

Sustainability Report

short version

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

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 chose 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.

We invested in upgrading our people management tools and redesigned our variable income program. Our continuing education system incorporated additional soft skills training, and we enhanced our integration and participation in a number of forums at KPMG International.

To continue growing the audit practice, we decided to 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, especially by improving process efficiency.

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 to provide post-M&A advisory services. In our Tax practice, we expanded our offering of services geared to the current electronic tax filing and payment environment. We consolidated our Supply Chain operations, which achieved good results in their 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.

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 publication) 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, which opens a broad spectrum of opportunities. Just think of the number of companies looking to improve their processes, incorporate good governance practices and implement efficient risk management. This led us to open two additional offices in 2013, in Belem and Cuiaba.

The contribution of sustainability

In recent years, the problems that plunged the global economy into a deep recession have also severely undermined society's trust 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: by bringing our expertise and 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 to go, 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. In this fourth edition of the *KPMG in Brazil Sustainability Report*, produced in accordance with Global Reporting Initiative (GRI) guidelines, we invite readers to learn about our journey, and how we can help our stakeholders on their journey, in this direction.

I hope you enjoy reading this report.

Pedro Melo

Chairman, KPMG in Brazil



Our stakeholders

In this fourth, abridged 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, which is also available in unabridged English and Portuguese versions on our webpage, follows the Global Reporting Initiative's (GRI) G3 guidelines (self-declared to application level B+ and with independent assurance provided by BSD Consulting) 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.

Map of stakeholders



Definition of material topics

In 2011, in addition to revisiting our strategic stakeholder map, we reviewed the identified material topics for our Organization. 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.

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.

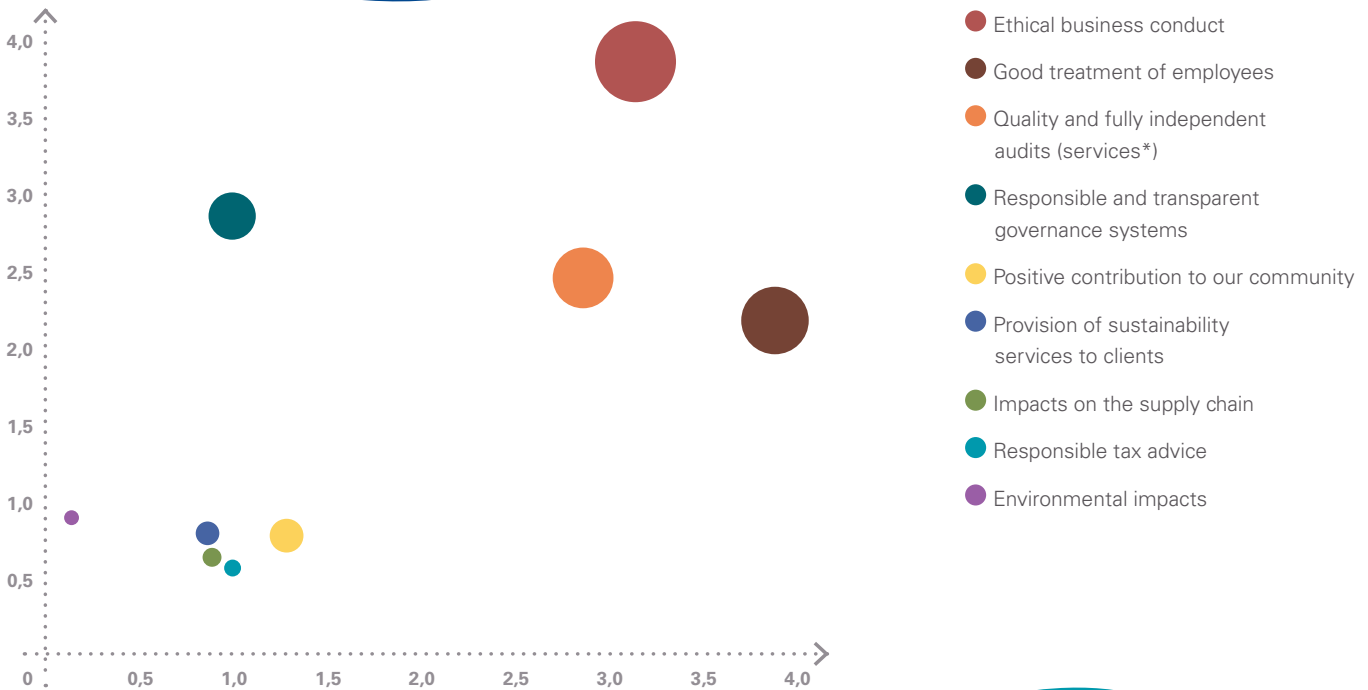
The findings of these interviews revealed four topics of major importance, but did not produce additional topics to those suggested, which were considered sufficient to cover all issues material to KPMG in Brazil.

The priority subjects are strongly connected to the foundations of our global strategy and throughout this report we seek to demonstrate their interdependence with our management, policies and corporate actions.

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 the priority ranking is the same as defined in 2011.

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 cut through complexity by offering clear solutions for the benefit of our clients.

Who we are

KPMG International

KPMG International (KPMGI) is a global network of independent firms operating in 155 countries worldwide. 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.

Values

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

KPMG in Brazil

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 people were serving 4,365 clients across Brazil – a client base that includes private companies, government agencies and non-profit organizations, which can rely on a solid structure and a multidisciplinary, high-performance team to help them cut through the complexity of daily business.

