we adopt to guarantee that we meet our professional obligations and responsibilities in related aspects.

## The Principles of Responsible

**Capitalism**, to which we subscribed in 2010, integrate good practices into our business, namely:

**Principle 1:** Choosing responsible clients

**Principle 2:** Encouraging responsible behavior among clients

**Principle 3:** Fulfilling our professional duties to our Organization' clients

**Principle 4:** Supporting systemic risk management

**Principle 5:** Engaging with policy-makers

**Principle 6:** Developing a new generation of leaders and professionals

## Future Role of Civil Society

This program works to develop effective cooperation between communities, markets and governments.

Our participation in this program has led to dialogue with non-governmental organizations, faith organizations, labor leaders, business, government and international organizations around common goals:

- Identify the main drivers and trends shaping the environment for society and their regional and global implications
- Understand the implications for roles, responsibilities, and relationships between civil society, business, government and international organizations
- Explore new and emerging opportunities for society and outline a framework for engagement looking forward to 2030.



## Local

The external commitments undertaken by KPMG International directly affect the global strategy for Corporate Citizenship, which is under the responsibility of the International Corporate Citizenship Board. This board is responsible for defining, organizing and disseminating guidelines and monitoring the performance of sustainability practices at member firms, which set out their action plans and targets in accordance with local realities.

Two KPMG International programs align our Corporate Citizenship initiatives with international commitments: the Global Development Initiative (GDI), which deals with issues related to

development and social justice; and the Global Green Initiative (GGI), in which addresses issues related to the environment and climate change.

These strategic objectives have also led to a series of initiatives affecting our communities, including volunteer actions, private social investment, investment under incentive regulations and *pro bono* services.

In Brazil, our Corporate Citizenship strategy has three pillars articulating our initiatives and often creating positive cross effects in locations where we operate: **Education, Development and Environment & Climate Changes.**

### Education

Develop at schools and universities the ability to determine the progress of skills and the potentials 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 foods and work to make the internal public more conscious of adopting sustainable behavior.

## Education

KPMG in Brazil works with schools, universities and non-profit organizations to develop the skills and potential of young people and children during education. This support is provided through private social investment in permanent programs and individual actions enabling us to involve a larger number of beneficiaries.

### “Little Citizen” Project

One of the primary initiatives of our Organization in this regard is the “Little Citizen” Program, which since 1996 has offered 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. The initiative is geared to residents of socially and economically vulnerable communities in São Carlos, São Paulo State, where one of our offices is located.

### Statistics for Little Citizen Project

1996 to 2013

Children benefited	2,720
Families indirectly benefited	13,600
Art and education activities (hours - class)	23,534
Sports activities (hours - class)	39,454
Library activities and digital inclusion – inauguration of library in 2000 (hours - class)	7,849
Lending of books and issues from the library	34,612
Additional tutoring activities – research groups (hours - class)	12,356
Dental appointments	2,687
Meals served	933,528
Referral of adolescents trained in vocational courses	428



The objective is to develop self-esteem, strengthen family ties and further the intellectual development of students, improving their prospects for the future and ability to compete in the job market. Program activities are hosted at the University of São Paulo (USP), with KPMG in Brazil contributing in different ways to further improve the program. In addition to an investment of R\$ 762 thousand, we follow the program's progress and act as consultants to the pedagogy and coordination team. Children also visit our offices in São Carlos and São Paulo, and our professionals in São Carlos also perform pro bono audits on project accounts.

Top-performing students in the "Little Citizen" Program also compete for the **Bessan Award**, which provides secondary education grants at a private school in São Carlos. In 2013, four students received grants and the investment was approximately R\$ 54 thousand. Similarly, a pilot program implemented in 2012, called

**Núcleo Aprendiz**, offers young people who have completed the "Small Citizen" Program the opportunity to attend courses on the labor market, preparing them for interviews and employment and in general hosted at Sesi and Senac. The partnership does not generate any additional costs for the project or the students. In 2013, adding to the opportunities provided by *Núcleo Aprendiz*, a partnership established with Em Cena Produções benefited 43 students in a program called *Projeto Júpiter - Editando o Futuro*, which provides practical training on video, image and sound editing. Also in 2013, KPMG in Brazil's Corporate Citizenship Department offered the assistance of a team of consultants to help the program develop performance indicators to assess results and identify strategies.

### Enactus

KPMG International is the official sponsor of the Enactus World Cup. Enactus, (formerly Sife), is a global nonprofit institution operating in 39 countries. It mobilizes university students with strong entrepreneurial skills to develop programs for the benefit of their communities, with a focus on sustainability and social empowerment.

Many member firms across the world support the institute locally to promote future leaders' engagement with their communities' most pressing issues. In addition to an annual contribution of R\$ 60 thousand, KPMG professionals in Brazil participate in the Steering Committee, audit the results of the National Competition and advise the participating teams, when requested. We also provide three flights for the Enactus Brazil winning team to represent the country at the World Cup.



### **Junior Achievement (JA)**

KPMG in Brazil's involvement with Junior Achievement (JA), which provides practical education on economics and business, began in 2002 and grew in 2009 when we became national sponsors.

The initiative aims to develop an enterprising spirit in public school students, support personal development and provide them with a clear picture of the business world, facilitating their access to the job market. Since 2009, we have encouraged our professionals to work as volunteers in implementing programs and we have since seen important results. In 2013, in addition to a financial contribution of R\$ 230 thousand, 1,293 hours were donated by 107 volunteers from 15 offices, who got involved in the program and benefited 1,315 students. Our medium-term goal is to include all offices of our Organization in the program activities.

### **Biodiversity in your rucksack – WWF Brazil**

<GRI SO5>

The program was created in 2011 to provide environmental education on the Cerrado biome and is expected to benefit around 15 thousand public school students in Pirenópolis, Goiás. The initiative is sponsored by KPMG in Brazil and run by WWF Brasil, with support from *Instituto de Permacultura e Ecovilas do Cerrado* (IPEC), and the results will be presented by WWF Brazil to the ministries of Education and the Environment. The goal is to include these findings in the development of public policy on environmental education, and to possibly extend the project to other Brazilian biomes.

In 2013, a change in the staff from WWF Brazil assigned to the program led to changes in the scope and a delay in relation to the initial schedule, and for this reason the results achieved will be published in 2014. Our organization provided no financial investment throughout 2013.

Professionals from 15 offices were volunteers in the Junior Achievement programs

## Development

Our Development actions are based on the principles of the Global Development Initiative (GDI), which focuses on promoting social justice and supporting sustainable projects. The aim is to collaborate in improving living conditions in our communities through initiatives on different fronts.

### **Pro bono services or compensation**

<GRI EC8>

Among our most important initiatives is the provision of pro bono audit services to tertiary sector organizations that contribute to mitigating or solving social challenges. Our services incorporate professionalism into management, and credibility and transparency into the financial statements of these institutions.

