



# Sustainability Report

2014

**KPMG**

*cutting through complexity*



# Forward

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We are very pleased to present the fifth edition of the KPMG in Brazil Sustainability Report. In it 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.

This year's edition brings two major changes: the first is our transition from GRI G3 to G4, placing a yet greater focus of aspects that are material to KPMG and our stakeholders; the second is that we have begun transitioning to the Integrated Reporting framework proposed by the International Integrated Reporting Council (IIRC), with our first exercise of disclosing information using the Six Capitals (Human, Intellectual, Financial, Natural, Manufactured and Social and Relationship) approach.

Because of these two changes, we have decided to report this year 'in accordance' with the 'Core' option under GRI G4 and to continue to progress throughout the following editions.

As in previous years, the information here has been provided by the various functions managing activities relating to the performance indicators presented. It also draws on interviews with KPMG professionals to include strategic insights from our leadership.

This Report is for the financial year of KPMG in Brazil, from 01 October 2013 to 30 September 2014. For simplicity, our financial year is referred to as year 2014.

The financial information contained in this Report has been prepared in accordance with Brazilian generally accepted accounting principles, within the same scope and boundaries, and using the same measurement basis as in previous editions. Independent assurance has been provided by BSD Consulting, a firm validated by our Sustainability area and by senior management.

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).

We hope you find this report informative.

**Maria Cristina Bonini**

Director – People,  
Performance and Culture

**Eliane Momesso**

Manager – Corporate Citizenship  
& Diversity

**We welcome your feedback:**  
please send any comments,  
questions, suggestions or critiques  
to [comunidade@kpmg.com.br](mailto:comunidade@kpmg.com.br)  
+55 (11) 3736-1228



**Browse through our  
report links**

# 2014 Headlines



**R\$ 898 million**  
in revenue

**253**

**thousand**  
training hours

**Top 10 World's Most Attractive Employers to Work for**

Universum

**Among the Top 150 Companies for People Management Practices 2014,**

as ranked by Gestão RH

**Among the Top 10 Companies for HR Management,**

as ranked by Gestão RH



**invested in education and development**



**Audit Innovation of the Year - International Accounting Bulletin (IAB)**

**Brazil's Most Admired Companies 2013/2014**

Carta Capital, second place among audit firms

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

Awards won in three categories from the São Paulo State Federation of Accountants in partnership with the Brazilian Association of Publicly Held Companies and the Brazilian Investor Relations Institute

**2014 International Finance Awards / Best Corporate Finance Practice Brazil Acquisition International**

**Top 100 in Best Corporate Citizenship Practices 2014**

Revista Gestão de RH, best in Ethics and Stakeholder Relations

**Silver Award – Women's Empowerment Principles 2014 Brazil**

UN Women

**The Sustainable Firm of the Year**

(third consecutive year)

**International Accounting Bulletin (IAB)**

**New Tax and Audit solutions**



**invested in cultural, social and environmental projects**

**Cámara Española Sustainability Award**  
Labour Practices

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# Message from the Chairman

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As we look back on 2014, what immediately stands out is what a unique and challenging year it was for KPMG. An unprecedented combination of events created significant political and economic instability, undermining prospects for growth and development.

The first quarter of our financial year, beginning in October 2013, was highly productive. The second was affected by a late carnival season, which slowed a number of segments. The FIFA World Cup punctuated the third and part of the fourth quarter, but failed to generate the virtuous business cycle it was expected to create, and instead resulted in many days idle during demonstrations and match days. The fourth quarter was also affected by the fiercely contested presidential race, which impacted market mood.

In this unstable domestic environment – and with Europe still recovering and BRICS (Brazil, Russia, India, China and South Africa) group countries experiencing poor growth – many investors took a more cautious approach to Brazil, which impacted a number of our practices.

In turbulent times like these, a particular virtue of our internal culture at KPMG comes to the fore: we can thrive not only on a fair wind, but also against a headwind. In keeping with this, we undertook a careful, forward-looking assessment of Brazil, we adapted to the circumstances and prepared the Organisation to face whatever the future had in store.

In addition to developing new market strategies, we maintained and further strengthened our alignment with

the KPMG network in reaffirming the purpose that has underpinned our practice of challenging and changing the *status quo*: 'Inspire Confidence. Empower Change'. Our founders – Klynveld, Peat, Marwick and Goerdeler – knew that people have always needed trusted leaders with the courage and humility to do the right thing and who inspire confidence through their insight, expertise and comprehensive view.

In a world in need of leadership and experiencing a serious values crisis, reaffirming our purpose helps us remain focused on making the difference and contributing to the development of relationships, organisations, governments and markets. Here resides our most tangible and relevant contribution to sustainability. We want to remain a successful organisation, but we want our success to be increasingly meaningful and valuable for our stakeholders. This way, profit will always be something rightfully earned as a result of the value we create for society, rather than an end in itself.

To further cement this purpose in our day-to-day work at KPMG, we dedicated special attention to our professionals and leaders in 2014. We revisited our training process, focusing investments on a 70/20/10 practical and collaborative learning model. We designed new engagement, development, inspiration and empowerment strategies, further enhancing our 'The Clear Choice' approach.

In addition, we invested heavily in business efficiencies, ensuring greater productivity through

technology, training and recognition. We deployed the first phase of our Integrated Business System (IBS), a management system that will provide greater connectivity to the KPMG International network and standardise a range of internal processes.

Our purpose of inspiring confidence and empowering change is also reflected in our business strategy. With such an unstable business environment in 2014, clients from all sectors sought strategic advice to help them find the best path forward. This led us to focus on the convergence of our Audit, Tax and Advisory practices, providing our clients a more strategic vision and creating greater value for their businesses.

Our portfolio has been expanded to meet new market demands. In Advisory, we enhanced our offering in risk consulting, debt restructuring and fundraising to help our clients regain financial health. In Tax, we invested in perfecting our tools to prepare clients to accurately and efficiently meet the increasing requirements created by the Electronic Public Accounting System. Our Audit practice was enhanced by a set of innovative technologies that have improved process security, efficiency and agility, allowing our professionals to provide further insights in their analyses.

With support from KPMG International's Americas cluster, we have fostered the integration of member firms in the region, leveraging local strengths to grow together.

With these enhancement initiatives, some of our practices have excelled and offset the performance of practices less in demand, ensuring the sustainability of the business. Responding well to the challenges posed by the economic environment, we grew 12% in the year – below target, but well above the GDP. The year also saw a larger number of professionals promoted to partner, further strengthening our leadership team alongside our new hires.

In Audit, our continuing contribution has become more relevant than ever at a time when the audit profession has been increasingly scrutinised and questioned by public opinion, regulators and the judiciary. A number of misconceptions remain as to the auditor's role, and we have much to do to clarify the actual extent of auditors' responsibilities and demonstrate the value that audit creates on a daily basis for clients. To this end, we intensified our advocacy efforts through communication with the media and society, in collaboration with trade associations.

Within the context of these efforts, I have been very honoured to be named *Accounting Professional of the Year* by the Brazilian Association of Finance, Management and Accounting Executives (ANEFAC). I am certain that I am a mere recipient of recognition earned by KPMG's broader leadership in its advocacy and awareness efforts throughout the country.

As we enter 2015, we anticipate a year in which Brazil will need to deal with material economic challenges such as regaining market confidence and delivering the infrastructure investments needed for a more structured development process. The challenging outlook only increases our motivation to do better. We are optimistic that we will succeed in growing 15% next year, with a number of important clients returning from auditor rotation, the ample room for growth in our Middle

Market share, the new strategies in our Advisory practice and increasing demands for compliance arising from the Anti-Corruption Law and digital tax system.

Our optimism also comes from the perception that our solutions are central to the major revolution now taking place in the business world, helping businesses from all industries organise, analyse and report their operating information. They still have a long learning curve ahead to incorporate digital accounting, analysis and reporting – as well as risk and compliance management – into their policies, routines and decisions. KPMG will be there to deliver comprehensive support throughout this process, providing technology specialists to cut through complexity.

This brief report on what has been an intensive year clearly shows that sustainability is at the core of our business and strategy, and expresses the way we act with integrity

towards our stakeholders. We have taken important steps towards this understanding by deepening our analysis of material topics (enhanced by our transition to GRI G4) and describing the inputs and outputs from our business within the Six Capitals framework proposed by the IIRC.

By continually delivering on our purpose of inspiring confidence and empowering change, we are continuing our journey and helping businesses, governments, voluntary sector organisations, universities and society itself to develop towards a better world. Continued progress in this direction is our aspiration for the future, as shown by our strategic objectives described in Our Strategy and the Sustainability, page 20.

Thank you for sharing another year with us. I hope you enjoy reading this report.

**Pedro Melo**  
Chairman, KPMG in Brazil





# ABOUT KPMG

**OUR PURPOSE** G4-1

Two years back, KPMG International initiated a process of reaffirming our purpose across the global network of member firms.

“The vocation lies where the talents meet the world’s needs and are placed to serve them” This quote by Aristotle was our source of inspiration as we laid the foundation for the process that led us to reaffirm who we are and why we are here.

The first step was to return to our roots. We looked back at the history of our founders – Klynveld, Peat, Marwick and Goerdeler – and the values they established in founding KPMG. We explored in depth the views of our global team, we listened to our stakeholders and we considered the way we describe our Organisation.

We concluded that what best translates what we do is, ‘Inspire Confidence. Empower Change’. For 145 years, from the formation of KPMG to today, this purpose has always been with us, underlying our work, our decisions and our conduct. Through it, we continue to inspire confidence and steer our business in the right direction, using our expertise, our passion for what we do and our thought leadership to grow and help clients, governments and civil society address the challenges of a constantly changing world, generating a positive impact and contributing to sustainable changes in business models.

We take pride in being an Organisation with a purpose. Reaffirming the reason we are here energises us around consistent delivery that demonstrates our differentiators, enhances the value we deliver to our stakeholders and strengthens society’s confidence in KPMG and the broader market.

*“The vocation lies where the talents meet the world’s needs and are placed to serve them”*





# Our purpose G4-56

Living by this purpose we truly become 'The Clear Choice', admired and respected not only for what we do, but also for the way we do it:

## OUR VISION

### Where we want to be

- To be the clear choice by:
  - Attracting and keeping the best people
    - Winning the best mandates
  - Doing the best work for the best clients
    - Being the most trusted firm

## OUR STRATEGY

### How we're going to get there

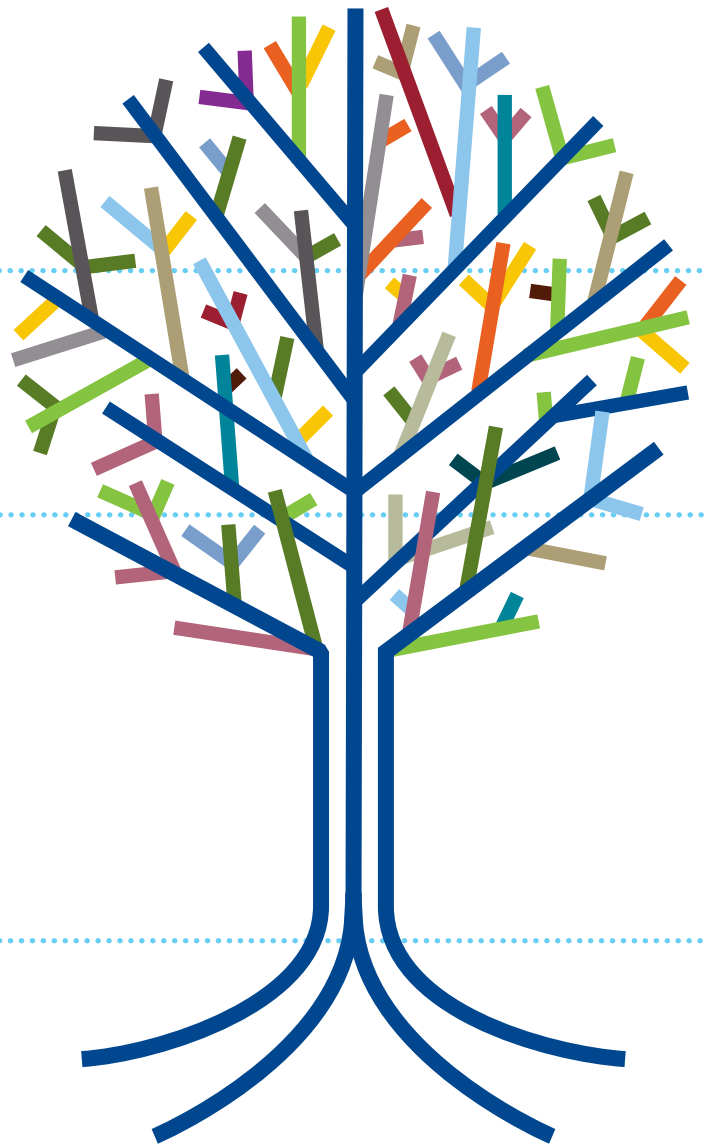
- Be market-focused
- Become an issues-led business
- Ensure operational excellence
- Build the culture and motivation to support our vision

## OUR VALUES

### What we believe and how we behave

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

## OUR PURPOSE Why we're here



*Inspire confidence.  
Empower change.*

## The Clear Choice

### OUR PEOPLE ARE EXTRAORDINARY

- We are caring and courageous and share a lasting pride in our firm
- We are smart, curious and relish a challenge
- We thrive on developing the leaders of tomorrow

### OUR CLIENTS SEE A DIFFERENCE IN US

- We deliver quality that is unparalleled
- We build enduring relationships
- We bring leading insight and innovative solutions

### THE PUBLIC TRUSTS US

- We are valued by investors and respected in our profession
- We invest in the communities where we live and work
- We have the courage of our convictions

*We are each committed to leaving the organization and the world better than we found them*

A legacy of entrepreneurship, integrity, honesty, independence and innovative thinking. From our founders to today, we have been acting on the purpose of leading change in society, inspiring and sharing knowledge.



PIET KLYNVELD



SIR WILLIAM BARCLAY PEAT



JAMES MARWICK



REINHARD GOERDELER

*"I see innovation and new ideas aligned to a strong sense of purpose in every corner of our business. When I meet our people I am amazed at their commitment, not just to their clients, but also to their colleagues and their communities. I believe it is our culture that truly differentiates us from our competitors. Every day our people do extraordinary things, they go above and beyond to ensure the work they do at KPMG inspires confidence and empowers change."*

John Veihmeyer – Chairman of KPMG International.

**WHO WE ARE**

**KPMG International** 

G4-4 | 5 | 6

KPMG International (KPMGI) is a global network of independent firms operating in 155 countries worldwide. As leaders in our segments, we are recognised for the quality of our services and the integrity of our professionals. The KPMG network has more than 162 thousand professionals with multidisciplinary skills delivering Audit, Tax and Advisory services to private businesses and government agencies, helping them adapt to change, detect risk and capitalise on opportunities.

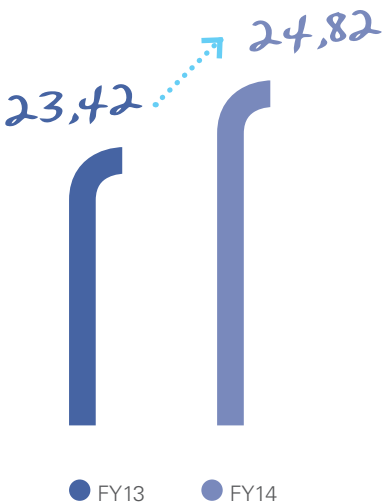
Organised in Switzerland under Swiss law, and headquartered in Amsterdam, KPMG International Cooperative (KPMG International) establishes and facilitates the implementation and

maintenance of uniform policies and standards and protects and enhances the use of the KPMG name and brand, ensuring the sustainable growth of the Organisation as a whole. KPMG International 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 its policies and regulations, including the standards of quality that govern their mode of operation and the provision of services to clients.