4.365

clients
across Brazil

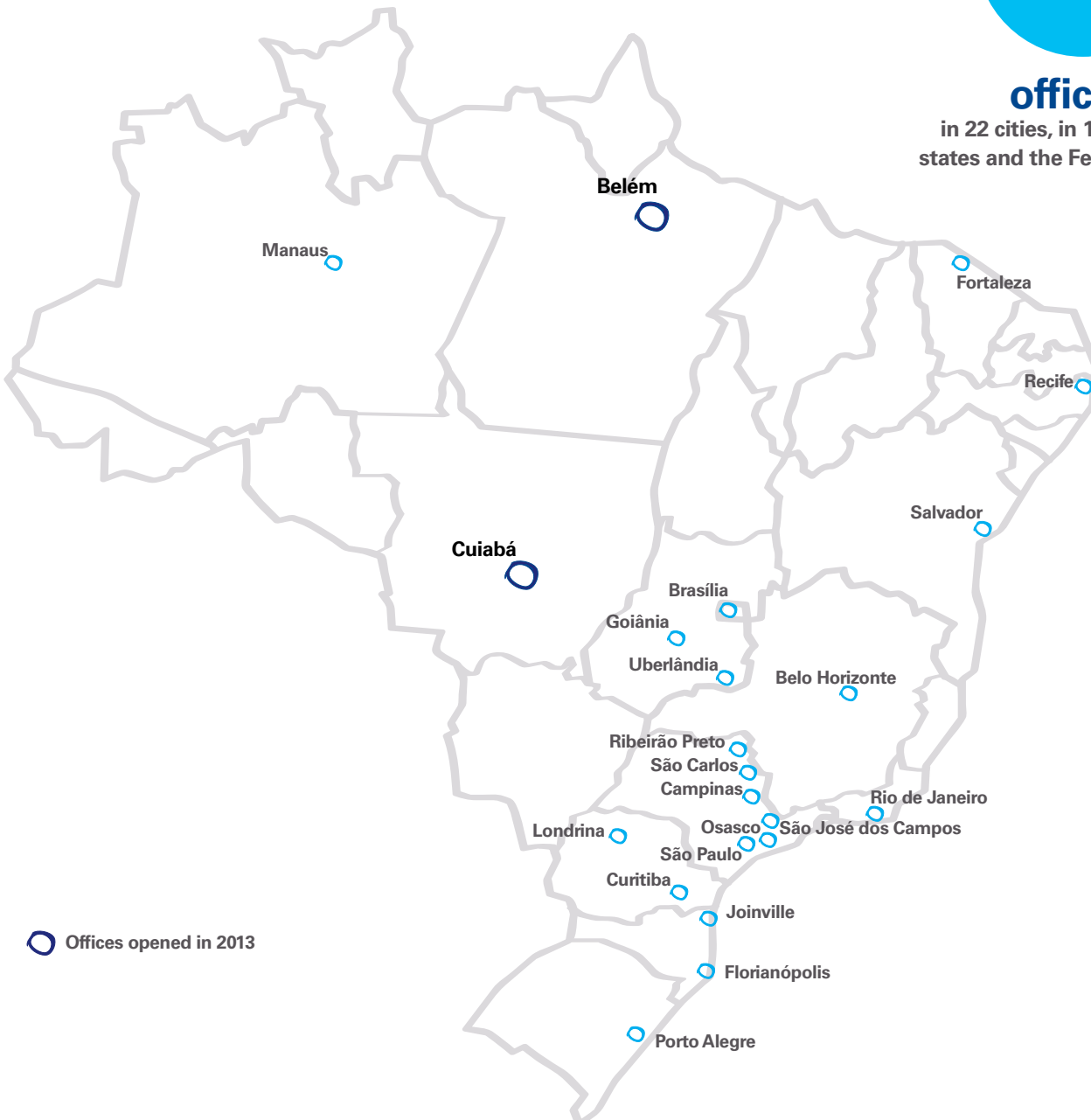
3.657

people

26

offices

in 22 cities, in 13 Brazilian states and the Federal District



○ Offices opened in 2013

Our practices

Audit

Independent audit services that assess our clients' financial reporting quality and transparency

- Financial statement audits
- International Financial Reporting Standards (IFRS)
- GAAP accounting

Tax

Advisory services for developing tax policies and processes aimed at ensuring compliance with tax obligations, assisting in structuring transactions, managing tax risks and reducing operating costs.

- Corporate taxes
- Indirect taxes
- Tax planning
- Transfer pricing
- Advisory services for international executives
- International tax
- Mergers and acquisitions
- Financial services and outsourcing

Advisory

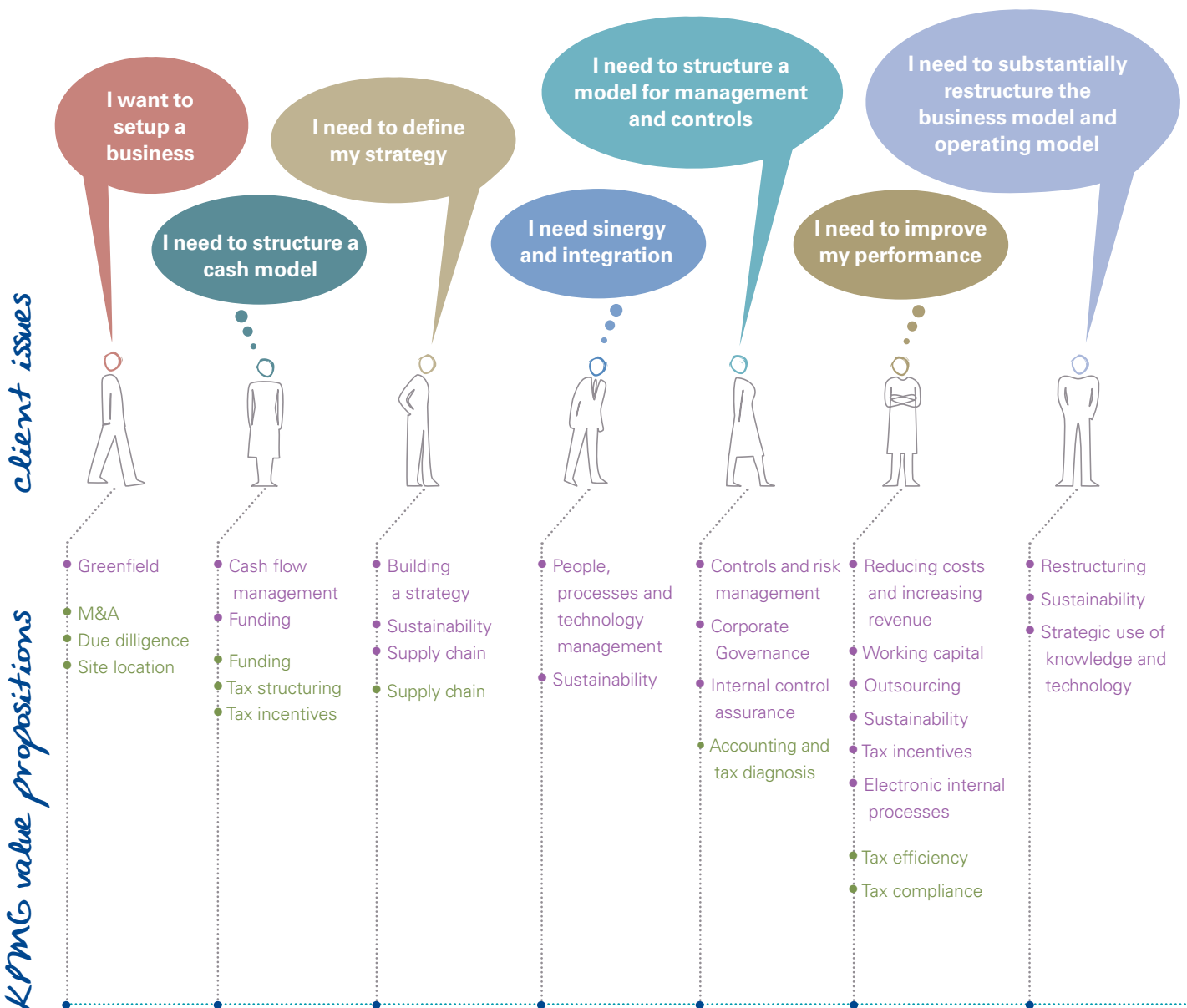
Multidisciplinary services that support our clients' strategic decisions and project development