This work is subject to the standard procedures for acceptance of clients and the same methodology, quality and independence offered to paying clients. The amount for the services provided is paid by the Corporate Citizenship team to the KPMG in Brazil area responsible for the service and the organization benefited agrees to undertake an initiative previously agreed as compensation for the services provided.

Tertiary sector organizations benefited by pro bono/compensation services in 2013:

- Ação Comunitária – São Paulo (R\$ 44 thousand)
- Associação Portaldajuda – São Paulo (R\$ 15 thousand)
- Fundação Gol de Letra – São Paulo and Rio de Janeiro (R\$ 60 thousand)
- Instituto Ling – Porto Alegre (R\$ 17 thousand)

### **Private social investment**

Private social investments are another front aligned with our strategy of promoting social development. In addition to the recurring projects previously described under Education, also noteworthy is KPMG's global partnership with UNICEF. In Brazil, in 2011, this partnership led to the creation of an online database containing key social statistics related to children and teenagers, geared to students, researchers and the general public. The website, called InfoCriança, is available for free and came online in 2012.

Also in 2012, the partnership between KPMG in Brazil and UNICEF led to our supporting the Platform for Urban

Centers, which develops concrete actions to ensure children's rights are upheld in accordance with the principle of the Statute on Children and Adolescents. The goal is to mobilize municipal governments and create synergies between government policies and civil society programs for children and teenagers.

The Platform for Urban Centers is expected to set the standard for the development of similar initiatives in Brazil and globally, as it facilitates convergence between initiatives of the government and civil society, with support from the private sector, in an effective model for social development. KPMG in Brazil invested R\$ 50 thousand in the initiative and results will be monitored by the Corporate Citizenship team.

Another program involving a number of international partners, including KPMG International and 14 member firms, is Millennium Villages. This program aims to create solutions for the development of ten cities in sub-Saharan Africa facing issues such as hunger, disease and illiteracy. The initiative began in 2011 and investments of US\$ 5 thousand per year, per member firm of KPMG, are planned. In 2013, we contributed approximately R\$ 11 thousand.

## Fiscal Incentive Laws

### GRI EC4

KPMG in Brazil is abreast of the opportunities offered by the Government to encourage the allocation of resources to cultural projects and institutions that offer services to the community. Every year we assess projects that are aligned with our Corporate Citizenship and Marketing strategies.

#### **Instituto de Reciclagem do Adolescente (Reciclar)**

A non-profit organization whose mission is to provide professional educational and learning opportunities to young people in a position of vulnerability and social risk, which promotes their self-esteem, social inclusion and full exercise of their citizenship. The Institute benefits approximately 150 young people from the community of Jaguaré in São Paulo every year, directing them to the labor market after five years of solid humane and professional training. **Investment:** R\$ 20 thousand via FUMCAD.

#### **APAE SP – “Paths to inclusion”**

This project seeks to create opportunities for young people with intellectual disabilities to develop the skills needed to find jobs. **Investment:** R\$ 20 thousand via FUMCAD.

#### **Associação Anhumas Quero-Quero**

Develops initiatives for the cultural, social, psychological, cognitive and affective development of 180 children and adolescents from impoverished neighborhoods in Campinas. The project improves the quality of life of these children and helps turn them into good citizens. **Investment:** R\$ 4 thousand via FUMCAD.

#### Social Investment via fiscal incentive laws (R\$)

2013	2012	2011
283,072	400,364	143,877

#### **Cultural Book – The Earth, Water, Air and Fire Program: “Fire and Man”**

A series of four books which aim to show man’s interaction with these four elements of nature. We published the third book in the series, “Man and Water” in 2013, which was given to our clients as a year-end gift. **Investment:** R\$39 thousand via the Rouanet Act and R\$364 thousand via private investment.

#### **Cultural Project 2013 Dance Season at the ALFA Theater**

Supports cultural development and relations with the Organization’s clients. **Investment:** R\$ 200 thousand via the Rouanet Act and R\$ 20 thousand via private investment.



### **Voluntary work**

In addition to working in the Junior Achievement programs, our professionals can also participate in two other activities that occur annually. On KPMG Community Day, we encourage our professionals from all offices in Brazil to engage in corporate citizenship actions aimed at understanding the specific needs of our communities.

We also offer the Trainee Challenge, launched in 2008 as part of the Training Program for newly hired trainees. The goal is to integrate them into KPMG's corporate citizenship culture and challenge them to cater to the various needs of our communities. They engage in activities such as donating blood, helping the elderly, adolescents and children, education, revitalizing common areas in public and private institutions, environmental awareness, amongst others. The Trainee Challenge was not held in 2013 due to a change in the training schedule. However, we are currently considering a new approach so the Challenge can be re-introduced into our agenda in 2014.

### Nonrecurring programs and emergency and disaster response

Our ability to mobilize and act in response to events involving natural disasters and other emergencies positions us to contribute and bring comfort to affected people. We can also assist in managing the process of recovering affected communities through a planning system coordinated by KPMG International's global head of Corporate Citizenship.

### Results for KPMG Community Day

	2013	2012	2011
Volunteers engaged	551	950	493
Social institutions served	28	27	21
People potentially benefited	1,168	1,120	1,200

### SOS Santa Maria

We contributed R\$ 4 thousand on gelled alcohol for the victims of the tragedy in Santa Maria in 2013.

### Winter Campaign

In São Paulo, we donated R\$ 11.5 thousand to the Soup Group (Turma da Sopa), giving items such as 1,500 blankets and 825 kilos of food. Of this total, approximately 70% were donated by our professionals, in addition to 1,000 articles of winter clothing. The Soup Group assists those living in the streets who are at risk, carries out assessments and makes referrals for treatment and drug detoxification for drug-addicted individuals. In Brazil, another eight offices were mobilized in similar initiatives, benefiting local charities.

### Caring Christmas

We donated R\$ 14 thousand to the "Caring Christmas" campaign in São Paulo, which included a Christmas party for the benefited senior home and day care center, a storyteller and clowns, as well as a donation of adult diapers and educational materials for the relevant institutions.

Another 12 KPMG in Brazil offices also engaged in a number of initiatives, including parties, donation of a complete kitchen set, new furniture and utensils for a number of institutions, and personal care and food items. These offices' initiatives also included Christmas gifts offered by our professionals to 524 senior citizens and children. KPMG donated a total of 254 Christmas food parcels to charities such as AMAR, Casa Naim, Casa dos Velinhos Ondina Lobo, GAV, Banco de Alimentos and Ação Comunitária.

### KPMG Community day

KPMG in Brazil invested around R\$ 25 thousand to cover part of the expenses of each coordinator and their team in implementing initiatives at the 28 organizations benefited by our 19 offices in Brazil, which engaged the volunteers in refurbishments, recreational activities, outings, blood donation and meal donations.

## **Supplier management**

<GRI HR2 and EC6>

Following the commitment undertaken by KPMG international to the UN's Guiding Principles on Human Rights, the subject of human rights has featured in KPMG's strategy, including the process of accepting clients and continuing engagements at all member firms.

Our standard draft contracts for product and service suppliers have included anti-bribery and pro-human rights provisions since 2012. In 2013, no supplier contracts were refused due to a human rights violation.