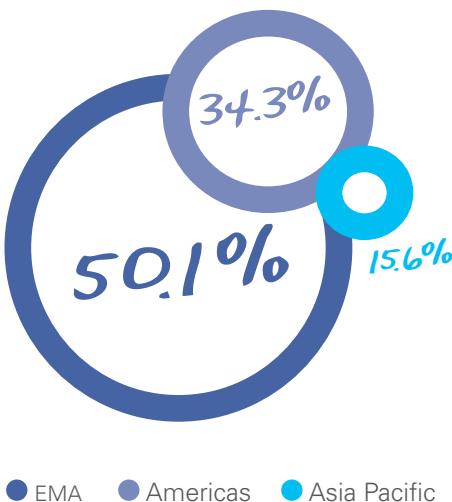
**Global Revenue**

In billions of dollars

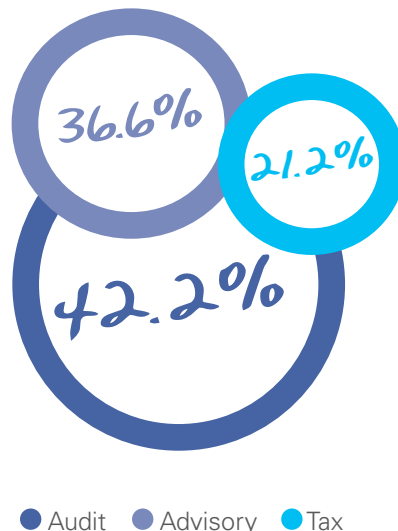


**Revenue of member firms of KPMG International in 2014**

By region

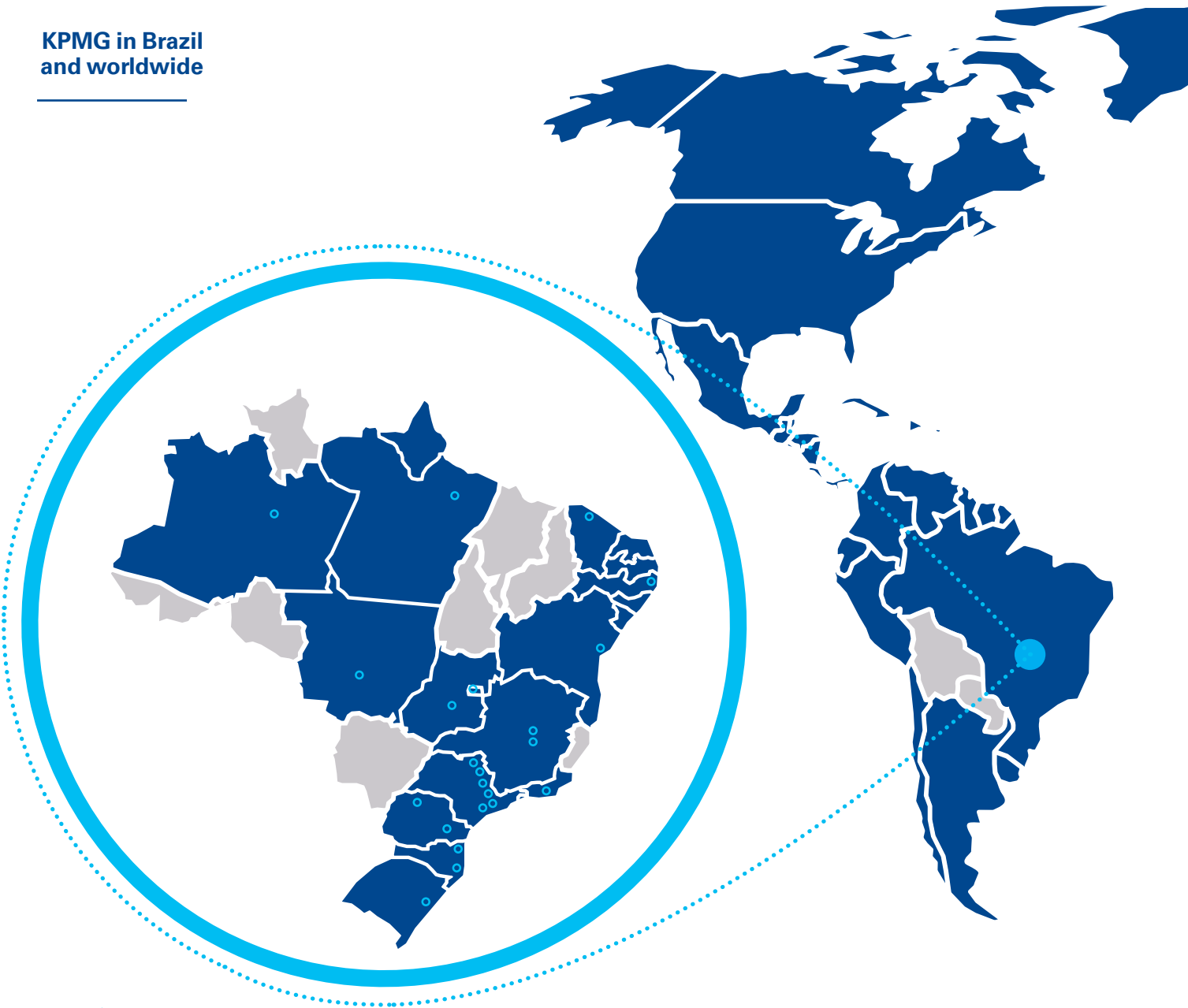


By practice



**KPMG in Brazil  
and worldwide**

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**26**

26 offices in 22 cities\*,  
the largest of them  
in São Paulo G4-5

**3,774**

clients throughout Brazil\* – private  
businesses, government bodies and  
non-profit organisations

**3,504**

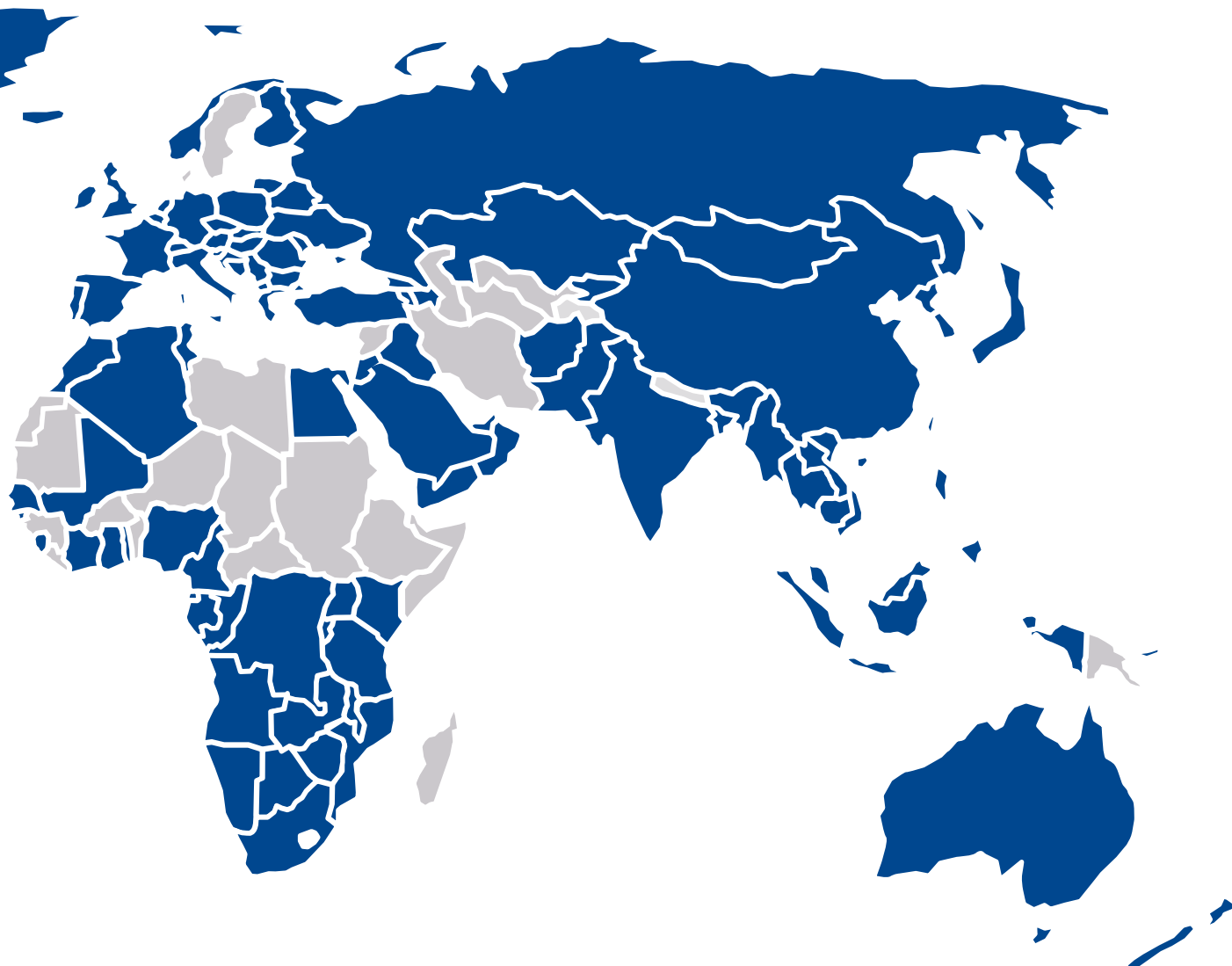
professionals\*

\* As of period-end, 30 September 2014

## KPMG in Brazil

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



## KPMG worldwide

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, Indonesia, Finland, 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, 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.

**ABOUT KPMG**

**KPMG in Brazil**

G4-3 | 4 | 5 | 7 | 8 | 9 | 17

With an operating history of 99 years, KPMG in Brazil can be traced to firms dating back to 1915. KPMG in Brazil is currently a network of independent firms under local ownership and management, with head offices defined in their respective articles of incorporation.

Our professionals are prepared to develop innovative strategies in Audit, Tax and Advisory and offer comprehensive and specialist insights into each client's environment and industry.

Their work is supported by a range of initiatives, policies, proprietary methods and training provided by the

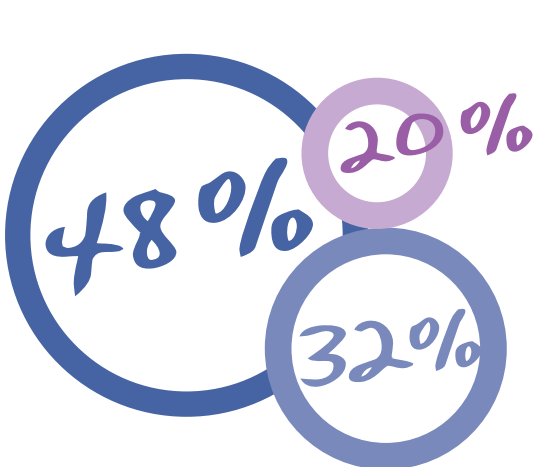
KPMG International network, through which we tap into the knowledge generated by other member firms and adapt and perfect it to suit our clients' needs, opportunities and challenges. KPMG in Brazil actively contributes to the development and dissemination of best practice across the network.

Our Chairman in Brazil, Pedro Melo, sits on the Global, Americas and South America Boards, and is a member of the Americas Management Committee, four of the main governance bodies of KPMG International, where we also help set strategies and generate global expertise.

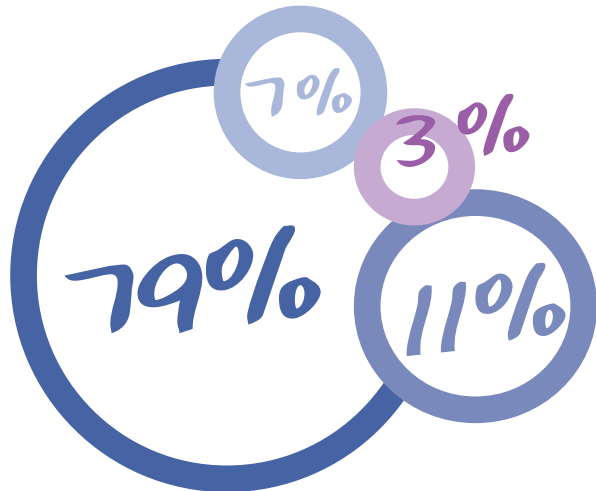


**Brazil consolidated revenue**

By practice



By region



● Audit   ● Advisory   ● Tax

● São Paulo and Rio de Janeiro   ● South   ● Centre   ● North/Northeast



### Consolidated revenue - By region and by practice

Independent firms operating in Brazil under the KPMG brand

Regions	Audit	Advisory	Tax	Brazil – By region
São Paulo and Rio de Janeiro	71%	93%	75%	79%
South	9%	3%	9%	7%
Centre	15%	3%	13%	11%
North/Northeast	4%	0%	3%	3%
<b>Brazil - Share of revenue by practice</b>	<b>48%</b>	<b>32%</b>	<b>20%</b>	<b>100%</b>

\* For the period from October 2013 to September 2014.



### Market approach

The *Markets Programme* has structured our practices into sectors that are meaningful to the market and our clients. As a result, we have developed a specialist and targeted approach for each sector, congregating high-performance, subject matter experts in Accounting, Finance, Tax and Management.

Since 2010, we have intensified investments in selected priority sectors, which has yielded above-average growth for our Government and Infrastructure, Energy and Natural Resources, Retail and Consumer Markets, and Technology teams.

We have organised multidisciplinary teams in Advisory and Tax, combining experienced engineers, systems consultants, economists and tax consultants. Together, they have developed strategies to meet specific demands related to tax incentives

and filing obligations arising from new technologies, *Linha Azul*, SISCOSERV, FATCA and SPED.

Connecting Brazil to global markets has been another focus area. Through the Global Brazil Group (GBG), we have brought together a team of specialists to assist our global clients, including Brazilian multinational companies looking to expand their businesses overseas and foreign companies entering the Brazilian market. This team works closely with KPMG's global network to develop or expand inbound and outbound business.

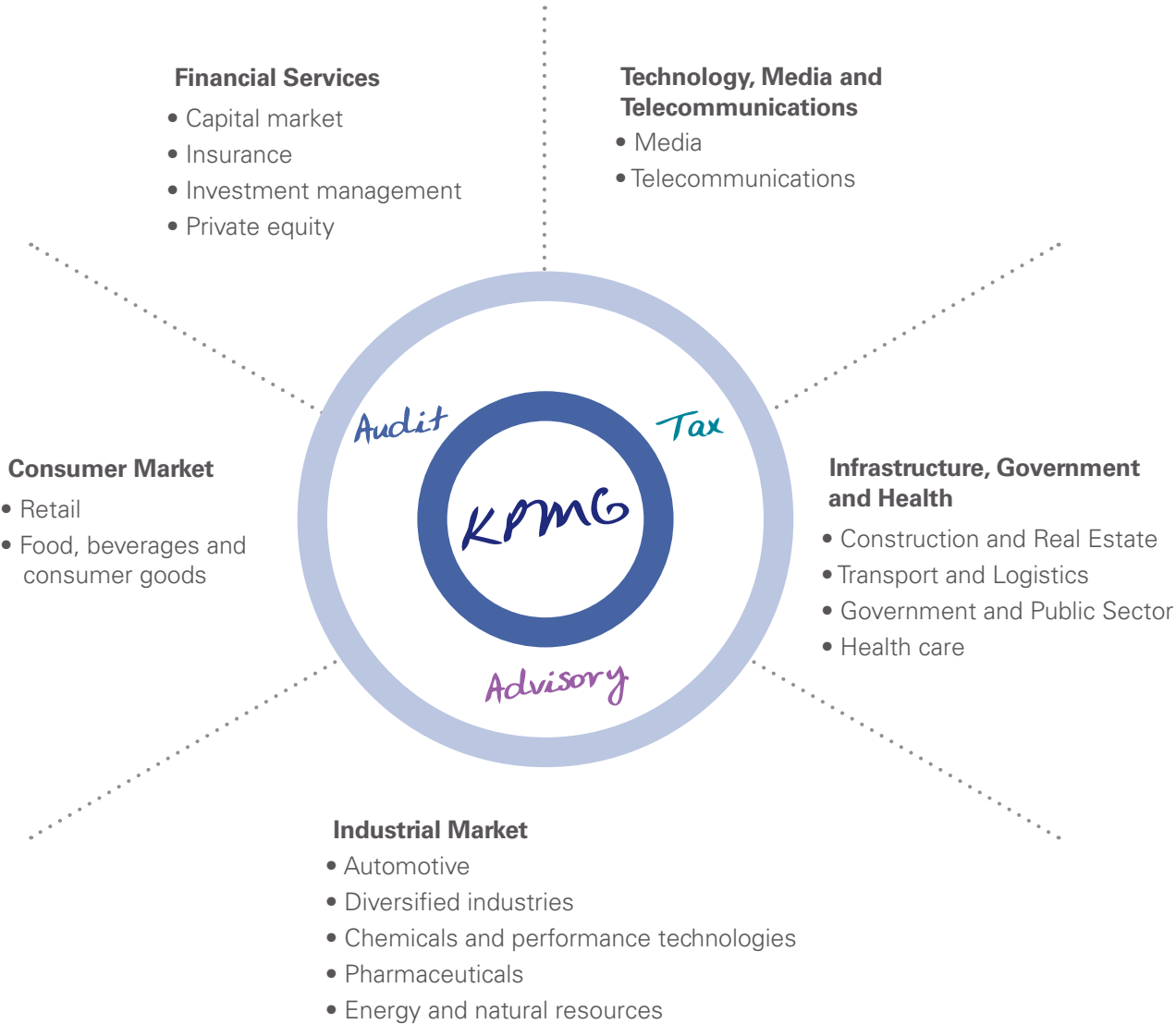
In Brazil, we intensified our work with local business in the Middle Market. At KPMG, we call this segment Entrepreneur Market, consisting of companies that are prominent in their industries but often under-professionalised. KPMG has provided these clients with a set of important

competencies enabling them to tap into the capital market, organise their information and improve their corporate governance. This valuable entrepreneurial support to the Brazilian market and its enterprises confirms one of the primary aspects of our business vision: developing and maintaining lasting relationships.