- Risk Consulting
- Management Consulting
- Transactions & Restructuring



value proposition

We continually invest in people, quality, technology and services that create value for our stakeholders. 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 pursue efficiency in our clients' process management and internal controls, which has direct and indirect impacts on the communities they operate in.



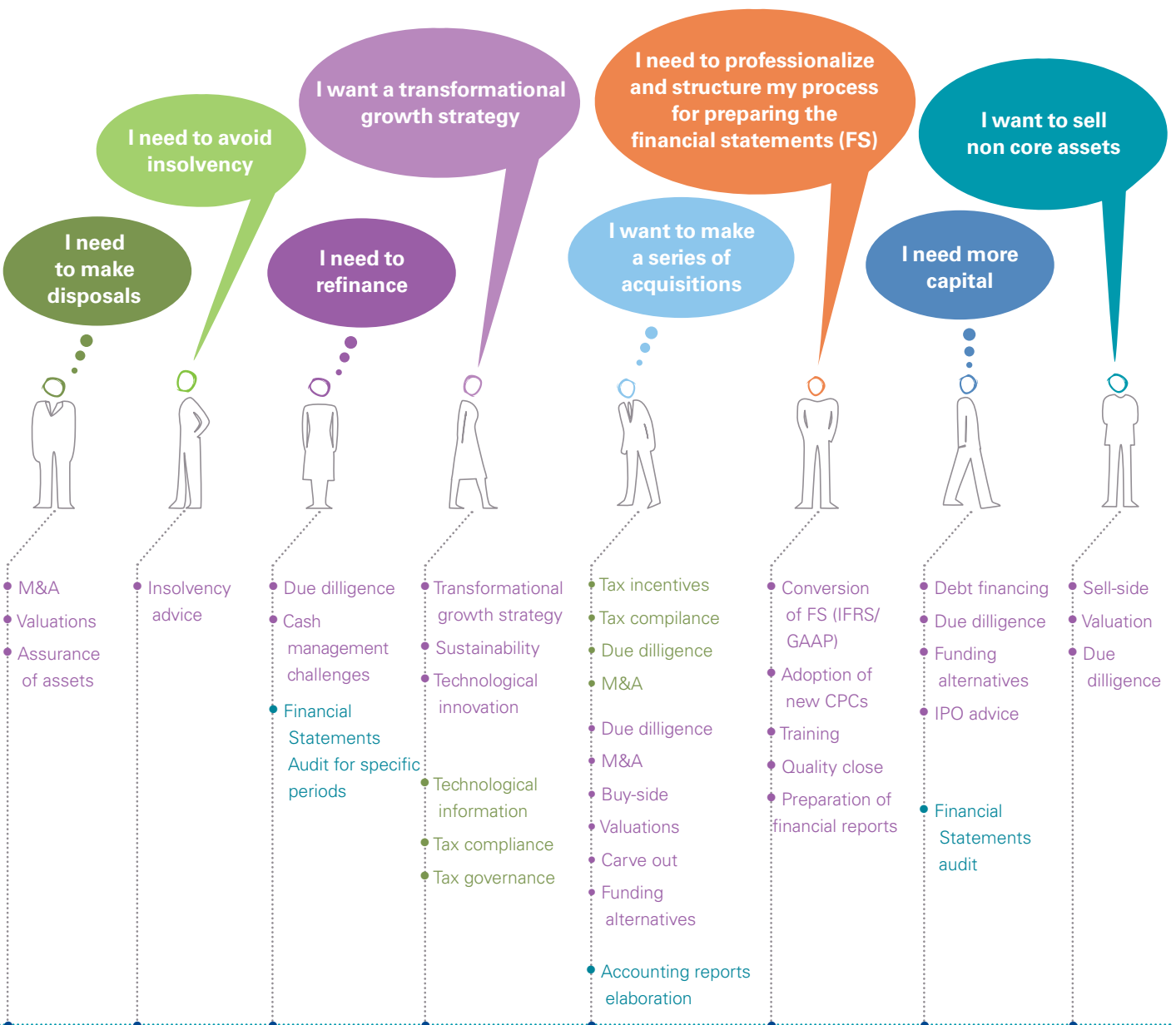
Financial Statements Audit

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).

Aligned with the Organization's global strategy, this also goes beyond the 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.

This infographic illustrates some of the services KPMG in Brazil offers throughout the different stages of the client lifecycle.



Legend

Client issues

- Audit
- Tax
- Advisory

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

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

Basis and Strategic Objectives

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:

- 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;

- Maintain an extensive pool of professionals specializing in these segments.

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.

Our journey to sustainable development

We believe 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 stakeholders travel.