Service contracts in São Paulo (building management and maintenance, reception, cleaning, canteen, postage, courier, technical support and security services) account for around 70% of total outsourced employees in Brazil. Because they are significant contracts, they are aligned with our principles and International Labor Organization conventions. This means they have clauses requiring employees to be hired under the Consolidated Labor Regulations or under other applicable legislation. As a routine practice, in these cases payments are only made when evidence of legal employment is provided on a monthly basis.

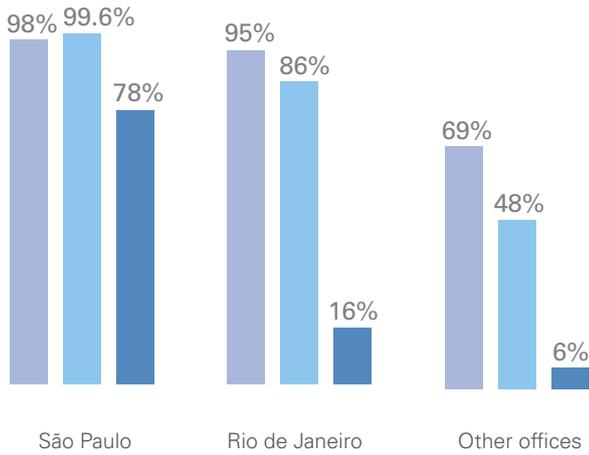
In 2013, to improve the conformity of our internal procedures to this commitment, we began mapping our key suppliers during an event called Sustainability Workshop: critical suppliers. Further workshops are planned so our internal stakeholders can define which of our suppliers are priority suppliers and how they will be monitored. Working groups are also ongoing at other member firms, with which we have exchanged experience.

Our Code of Conduct and GO&RM Manual underpin all of our practices, including in administrative areas, but do not include a specific policy for hiring local suppliers. In general purchases are made by our São Paulo office and, when economically feasible, are made regionally, as in the case of cleaning materials and services.

## Percentage of purchases from local suppliers

Office (major operational unit)

<GRI EC6>



● 2011 ● 2012 ● 2013

There was a change in the calculation methodology as from 2013 aimed at the refinement, automation, and traceability of data, situation which explains the difference in relation to prior periods. The following information may be stressed:

- In 2012, the percentages are the result of the comparison between the services invoiced locally in relation to the total products and services contracted by that same region. In 2013, the percentages are the result of the comparison between the services invoiced locally (São Paulo, Rio de Janeiro and Other Regions) in relation to the total products and services contracted by KPMG in Brazil;

- In 2013, infrastructure basic services (such as water, sanitation, electricity, rent, telephone) were not considered in the calculation basis.



## Environment <GRI EN18>

Environmental management at KPMG in Brazil is based on our Global Green Initiative (GGI), which defines our member firms' engagement and commitments within three primary aspects: measuring, reporting on and reducing greenhouse gas emissions (our primary impact); supporting environmental programs creating a positive impact on communities; and working with staff, suppliers and clients to assist them in managing their own impacts.

The Organization has no significant impact in other environmental aspects, but we believe we play an important role in promoting development models that are more balanced and fair. Through our global center of excellence for Climate Change and Sustainability

Services (CC&SS), we assist our clients in identifying competitive advantages and opportunities in a complex and constantly changing environment.

In addition to our initiatives and our position on global public policy addressing the challenges of climate change, we are signatories of the Carbon Price Communiqué, which unites companies worldwide in the discussion on reducing global greenhouse gas emissions.  
<GRI SO5>

We have also adopted local targets so we can monitor key environmental indicators. Of the five commitments undertaken by management, only one (reducing water consumption) was not achieved, as shown in the chart below.

### Local environmental targets

indicator	total for 2010		targets for 2013	Result
	KPMG in Brazil	Per capita (FTE*)	for FTE	
Disposable plastic cups /unit	1,056,859	445	Maintain	Exceeded
Electricity /GJ	9,684	4	Maintain	Achieved
Paper / sheets	10,614,400	4,467	Reduce by 5%	Exceeded
Water / Cubic meters	16,545	7	Maintain	Not achieved
Printed material / sheets	12,834,348	5,402	Reduce by 5%	Exceeded

\*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

We maintain constant communication with our staff to engage them in adopting practices that have a positive impact on our environmental performance. This is done through a series of actions to disseminate relevant information and encourage new habits.

**EnvironmentWeek** – 726 professionals participated in the sustainability quiz in this campaign, and competed for 100 prizes such as iPads, magazine subscriptions, books and DVDs related to environmental issues.

**Instituto AKATU** – A donation of R\$ 70 thousand that contributed to the institution's actions to promote

sustainable consumption and to the development of two e-learning modules on the theme of sustainability, which are expected to be completed in 2014. The first module can be shared by AKATU on its webpage and the second, which is specifically for KPMG in Brazil, will focus on our business segments.

### Cultural Book –The Earth, Water, Air and Fire Program: “Fire and Man” –

A series of four books which aim to show man's interaction with these four elements of nature. The book is given as a gift to clients at year-end. This is an example of how questions related to the environment are being discussed and considered in KPMG in Brazil's other areas, and taken beyond our internal environment.



### Control of emissions

<EN16, EN17, EN18 and EN29>

Because of the nature of their activities, carbon footprint is the most relevant impact of service providers in our segment, due to their employees' constant commuting and travel. KPMG in Brazil's reality is no different. Our global goal for 2015 is to reduce net carbon emissions *per capita* by 15% compared with total emissions for 2010, and we want to achieve this through sustainable technology, responsible travel, the use of renewable energy or by neutralizing our emissions by purchasing certificates in markets regulated by the Kyoto protocol, such as the European Union.

In Brazil, we have prepared carbon inventories since 2007 and we monitor emissions on an annual basis. Our most significant impact is under scope three (indirect emissions), emissions over which we have no or limited control.

Emissions (tons of CO <sub>2</sub> e/year)							
	2013	2012	2011	2010	2009	2008	2007
<b>Total scope 1</b>	188,85	182,12	404,65	183,71	137,87	200,12	521,65
<b>Total scope 2</b>	325,99	237,57	90,60	136,66	57,35	109,98	74,94
<b>Total scope 3</b>	5,514,69	5,602,70	5,544,34	4,681,01	3,554,09	3,688,69	3,070,84
<b>Other emissions (HCFC-22)<sup>1</sup></b>	162	200,25	220,05	229,76	165,60	109,20	–
<b>Total emissions</b>	6,191,53	6,222,63	6,259,64	5,231,14	3,914,91	4,107,99	3,667,43
<b>Emissions per capita (per professional)<sup>2</sup></b>	1,80	1,80	1,90	2,20	1,70	1,87	1,97

## 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

*This data is for 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 reviewed the data on reimbursement of transport fees 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.*

*- In 2013, power consumption was reduced by 2%. This was due to the conversion factor, which increased during the dry season due to the use of thermal power stations as a source of power in Brazil.*

*- In 2013, emissions from motobikes couriers were not included in the calculations.*

<sup>1</sup> *Following GHG Protocol guidelines, these emissions were not included in Scope 1, since HCFC-22 gas is not included in the Kyoto Protocol.*

<sup>2</sup> *The average number of employees used to calculate emissions per professional was provided by KPMG International.*

## Electricity consumption GRI EN3 / EN4

The electric power we use is purchased from the local utility only. Renewable energy is dominant in Brazil's energy mix, accounting for 4.5% of the country's power supply, although this percentage declined slightly compared with the previous period due to unfavorable hydrological conditions and the resulting increase in thermal power generation.