Finally, we have brought our approach in line with the International Corridors established throughout the KPMG network. We offer our clients mature, world-leading service desks – including a Dutch desk, a German desk, a China desk and Japan desk – and more recently a Korean and French desk.



### Markets Programme



# Our practices G4-4

## Audit

Our audit services aim 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 approach and KPMG International's proprietary methods and electronic tools, developed in compliance with Brazilian accounting standards, local regulatory requirements and International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

- Audits of Financial Statements
- International Financial Reporting Standards (IFRS)

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*To learn more about our services, see the chapter [Our Performance in 2014](#) > Intellectual Capital, starting on page 40.*



## Tax

Brazil's unique tax system creates both challenges and opportunities for services in this sector. Our service and solution offering, which draws on our international expertise, helps our clients anticipate and respond to tax, legal and regulatory developments and governance requirements. Our specialist Advisory services include:

- Mergers & Acquisitions
- Corporate Taxes
- KTAX
- Tax Planning
- Transfer Pricing
- Financial Services
- Expat services
- International tax
- Indirect Taxes

## Advisory

Our Advisory practices support strategic decisions and development of projects with a multidisciplinary approach, which includes skills in strategic planning, mergers and acquisitions, corporate governance, outsourcing, innovation and strategic use of technology. This service offering is structured into three areas:

- Risk Consulting
- Management Consulting
- Transaction & Restructuring

*Broad ranging expertise combined with multidisciplinary teams with unrivalled depth of knowledge in each of our markets is the primary asset we use to create meaningful value for our clients and society*

**GLOBAL CONSISTENCY:  
UNDERPINNED BY  
GOVERNANCE**

G4-34 | 38 | 40 | 47

Integrating knowledge, methodologies, technologies and people across the member firms of KPMG International is essential to our global strategy of delivering services to the same standard in all our markets.

Our reputation as a globally leading organisation in our segment is supported by our teams’ strict adherence to the principles of ethics, transparency and integrity. This puts governance at the core of our business model, aligning and underpinning the inputs and outputs of each of our Six Capitals, as detailed in the next chapter. Governance is also viewed as central by our stakeholders, who have rated it as one of the most material topics for our Organisation (read more on materiality in Our path to value creation > Material topics>p.34).

**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 performs functions equivalent to a shareholders’ meeting for a public stock corporation. Among other things, the Global Council elects the chairperson 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 56 member firms of KPMG International, in accordance with Swiss Law (sub-licensees are generally indirectly represented by a member firm). It provides a forum for discussion and communication among member firms.

**Global Board** – This is the principal governance and oversight body, and is responsible for including and approving strategies, protecting and enhancing the KPMG brand, overseeing

management, and approving policies and regulations. It also admits member firms and ratifies the chairperson’s appointment of the members of the Global executive team. Led by the chairperson of KPMG International – who is supported by the Executive Committee – this Board also includes the deputy chairperson of KPMG International and the chairperson of each of the three regions – the Americas; Asia Pacific (ASPAC); and Europe, the Middle East and Africa (EMA) – as well as senior partners from some of the largest member firms, including Brazil, totalling 21 members. The Global Board is supported by Global Committees responsible for implementing action plans that address the strategies determined for each specific business area, namely the: Executive Committee; Governance Committee; Operations Committee; Investments Committee; Quality & Risk Management Committee; and Professional Indemnity Committee.

**Global Management Team** – This team’s responsibilities have been delegated by the Global Board and include working with the Executive Committee to support the execution of the global strategy approved by the

Global Board and establishing processes to monitor and ensure compliance with global policies. It is led by the deputy chairperson of KPMG International and includes the global chairperson, the global heads of each practice, the heads of Operations, People, Quality, Risk and Compliance and the General Council.

**Global Steering Groups** – Global Steering Groups are responsible for supporting and driving the execution of the strategy and business plan in their respective areas (Global Audit, Tax and Advisory Steering Groups and Quality & Risk Management Steering Group), acting under the oversight of the Global Management Team.

**Regional Boards** – Each region (the Americas, EMA and ASPAC) has a Regional Board comprising a regional chairperson, a COO, a representative from each sub-region, and other members as appropriate. Each Regional Board supports the global strategy and assists in the implementation of KPMG International’s policies and processes with a focus on the needs of their region. David Bunce, the chairman of KPMG in Brazil from 1999 to 2008, was a member of the Regional Board Americas as chairman for South America until 2014.

**Global Board**

Members of the Global Board of KPMG International

- John Veihmeyer  
Chairman, KPMG International/CEO, US
- John Scott  
Deputy Chairman, KPMG International/Chairman, EMA
- William Thomas  
Chairman, Americas
- Tham Sai Choy  
Chairman, ASPAC
- Moses Kgosana  
Africa
- Peter Nash  
Australia
- Pedro Melo  
Brazil
- Richard Cysarz  
Central and Eastern Europe
- Stephen Yiu  
China
- Oleg Goshchansky  
Commonwealth of Independent States (CIS)
- Jay Nirsimloo  
France
- Klaus Becker  
Germany
- Richard Rekhy  
India
- Shaun Murphy  
Ireland
- Domenico Fumagalli  
Italy
- Tsutomu Takahashi  
Japan
- KyoTae Kim  
South Korea
- Abdullah Al Fozan  
Middle East and South Asia
- Guillermo Garcia-Naranjo  
Mexico
- Stefan Pfister  
Switzerland
- Simon Collins  
UK

## Governance at KPMG in Brazil

G4-38 | 39 | 40 | 41 | 42 | 47

Our local governance structure adheres to the standards established by KPMG International and has its own additional bodies for management coordination and oversight, in accordance with Brazilian law. The model in place favours dialog between leaders and other partners and professionals, ensuring all areas are represented at the Organisation's primary decision making bodies.

**Partners** – All partners are called to quarterly meetings for strategic alignment and to report on results. In addition, all partners attend statutory annual meetings to approve reports and discuss other subjects related to the business. We also organise periodic business group meetings through bodies such as KPMG's Network of Women (KNOW) and the Profit Sharing Committee (read more in Human Capital, from page p.62).

**Chairperson** – The chairperson is the principal local executive and is appointed by peers for a term of three years, renewable for a further two like terms. Within this limitation, we promote leadership rotations and encourage various partners to join senior management, maintaining our succession process. [G4-39](#)

As part of the career development process, professionals showing outstanding performance become

partners and can apply as candidates for chair, provided they meet the requirements established in our bylaws.

**Chief Operating Officer (COO)** – The COO is responsible for management and representation on the Executive Committee of each administrative area, including Corporate Citizenship & Diversity; Marketing; People, Performance & Culture; Learning & Development; Controllership; Financial; Facilities; and Information Technology.

**Executive Committee** – The Executive Committee is composed of the chairperson and up to eight partners appointed by the chairperson, generally the heads of the relevant practices, who continue to perform their responsibilities in servicing clients. As an executive body with both management and strategy functions, its standing membership includes no independent, non-executive members. The Executive Committee is supported by the General Meeting in discussing and approving strategic and management guidance. [G4-38](#)

Together, the chairperson and the Executive Committee are responsible for reviewing the purpose, vision, mission and values of the Organisation, as well as for the 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. [G4-42](#)

The Executive Committee is supported by:

**Disciplinary Committee** – Investigates suspected violations of rules and policies by our professionals. This committee consists of practice heads and the heads of Human Resources, Performance and Culture, the Risk Management partner and the Chairperson. (read more in Intellectual Capital>p.40) [G4-41](#)

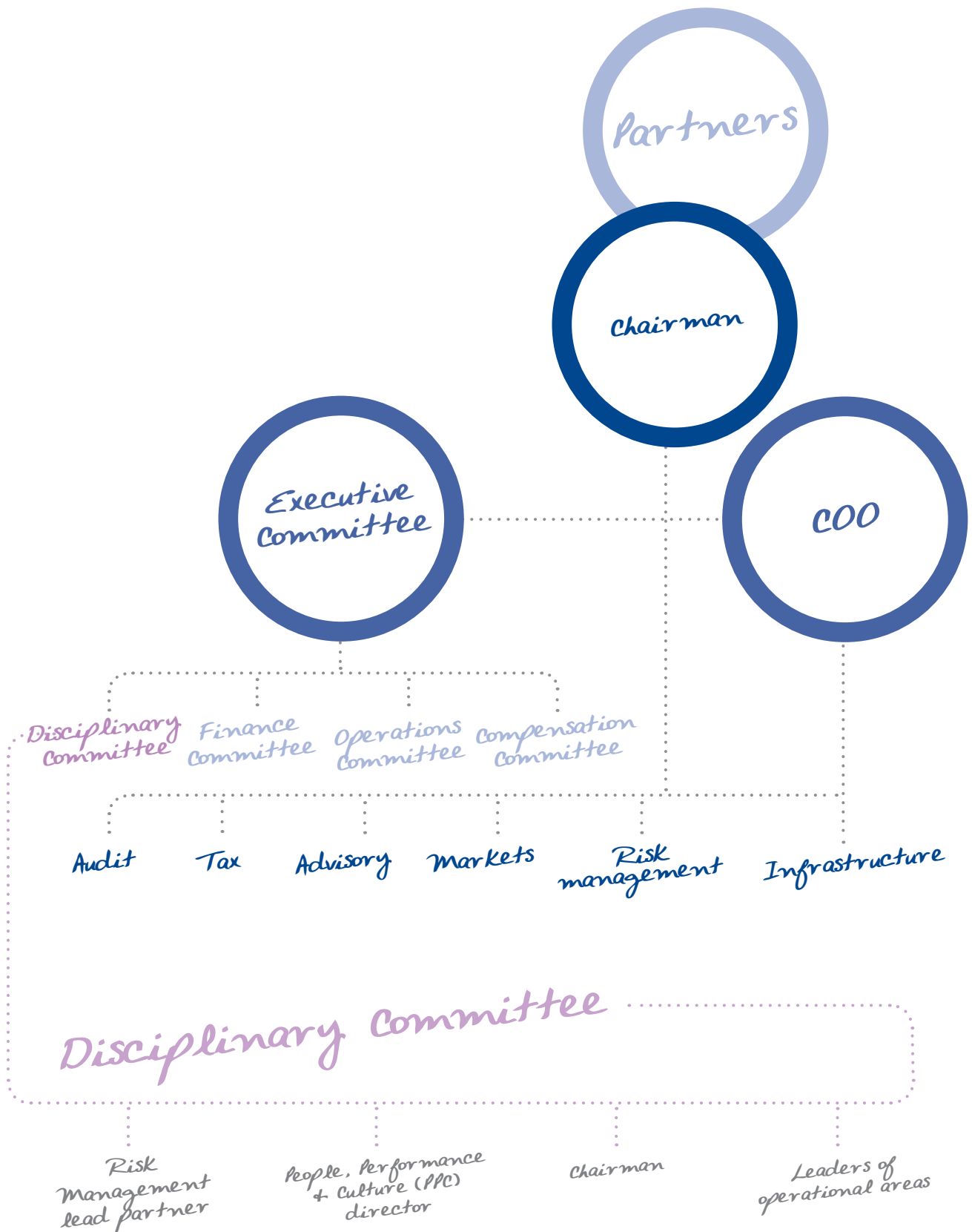
**Finance Committee** – Responsible for the financial management of the organisation, including investment and short-and long-term cash flow management.

**Operations Committee** – Consisting of the chairman, the Audit, Tax and Advisory heads, the COO and the head of Markets, the Operations Committee is active in the day-to-day conduct of business, working towards the goals set out in the strategic plan.

**Compensation Committee** - Composed of three members of the Executive Committee (not including members of the operations committee), the Compensation Committee addresses the compensation rules applying to partners.

*Governance is at the core of our business model*

The Executive Committee is supported by:





## Governance and sustainability

In Brazil, sustainability performance is assessed in two spheres by Corporate Citizenship & Diversity, which reports directly to the COO:

**Strategic sphere** - Performance is monitored against the goals and policies adopted globally and locally.

**Operational sphere** - Annual action plans and the relevant programmes are presented to the COO, the chairperson and the Executive Committee. Actions are followed up and reported on in monthly meetings with the relevant leaders and in quarterly meetings with the COO.

In addition, members of the Executive Committee are involved in the initial interviews supporting the preparation of this Sustainability Report and in validating and reviewing its contents, ensuring our results are presented in a consistent manner. [G4-47 | 48](#)

.....



# OUR PATH TO VALUE CREATION

## VALUE PROPOSITION

G4-1

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, continual updates on regulations and legislation and the multiple communication channels providing our specialists with in-depth analyses on material issues give us extensive insight into the needs of companies, governments and general society.

We believe this knowledge can be channelled not only into the services we offer, but also into the relationships we establish with our stakeholders. Our growth can only be sustainable

in the long term if it is synergistically linked to the development of the economy, the market and society, while respecting the limits of our planet.

Our proposition as to how we create value for KPMG and our stakeholders is grounded on our purpose to 'Inspire Confidence. Empower Change' and includes two converging paths that express our vision for sustainability in our segment: 'The path we travel' (doing business responsibly throughout our value chain) and 'The path we help our stakeholders travel' (*encouraging responsible business among our stakeholders*).





**The path we walk**

An internal journey towards understanding how we can create value for all our stakeholders, with a focus on sustainability. We work to develop conviction in our leaders and professionals in this regard and encourage responsible conduct both in business and in their 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.