The path we walk

The first path is KPMG in Brazil's internal journey toward understanding our contribution to sustainability. We want to earn the conviction of 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 interact 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 materialized through the various services that we provide to our clients and in our relationships with 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 launched by the UN and the World Economic Forum.

Our competencies – To maintain our leading position, we seek differentiating skills, behaviors and insights that deliver excellence in service and enable us to create value for our clients and communities.

Our management – Progressively, 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. This is supported by indicators relating to the priority topics for the Organization, as identified in our stakeholder survey.

Our indicators – The process of developing this report has helped us identify and measure 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. 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 on topics of interest to our stakeholders.



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. This contribution involves the following actions:

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 around the complexities with greater confidence. 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 practices in our markets.

Sharing know-how – The active participation of our staff in debates and discussions about the regulatory environment and the industries in which we operate helps form a critical mass on important themes, through research, representations, talks, events and publications.

Restoring market confidence – Responsible Audit, Tax and Advisory practices have an important role to play in creating a more transparent, responsible and effective business environment.

Training professionals for the market – Our heavy investment in the training and development of our staff equips the market with qualified

professionals. Those who choose not to pursue a career with KPMG take our expertise with them to major Brazilian and multinational companies.

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.

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



Global consistency





*Responsible
and
transparent
governance
systems*

*Ethical
business
conduct*

Governance is a key aspect of our strategy

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.

Global Consistency is the pillar that strengthens this integration and places governance as a key aspect of our strategy, with common values and goals across 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.

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.

Governance at KPMG International

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

The Global Council – Equivalent to a shareholders' meeting for a public stock corporation;

Global Board – The principal governance and oversight body;

Global Executive Team (GET) – This is the principal management body, and is responsible for executing the strategy approved by the Global Board and for enforcing policy compliance;

Global Steering Groups – Supporting GET, these bodies are responsible for implementing the action plans of each business area.

Governance at KPMG in Brazil

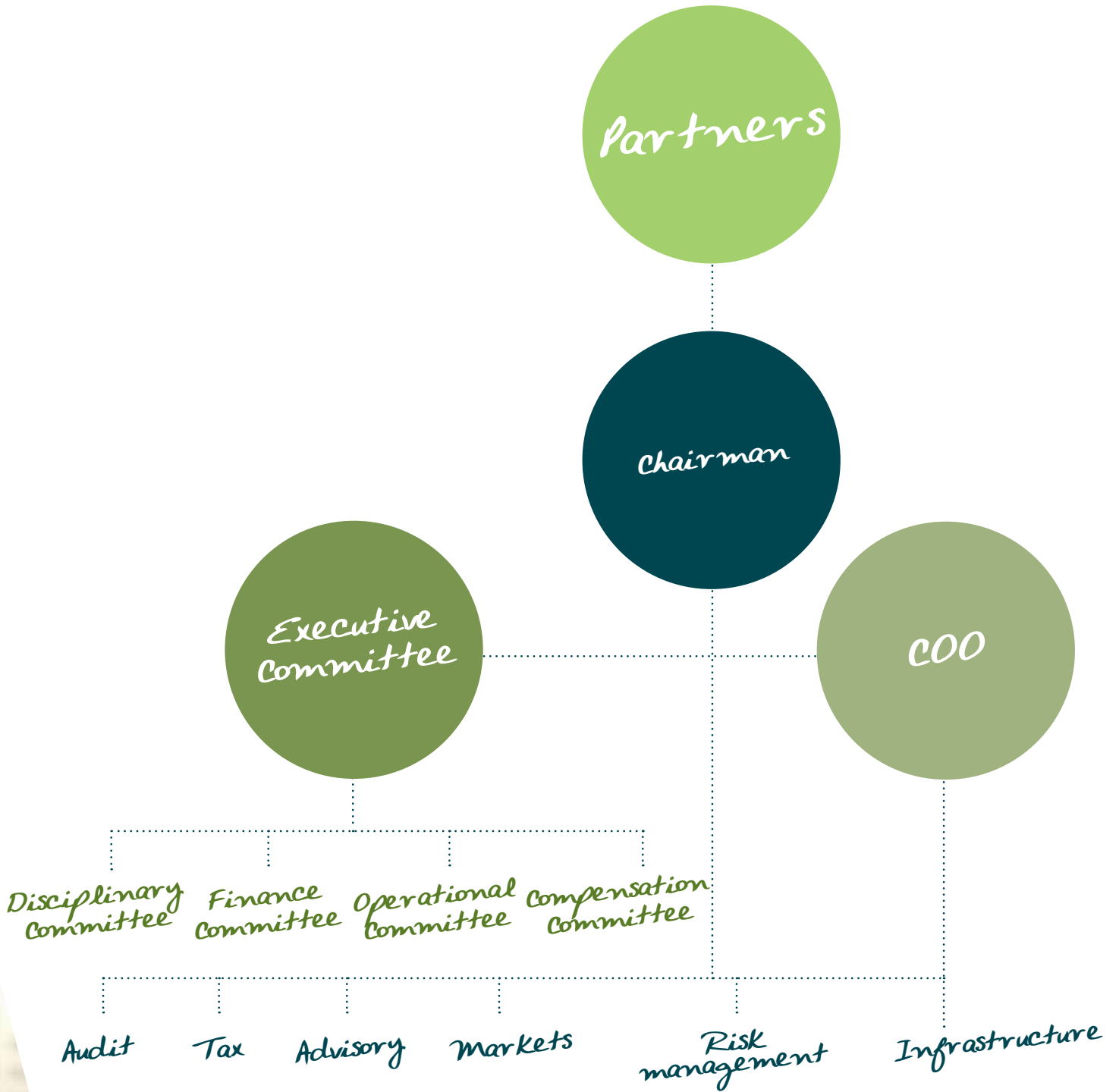
Our local governance structure follows the global standards established by KPMG International and has its own additional bodies for management coordination and oversight, in compliance with Brazilian law. The chairman at KPMG in Brazil is the principal local executive and is elected by the other partners 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.

Together, the chairman and the Executive Committee are responsible for policy making, 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.

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; a Finance Committee, which is responsible for the Organization's investments; a Compensation Committee, which deals with the rules for remunerating partners and partner-directors; and a Disciplinary Committee, which investigates suspected violations of rules and policies by any of our professionals, including partners.