As a result of our business growth and increasing number of offices in Brazil, total consumption grew over the past few years and remained stable in 2013 compared with the previous period

In addition to actions to raise our professionals' awareness of the need to change habits, we encourage attitudes that avoid wastage, we adapt our premises to avoid unnecessary consumption (such as installing motion sensors) and we consider power consumption when acquiring new electronic equipment.

Direct and indirect energy *per capita* calculations, as well as water consumption calculations, are based on the average number of employees in 2013, as indicated by the KPMG International Full Time Equivalent (FTE). This criterion is used so information for Brazil is consistent with the methodology adopted by KPMG International in its global GEE inventory.

## Sources of energy in Brazil, 2012

Non renewal energy	15.5%
Natural Gas	7.9%
Petroleum derivatives	3.3%
Nuclear	2.7%
Coal and derivatives <sup>1</sup>	1.6%
Renewal energy	81.5%
Hydro <sup>2</sup>	76.9%
Biomass <sup>3</sup>	6.8%
Wind	0.9%

Source: Resultados Preliminares do Balanço Energético Nacional 2013 – BEN 2013

<sup>1</sup> Includes coke oven gas

<sup>2</sup> Includes imports

<sup>3</sup> Includes firewood, sugarcane bagasse, leachate and other recoveries

## Direct energy consumption

Gasoline, diesel and LPG in gigajoules (GJ)  
<GRI EN3>

	2013	2012	2011
Gasoline	1,755.35	2,174.68	2,512.21
Diesel*	24.33	50.4	22.50
LPG	0.00	0.00	0.00
Total	1,779.68	2,225.09	2,534.71
<b>**Total per capita</b>	<b>0.52</b>	<b>0.65</b>	<b>0.75</b>

\* In 2011, diesel was recalculated in accordance with the consumption included in Scope 1 of the emission inventory.

\*\* Direct and indirect energy consumption per capita was calculated based on the average number of employees provided by KPMG International

## Electric power consumption (indirect)

Total in gigajoules (GJ)  
<GRI EN4>

	2013	2012	2011
Total	12,301.41	12,376.67	10,343.72
<b>Total per capita*</b>	<b>3.58</b>	<b>3.60</b>	<b>3.07</b>

\* Direct and indirect energy consumption per capita was calculated based on the average number of employees provided by KPMG International

### Consumption of materials

In order to reduce paper consumption, we implemented paperless solutions such as Caseware and eAudIT, which allow audit evidence such as contracts, proposals and invoices to be mapped electronically. Similarly, the change in the way we print our reports and proposals also aims to use paper more responsibly. In 2013, we successfully reduced paper consumption by 4% as shown in the table below.

Portable computers are another essential work item and are categorized by whether they can be salvaged (by selling their parts, donating them to the community or auctioning them to our professionals) or whether they can be disposed of in an environmentally friendly manner at the end of their lifecycle.

### Materials used

<GRI EN1>

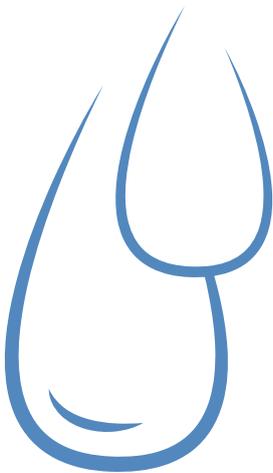
Materials used	Unit of measure	2013	2012	2011
		Total weight / volume used	Total weight / volume used	Total weight / volume used
Sheet paper	Kilos	86,349	90,242.16	74,113
Paper towels and toilet paper	Kilos	28,363	28,516.85	29,409.81
Plastic cups	Units	1,168,525	1,189,600	1,236,775
Storage media - CDs and DVDs	Units	4,240	4,767	9,854
<i>Toner and ink cartridges for photocopying and printing</i>	Units	299	474	801
Pens and pencils	Units	48,129	67,042	36,382
<i>Laptops</i>	Units	183	1,009	1,301
PCs and servers	Units	28	38	34
Batteries	Units	1,848	1,323	1,255

## Water consumption

<GRI EN8 / EN9 / EN10 / EN21>

Since 2009, our infrastructure department has worked to improve our performance in this indicator by installing flow reducers in taps. At our offices in São Paulo, we have established a routine for plant watering and staircase washing. Despite this routine, we were unable to reduce consumption in 2013 due to the expansion of our operations. At period end this indicator showed an increase of 6% as shown in the table below.

The water used at our 26 offices is supplied by local public utilities and our wastewater is collected by public sewage collection systems in accordance with the environmental regulations applicable to our segment. KPMG in Brazil does not reuse or recycle water, and as of yet does not have plans to implement water recycling.



## Waste disposal

In recent years we have sought to improve how we manage the waste generated at our offices and buildings. Most of our waste consists of paper, as we have no canteens at our facilities and do not produce hazardous waste. Currently, 15 offices and four buildings located in São Paulo recycle used paper in accordance with applicable confidentiality requirements. These offices also segregate cardboard, plastic, aluminum and glass, and in São Paulo we have a contract with a company to collect and dispose of this and other waste.

In 2007 we hired a specialist door-to-door waste collection firm to dispose of the diesel consumed by our generators. In 2009, KPMG in Brazil subscribed to *Mutirão do Lixo Eletrônico*, a campaign organized by the City of São Paulo to raise awareness on the hazards of electronic waste and how it should be disposed of.

In 2012 we also retained a firm specializing in the collection and disposal of electronic waste in São Paulo, where our main office is located.