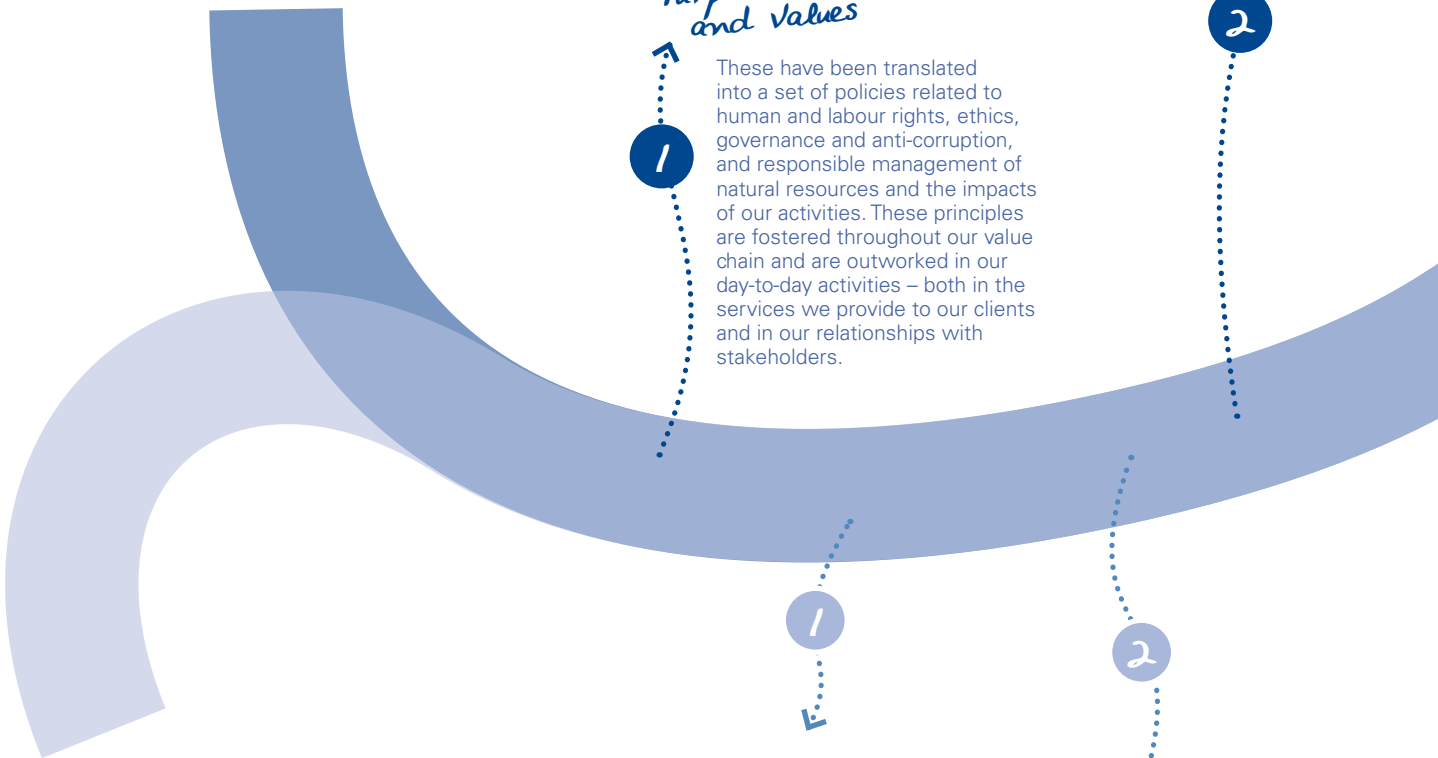
This effort has been steered by five reference groups:

*Commitments*

We have also subscribed voluntarily to a number of international initiatives already consolidated by the UN and the World Economic Forum (read more in Social and Relationship Capital, from p. 80) to help us outline policies and initiatives in our journey to sustainability.

*Purpose, Vision and Values*

These have been translated into a set of policies related to human and labour rights, ethics, governance and anti-corruption, and responsible management of natural resources and the impacts of our activities. These principles are fostered throughout our value chain and are outworked in our day-to-day activities – both in the services we provide to our clients and in our relationships with stakeholders.



**The path we help our stakeholders walk**

The second way in which we are outworking our value proposition is by putting our know-how at the service of clients, voluntary sector organisations, the press and trade associations.

Our practices untangle the complexity, identify opportunities and challenges, and anticipate the potential impact of the changes taking place in our operating environment. With this information, we can help our stakeholders prepare for these changes and develop optimal strategies to address them.

**Improving efficiency as a route to sustainable development**

Pursuing efficiency is not a matter of cutting costs as an end in itself, but one of the paths to be followed for the sustainable growth of our clients and their stakeholders, directly and indirectly affecting conditions for life on our planet. Technology plays an important role in this and, accordingly, we are positioned at the edge of innovation to help businesses, governments and society find new ways of doing business in an increasingly digital and interconnected world.

**Helping professionalise our clients**

The expansion of global markets and the countless possibilities deriving from technology have created a social and economic environment in which KPMG plays a central 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.

### Competencies

Our leading position is supported by the pool of Human and Intellectual Capital we are able to mobilise. We combine professional development, technology, innovation capability and future vision with our global expertise and commitment to excellence to create value across the board.

3

### Management

Our quality of delivery creates value for our clients and the conditions necessary for our solid and permanent growth, producing direct results for our professionals and indirect results for our stakeholders.

4

### Sustainability indicators

We operate within an integrated vision for our services that seeks to identify the impacts of our business. Our sustainability-focused management and the process of developing Sustainability Reporting have helped us identify economic, environmental, social and governance indicators that are aligned with our strategy and the priority topics identified by our stakeholders for our business. Each year we have progressed further in this journey, refining our understanding of the role we play in our segment and continually seeking to improve our performance on each indicator.

5

*Inspire Confidence  
Empower Change.*

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

4

#### Sharing knowledge

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

3

6

#### Training professionals for the market

Our intensive investment in the learning and development of our staff not only affects our performance, but also equips the market with qualified professionals. Those who do not pursue their careers at our Organisation take our expertise with them to major Brazilian and multinational companies, which creates value for KPMG, our clients and society as a whole.

5

7

#### Enhancing the direct and indirect results of transactions

We assist our clients in their expansion processes by providing training and know-how so that they can navigate their way around the complexities with greater confidence. In doing so, 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 impart quality, transparency and credibility to their financial statements. In this way, we promote good practices in our markets.

#### Helping restore market confidence

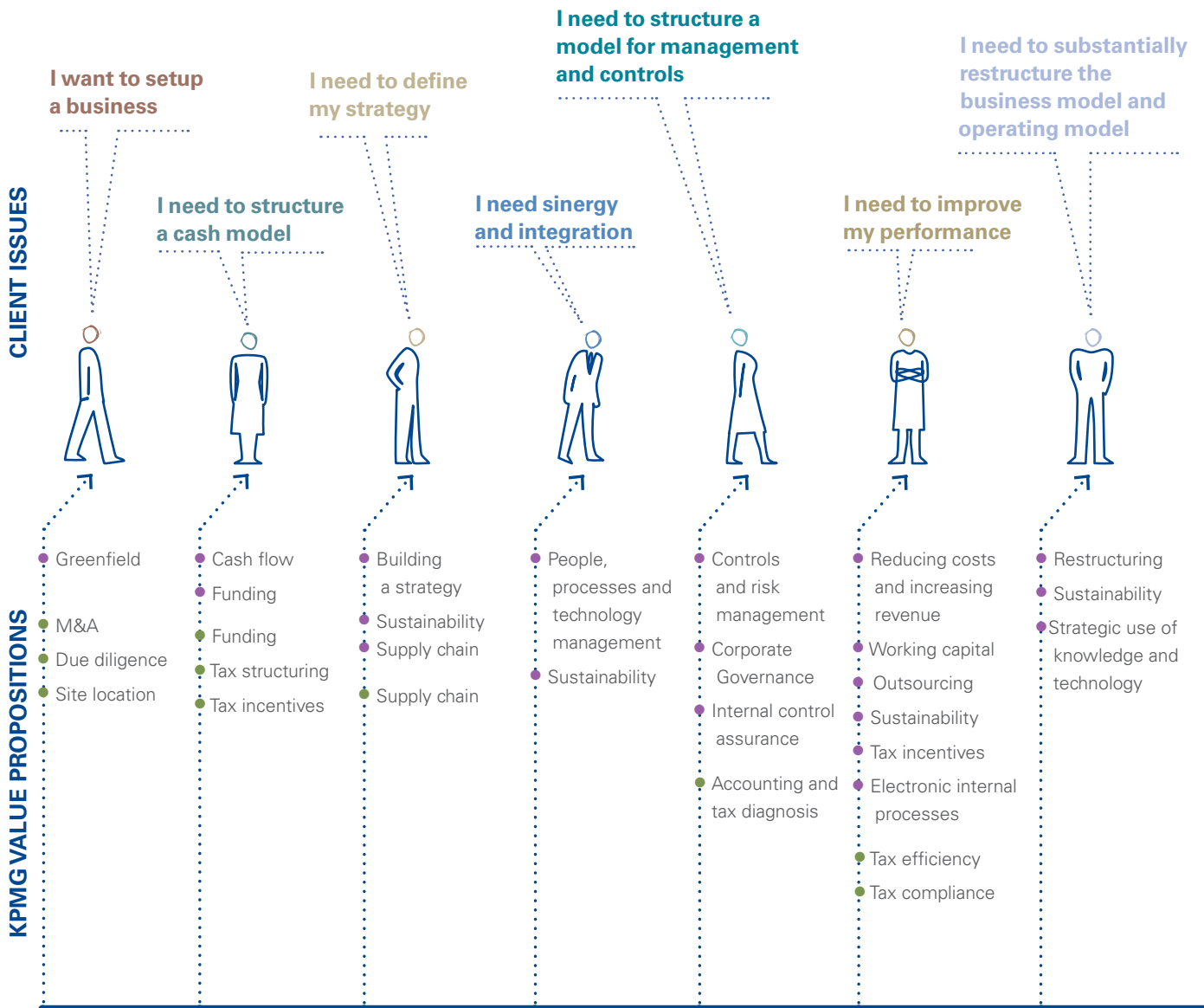
When we look at the serious crisis of confidence that has gripped the world, it is clear that responsible audit, tax and advisory practices have a key role to play in creating a more transparent, responsible and effective business environment. We are committed to making our own contribution to that process.

#### 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 professionals and brand. We are devoted to bringing about positive change, leading by example and inspiring our stakeholders to do the same.

# Value Proposition

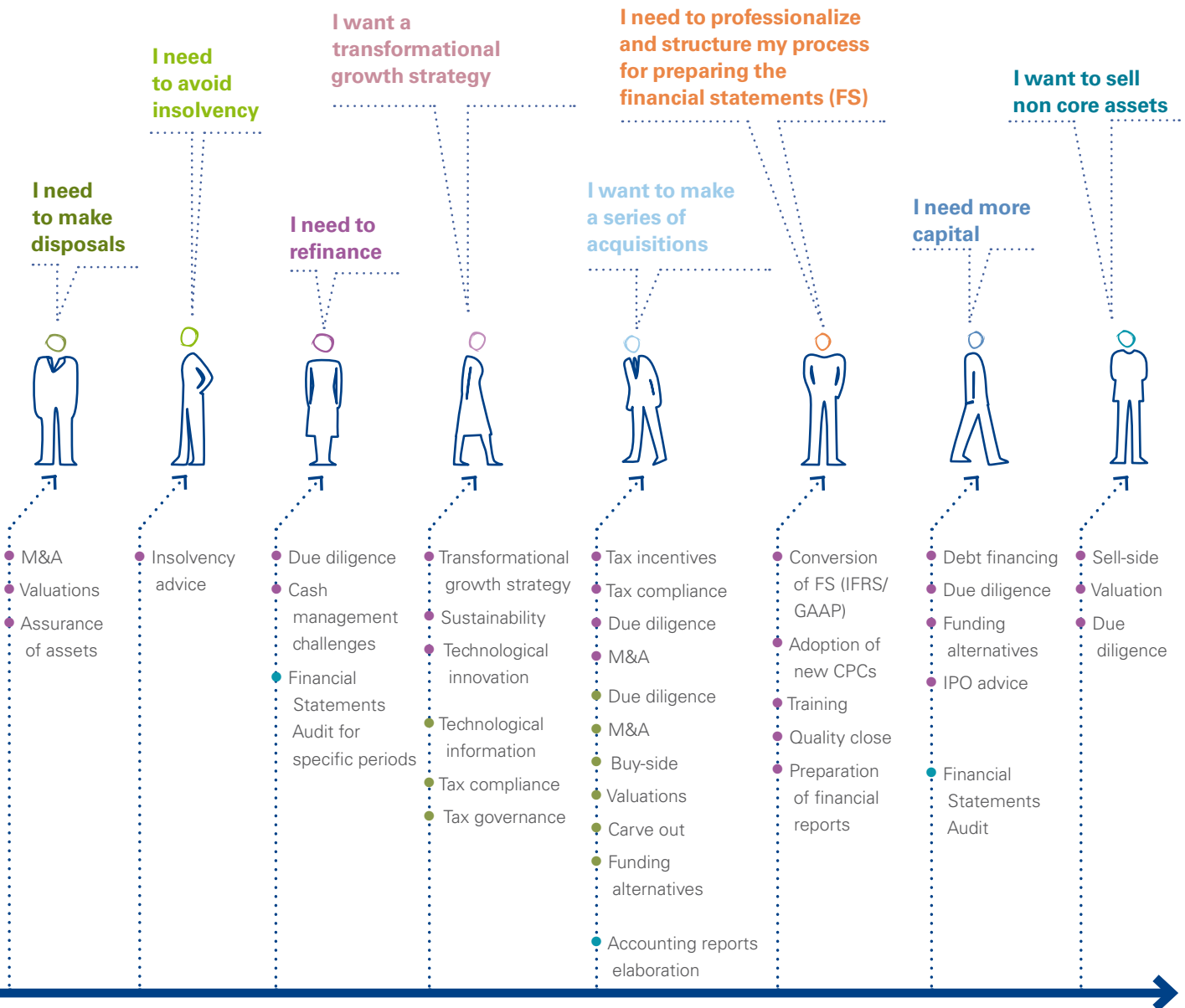
See below some of the strategies KPMG in Brazil offers throughout the different stages of the client lifecycle.



## 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).

# Inspire Confidence. Empower Change.



**CAPTION**

**Client issues**

- Advisory
- Tax
- Audit

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

## OUR STRATEGY AND SUSTAINABILITY

### G4-1

In outworking our purpose to 'Inspire Confidence. Empower Change', we have based our efforts on four strategic pillars that guide member firms' pursuit of our aspirations:

- **Global Consistency** – Our seamlessly integrated network of member firms ensures the knowledge acquired and generated by our experience is fed into our specialist practices worldwide.
- **Quality Growth** – We invest in intelligence, technology and structure to deliver quality services that positively impact the sustainable development of public and private companies and society, and ultimately the bottom line of our Organisation.
- **Professionalism and Integrity** – We ensure transparency and conduct our business in an ethical and independent manner through responsible governance systems that ensure the integrity of our operations, both globally and locally.
- **People** – Investments in developing their potential, recognition and rewards, quality of life and the internal climate at KPMG have made our professionals our biggest differentiator in the marketplace.

These pillars are derived from our strategic goals as revised by our Executive Committee in 2014, which include goals for the short (2017), medium (2020) and long term (2025):

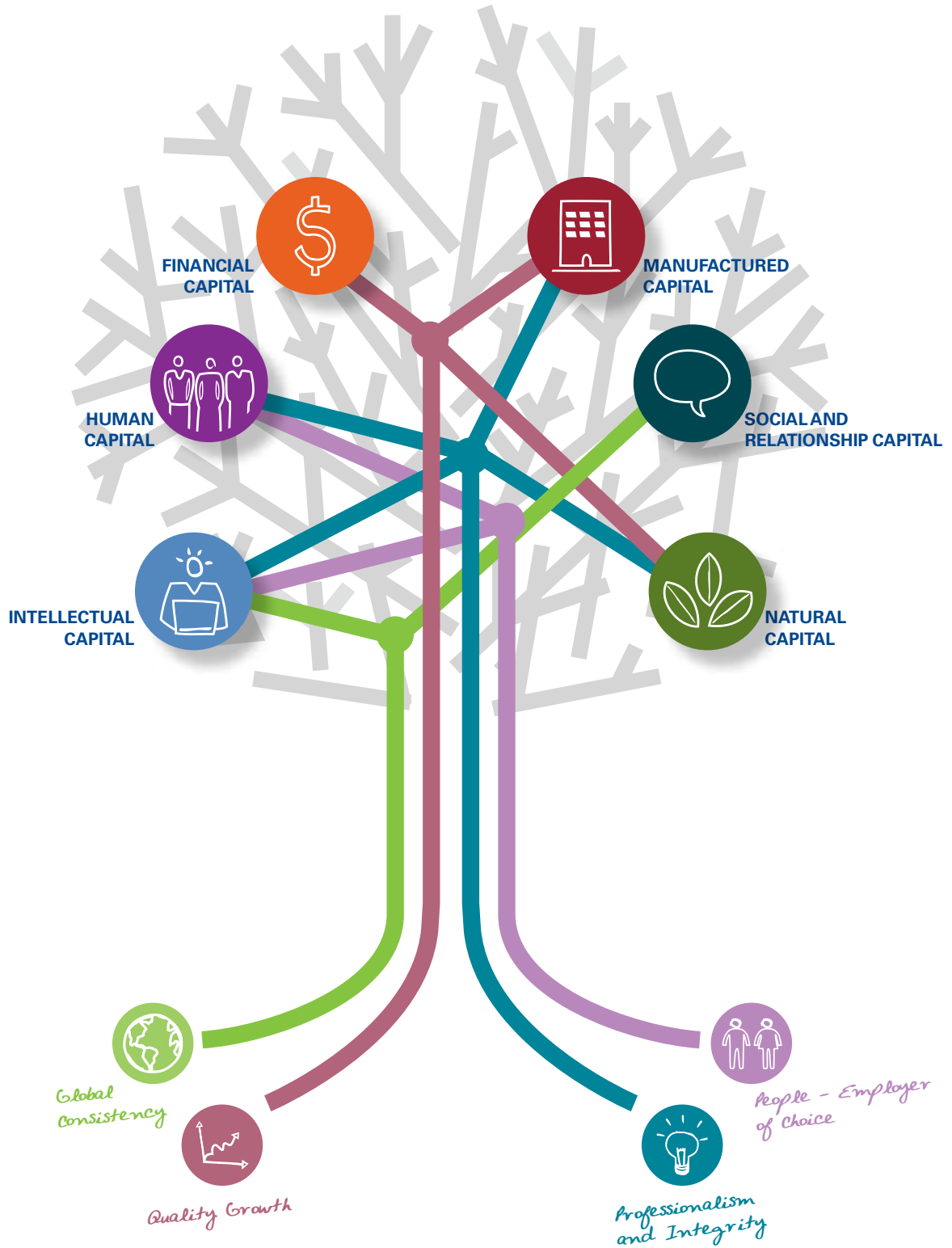
- Invest in emerging markets
- Focus on key sectors such as financial services, health, government, infrastructure, energy and natural resources
- Retain an extensive pool of professionals specialising in these segments and their challenges
- Continually leverage the depth of our unique industry expertise
- Conduct strategic acquisitions and investments to extend our capabilities in highly complex services
- Invest in developing our professionals' technical, commercial and behavioural skills
- Strengthen our global integration with other member firms to utilise their expertise and methodologies for the benefit of our clients

- Enhance the use of our Delivery Centre across all practices to improve operating efficiency
- Improve the way our culture and motivation reflects our purpose in day-to-day business

From its first edition in 2009, our Sustainability Report has been structured on these strategic pillars. Although they remain as our foundation, this year, inspired by our re-energised purpose and by the discussion around our transition to GRI G4, we have decided to go a step further in considering the role of sustainability in our business and incorporating the Capitals framework suggested by the International Integrated Reporting Council (IIRC). The result of this exercise is described in the following chapter.