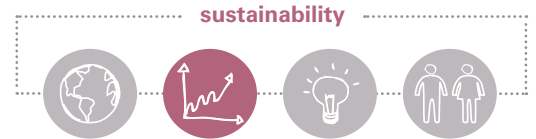


*Quality
Growth*

*Quality
and fully
independent
services*

KIPMING





The variety of expertises is our great asset

The topics underlying the Quality Growth pillar –providing quality and independent services – appear as the third most important topic for our stakeholders. To address these topics, we have mechanisms for sharing knowledge and methodologies that are continually improved.

Business Model

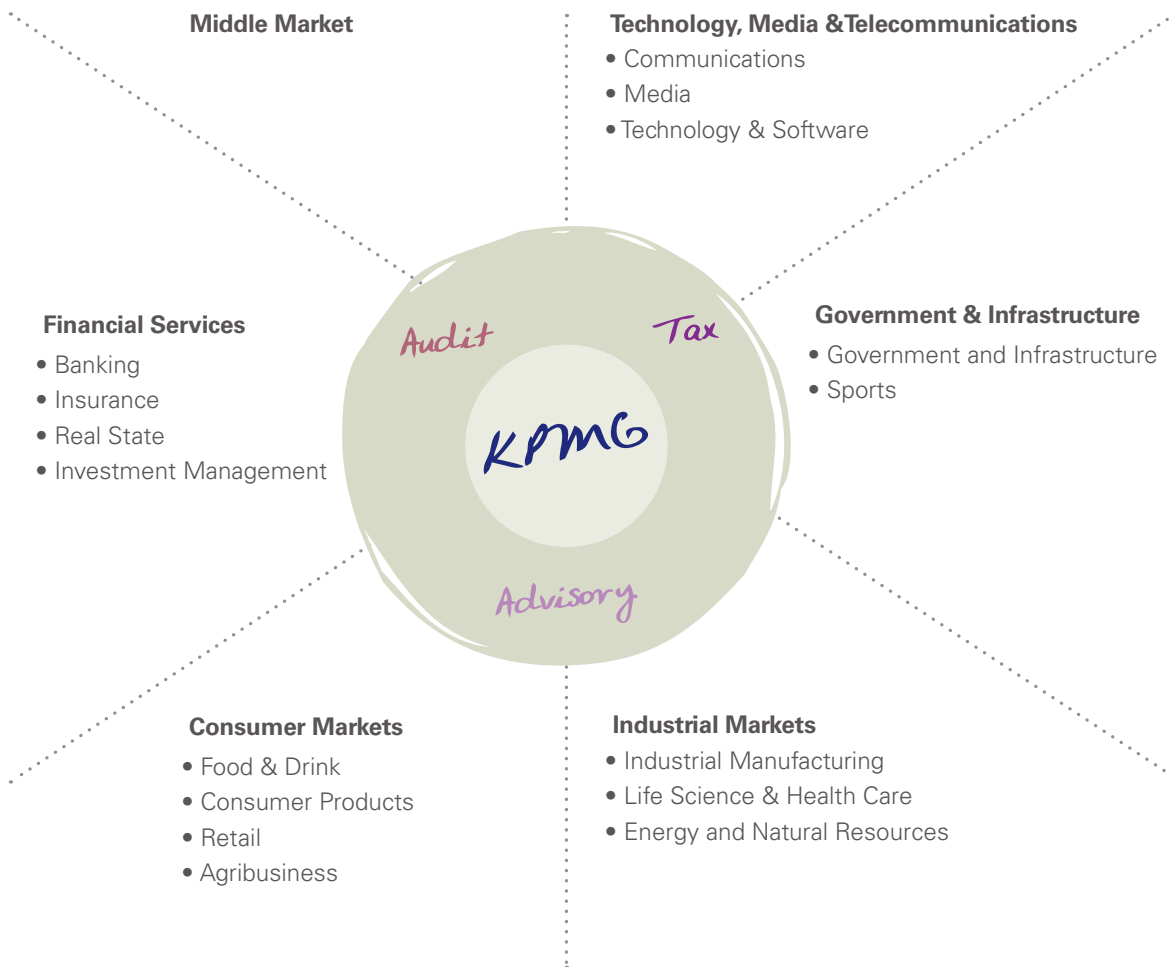
Our differentiated approach uses a model in which our business areas are divided into key markets for the business. This model, which we call the Industry Program, allows us to use a targeted, specialist, industry-specific approach and pool together Accounting, Financial and Management professionals 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 interaction among 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.

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 and a US Desk.

Industry Program



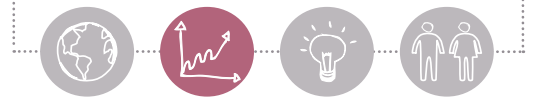
Investment and innovation

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.

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.

Dynamic Audit

The result of a global effort, Dynamic Audit proposes a new approach for professionals in the audit practice, designed to ensure greater quality, efficiency and agility in delivery. This approach means dozens of tasks currently performed manually by the audit practice 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. These tasks will be transferred to a specialist center, known as a Local Delivery Center, to be inaugurated within KPMG in 2014.



New offerings

Investments across all three practices in 2013 improved our market position and created new opportunities for the Organization.

We strengthened our specialist **Integration & Separation** team to assist companies following mergers, disposals and acquisitions. We invested in **Sustainable Value Improvement**, a concept that looks at the company's operations and, based on financial analysis, develops a process for delivering long-term efficiency. We developed an integrated and multidisciplinary approach to assisting companies in complying with **eSocial**, a new requirement of the Federal Revenue Service as part of the Electronic Public Accounting

System (SPED), which is designed to unify tax, labor and social security filings in electronic form, facilitating oversight of information sent to the Federal Revenue Service.

The year 2013 also saw important consolidation and results in two other service offerings: the **Entrepreneurial Market** (unregulated or small and medium-sized businesses), which enjoyed growth of 20% largely driven by agribusiness, IT services, retail and oil and gas service companies; and **Supply & Chain**, a business line geared to providing strategic management support across the supply chain (procurement, logistics and operations) in order to drive efficiencies in internal processes and improve service levels.



Client and market relations

We interact with clients and the market 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 roadshows.

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.