## Water consumption and disposal

(m<sup>3</sup>)

<GRI EN8>

	2013	2012	2011
Consumption	26,966	25,451	19,035
Disposal	26,966	25,451	19,035
<i>Consumption per capita</i>	7.8	7.4	5.6

*Water consumption at KPMG at offices outside of São Paulo is allocated by the condominiums where they are located. To calculate total consumption, we used the average consumption per employee in São Paulo and extrapolated this figure to the Rio de Janeiro office. This same method was used for the other locations based on the number employees at the Goiana office, which is more consistent with the size of the other offices - and always based on the number of employees at each office.*

# Global Compact

## Global Compact Principles

### Human Rights

- Principle 1**  
Support and respect the protection of human rights
- Principle 2**  
Prevent human rights abuses

### Labor Rights

- Principle 3**  
Uphold freedom of association
- Principle 4**  
Abolish forced labor
- Principle 5**  
Abolish child labor
- Principle 6**  
Eradicate discrimination in the workplace

### Environmental Protection

- Principle 7**  
Support a precautionary approach to environmental challenges
- Principle 8**  
Promote greater environmental responsibility
- Principle 9**  
Encourage the development and diffusion of environmentally friendly technologies

### Anti-Corruption

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

## GRI Disclosures

HR2, HR4, LA13

HR2, HR4

HR5

HR2 and HR7

HR2 and HR6

LA13, HR2, HR4, EC5, EC7

EN1, EN3, EN4, EN8, EN16, EN18, EN22

EN18

S02, S03, S04

## Commitments

KPMG International (KPMGI) and its member firms recognize that Human Rights are an integral part of corporate citizenship and we respect and support the Universal Declaration of Human Rights. KPMGI is a signatory of the Guiding Principles on Human Rights (United Nations) and in 2012 published a public commitment on human rights.

KPMG International (KPMGI) and its member firms do not use forced, compulsory or child labor. KPMG International and its member firms support freedom of association and, where applicable, recognize the right to collective bargaining. Encouraging and respecting individuality is one of our corporate values across the KPMG network. Our drive to create a global culture of diversity and inclusion is fundamental and critical to retaining our best people. KPMGI is a signatory of the UN's Women's Empowerment Principles and the World Economic Forum's responsible capitalism principles.

KPMG International (KPMGI) and its member firms are dedicated to managing our environmental impacts proactively, with global and local goals and targets. KPMGI is an active member of the World Business Council for Sustainable Development and is part of LEAD (UN), two initiatives related to climate change issues

KPMG International (KPMGI) and its member firms are committed to achieving a high standard of ethical behavior in everything that we do. "Acting with integrity" is one of our core values. KPMGI is a signatory of the World Economic Forum's Partnering Against Corruption Initiative

## Systems

Corporate Values | Code of Conduct | GQ&RM Manual | Public Commitment to Human Rights | In 2012 we included Human Rights clauses in our electronic client acceptance and procurement system. Contracts with suppliers have also incorporated these clauses since that year.

Code of Conduct | Global Diversity Group | Global People, Performance and Culture Group

Our environmental initiatives are guided by our Global Green Initiative, a KPMG policy establishing guidelines for all member firms worldwide.

Code of Conduct | GQ&RM Manual | Anti-corruption and Anti-bribery Policies and Training | Ethics and Compliance Training and Policies | Procedures for accepting and renewing clients | KPMG International Hotline.

## Initiatives and Services Provided

Global and Local Corporate Citizenship and Diversity Teams | Global Disaster Response Policy. Assistance to clients in developing policies on human rights | Assistance to clients in developing general commitments to ethics, governance, integrity and responsibility (International Development Advisory Services) | Climate Change & Sustainability Services and Risk Consulting.

Recognition and benefits | Training and Development | Global Opportunities | KPMG's Network of Women (KNOW). Engagements at clients to establish a value chain approach and help create monitoring mechanisms (Climate Change & Sustainability Services, Risk Consulting, People & Change and Supply Chain Operations).

Internal campaigns to raise environmental awareness | Carbon footprint assessments with reduction targets | Power, water and consumables reduction targets, including an annual assessment of all professionals | Web Training | Technology solutions for remote access and video conferencing | eAudit. Climate Change & Sustainability Services (CC&SS) can help clients with a wide range of services, including: assistance in integrating sustainability into business strategy | assistance in assessing the sustainability performance of an investment and assistance in strengthening sustainability expertise.

Hotline | Assessment, Compensation and Promotion | International Transparency Report | Financial Audit and Forensic/Anti-bribery and Anti-corruption practices (Financial and non-financial Audit and Assurance; Forensics; Risk Consulting).

## Thought Leadership

2013 Change Readiness Index | Conflict Minerals and Beyond White paper series

Issues Monitor: Bridging the Gender Gap – Tackling Women's Inequality |

A Roadmap to Responsible Soy |

KPMG-Commissioned Research on Living Wage

KPMG Green Tax Index | A Greener Agenda for International Development |

Carrots and Sticks: Sustainability reporting policies worldwide – today's best practices, tomorrow's trends | Carbon Footprint Stomps on Firm Value | Tax and Incentives for Renewable Energy 2013 | Is Natural Capital a Material Issue?

Conflict Minerals Series | Responsible Business Advancing Peace | Tax Morality and Tax Transparency | Astrus Insights: KPMG's Analysis of Third-Party Integrity Risks

# Assurance Statement

BSD Consulting performed an independent assurance process for KPMG Brazil Sustainability Report 2013, which was developed according to the Global Reporting Initiative (GRI) G3 guidelines. The third year of assurance process continues to provide KPMG's stakeholders with an independent opinion about: the quality of the report, stakeholder's engagement process, the adherence to the three principles of AA1000 Assurance Standard (2008) and the management processes for sustainability aspects.

## Independence

We work independently and ensure that none of the BSD staff members maintains business ties with KPMG. BSD Consulting is licensed by AccountAbility as an assurance provider (*AA1000 Licensed Assurance Provider*), registered under No. 000-33.

## Our Qualification

BSD is a consulting firm specialized in sustainability. The verification process was conducted by a qualified team of professionals with long-standing experience in external assurance.

## Responsibilities: KPMG Brazil and BSD Consulting

KPMG has prepared the Sustainability Report and is responsible for all its content. Our work did not include the verification of historical financial data. This assurance statement includes the confirmation of the self-declared GRI-G3 Application Level.

## Scope and limits

The scope of our works covers all information included in KPMG 2013 Sustainability Report, full version, referring to the period from October 1, 2012 through September 30, 2013 (presented as 2013), and the total Emissions (CO<sub>2</sub>e tons/year) and DVA (value added statement) data covers the period from January 1, 2013 through December 31, 2013.

The assurance process was conducted according to the *AA1000AS (2008) (AA1000 Assurance Standard 2008)*, type 1, moderate level of assurance. The Assurance Statement aims to inform stakeholders about BSD's conclusions about the assessment that covers the adherence to three principles of AA1000AS: completeness, materiality and responsiveness. The verification of financial data was not object of BSD Consulting scope.

## Methodology

The approach and procedures developed during AA1000AS verification process include:

- Sustainability Report 2013 content review;
- Understanding the process of generating information for the Sustainability Report;
- Research of public information about the company and industry (media, websites and legal bases);
- Interviews with managers from key areas regarding the relevance of information for reporting and sustainability management;
- Interviews with the company's partners;
- When relevant, confronting the sustainability performance information with the company's management;
- Assessment of evidences for the selected indicators and external stakeholders consultations;
- Assessment of the evidences of external stakeholders consultations;
- Based on sample testing, confirmation of the Sustainability Report information with supporting documentation, management reports, internal controls and official correspondences.

## Main Conclusions on Adherence to AA1000AS 2008 Principles

### 1. 1. Inclusion – addresses the stakeholders' participation in the process of developing and implementing a transparent and strategic sustainability management process.