*Our growth will only be sustainable in the long run if it is combined with the development of the economy, the market and the society*

# sustainability





## PRIORITY STAKEHOLDERS

G4-18 | 24 | 25 | 26

KPMG, like any other company, is an ecosystem of relationships established with stakeholders – the group of people who influence or are influenced by our activities.

Our business is continually affected by the dynamics of the relationships we establish with each of our stakeholders, as well as by the regulations, standards and practices of the markets in which we operate. We are therefore continually alert to and in search of new ways of interacting with each stakeholder to understand their needs, expectations, potential and limitations and where they intersect with our own interests.

KPMG in Brazil's first stakeholder

mapping exercise was conducted in 2009 and brought together representatives from the different practices and offices of our Organisation in Brazil. In all, 14 stakeholder groups were identified in this first stage. Out of these, an analysis by the Executive Committee of KPMG in Brazil and the leadership of our Corporate Citizenship function identified four priority stakeholder groups for our business: partners; internal stakeholders; clients and the market; Regulatory Bodies and Government.

In 2011, our participation in KPMG International's Stakeholder Engagement Research programme, facilitated by Good Business, led us to

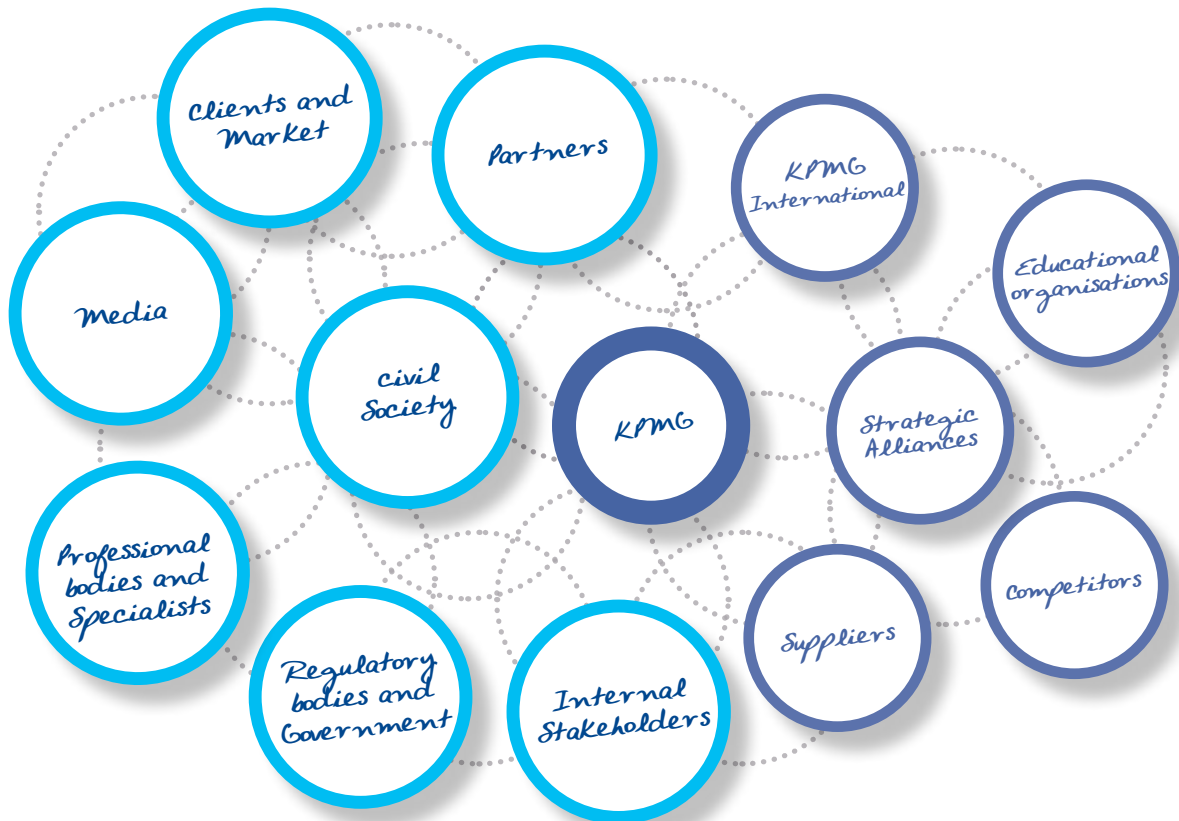
include another three priority groups on this list: professional bodies and specialists, civil society and the media.

Identifying these seven priority stakeholder groups was essential to developing increasingly effective management practices, and helped develop a forum for appropriate and targeted dialog with each stakeholder. Over recent years we have also invested in our relations with the broader group of stakeholders, which contribute to consolidating our reputation.

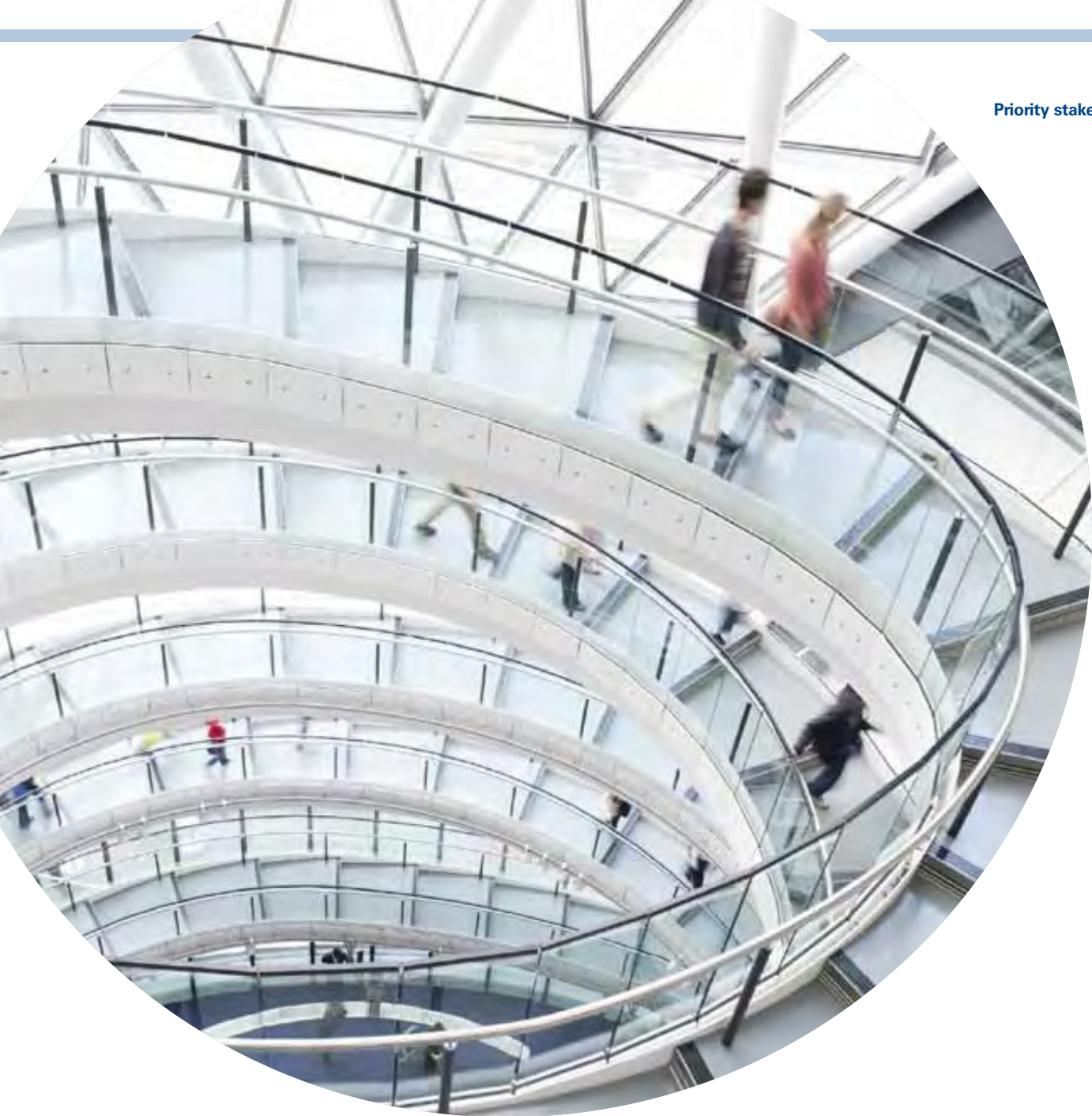
From 2011 to the present, there have been no changes in our business that would warrant inclusion of additional stakeholder groups.

## Map of Stakeholders

### Priority Stakeholders



Note: we have removed the 'Environment' and 'Future Generations' from our stakeholder map as we are unable to engage directly with them: their interests are represented by other stakeholder groups on the map.



*We are an ecosystem sustained by the relationships we establish with our stakeholders. Therefore we search new ways of interacting with each one of them to understand their needs, expectations, potential and limitations*

**MATERIAL TOPICS**

G4-18 | 27

**First priority stakeholder engagement process - Individual interviews held with the seven priority stakeholder groups to assess the relevance of the listed themes and add additional themes = engagement + feedback.**

2011

**Mapping - Good Business identifies nine themes related to the roles and responsibilities of our services, involving the business world and society.**

1

*Themes identified*

- Ensuring proper treatment of employees
- 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 our community
- Ensuring business is conducted ethically
- Providing responsible tax advice
- Providing services to help clients be more environmentally and socially responsible
- Conducting high-quality audits (services\*) with total independence

2

*Interviews with 37 priority stakeholder representatives*

- 7 clients
- 18 professionals from all practices (partners and staff)
- 3 representatives from regulators, industry specialists and/or trade associations
- 5 representatives from civil society
- 4 representatives from the media

**Priority themes - Four topics emerged as most material.**

2014

**Review – The process to review material themes was based on available engagement tools and procedures performed specifically to this report\*:**

3

*Relevant Issues = our materiality*

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

5

- Industry benchmarking\*
- Analysis of GRI materiality guidelines in our segment\*
- Application of the IIRC's Six Capitals framework to our business\*
- Analysis of existing engagement mechanisms: Client satisfaction surveys, internal climate surveys, internal client satisfaction surveys, Whistleblowing hotline, Audit Committee Institute
- Analysis of strategic business objectives 2014-2025
- Interviews with industry leaders\*
- Inputs from KPMG International's process of reaffirming our purpose, involving: interviews with 60 stakeholders; brand research; training materials; satisfaction surveys; and engagement with global groups from the various practices at KPMG
- Validation of the revised material themes and report contents by members of the Executive Committee\*

2012  
2013

4

**Internal engagement - KPMG professionals – staff and partners - assessed the report and reviewed and maintained the prioritised themes.**

## 2014

2014 = The review is reflected in this new Consolidated Materiality Matrix, which brought greater clarity and tangibility to the four original high-level themes prioritized by stakeholders in 2011:

HIGH-LEVEL MATERIAL THEMES	SPECIFIC MATERIAL THEMES G4-22	MATERIAL ASPECTS G4-19
Ethical business conduct	Ethics and Integrity	Employment
Responsible and transparent governance systems	Governance	Labour/Management Relations
High-quality and fully independent services	Risk and quality management frameworks and systems	Occupational Health and Safety
Good treatment of employees	Privacy and information security	Training and Education
	Client and engagement acceptance and continuity	Diversity and Equal
	Client and Market Relations	Equal Remuneration
	Client satisfaction	Non-discrimination
	Economic Performance	Freedom of Association
	Investment and Innovation	Human Rights and Grievance Mechanisms
	Learning and Development	Anti-Corruption
	Attracting and Retaining Talent	Public Policy
	Organisational Climate	Anti-Competitive Behaviour
	Quality of Life	Compliance
	Compensation	Ethics and Integrity
	Benefits	Economic Performance
	Career Development	Labelling Product and Service
	Diversity	Marketing and Communications
	Voluntary, global and therefore material commitments (not prioritized by stakeholders)	Customer Privacy
	• Global commitment to GHG reduction targets	Compliance
	• Commitment to communities	Assurance
		Governance
		Emissions

## 2015

Next steps – We will progress further in the following cycle of the engagement process through the following steps:

6

- Systematic surveys through available engagement channels
- The KDNA/Purpose project, which in 2015 will engage leaders, KPMG professionals and clients around the discussion of why we are here and our stakeholders' perception of the value of our services
- The results of the Citizenship and Diversity Survey launched in December 2014
- Citizenship and Diversity Roadshows touring our offices in Brazil
- Expanding the scope of the Inclusion group to address Sustainability
- An online survey geared to key stakeholders

We are in the initial process of determining the extent of our positive and negative business impacts. This initial analysis shows that the impacts from the identified material aspects directly affect, and are managed by, our Organisation. Potential impacts on our stakeholders are listed in the following chapter, in the 'KPMG's Capitals' chart on page 38. We aim to deepen the identification of the limits of impacts related to material aspects within two years.

G4-20 | 21



# OUR PERFORMANCE IN 2014

“Capitals are stores of value that, in one form or another, become inputs to the organisation’s business model. They are also increased, decreased or transformed through the activities and outputs of the organisation in that they are enhanced, consumed, modified or otherwise affected by those activities and outputs.”

*Framework, IIRC*

Using the Six Capitals framework, we have provided greater insight into the resources and relationships used and affected by KPMG in our broader activities, explaining “how we convert the inputs from each of these Capitals into products or services, fulfilling our strategic purposes and creating value over the short, medium and long term for us and our stakeholders.”

*Framework, IIRC*

The chart on the following page summarises the exercise we conducted on the Six Capitals Proposed by the IIRC. This reflection has made it clearer than ever that sustainability is at the heart of our business; the confidence we inspire and the change we empower through the two key Capitals that we provide to the world (Intellectual and Human) foster practices and more respectful relationships between public and private organisations, their stakeholders and natural resources.

The following report is structured on the Six Capitals.