*Satisfaction Survey 2013:
97% of responding executives would recommend KPMG in Brazil's services.*

Client Satisfaction Survey

2011 to 2013 (maximum score: 10.0)

	<i>2012/2013</i> 186 respondents	<i>2012*</i> 164 respondents	<i>2011/2012</i> 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).



Communicating, producing and sharing expertise

The raw material of our work is knowledge. This requires continual investment in a number of forms of acquiring, developing and transmitting this knowledge and information in a strategic and meaningful way, so that we can sustain the excellence and quality of our services and delivery, and create value for clients and the market.

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

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.

Events – We invested around R\$ 2 million in events, seminars and lectures that helped generate and disseminate knowledge.

Membership in associations – 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.



The KPMG app

A digital communication channel for our professionals, clients and markets, the KPMG app offers interactive content and allows users to obtain information on services, receive research alerts, information on events, videos, office locations, social media and the latest news from the Organization.

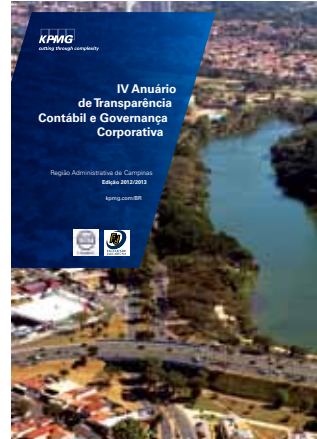
Key KPMG in Brazil publications in 2013



Corporate Governance and Capital Markets 2013/2014



Brazilian Insurance Distribution Market Outlook



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

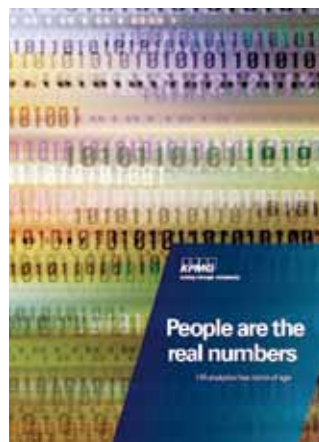


KPMG Business Magazine – Quarterly edition

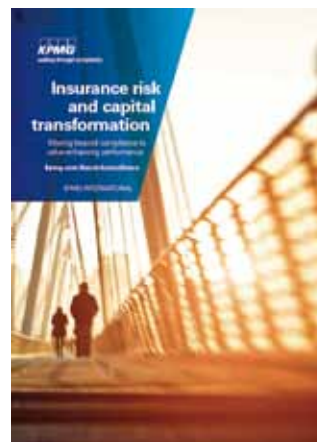
Some key publications by other KPMG International member firms



The cost of compliance – Global Hedge Fund Survey



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



Insurance risk and capital transformation



Financial results

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
Direct economic value created	799,436,864	805,111,888	707,690,443
Revenue	799,436,864	805,111,888	707,690,443
Economic value distributed	650,729,691	627,281,780	602,494,364
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
Accumulated economic value	148,707,173	177,830,108	105,196,080

* 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*





*Quality
and fully
independent
services*

*Ethical business
conduct*

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. 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 growth and sustainability of our 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.

Quality and Risk Management

Our Risk Management department is responsible for controlling and monitoring factors that could affect our business, our professionals and our 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 implementation, 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.

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.

The supporting teams for this function form an integrated management body that includes **five key groups 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, in addition to being available on the Intranet, are transmitted to our professionals through our leadership and systematic training on ethics, independence and anti-corruption.

These documents express our values, commitments to our stakeholders and the conduct to be adopted by our professionals to ensure that ethical principles are upheld in their relations with KPMG, with other professionals, with clients and with the surrounding community. They establish guidelines for open and honest communication

with all of our target audiences, which are to be respected in all the marketing strategies and agreements that we forge. They also establish our People, Performance and Culture policy as an integral part of the quality assessment and risk management process, which ensures our professionals' independence, ethical conduct and objectivity when providing services by assessing any potential conflicts of interest and monitoring compliance with our investment policies.

This set of procedures complies 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 the Public Company Accounting Oversight Board (PCAOB) and the US Securities and Exchange Commission (SEC).

In 2013, all professionals required to attend training were trained in Ethics & Independence and 89% in Anti-corruption policies.



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

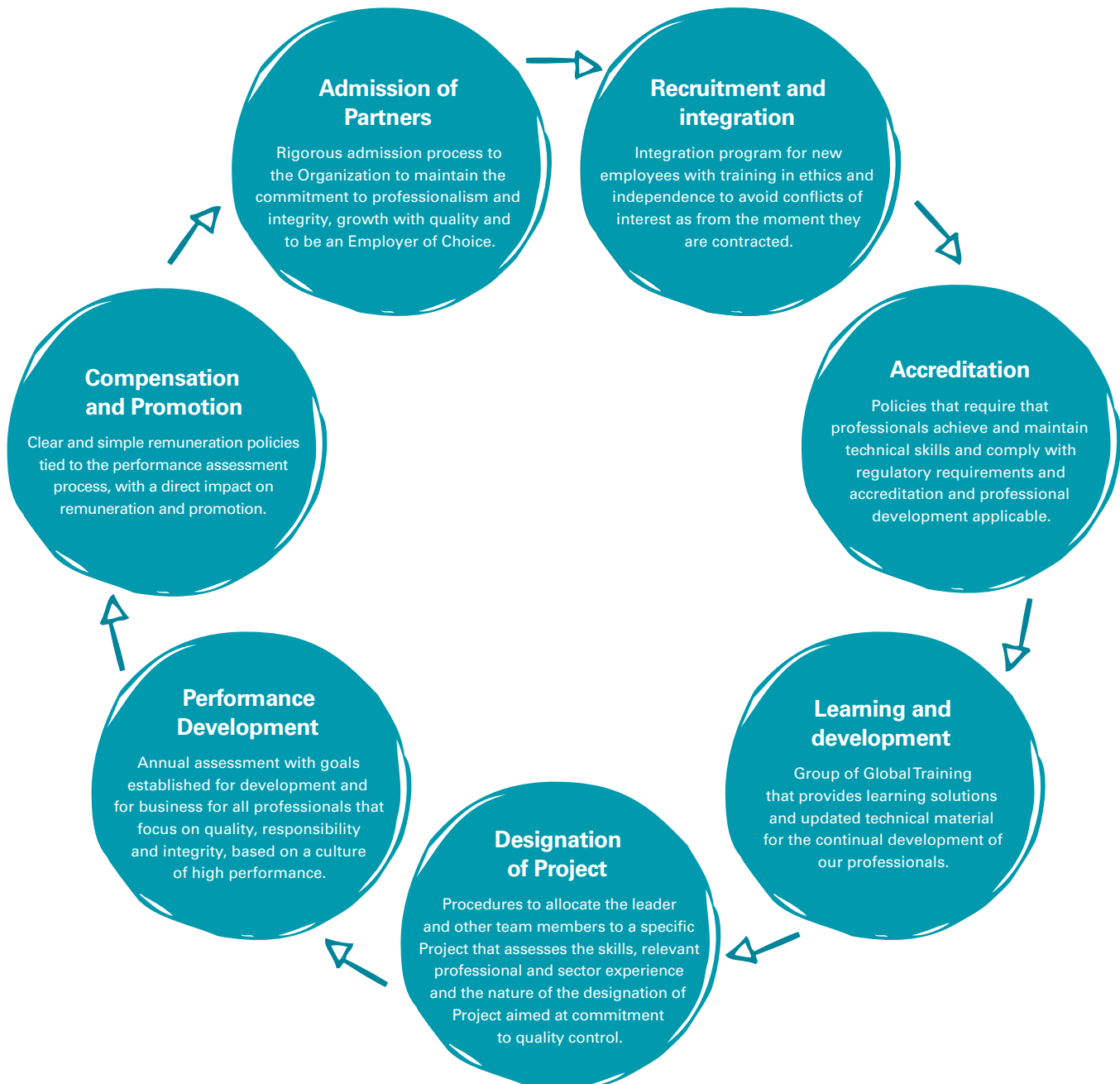
Markets, locations, authorities and companies in which or with which we operate and are committed to