- The Corporate Citizenship area has broadened its initiatives involving the internal public. The team responsible for the collection of information, partners and managers from other areas and offices were invited to reflect about sustainability questions in the context of KPMG in Brazil, reevaluate the material issues, assess the previous cycle's report and discuss opportunities to improve the report and management approach.
- The Executive Committee maintained its commitment with the elaboration and revision process of the Sustainability Report. Awareness regarding the report and the concept of sustainability for KPMG can be deepened at all hierarchical levels, including the technical and administrative areas. This way, sustainability initiatives will be integrated with more consistency to everyday activities.
- The external stakeholder engagement process took place in 2011 and the results were applied again in the 2013 Report. Specific consultations with the external public did not occur in this cycle, and goals and commitments were not established for the next year. It is important to review the stakeholder map and expand the scope of the engagement with the inclusion of external stakeholders that represent KPMG's activities throughout Brazil.

### 2. Materiality (or Relevance) – issues required for the stakeholders to make decisions on the organization's economic, social and environmental performance.

- In 2013, the material issues were reevaluated with the internal public, including representatives from several offices. As a result, the materiality remained the same as the one presented in the 2011 cycle. However, KPMG's leadership members did not participate in the exercise, and external sources, such as stakeholder demands, position papers and media researches were not analyzed. It is important to assess the issues considering the current context of the company as well as sector dilemmas, including KPMG's new offices in the country and new stakeholders.
- The material issues for the 2013 Report are the same as the last two cycles, and are aligned with KPMG's strategy. The issues "To conduct the businesses on ethical basis," "Accountable and transparent governance systems" and "To conduct top quality services with total independence" have specific and consolidated processes to ensure compliance with the rules, including policies, codes and specific trainings, aligned with KPMG International guidelines and Brazilian regulating agencies.
- Fair treatment of employees: the calculation methodology of the Profit Share Program (PSP) was reviewed in order to guarantee a more inclusive and equal benefit between KPMG's hierarchical categories and regions in Brazil. There is an opportunity to broaden the report on indicators related to turnover and talent retention.
- Supply chain impacts: In 2013, the Corporate Citizenship area conducted an internal workshop with representatives from several areas (Procurement, Marketing, Risk Management, Climate Change and Sustainability Services, among others), to map the companies critical suppliers in relation to socio-environmental aspects. The area also maintains direct contact with OGC (Office of General Council) in order to include labor rights and human rights in all the contracts, and is structuring the supplier code of conduct based on the model used by KPMG International.
- Climate Change and Sustainability Services: In 2013, the Climate Change and Sustainability Services area incorporated a new partner-director to focus exclusively on this service, which indicates the strategic relevance and level of maturity of this type of service within KPMG's business in Brazil. Consequently, creating greater visibility towards sustainability in the company.
- Responsible Tributary Advisory: The concept of tax morality is directly linked to tributary transparency towards society, and is guiding many norms that involve clarity in the disclosure of tributary payments and taxation over organizations profits. Aligned with this concept, KPMG structured new technological services containing tools that systemize the company's information and are in accordance to new demands of electronic data management of the government.

### **3. Responsiveness – addresses the actions taken by the organization as a result of specific stakeholders’ demands.**

- The recommendations report of the Assurance process concerning last year’s sustainability reporting cycle was disseminated to all areas involved throughout the GRI reporting process, thus communicating the opportunities and highlights identified in the Assurance assessment. There were improvements in management and consolidation of reporting information as a result of this process.
- In accordance with the verification of the information management process for the sustainability report, the internal controls referring to practices, and proportion of spending on locally-based suppliers (EC6 indicator) were improved. There was progress regarding the origin of the information which is now collected through a unique and more reliable database. The collection of this indicator is now gathering two areas, thus promoting improvement in the consolidation of the information. The management of this subject can be enhanced through increasing the local suppliers’ expenditures in all of the offices.
- There was progress in the monitoring and consolidation of information on material consumption (Indicator EN1). The information is being monitored by two areas and there was improvement regarding the data tracking for this indicator.
- The internal controls of energy consumption (Indicator EN3) can be improved. It is necessary to make progress concerning the alignment between the areas responsible for this data, in order to contribute to more accuracy in the consolidation process of this information.
- The indicator EC4 (projects with governmental incentives) and EC8 (pro-bono services) have clear evidence, but the control activities have not been designed and developed yet. It is relevant to concern with the continuity of such projects as well as the monitoring of this information, in order to guarantee accuracy and tracking of data.
- During last period, it was identified that Health and Safety Management was not yet structured. This year there was progress in this regard, with the hiring of a specialized technician in Health and Safety and the beginning of a planning process of internal campaigns and training for the employees. The programs created throughout 2013 will be implemented in 2014. The communication on Health and Safety issues can be enhanced by including more highlights on this subject in the sustainability report.
- The KPMG Brazil Sustainability report could be improved regarding the balance of the information content. It is relevant to include critical facts and events occurred during the reporting period and present the company’s position related to this facts, as a way to promote more transparency to the communication of KPMG’s management cycle.
- The implementation of specific actions with focus on commitments and goals regarding the context and outreach of KPMG’s activities in the country can contribute to enhance sustainability management and make improvements for the performance indicators.

## Level of GRI-G3 Application

Following GRI-G3 guidelines, BSD declares that KPMG 2013 Sustainability Report is classified as Application Level B+. The report contains items related to the company's profile and offers a description of the management processes as well as sustainability approaches. The report provides information on all the performance indicator categories: economic, environment, human rights, labor practices, society and product. However, the report on the Strategy and Analysis (1.1) profile items can be improved.

## Final Considerations

We have highlighted KPMG's efforts to improve the sustainability report by incorporating the results of the assurance process. In our view, KPMG has several procedures and practices related to material topics (ethics, independence, quality, transparency and internal staff), and is seeking to consolidate sustainability management by implementing actions aligned with other material issues, such as supply chain impacts, environmental aspects and health and safety at work. It is important to integrate sustainability practices into administrative and technical areas, also seeking to expand the engagement of external stakeholders.

São Paulo, February 28th, 2014.