*The confidence and the change we generate foster more respectful practices and relationships*

Inputs

High-level material topics and strategic pillar

Specific material topics



**INTELLECTUAL**

Training and development/KPMG Business School; Global Opportunities; Centres of Excellence and the KPMG International network; Proprietary methods, processes and procedures; Producing and sharing expertise; Risk and quality management

High-quality and fully independent services and Ethical business conduct

Ethics & Integrity; Risk and quality management frameworks and systems; Privacy & Information Security; Training & Development



**HUMAN**

Professionals highly trained in their fields and in the various market segments; Professional engagement hours; KPMG International's global network; People Management Policies, Performance and Culture; Diversity

Good treatment of employees; High-quality; fully independent services; People - Employer of Choice; Professionalism & Integrity

Attracting and retaining talent; Career planning and development; Remuneration; Quality of Life; Benefits; Organizational Climate; Diversity



**FINANCIAL**

Compensation for services provided; Debt or equity funding

High-quality and fully independent services; Quality Growth and Professionalism & Integrity

Economic performance; Investment & Innovation



**MANUFACTURED**

26 offices in Brazil; IT infrastructure and equipment; New offices in São Paulo; IBS; KFleet

High-quality and fully independent services; Responsible and transparent governance systems; Quality Growth and Professionalism & Integrity

Organizational profile items (offices/footprint); Investments; Organizational Climate; Benefits



**SOCIAL AND RELATIONSHIP**

Brand & Reputation; Client and market relations; engagement with trade associations, regulators and the media; Sharing expertise; Citizenship & Diversity Programmes; Voluntary commitments undertaken

Ethical business conduct; Responsible; transparent governance systems; Professionalism & Integrity and Global Consistency

Client and market relations; Client satisfaction; Client acceptance and continuity; Commitment to communities



**NATURAL**

Basic water and energy resources for the operation of our offices; Fuel used in transporting our professionals during engagements

Voluntary global environmental commitment



Value Creation  
Sustainability

KPMG Indicators

Outputs/Value created

Potential negative impact G4-20 | 21

Hours and money invested in training and development; Trainees trained and hired; Mobility programme participants; Publications and events produced by the Global Network

Services and initiatives creating value for stakeholders; Professional development; Innovation in industry practices; New audit technologies and methods; Encouraging businesses to adopt best governance practices; Improving efficiency in our clients' processes and controls enhances profitability, income generation and employment; A Financial Statement Audit that builds confidence and credibility; Efficient risk and quality management, at both KPMG and our clients

Any loss of quality in services provided and/or data protection can have financial or confidence-related impacts (professionals, Organization, clients and/or market)

Number of professionals; Education levels; Number of promotions; GPS Results; Diversity data; Health and safety targets; Benefits

The ethics, professionalism and integrity of our professionals; Motivation to deliver high performance and quality; Contribution to our clients' transition to responsible capitalism and creating shared value

For our professionals, the ability to balance their work and personal life during the busy season. For the Organization, turnover and potential loss of expertise and/or the need to invest in new personnel

Statement of Added Value; Investment and innovation in services

Financial returns for partners and directors; Profit sharing; Developing our professionals and new services to assist clients in decision making; Tax; Salaries; Payments to suppliers; Community investment

Failing to achieve business performance targets can affect profit-sharing payments to partners and professionals, as well as investment capacity

LEED Gold certification for new office building; Investment in IT; Helpdesk assessment by KPMG professionals; Deployment of IBS

Management of Information Security; Productivity; Efficiency; Occupational health and safety; Reduced environmental impact in building and equipping the new office building

Urban mobility - impact from commuting to and from the new building in São Paulo

Client satisfaction survey; Mentions in the media; Client acceptance and continuity procedures; Suppliers' Code of Conduct; Number of events and publications produced; Community investment

Creating value for society; Active participation in debates on the regulatory environment, the responsibilities of our practices and tax morality; Shared expertise that empowers our stakeholders; Attracting talent

Negative exposure in the media as a result of providing services to clients under scrutiny

Management and control of local environmental targets; A global commitment to reducing GHG emissions; Environmental awareness initiatives

Environmental policy commitments: Raise awareness across the Organization and among our stakeholders on the responsible management and use of natural resources; reduce GHG emissions; Provide services to help clients adopt more sustainable business models

We produce no direct environmental impacts. GHG commissions are an indirect, but material, impact and we have therefore set global voluntary emissions reduction targets



# INTELLECTUAL CAPITAL core to our business



Intellectual Capital consists of organisational, knowledge-based intangibles, including the technical knowledge of professionals and the development of methodologies, patents and systems. *Framework, IIRC*

Making our Intellectual Capital available to stakeholders through a range of value-creating interactions is central to what we do at KPMG.

Underpinning this is our continuing development of strategies and technologies that meet the needs of clients, the market and broader society, the quality of the relationships we build with our stakeholders, and the global insight we derive from knowledge flowing through our network, which places us at the leading edge of important market trends and developments.

We transform our professionals' knowledge and expertise into dynamic and relevant services that inspire confidence and empower change.

## → PRACTICE HIGHLIGHTS IN 2014

Our extensive service offering meets the Audit, Tax and Advisory requirements of clients of all industries and sizes, throughout every stage of their lifecycle.

### Audit

Our audit uses a risk-based approach. We work with Management, the Audit Committee and the Internal Audit to identify business risks with a potential to significantly impact the financial statements. Concurrently, we review the controls in place to mitigate these risks and assess their effectiveness and reliability. Lastly, we use a precautionary approach to analysing the business and forming an independent opinion on its numbers in order to provide the client with a preventive perspective.

Our unique audit methodology is supported by a set of oversight, analysis and advisory standards and technologies that enable our team to ensure quality, efficient and insightful delivery focused on 'Tone at the top'. (Refer to Dynamic Audit>p.46)

Our professionals also perform review and other assurance engagements to assist clients in addressing specific matters and in developing or preparing financial information based on assumptions about future events, as well as in part of the process to obtain funding.

In 2014, our audit practice serviced 30% of the constituents of the Bovespa Sustainability Index and audited more than 5 thousand investment funds in Brazil – many of them pension fund assets – contributing to the credibility and confidence of the capital market and the savings of millions of Brazilians.

### Productive hours by practice/ 2014

2,254,948

AUDIT - 2,254,948 – up 9%

931,909

ADVISORY - 931,909 – up 14%

604,748

TAX - 604,748 – up 18%



## Audit Framework



## The auditor's role and limitations

The auditor's role and limitations - In the Audit practice, the risks and challenges of our business also involve an essential discussion on auditors' roles and limitations. The crisis of 2008 created questions in the public's mind in this regard, as well as the expectation that auditors should play the added role of scrutinising business conduct. In Brazil, this perception has been exacerbated by reports of serious misconduct by both government and privately owned corporations.

The discussion has become all the more important with the expanded regulation on audit activity and the requirement that responsibilities be shared among clients, auditors and regulators.

In recent years, KPMG has actively engaged in discussions held by both local and international organisations. Professionals at KPMG in Brazil are strongly engaged in these working groups and have contributed to bringing the debates to the appropriate levels of government, enabling the broader market 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 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.

**Tax**

Pursuing efficiency is the greatest value we offer our clients. It results from clear and transparent rules, policies and procedures that not only ensure compliance with tax obligations, but also aid in structuring transactions, managing tax risk and reducing operating costs.

Tax-related decisions have become increasingly strategic in our business. For companies operating in Brazil, we have assisted clients in planning and implementing the changes required to adjust to obligations deriving from the digitalisation of tax reporting systems. We have also helped clients gain access to tax benefits available to certain industries and activities. (Read more in Tax technology and expertise>p.47)

For clients operating anywhere in the world, our Tax as well as logistics expertise enables them to operate within the relevant tax systems in a way that ensures the compliance, effectiveness and profitability of their operations.

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## *Research & development tax incentives*

Thousands of companies investing in Research, Development and Innovation are unaware that they are eligible to significant Income Tax, CSLL, IPI and Withholding Income Tax reductions through a Tax Incentive Programme introduced by Act 11.196/05.

KPMG's multidiscipline team has worked closely with over 100 clients in applying for tax incentives, as well as advising on their obligation to report to the Brazilian Ministry of Science, Technology and Innovation and tax authorities.

### **INOVAR-AUTO**

The Federal Government's Automotive Value Chain Innovation Incentive Programme aims to strengthen Brazil's industrial capabilities and support research, development and innovation toward improved vehicle efficiency.

In 2014, KPMG advised 11 of the 20 car makers successfully qualifying for the Programme, securing 81% of the tax benefits granted in Brazil for light vehicles, 77% for trucks and 76% for buses.

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Source: Ministry of Development, Industry and Foreign Trade and National Automotive Distribution Federation.

*Making our Intellectual Capital available to stakeholders through a range of value-creating interactions is central to what we do at KPMG.*

### Advisory

Our advisory services help clients navigate with greater confidence through the complex and rapidly changing markets of today. The knowledge generated by our member firms globally delivers value by empowering our clients to implement the strategic and operational changes required in the short, medium and long term, contributing to their sustainable development.

Amid the uncertainties of 2014, KPMG was high in demand among clients needing to address the challenges and processes of development. Matters such as financial liquidity, value recovery, managing troubled businesses, organisational optimisation and reducing business costs – including the cost of capital – to enhance investment capacity have become increasingly relevant.

In the sugar and ethanol industry, for example, we have designed specific solutions for our clients in restructuring liabilities and identifying new opportunities to capture the cash flow funding they need to address market instabilities and government regulations.

Despite the decline in investments during the period in Brazil, significant M&A activity has created demand for our specialist advice to ensure the success of highly complex transactions. We have an extraordinary track record, both in Brazil and globally, and particularly in telecom, oil and gas.

These and other Advisory service offerings operate within three groups:

### Risk Consulting (RC)

Good governance is about managing risk, establishing effective internal controls and communicating the health of the organisation to owners, stakeholders and the general market. It is also about preventing fraud, ensuring compliance with laws and regulations and, ultimately, gaining value from the compliance process. Our services include:

- Accounting and Finance
- IT Advisory Services

- Operating processes (internal audit and compliance)
- Financial and capital allocation processes (Basel and Solvency)
- Corporate governance (listing, family-owned companies, corporate matters)
- Fraud (Forensic)
- Sustainability (environmental, social and regulatory)

## Forensic and the Anti-corruption Act

In force since January 2014, Act 12846 (the 'Anti-corruption Act') is a milestone in the fight against corruption in Brazil and imposes severe penalties on businesses, including for violations committed by employees. As a result, it is increasingly in companies' interests to exercise oversight of staff at all levels and implement codes of conduct, internal controls and transparency policies. In 2014, our Forensic team was high in demand to assist companies in addressing related matters, including:

- Mapping corruption risk in their business against international law (Foreign Corrupt Practices Act (FCPA), UK Border Agency (UKBA) and other laws) and Act 12846
- Designing risk mitigation standards and procedures, including Third-Party and Employee Management procedures
- Third-party due diligence
- Structuring Fraud Prevention functions
- Specific training
- Operating independent whistle blowing hotlines
- Transaction testing and monitoring
- Investigations
- Forensic Technology
- Disputes

### Management Consulting (MC)

Management Consulting assists clients in pursuing their strategic objectives through performance improvement, strategic use of technology, and innovation processes, using an integrated approach to processes, information technology and people. Our Management Consulting services include:

- Financial Management
- Business Process Redesign and Improvement
- Business Effectiveness
- Project Management
- Business Process Sourcing & Shared Services
- Change Management
- Talent Development & Management
- IT Governance
- Information Security

*Supply Chain Management improves clients' financial performance*

Supply chain management has become increasingly complex in an increasingly globalised world, with companies under pressure to reduce costs while delivering excellence in service to consumers. Balancing these pressures is crucial to business profitability and success.

We undertake engagements that help companies improve the efficiency and effectiveness of key processes across all stages of warehousing and distribution, directly impacting their financial performance. Examples of benefits include: service-level improvement (by approximately 20%), working capital optimisation (40 to 120%), improved returns on capital employed (ROCE) (13-18%), reduced time-to-market (30-40%) and lead times (15-30%).



### Transactions & Restructuring (T&R)

T&R helps clients achieve desired results across an array of financial transactions, based on a combination of business, technical and industry expertise. Transaction & Restructuring services include:

- Corporate Finance: assessments, M&A advisory, financial advice in Infrastructure Projects/PPPs and Debt Advisory
- Transaction Services: Financial Due Diligence, Vendor Due Diligence and Strategic and Commercial Intelligence
- Restructuring Services/Non Performing Loans Advisory

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## Brazil's 15 infrastructure priorities

Recognizing the importance of infrastructure to Brazil's development, the weekly news magazine *Exame* invited KPMG to conduct a survey to determine which infrastructure projects – both planned and under development – have the potential to make the greatest difference in Oil & Gas, Transportation, Power, Water and Sanitation, Telecommunications and Social Infrastructure.

15 priority infrastructure projects were selected out of *Exame's* Infrastructure Ranking 2013, a list of the 1,566 largest projects in the sector. The selection was made using qualitative and quantitative criteria defined by KPMG specialists based on global megatrends identified in the **Future State 2030** published by KPMG International. Inputs were also provided by an assessment panel of eight specialists who analysed the infrastructure projects within their fields of expertise.

The complete survey is a valuable tool to inform decisions by governments and companies looking to invest in Public-Private Partnerships.

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→ INVESTMENTS AND INNOVATION

The constantly changing environment in which our clients operate calls for a virtuous cycle of investment in new solutions for the market. These innovative solutions bring mutual benefits for both clients and KPMG, further cementing our leading position.

This is strongly linked to our research, knowledge exchange among professionals from member firms, and development of new practices to expand our service portfolio.

Efficient business management was a constant pursuit in 2014. Rather than resorting to job cuts or extensive reorganisation, we relied on new management strategies, combined service offerings and technologies to get work done faster, better and at lower costs.

Together, efficiency and innovation have brought important improvements in the three areas of our business and created good prospects for the coming years. Learn more about some of these initiatives and/or the topics they relate to below.

**Dynamic Audit: innovating the future of audit**

Our global network is transforming the Audit practice. Our stakeholders have told us they expect a broader range of assurance on items that are currently outside statutory financial statements – such as performance indicators, sustainability and other financial and non-financial metrics that drive value for investors.

We have listened to our stakeholders and created new processes that are enabling us to make audit more relevant and to continue to raise the bar on quality. The new model enables us to:

- Enhance information security and analytics
- Make our delivery model more efficient and effective in creating value
- Demonstrate our understanding of risk, metrics and superior risk reporting
- Provide insights and projections to support our clients' decision making

The process is based on a combination of reliable tools and practices, notably:

**edata Mining** – A software application that extracts scenario data (general and by segment) to support analytics and comparison of client KPIs.

**e-Audit** – An electronic audit file with all relevant client information provides an agile and secure workflow, connectivity with a multidisciplinary team, access to industry expertise and compliance with KPMG's Audit Manual.

**Local Delivery Center** – A specialist centre now handling 40 routine audit tasks previously performed manually by teams on the ground, enhancing agility and efficiency. Implemented in 2014, the centre has improved efficiency by approximately 10%.

*A dynamic and integrated audit approach that brings practices and specialists together to deliver greater quality, agility, insight and integrity to our clients.*

*Lean in Audit wins Audit Innovation of the Year 2014*

The KPMG methodology, which is part of Dynamic Audit, won the Audit Innovation of the Year award at the prestigious IAB (International Accounting Bulletin) awards.

### Data and Analytics (D&A)

Organising and utilising available electronic information has become crucial to business intelligence. The big data market has evolved considerably in recent years, creating challenges as well as opportunities for businesses in general, and for KPMG in particular. Globally, we have made important investments in technology partnerships, strategic alliances and the recruitment of top talent to create new D&A solutions and tools for use in our Audit, Tax and Advisory practices, providing meaningful benefits to our clients.

### Technology and expertise applied to Tax

The end of the Transition Tax Scheme, implementation of Siscoserv, Act 12.741 (requiring taxes to be stated on invoices) and new Tax Accounting requirements have significantly changed the way companies organise and report information to tax authorities.

Alert to these developments, KPMG has created solutions that combine our tax insights and technology to assist clients in reviewing their internal processes and implementing the technology required to organise and reconcile their reporting information with the necessary agility and efficiency.

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## *KPMG eSocial and ECF solutions*

A component of the Public Digital Accounting System (SPED), eSocial is designed to unify and digitalise tax, labour and social security obligations in order to streamline oversight of information reported to tax authorities. Implementation has been postponed to 2016, giving companies more time to adapt to the complexity of the new system.

Another tax obligation created in 2014 (effective in 2015), and which has required companies to implement major changes, is a new Tax Accounting (ECF) system that consolidates companies' Corporate Income Tax and Social Contribution reporting information and requires companies to identify all information reported in the ECF system in their accounting records. The challenge lies in the diversity of companies' accounting processes and/or policies, which will need to be adapted to meet this new requirement.