- 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.

People management, training and development

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 within our

risk management and quality program. In addition to practice-specific training, our people management practices include initiatives to attract, retain, train, develop and recognize our professionals, which reflect the way we want to grow and be recognized (read more in *People*).





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 Client and Engagement Acceptance and Continuance (CEAC) and Sentinel, an online system for screening new projects against independence requirements and applicable standards. 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.

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, such as eAudit.

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 standards 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.

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) –

An annual check performed by KPMG International on internal controls, procedures, practices and global training.

Quality Review Programs –

Annual reviews 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 regulators).

Review by the 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 addition to these reviews, our Disciplinary Committee also monitors compliance with ethical standards and the integrity of our professionals to identify any deviations in our procedures or the professional standards governing our services. We also provide a confidential, independent, international hotline for reporting suspected legal, ethical or regulatory violations.

Whistleblowing Hotline

Brazil: 0800 891 7391

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

Online: www.clearviewconnects.com/

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

In the period covered by this report, KPMG in Brazil did not incur any sanctions or fines as a result of these reviews, nor were any violations reported through our monitoring tools.

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.

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.

We ended our financial year at September 30, 2013 with **3,657 people**, including:

- **3,439 KPMG in Brazil professionals**, of which:
 - 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.
- **08 temporary members.**

KPMG in Brazil Professionals

Distribution by office



● São Paulo ● Other offices* ● Rio de Janeiro

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

People

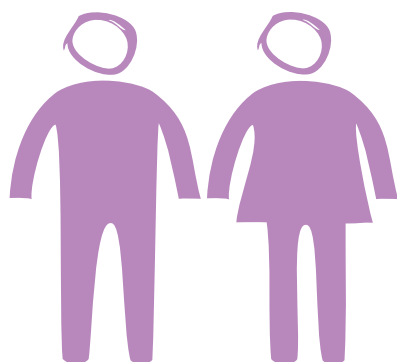
Means all the personnel working at KPMG in Brazil.

Professionals

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

By age

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



By gender

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



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.

Gender equality and women empowerment

Globally, KPMG’s Network of Women (KNOW) encourages the professional development and retention of women within the Organization. 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. KPMG International’s goal is to have 25% of senior leadership (partner) positions filled by women by 2015.

Grupo Inclusão

Further enhancing our diversity program, this initiative brings together people from different departments to facilitate and promote the hiring and placement of people with special needs in the Organization. In 2013 we had 36 people with special needs on our team of professionals and 1,358 professionals took e-learning courses on Diversity and Inclusion.

Hiring locally

A way of furthering the development of the communities we operate in and incorporating regional cultural knowledge into our business. At KPMG in Brazil, 91% of our leadership is Brazilian. In São Paulo, Rio de Janeiro and other States in which we operate, the percentage of locally hired leadership is respectively 71%, 75% and 50%.

People, Performance and Culture

To support the professional and personal development of our team, 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.

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.

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. This structure is provided with support from the KPMG Business School, the organization responsible for planning these programs through classroom-based or online activities.

Another ongoing investment is our mobility program, which offers our professionals the opportunity to learn about how member firms operate in other countries. As part of our leadership development initiatives, KPMG in Brazil offers specific training and development programs, such as the Partner Development Program involving all leaders.

Total investment in training and development			
	2013	2012	2011
Time (thousands of hours) – Item "a" only	243	306	366
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, our professionals completed 243 thousand hours of training through a range of methodologies, including e-learning, virtual class and classroom-based training



Assessment and feedback / Career planning and development

KPMG in Brazil's career development policy follows the Organization's global privacy 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 2013, our assessment tool, Dialogue, was replaced with My Performance Development (MyPD), which improved our assessment and feedback 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.

Through our Profit-Sharing Program and promotions, we reward and recognize professionals who have effectively contributed to our business, as part of our career and succession plan process.

Internal environment / Organizational climate

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 (available in the unabridged version of this report) was conducted at the start of the 2012-2013 financial year and enjoyed 83% participation, with 2,600 professionals responding. The results of the survey are used as a basis for developing action plans to address the key expectations of our internal stakeholders.