**BSD Consulting - Brasil**





## Statement GRI Application Level Check

GRI hereby states that **KPMG in Brazil** has presented its report "2013 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 25 February 2014

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because KPMG in Brazil has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 17 February 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

# GRI Index

<i>GRI Disclosures</i>		<i>page</i>	<i>Status</i>	<i>Notes</i>
<b>1. Estratégia e análise</b>				
1.1	Statement from the most senior decision-maker of the Organization about the relevance of sustainability to the organization and its strategy	4–5	P	
1.2	Key impacts, risks and opportunities	4–5; 29-33	F	
<b>2. Organizational Profile</b>				
2.1	Name of the organization	12, 13, 16	F	
2.2	Primary brands, products and services	18-23	F	
2.3	Operational structure	12, 13, 16	F	
2.4	Location of Organization's headquarters	16	F	
2.5	Geographic presence	13	F	
2.6	Nature of ownership and legal form	16	F	
2.7	Markets served	16, 17	F	
2.8	Scale of Organization	12, 13, 16, 17	F	We have not presented our total capitalization broken down in terms of debt and equity.
2.9	Significant changes during the year	6	F	
2.10	Awards	2	F	
<b>3. Report Parameters</b>				
<b>Report Profile</b>				
3.1	Reporting period	6	F	
3.2	Date of most recent previous report	6	F	Our most recent previous Sustainability Report was published in 2013 presenting our performance for 2012.
3.3	Reporting cycle	6	F	Annual.
3.4	Contact point	6	F	
<b>Report Scope and Boundary</b>				
3.5	Process for defining report content	6	F	
3.6	Boundary of the report	6	F	
3.7	Limitations on the scope and boundary	6	F	There were no limitations on the scope or boundary of our report.
3.8	Basis for reporting	6	F	
3.9	Data measurement techniques and bases of calculations	6	F	
3.10	Effect of any re-statements of information provided in earlier reports	6	F	
3.11	Significant changes from previous years	6	F	
<b>Content Summary</b>				
3.12	Location of disclosures in the report	123–130	F	GRI Index
<b>Assurance</b>				
3.13	External assurance	6	F	

## 4. Governance, Commitments and Engagement

4.1	Governance structure	35	F	
4.2	Indicate whether the chair of the highest governance body is also an executive officer	37	F	
4.3	Independent members of the highest governance body	38	F	
4.4	Communication channels with the highest governance body	39	F	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the Organization's performance (including social and environmental performance)	90	F	The performance of our professionals is assessed annually, with business goals tied to variable remuneration. However, the existing social and environmental goals had no linkage with variable remuneration, as during this initial period our goal is to raise awareness.
4.6	Processes in place to ensure conflicts of interest are avoided	62, 63, 66, 69	F	
4.7	Process for determining the qualifications of the members of the highest governance body tasked with developing the Organization's strategy for matters related to the economy, the environment and social issues	81, 83	F	Qualifications are determined by our core business and the contents prepared by the Training and Development Team for each practice. Partners have a specific module on sustainability. Among available training options, E-learning on sustainability is available for all professionals.
4.8	Internally developed statements of values, codes of conduct, and principles	64	F	
4.9	Involvement of highest governance body in assessing economic, environmental, and social performance	37	F	
4.10	Processes for evaluating the highest governance body's own economic, environmental, and social performance	89	F	All leaders undergo a self-assessment process in relation to our core business, not specifically focused on social and environmental issues.
<b>Commitments to External Initiatives</b>				
4.11	Precautionary Approach	62	F	The precautionary approach, given its relevance, is adopted with a focus on our core business, but not specifically on social and environmental matters. The approach to management is described throughout the chapter on Risk Management.
4.12	Charters, principles, or other initiatives	97	F	
<b>Stakeholder Engagement</b>				
4.13	Memberships in associations	56-58	F	
4.14	List of stakeholder groups engaged by the Organization	7, 8	F	
4.15	Identification and selection of stakeholders	7	F	

4.16	Stakeholder engagement	7-9, 50, 51, 94, 95	F	Mapping, engagement and consultation specifically as part of the report preparation process (page 7 to 9). Other approaches are used in the day-to-day running of our business, as mentioned on pages 50, 51 and 54 to 58 (annual client satisfaction surveys, bimonthly debates at the ACI, events, courses and participation in councils and associations). For internal stakeholders, the types of relations described in the chapter People and in specific sections of this report, such as MyPD, 360° Assessment, and Global
4.17	Stakeholder concerns	8, 9	F	

## 5. Economic Performance

Approach and Management

P

### Economic Performance

EC1	Direct economic value generated and distributed	59	F	
EC2	Financial implications and other risks and opportunities due to climate change		P	Our reply is partial since we understand that our risks are, essentially, regulatory. However, we did not perform systematic assessments of the direct financial implications on our core business derived from climate change, although we do conduct such studies and have identified business opportunities arising from such.
EC3	Pension plan offered	92	F	
EC4	Financial assistance received from the Government (including under tax incentive regulations)	59, 105, 120	F	

### Market Presence

EC5	Ratio of entry level wage to local minimum wage	90, 91	F	
EC6	Spending on locally-based suppliers	108	F	
EC7	Local hiring of senior management	85	F	

### Indirect Economic Impacts

EC8	Infrastructure and community investments	59, 97, 104	F	
EC9	Indirect Economic Impacts	21, 29	P	Our response is partial because KPMG does not carry out this assessment in a systematic manner and does not consider this assessment relevant at this time.

## 6. Environmental Performance

Approach and Management

P

EN1	Materials used by weight or volume	114, 120	F	
EN2	Materials used that are recycled input materials		F	KPMG does not use materials which derive from recycling in its activities.

### Energy

EN3	Direct energy	113, 125	P	
EN4	Indirect energy	113	F	
EN5	Energy saved due to conservation and efficiency		NR	
EN6	Energy-efficient products and services		NR	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		NR	

Water				
EN8	Water withdrawal by source	115	F	There are no impacts of this nature in our operations, as our consumption originates from local water supply utilities in all cities we are present in.
EN9	Water sources affected	115	F	
EN10	Water recycled and reused	115	F	
Biodiversity				
EN11	Location and size of land owned in protected areas and areas of high biodiversity value outside protected areas		F	KPMG's offices in Brazil are located in urban centers.
EN12	Description of significant impacts on biodiversity in and outside protected areas.		F	KPMG's offices in Brazil are located in urban centers and do not produce impacts on these areas.
EN13	Habitats protected or restored		F	KPMG's offices in Brazil are located in urban centers and do not produce impacts on these areas. Therefore, we do not implement measures for their protection or recovery.
EN14	Strategies for managing impacts on biodiversity		F	KPMG's offices in Brazil are located in urban centers and do not produce impacts in these areas. Therefore, the theme is not considered relevant and we do not have a strategy for its management.
EN15	Number of IUCN Red List and local conservation list species and national species with habitats in areas		F	KPMG's offices in Brazil are located in urban centers and their operations do not threaten the conservation of these species.
Emissions, Effluents and Waste				
EN16	Direct and indirect greenhouse gas emissions	111, 112	F	
EN17	Other indirect greenhouse gas emissions	111, 112	F	
EN18	Initiatives to reduce emissions	111, 112	P	
EN19	Emissions of ozone-depleting substances by weight		NR	
EN20	NOx, SOx and other significant air emissions by type and weight		F	The indicator and level of direct emissions are irrelevant in our operational segment
EN21	Total water discharge by quality and destination	115, 126	F	
EN22	Total weight of waste by type and disposal method		NR	
EN23	Total number and volume of significant spills		F	The indicator is irrelevant in our operational segment.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		F	The indicator is irrelevant in our operational segment.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		F	The indicator is irrelevant in our operational segment.