KPMG in Brazil has developed an integrated and multidisciplinary approach to assisting companies in complying with the new eSocial and ECF requirements. Leading information technology specialists have joined our experienced team of Tax experts to develop solutions entailing process and system reviews, data compliance analyses and specialist insight into the risks inherent to Human Resources and compliance with labour and social security regulations.

Supported by KTAX, a tax compliance solution developed by KPMG in 2012, clients now have an efficient, high-quality and secure solution for previewing electronic information reported to tax authorities.

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### Regionalisation in Advisory

Our 26 offices across 13 Brazilian states operate as a gateway into different economic and market segments.

In 2014, we approved a new Advisory regionalisation model based on regional hubs with local teams of specialists in locally relevant services, enabling us to meet region-specific demands and strengthen our practice. The regionalisation model includes two fronts:

- National: expansion of our footprint into new hubs: interior São Paulo/ Campinas, South/Curitiba, Centre/ BH and North and Northeast/ Fortaleza.
- International: leveraging synergies across the network of KPMG member firms in Latin America to better service clients.

### Strategies for compliance with National Waste Management Policy

Our multidisciplinary Risk Consulting team has helped clients address the new challenges arising from the National Waste Management Policy, which requires manufacturers, importers, distributors and retailers in six major product categories to structure and implement systems and controls for returning products following use by consumers without using municipal waste collection and waste management services.

### Support for Public-Private Partnerships (PPPs)

We advise a range of government and private clients on projects within the Public-Private Partnership (PPP) model as well as on related matters, such as city development, sanitation, waste disposal, urban mobility and social issues. This area offers tremendous opportunities that will translate into benefits for society as a whole, and should remain high on our agenda in 2015.

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## *KPMG, PPPs and the development of Brazil's southern cities*

In recent years, cities have been at the centre of integrated development globally, and PPPs are excellent opportunities to boost this development. Many businesses and governments, however, are still uncertain as to how to go about developing these partnerships.

Responding to this, KPMG's specialist Cities/South Region Advisory group has collaborated extensively with universities, state and municipal governments, businesses, development agencies, trade associations, the National Confederation of Municipal Governments, the Business Leaders Group (LIDE) and the PUC/RS Research and Development Centre to develop and model projects with a focus on regional development.

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## → QUALITY AND RISK MANAGEMENT

G4-14 | 41 | 56 | 57 | 58 | SO3 

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 key to the survival of our brand and of the very market served by our Organisation.

On a daily basis we come in contact with information that is crucial to our clients' business, and we recognise that our investments in training and technology, though essential for our quality of delivery, are not sustainable without our professionals' commitment to ethics based on our values and culture of integrity.

For this reason, one of the pillars of our business 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. Our stakeholders recognise these two principles as being material to our business.

Our Risk Management function 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 analysis of information 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, this function uses a precautionary approach focused on our core business to shape our policies, people development, client acceptance guidelines, engagement delivery and oversight in the entire network of entities that operate under the brand KPMG in Brazil, as further described below. [\[G4-SO3\]](#).



*Professionalism and Integrity*  
are the foundation of our business strategy

## Quality and risk management at KPMG in Brazil

Our Risk Management are consists of partners, managers and technical staff whose mission is to manage risk, disseminate professional practices and accounting standards, provide technical support and coordinate the implementation of quality programmes.

### Professional Practices Department (DPA)

Provides technical guidelines and advice on professional practices and disseminates updates on emerging technical guidance, both local and foreign. It also coordinates quality review programmes.

### Risk Compliance

The function responsible for matters related to management of regulatory risk, testing adherence to the Organisation's practices and computer-based training.

### Client and Engagement Acceptance and Continuance

Manages a rigorous and systematic policy for accepting and continuing with clients and engagements, which includes background checks and evaluation of publicly available information about the business and management of a prospective client, including its financial health, the reputation of its management, its products, the technical risk of the engagement and ethics and independence concerns.

### Ethics and Independence (E+I)

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

### Sentinel

The Organisation's global online system for screening projects against independence requirements and applicable standards. Where the system identifies an existing or potential conflict of interest that cannot be eliminated, our policy is to reject the engagement. Anti-money laundering legislation has led us to include system parameters to identify the ultimate beneficiaries of our services, which are supported by an internal whistleblowing policy for reporting concerns of this nature. [G4-41](#)

### Office of General Counsel (OGC)

Advises the Organisation 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. Knowledge of, and compliance with, this commitment are confirmed annually by means of an electronic statement. Our e-learning about Ethics & Independence also addresses this topic and notices are routinely issued as reminders of applicable procedures. There was one demand of this nature during the period covered by this report. [G4-PR8](#)

### Litigation

Handles any judicial and administrative claims. During the period covered by this report, we were not subject to any final conviction arising from disputes related to our services. [G4-PR4](#)

To ensure compliance with the principles of professionalism and quality, our Quality and Risk Management System is structured into five groups:

- Independence, integrity, ethics and objectivity
- People in quality and risk management
- Acceptance and continuance of clients and engagements
- Execution of Work
- Monitoring

### Independence, integrity, ethics and objectivity

This entails systematic information analysis that enables us to anticipate any conflicts of interest or issues in complying with established rules, standards and policies.

The procedures and policies that underpin our efforts in respect of these principles are set out in our Code of Conduct, Global Marketing Risk Management (GMRM) and Global Quality and Risk Management Manual (GQ&RM Manual).

These documents are derived from the professional requirements and rules established by local legislation, the Federal Accounting Council, the Brazilian Independent Auditors Institute, the National Monetary Council, the Securities Commission, the Secretary for Complementary Social Security and international bodies, such as the Public Company Accounting Oversight Board and

the US Securities and Exchange Commission.

The contents of these documents are transmitted to our professionals through our leadership and systematic training on ethics, independence and anti-corruption, as well as on the Intranet.

Annual training on ethics and independence and anti-corruption is mandatory for all partners, managers and other client-facing professionals, including interns at technical functions, 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 this report, all professionals required to attend training were trained in Ethics & Independence and 99.44% in Anti-corruption policies.

#### Mandatory\* Professional Attendance at Ethics & Independence and Anti-corruption training G4-SO4

	Ethics and Independence (E&I)			Anti-corruption		
	2014	2013	2012	2014	2013	2012
Non-management	2,289	2,256	2,440	2,235	2,084	2,878
Management	477	460	446	454	390	455
Partners	283	279	262	279	227	263
Interns	6	-	-	3	-	-
<b>Total professionals</b>	<b>3,055</b>	<b>2,995</b>	<b>3,148</b>	<b>2,971</b>	<b>2,701</b>	<b>3,596</b>

\* Ethics & Independence - Professionals required to take training: partners, managers, professionals and client-facing technical staff interns, and administrative function heads. All required professionals attended training. Professionals in the categories above are not required to attend training if they were on secondment or on leave during the relevant year.

\* Anti-corruption - Under new rules as from August 2013, this training is no longer a requirement for the entire Organisation but only for technical (client-facing) functions and administrative leadership. For this reason, attendance in absolute figures has declined from previous years.

Of those required to take training, 99.66% of our professionals attended training from 1 October 2013 to 30 September 2014. After this period, professionals failing to take training are subject to an assessment by our Disciplinary Committee.

## Global Code of Conduct G4-56

### *our professionals*

Professionals, 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 concerns 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 network*

The organisational 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 enhance the KPMG brand and reputation
- Keep assets and resources secure and only use them for appropriate commercial purposes

### *our communities*

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

- Enhance the role of the accountancy profession and instil 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 build stronger communities

### *clients of member firms*

Organisations 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
- 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



### Global Code of Conduct [G4-56](#)

Code of Conduct expresses our commitments to stakeholders and how our professionals must conduct themselves in their relations with KPMG in Brazil, other professionals, clients and the community. It also describes the resources and channels available to provide assistance on the themes it addresses.

The Code was updated in 2012 to reflect recent changes in standards, regulations, laws and codes of professional ethics. It now addresses specific anti-bribery and anticorruption commitments and provides clarity on KPMG's broader responsibilities, such as how we can contribute to development and sustainability.

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

These provide guidelines to be followed by the communication and marketing teams of member firms to ensure global brand consistency, maintain ethical and effective communication with our stakeholders, control reputation risks and manage client expectations on services provided, by communicating clear and objective information. Below are a few of the salient features of these two documents:

- **Marketing** – All communication and marketing material prepared by KPMG is revised by qualified professionals accredited in GMC. In 2014 there were no instances of noncompliance or warnings related to our regulations or codes. [G4-PR6 | PR7](#)
- **Contracts** – Based on the GQ&RM, our contracts provide full transparency to clients about details of the engagement, including its scope, deliverables, schedule, fees, client responsibility, subcontracting and responsibilities of KPMG in Brazil. [G4-PR3](#)

- **People, Performance and Culture** - A KPMG no Brasil conta com política específica para estabelecer as normas de relacionamento com nossos públicos, a fim de evitar eventuais conflitos de interesses e garantir a atuação ética e independente da Organização.
- **Traceability and Independence** - This system allows us to monitor compliance with our investment policies in the dealings of KPMG and our partners and managers. The 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. System data is continuously updated by our Independence function and must be reviewed prior to acceptance of a new client. Before acquiring securities, all leaders must use the System to determine whether the investment is restricted. They are also required to communicate all movements in individual investments within 14 days of purchasing or selling investments. If a security subsequently becomes restricted, security holders receive an automatic notice stating that they must dispose of the restricted investment. [informando que devem alienar o investimento restrito. G4-41](#)

### People in quality and risk management

Training and development ensure our professionals strictly comply with our guiding principles.

Our professionals are responsible for how we interact with stakeholders. They are therefore central to our Quality and Risk Management Programme.

We strive to prevent conflicts of interest from arising and to ensure our professionals operate in an independent, ethical and objective manner. This is supported by training and our Sentinel system. We have also implemented Audit partner rotation, in compliance with applicable legislation, which limits the number of years that the leaders can provide this type of service to the same client. These leadership changes help us develop transition and succession plans, supporting the continuity of our business. [G4-41](#)

*Ethics and objectivity govern our relations with stakeholders*

## People in quality and risk management





### Acceptance of prospective clients

Guidelines establishing whether to accept or continue a client relationship in accordance with our policies

Our policies and procedures also include assessments of risk in support of decision making regarding the acceptance and continuance of client relationships and engagements (read more in KPMG in Brazil's quality and risk management function>p.49). 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 prospective engagements

- Identification of risks through background checks on the company, its management, its businesses and other relevant matters, with a focus on integrity.
- Acceptance or otherwise of a client is determined by the evaluating partner, and approved by the risk management partner when necessary.
- Evaluation of risks, the competence of the client's financial management team, and any additional safeguards needing to be introduced to help mitigate the identified risks
- Evaluation of other relationships with and services provided by KPMG to the prospective client that are unrelated to the engagement in order to avoid potential conflicts of independence
- Acceptance of an engagement is approved by the potential engagement leader and another senior professional, when necessary.

### Client and engagement continuance process

- The continuance of clients and engagements is assessed every 12 months, or less if specific integrity issues or circumstances potentially interfering with the commercial relationship are identified. The company's risk factors are reviewed, as well as any developments affecting the continuity of the services provided.

#### Execution of Work

Quality and risk management applied to engagement delivery and oversight, with a focus on anti-corruption and anti-bribery procedures. G4-SO3

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

Professional practice, risk management and quality control are the responsibility of all professionals in the Organisation, who are expected to adhere to our policies and procedures (including independence policies) and are supported by a range of tools in meeting these expectations.

#### Methodology and tools

The policies and procedures we have established for Audit (and other practices where applicable) include requirements for accounting, audit, ethics and quality control and other relevant laws and regulations. The Audit practice is heavily regulated and under constant scrutiny. We therefore believe it is important to demonstrate how the approach and the tools we use ensure quality and integrity in delivery.

- **Compliance** - Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing. The methodology is set out in the KPMG Audit Manual (KAM) and includes additional requirements that go beyond established standards where we believe this can enhance the quality of our audits. KPMG member firms may add local requirements to comply with additional professional, legal, or regulatory requirements. The rules and procedures set out in KAM are supplemented by the requirements established in our Global Quality and Risk Management Manual, which is applicable to all member firms of KPMG International.
- **Scepticism** - Our methodology encourages engagement teams to exercise professional scepticism in all aspects, from audit planning to delivery. 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.
- **Innovation** - Our audit methodology is supported by proprietary electronic tools that provide auditors at member firms worldwide with the methodology, guidelines and industry knowledge necessary to conduct efficient and high-quality audits.



## Monitoring

Controlling and monitoring factors that could affect our business, our professionals and clients, or the capital market and the environment in which we operate

- **Reviews** – Internal and external evaluation procedures are in place to assess the integrity and independence of our professionals and adherence to our practices, methodologies, training and internal controls. These include:
  - **Risk Controls Checklist (RCC)** – An annual check performed by KPMG International on internal controls, procedures, practices and global training.
  - **Quality Review Programmes** – Annual reviews performed on Audit, Tax and Advisory engagements to verify conformity to our standards and required professional regulations.
  - **Peer Review** – A local independent peer review of our work every four years (i.e. conducted by another audit company of the same size), required by the Federal Accounting Council 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 organisation 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 any of these reviews. [G4- PR9](#)

- **Disciplinary Committee** – 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. The Committee is activated when information or documents indicate potential violations by any professional, including any partner.

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 measures that range from simple notification and additional training to financial penalties in variable remuneration and up to and including termination of employment or partnership resignation.

- 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, KPMG in Brazil did not receive sanctions or fines resulting from the reviews, and did not had cases of corruption recorded by the monitoring tools. [G4-SO5](#)

*At KPMG, strict adherence to these standards is vital to provide services with the quality and the integrity needed for the construction of more ethical and sustainable markets*

## 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)

On-line: [www.clearviewconnects.com/](http://www.clearviewconnects.com/)

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

## Hours of training

Special L&D methodologies

82,798

E-learning

457

Virtual class

162,124

Presencial

## → QUALITY OF SERVICE / LEARNING AND PROFESSIONAL DEVELOPMENT

Developing and building skills not only advances the careers of our professionals but is also crucial to maintaining the quality of our services, ensuring our growth and creating value for our clients.

Reflecting the breadth of our portfolio and regulatory requirements, programmes in this area are structured to develop general and specific skills according to the different functions, capabilities and areas of expertise of our professionals. Our programmes encourage continuing education through undergraduate, graduate, specialist, language and behavioural training and a range of technical and exchange courses.

In 2014, we revisited our training process within the 70-20-10 approach, in which 70% of learning is on the job, 20% online and only 10% in classroom-based training. Based on this review, we have begun implementing collaborative learning strategies designed to improve our professionals' understanding and application of the vast-ranging knowledge we produce and disseminate. Support from online and classroom-based courses remains relevant, as seen below.

During the reporting period, we invested R\$ 22.8 million in training and developing our professionals, delivering on average of 74 hours of training per person. This is well above the average of 40 hours per year required by the Brazilian Federal Accounting Council.

### Total investment in training and development

	2014	2013	2012
Time (thousands of hours) – Item 'a' only	253	243	306
Financial (R\$ million)	22.8	23.4	29.9
a) Specific investments in technical and behavioural skills	17.7	15.5	21.8
b) Investments in undergraduate, graduate, language, exchange and other programmes	8.1	7.9	8.1

### Educational levels of KPMG professionals

	2014		2013		2012	
	Professionals	%	Professionals	%	Professionals	%
Higher or university education	3,431	98%	3,331	96.9%	3,536	97.3%
Primary/secondary education	47	0.7%	84	2.4%	67	1.8%
Technologist	26	1.3%	24	0.7%	31	0.9%
Total professionals	3,504	100%	3,439	100%	3,634	100%

*People are our greatest asset,  
and professional excellence our  
greatest heritage.  
Therefore, in 2014 we invested  
R\$ 22,8 million in training  
and developing*

Hours invested in training and development G4-LA09

	2014			2013			2012		
	Hours	People	Average	Hours	People	Average	Hours	People	Average
<b>Technical team</b>									
Interns	166	4	41	174.00	5	34	398	7	57
Trainees	86,870	810	107	66,905	778	86	141,663	1,047	135
Staff	88,440	1,415	62	98,506	1,439	68	92,915	1,421	65
Managers	25,624	444	56	26,934	428	62	23,427	420	56
Partners	20,102	248	81	20,588	246	83	18,405	230	80
Subtotal technical team	221,202	2,921	76	213,107	2,896	73	276,808	3,125	88
<b>Administrative team</b>									
Interns	505	9	56	398	9	44	546	4	136
Trainees	155	2	77	161	4	40	287	10	29
Staff	25,543	477	53	24,138	449	53	24,645	424	58
Managers	3,170	53	60	3,095	48	64	2,196	38	58
Partners	3,157	42	75	2,231	33	67	1,878	33	57
Subtotal administrative team	32,530	583	56	30,023	543	55	29,552	509	58
<b>Total</b>	<b>253,732</b>	<b>3,504</b>	<b>72</b>	<b>243,130</b>	<b>3,439</b>	<b>70</b>	<b>306,360</b>	<b>3,634</b>	<b>84</b>

Only training hours actually taken are included.