Focus on individuals / Health and quality of life

Our professionals are at the heart of our Organization. We believe that by creating the conditions necessary for their personal and professional development, we are also creating an environment conducive to delivering excellence in service and creating value for clients as well. For this reason, in addition to our career plan and fixed remuneration, we encourage meritocracy through our Profit Sharing Program and a set of benefits that contribute to our professionals' well-being, which are described in detail in the full version of this report.

We also maintain **MyLife**, a quality of life program that encourages healthy habits, well-being and care for body and mind, encouraging staff to balance their work and personal life. **MyLife** has three 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.

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
Total	2,061	2,114	2,095

Corporate Citizenship



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

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 and which are described in further detail in the unabridged version of this report:

United Nations (UN)

Global Compact – Millennium Development Goals

Leadership Development Programme (LEAD)

Guiding Principles on Business and Human Rights

KPMG International also participates in debates around the UN 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.



Anti-corruption Principle
Principles of Responsible Capitalism
Future Role of Civil Society

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 corporate citizenship practices implemented by Brazilian globalizers.

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 circumstances.

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), 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 Change.**

Education

KPMG in Brazil works with schools, universities and non-profit organizations to develop the skills and potential of young people and children. This support is generally provided through private social investment in ongoing programs.

“Little Citizen” Project

One of the primary initiatives of KPMG in Brazil, the program offers a cycle of four years of supplementary education activities, medical and nutritional supervision, daily meals and sports activities to 220 children ages 10 to 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.

Bessan Award

Building on the concept of merit-based opportunities, we offer secondary education grants at a private school in São Carlos to top-performing students in the “Little Citizen” Program. In 2013, four students received grants.

Núcleo Aprendiz

In partnership with the Sesi and Senac vocational training school networks, the “Little Citizen” project offers young graduates the opportunity to attend courses related to the labor market and other employment-related subjects. In 2013, 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.

Enactus (formerly SIFE)

KPMG International is the official sponsor of the Enactus World Cup, and many KPMG member firms, including KPMG in Brazil, support this global nonprofit institution, operating in 39 countries. The goal is to mobilize university students with strong entrepreneurial skills to develop programs for the benefit of their communities, with a focus on sustainability and social empowerment.

Junior Achievement (JA)

KPMG in Brazil's involvement with JA, which provides practical education on economics and business, began in 2002 and grew in 2009 when we became national sponsors and began to develop our National Volunteer Program jointly with the institution. In 2013, our volunteers benefited 1,315 students.

Biodiversity in your rucksack – WWF Brazil

The program was created in 2011 to provide environmental education on the Cerrado biome to 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.

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 to improve living conditions in our communities.

Pro bono services or Compensation

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. In 2013, four organizations were benefited by our services.

Private social investment

This is another way we promote social development. We support UNICEF Brazil in implementing the Platform for Urban Centers and participate in the Millennium Villages initiative, a group of international partnerships united against hunger, diseases and illiteracy in sub-Saharan Africa.

Social and cultural investment under tax incentive laws

In 2013, KPMG in Brazil allocated funds to three institutions serving the community. Among them are *Instituto de Reciclagem do Adolescente* (Reciclar), the São Paulo chapter of *Apae* and *Associação Anhumas Quero-Quero*.

Voluntary work

In addition to working in the Junior Achievement programs, our professionals can also participate in other annual activities, such as KPMG's Day in the Community and the Trainee Challenge.

Nonrecurring programs and emergency and disaster response

In 2013, our professionals were mobilized in a number of campaigns, such as *SOS Santa Maria*, the Winter Campaign and the "Caring Christmas" Campaign.

Supplier management

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 suppliers and continuing engagements at all member firms.

At KPMG in Brazil, standard draft contracts for product and service suppliers have included anti-bribery and pro-human rights provisions since 2012. In 2013, we began mapping our key suppliers during an event called *Sustainability Workshop: critical suppliers*.

The Environment

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, albeit indirect); supporting environmental programs creating a positive impact on communities; and working with staff, suppliers and clients to assist them in managing their own impacts.

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. We also support the Carbon Price Communiqué, an initiative to which KPMG International has subscribed and which unites companies worldwide in the discussion on reducing global greenhouse gas emissions.

Environmental education

We encourage our professionals to adopt practices that will have a positive impact on our environmental performance, as well as on their habits as citizens, through initiatives such as: Earth Hour – WWF Brasil; Environment Week; and an *e-learning* program on the subject of Sustainability, available on our Clix training platform. In addition, we adopt annual corporate environmental targets that are monitored via MyPD; we have sponsored a series of cultural books within the "Earth, Water, Air and Fire" program, as well as the previously mentioned "Biodiversity in your rucksack – Cerrado" program in partnership with WWF Brasil; and we have established a partnership with Instituto Akatu to develop two new e-learning courses on Sustainability and Conscientious Consumption, due to be launched in 2014.

Emissions control

Our main impact on the environment is greenhouse gas emissions (GGE) from our team's frequent travel to

assist clients. Although this impact is within Scope 3 of the Carbon Inventory (emissions over which we have no or limited control), KPMG in Brazil is aligned with KPMG International's global commitment to reduce net greenhouse gas emissions by 15 percent *per capita* in relation to a 2010 baseline.

In Brazil, having 26 offices providing locally-based services helps reduce long-distance travel. The need for travel and commuting is also reduced by providing remote access to our network environment, the possibility of attending web-based training, and teleconferencing and videoconferencing tools. However, travel remains intrinsic to our business and one of our main dilemmas.



Emissions

(tons of CO₂e/year)

	2013	2012	2011	2010	2009	2008	2007
Total Scope 1 (tCO₂e)	188.85	182.12	404.65	183.71	137.87	200.12	521.65
Total Scope 2 (tCO₂e)	325.99	237.57	90.60	136.66	57.35	109.98	74.94
Total Scope 3 (tCO₂e)	5,514.69	5,602.70	5,544.34	4,681.01	3,554.09	3,688.69	3,070.84
Other emissions (HCFC-22)¹	162	200.25	220.05	229.76	165.60	109.20	–
Total emissions (tCO₂e)	6,191.53	6,222.63	6,259.64	5,231.14	3,914.91	4,107.99	3,667.43
Emissions per capita (per professional)²	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.

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

² The average number of employees used to calculate emissions per professional was provided by KPMG International.

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 (CO₂e 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. 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



credits

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Please refer to the complete electronic version of this report at:
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