Products and Services				
EN26	Initiatives to mitigate environmental impacts of products and services		NR	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		F	The indicator is not applicable to our operational segment.
Compliance				
EN28	and non-monetary sanctions for noncompliance with environmental laws and regulations		F	KPMG in Brazil did not have legal actions or non monetary sanctions of this nature during the period covered by this report
Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used, and transporting members of the workforce	111	P	
Geral				
EN30	Total environmental protection expenditures and investments by type		NR	
7. Social Performance – Human Rights				
Approach and Management			P	
HR1	Investment agreements that include human rights clauses		NR	
HR2	Percentage of significant suppliers and contractors that have undergone human rights screening	108	P	
HR3	Employee training on human rights		P	KPMG in Brazil have no specific training on human rights, although some behavior and technical training programs address human rights as a related subject.
Non-Discrimination				
HR4	Total number of incidents of discrimination and corrective actions taken		F	No cases of discrimination were identified via the Disciplinary Committee, Hotline or legal action.
Freedom of association and collective bargaining				
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at risk, and actions taken		F	No risks of this nature have been identified in our operations. Therefore we have not yet mapped these risks in our supply chain. KPMG provides freedom of association to 100% of its professionals. In addition, it reimburses annuity fees paid to professional bodies
Child Labor				
HR6	Operations identified as having risk for incidents of child labor, and measures taken		F	No risks of this nature were identified in our operation. KPMG has commitments that prohibit child labor at any of its operational units (Global Compact, KPMG Code of Conduct and Values and Global Commitment to Human Rights in 2012). We started to promote these commitments through our standard agreements (above R\$ 1,000.00) with product and service providers in 2012. In 2013, we began mapping our key suppliers during an event called Sustainability Workshop: critical suppliers.

Forced and Compulsory Labor				
HR7	Operations identified as having risk for incidents of forced or compulsory labor, and measures taken		F	No risks of this nature were identified in our operation. KPMG has commitments that prohibit forced or compulsory labor at any of its operational units (Global Compact, KPMG Code of Conduct and Values and Global Commitment to Human Rights in 2012).
Security Practices				
HR8	Security personnel trained in human rights		F	KPMG in Brazil employs 14 direct security employees and has trained all of these employees in human rights issues.
Indigenous Rights				
HR9	Incidents of violations involving rights of indigenous people and actions taken		F	KPMG's offices in Brazil are located in urban centers and their operations do not threaten the rights of indigenous people.
Labor and Decent Employment Practices				
Approach and Management			P	
Employment				
LA1	Employee profile	76, 77, 86, 87	F	
LA2	Turnover Rate		NR	
LA3	Benefits provided to employees	92	F	
Relations between employees and governance				
LA4	Percentage of employees covered by collective bargaining agreements		F	100% of KPMG employees are covered by collective bargaining agreements
LA5	Minimum notice period regarding operational changes		P	There is no defined policy for communication processes. Depending on the need, scope and impact of operational changes, our professionals are notified in advance so they can become involved and prepare.
Occupational Health and Safety				
LA6	Percentage of employees represented by Committees		F	On August 19, 2013, employees were appointed as representatives in the Internal Accident Prevention Committee, covering a total of 75% of represented employees. This commission discusses workplace and commuting injuries on a monthly basis and has access to the number of professionals on leave for health reasons, as well as the group of diseases that most affects our professionals. The Committee meets labor laws to São Paulo office, in the other offices we have the figure of CIPAs designated. The Committee in São Paulo analyzes data reported in all country offices.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		NR	
LA8	Education and prevention regarding serious diseases		P	Programs carried out through PPRA, PCMCO and Bioqualinet consultancy services, which offer support and indicate the resources available. For 2014, our Health and Safety Area is developing control systematic registration control of diseases / accidents as well as an e-learning to all professionals on this subject.
LA9	Health and safety topics covered in formal agreements with trade unions.		F	The themes/benefits related to health and safety go beyond the collective agreements agreed in the various regions, as described in the chapter People/Benefits.

Training and Education				
LA10	Average hours of training	81	F	KPMG has a consolidated program for continual skills development, which prepares its professionals both for the Organization's strategic challenges and also for those of the sector and market in which it operates, supporting the employability of its professionals. We do not yet have training which focuses on managing career endings.
LA11	Programs for skills management and assistance in managing career endings.		P	
LA12	Performance and career development reviews	89	F	
Diversity and Equal Opportunities				
LA13	Breakdown of employees per indicators of diversity	86, 87	F	
LA14	Ratio of salary of women to men	84	F	
7. Social Performance – Society				
Approach and Management			P	
Community				
SO1	Management of input, operation and output impacts		NR	
Corruption				
SO2	Percentage and total number of business units analyzed for risks related to corruption	62	F	
SO3	Anti-corruption training	66, 67	F	
SO4	Actions taken in response to incidents of corruption	73	F	
Public Policy				
SO5	Public policy positions and participation in public policy development	99, 103, 110	P	Our participation in public policies is related to our operational segment. The issue of auditor rotation is a central theme in our sector and is also of public interest; KPMGI participates in the World Economic Forum and the principles it subscribes to as a result of this forum also seek to position the Organization as an opinion leader on public policies which contribute to sustainable development of the business environment. The Carbon Price Communiqué is another initiative that positions KPMGI and its member firms on climate change.
SO6	Financial contributions to political parties, politicians, and related institutions		F	KPMG in Brazil does not make contributions of this nature
Anti-Competitive Behavior				
SO7	Legal actions for anticompetitive behavior, anti-trust, and monopoly practices		F	KPMG in Brazil was party to no legal actions of this nature during the period covered by this report.
Compliance				
SO8	Significant fines and non-monetary sanctions for noncompliance with laws and regulations.		F	The Risk Management Area at KPMG in Brazil performs quality and risk management which are intrinsic to its segment. Tools such as Organization Values, Code of Conduct, Global Quality Risk Management Manual, Performance Reviews and Disciplinary Committee as well as the training carried out, put this management into practice. Thus, KPMG in Brazil incurred no fines or sanctions of this nature during the period covered by this report.

## 7. Social Performance – Product/service responsibility

Approach and Management			P	
<b>Customer Health and Safety</b>				
PR1	Assessment of health and safety impacts of products and services		NR	
PR2	Incidents of non-compliance concerning health and safety		NR	
<b>Product and Service Labeling</b>				
PR3	Product and service information required	66	F	
PR4	Incidents of non-compliance with regulations concerning labeling ruled unfavorably in court	63	F	
PR5	Customer satisfaction, including results of surveys	50	F	
<b>Marketing Communications</b>				
PR6	Adherence to laws, standards, and voluntary codes related to marketing	66	F	
PR7	Incidents of non-compliance concerning marketing, advertising, or sponsorship	66	F	
<b>Client Privacy</b>				
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	63	F	
<b>Compliance</b>				
PR9	Monetary value of fines for noncompliance with laws and regulations concerning the provision of products and services	72	F	

# credits

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Corporate Citizenship, KPMG in Brazil

## GRI consulting and compilation of disclosures

Climate Change & Sustainability Services, KPMG in Brazil

## Text updates and edition

Report Sustentabilidade

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Report Sustentabilidade

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## App KPMG Brasil – available on iOS and Android

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