Temporary staff have not been included in 2013, although 197 hours of training were provided to this category.

Temporary staff have been included in 2014.

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



### KPMG Business School

Responsible for planning our training and development programmes, including both online and classroom-based activities. Supporting this is KPMG in Brazil's Clix, an online platform for training management, which offers over 200 courses to our professionals. Training Centres in São Paulo and Rio de Janeiro centralise classroom-based activities, facilitating access and reducing team travel requirements and expenses.

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

- **Corporate training** – Compulsory for all professionals. This training develops behavioural skills and disseminates corporate standards and policies, such as Risk Management, Ethics & Independence and Data Privacy.
- **Core training** – Develops technical knowledge and skills, by activity area, enhancing our standards of excellence in service provision. Mandatory for all professionals
- **Professional training** – Teaches concepts related to delivery methodology for each practice.
- **Specialist training** – Covers specific subjects recommended by leaders to address professional requirements and interests.

### Reimbursement for external programmes

We have a policy of reimbursing professionals for undergraduate, graduate, specialist and language training programmes that are relevant to advancing their careers.

### Annual Trainee Programme

KPMG in Brazil also invests consistently in developing young talent through our Trainee Programme. In 2014, more than 52 thousand candidates participated in the selection process and 440 were hired to work within the Organisation. These numbers demonstrate a significant interest in working with KPMG.

All trainees attend an intensive training programme before they begin working at our practices to ensure they understand our principles and quality standards, as well as our values in the context of corporate citizenship.

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

440

2014

370

2013

530

2012



## Harvard Manage Mentor

Provides 42 Harvard-produced on-line programmes that foster performance development, with a focus on leadership and business skills.

### Global Opportunities (GO)

Programme	Duration	Participating professionals		
		2014	2013	2012
Global Opportunities - LongTerm	2 years	25	20	19
Global Opportunities - ShortTerm	6 months	1	0	8
United States Mobility Programme (USMP)	2 years	3	1	1
TaxTrek	3 months	8	6	8
LegalTrek*	3 months	1	-	-

\* Launched in 2014



### Mobility and exchange

Our professionals are given the opportunity and encouraged by our leadership to take assignments throughout KPMG International's global network and experience other cultures. Global Opportunities (GO) is a programme covering all forms of temporary assignments to KPMG member firms, with professionals retaining employment in their home country.

Four types of assignments are available, ranging from three months to two years, enabling our professionals to acquire international experience in emerging markets and new practices, and competencies to meet business demands and advance their careers. In 2014, 38 KPMG in Brazil professionals joined the GO programme.

### Leadership development G4-43

KPMG in Brazil offers dedicated training and development programmes for senior leaders, which prepare our professionals to succeed the Organisation's key executives.

• **Chairman 75** - A group of 75 KPMG partners worldwide, all aspiring to key positions within the Organisation. The group meets every quarter to discuss important issues and leadership responsibilities. The programme has a duration of one year and a half and also involves CEOs from other firms and external consultants, in an environment that fosters sharing professional experience.

### • Partner Development Programme

- This programme 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 2014, 22 partners participated in the Partner Development Programme.

### • Management Development Programme

- Designed to deepen managers' knowledge about the tools and methodologies used for team building and management. The programme is run in partnership with Fundação Dom Cabral and involved 201 managers in 2014.

*"The Mobility programme provided the opportunity to spend two years working with the International Standards Group, in London, where the full range of IFRS supporting materials is produced for KPMG member firms. It was the right place to build and transfer professional skills to KPMG in Brazil"*

Fabian Junqueira, sócio/Audit, SP

# HUMAN CAPITAL

## our differentiator



Human Capital consists of people and their competencies, capabilities and motivations to innovate and develop services in an ethical manner and through their ability to lead, manage and collaborate.

*Framework, IIRC*

Our Intellectual Capital is developed entirely by the people who are part of KPMG. This places people management centre stage in our business strategy.

We are recognised internationally for our ability to attract and generate talent, which encourages us to deliver on our commitment to invest all resources necessary to train and develop our professionals and leaders.

A high-performance culture is central to how we encourage our professionals to achieve their full potential and be fully prepared to perform and create value for our stakeholders.

Our stakeholders have described good treatment of employees as one of the most material themes for KPMG. This high-level theme includes a number of items within our Foundations of People Management. Some of these have been addressed under Intellectual Capital (page 40) and others are addressed below.

We ended financial year 2014 with **3,708 staff members**, including:

*3,504 KPMG in Brazil professionals:*

- 3,188 employees hired under the Consolidated Labour Regulations (CLT) and 100% covered by collective bargaining agreements. [G4-11](#)

- 290 partners
- 13 interns
- 13 temporary employees

*204 third-party employees*

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

### *Staff*

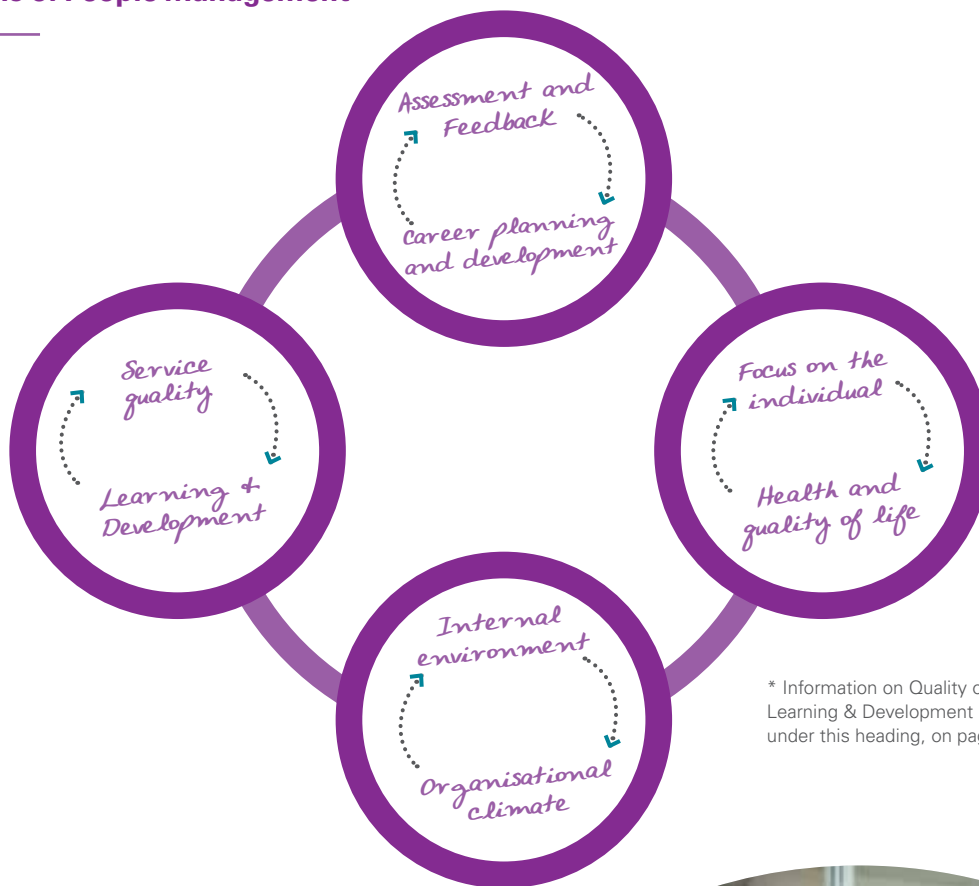
all people working at KPMG in Brazil.

### *Professionals*

partners, employees of KPMG's technical and administrative areas (registered in accordance with Brazilian labour legislation) and interns.



### Foundations of People Management



\* Information on Quality of Service/ Learning & Development is reported under this heading, on page 57.

### 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 e Uberlândia.





## Our performance in 2014

### Total KPMG in Brazil staff G4-10 | LA12

Cities/ offices	Permanent contract (CLT)			Partners			Temporary contract			Third-party			Total staff		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
São Paulo	1,846	1,817	1,842	197	186	179	12	7	10	164	169	190	2,219	2,179	2,221
Rio de Janeiro	494	468	457	35	37	28	1	0	8	18	18	14	548	523	507
Other locations	861	875	1,072	58	56	56	0	1	6	22	23	23	941	955	1157
<b>Subtotal</b>	<b>3,201</b>	<b>3,160</b>	<b>3,371</b>	<b>290</b>	<b>279</b>	<b>263</b>	<b>13</b>	<b>8</b>	<b>24</b>	<b>204</b>	<b>210</b>	<b>227</b>	<b>3,708</b>	<b>3,657</b>	<b>3,885</b>
<b>Total KPMG in Brazil professionals (Permanent contract + partners)</b>												<b>3,504</b>	<b>3,439</b>	<b>3,634</b>	

Because around 75% of our professionals are based in the São Paulo and Rio de Janeiro offices, we have opted to present these indicators in three categories: São Paulo, Rio de Janeiro and other offices\*.

Interns are included in the Permanent Contract category. For the detailed number of professionals by category, see pages 74-75.

As from 2014, temporary contracts have been included in calculations for the 'KPMG in Brazil Professionals' category, and a 'partner-director' category has been included in the partner category.

For the next cycle, the collection will be structured to bring a gender approach in the tables on employees.

### Hiring/Voluntary Layoffs

#### G4-LA1

KPMG presented a 32% employment rate and 60% of new professionals were hired in São Paulo offices.

was concentrated in the range of professionals with age up to 29 years.

Considering voluntary layoffs, turnover showed a 20% rate and

Hiring and voluntary layoffs presented no significant variations with respect to gender.

### Hiring/Voluntary Layoffs G4-LA1

Office	→	New Hires	%	→	Voluntary Layoffs	%
São Paulo		681	60		398	58
Rio de Janeiro		171	15		91	13
Others		282	25		199	29
<b>Total 2014</b>		<b>1134</b>	<b>100</b>		<b>688</b>	<b>100</b>
Gender	→			→		
Masculino		570	50,3		378	55
Feminino		564	49,7		310	45
<b>Total 2014</b>		<b>1134</b>	<b>100</b>		<b>688</b>	<b>100</b>
Age	→			→		
Up to 29 anos		991	87		562	82
Between 30 and 50 years		137	12		124	18
Above 50 years		6	1		2	0
<b>Total 2014</b>		<b>1134</b>	<b>100</b>		<b>688</b>	<b>100</b>



*To support our professionals' development, we have established a robust career and development plan that provides continuous opportunities to experience challenges and innovation.*

**→ ASSESSMENT AND FEEDBACK/CAREER PLANNING AND DEVELOPMENT**

G4-40 | 44 | LA11

To support our professionals' development, we have established a robust career and development plan that provides continuous opportunities to experience challenges and innovation.

The Plan follows KPMG's global privacy guidelines and is based on the principles of merit and equal opportunities. Performance assessments are conducted annually using tools that assist in identifying strengths and areas for improvement in technical and behavioural aspects.

In relation to senior leadership, professionals whose performance most effectively contributes to the Organisation'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 2014, 94% of eligible professionals, for a total of 2,780 people, participated in the My Performance Development (MyPD) assessment process.

MyPD is supplemented by a 360° assessment of partners and managers by superiors, peers, subordinates and internal clients. In 2014, all professionals falling into this category took the assessment.

**Compensation**

MyPD and 360o performance assessments are used as a basis for promotions and salary increases, as well as for the Profit-Sharing Programme, which also takes into account the general results of the Organisation, the business unit and the professional.

These principles are also used to define the compensation received by partners, including the chairman, in addition to criteria such as the Organisation's business profitability and social and environmental targets (the latter two for training purposes).

G4-51

The lowest salaries paid by KPMG in Brazil during financial year 2014 were at least 10% higher, for the administrative team, and 49% higher, for the technical team, than the national minimum salary.

The Profit Sharing Plan was revised in 2013 to include criteria reflecting the particularities of our Organisation's different businesses and industry good practice. KPMG in Brazil's executive committee established the funding for profit-sharing payments in accordance with our Corporate Governance model.

The new model is self-funded (rewards are distributed when financial targets are met), transparent (with clear communication of the programme and interim results), participative (employees follow results and provide suggestions for improvement through the Employee Committee) and developmental (rewarding the best results and individual performance). No profit-sharing payments were made in 2014 as the Organisation failed to achieve its projected performance target.

**Number of promotions**

	2014	2013	2012
Staff		1,900	1,954
Staff to manager	105	86	90
Manager to senior manager	49	52	35
Senior manager to partner	38	23	35
Total	2,032	2,061	2,114

➔ **FOCUS ON INDIVIDUALS / HEALTH AND QUALITY OF LIFE**

G4-LA2

**MyLife**

Our quality of life programme promotes healthy habits, well-being and care for body and mind, encouraging staff to balance their work and personal life. Mylife has three components:

- **Culture and Entertainment** – Special programmes, tours and discounts at artistic and cultural events. Classifieds for buying and selling goods and services.
- **Health** – Special discounts at gyms and pharmacies, and an Intranet site and awareness campaigns on quality of life.

- **Facilities** – Day-to-day convenience services for our professionals, such as discounts at restaurants, stores, hairdressers and other service providers.

Of the initiatives being considered for feasibility in 2014, the following were implemented:

- **Pilot jogging/walking group** - In 2013, we supported several groups of professionals who participated in marathons and races in a number of states of Brazil. In 2014, we will invest in a more structured calendar with more activities.

- **Nutritional education programme** – In 2015 is expected the participation of a nutritionist to strengthen the e-learning results on nutritional education, launched in 2013.
- **Retirement preparation programme** – the proposal is still in feasibility analysis for launching in 2015.
- **Ergonomics assessment** – implemented in the new São Paulo office, to be occupied in 2015. Improvement opportunities are systematically evaluated by Health and Safety area.

**Health and Safety**

KPMG labor practices are aligned with the guidelines of the International Organization of Labour Standards and the Ministry of Labor and Employment. Programs held by the PPRA, the PCMCO and the consultancy Bioqualinet support and referral to our professional and unfold in campaigns on health, safety and well-being spread through different tools such as e-learning, Sipat, intranet tips and our corporate magazine KPMGente. [G4-LA8](#)

Our CIPA represents 75% of KPMG professionals in Brazil and has its performance defined in a master plan, which includes actions to prevent accidents and to promote health throughout the year, integrated with MyLife proposals and the area of Corporate Citizenship. [G4-LA5](#)

In our work there are no activities that expose our employees to high risk of illnesses related to their occupation. [G4-LA7](#)

**Benefits**

We offer a range of benefits that contribute to our professionals' well-being:

*Balance*

MyLife encourages healthy habits, welfare and attention to body and mind, encouraging our employees to balance work and personal life





Benefits offered	Beneficiaries*
Fitness centres	All professionals
Health insurance	All professionals
Dental insurance	All professionals
Nursery allowance	Local collective bargaining agreement - available for mothers. Also for fathers who are legal guardians.
Annual health check-up	Partners
Parking	From senior analyst level
Incentive for graduate courses	From manager level
Language course	All professionals, except 'E' level positions and interns**
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 hired under the Consolidated Labour Regulations (CLT), conditional on seniority and banking rules
Subsidy for fees paid to professional organisations (registration fees, transfers and annuity)	All professionals
KPMG Prev (complementary retirement plan)	All professionals, except interns
Profit sharing programme (PPL)	All professionals hired under CLT, conditional upon meeting performance targets and eligibility requirements
Meal allowance	All professionals other than partners - local pricing
Wedding gift	All professionals after 12 months under CLT employment, other than interns
Commuting fares	All professionals other than partners
Incentive for undergraduate courses	All professionals
Drugstore facility	All professionals employed under CLT
Birth gift	All professionals, except interns
KFleet (car rental)	Managers and senior managers

\* Our temporary employees are not eligible to these benefits. \*\*Group 'E' positions are as follows: catering staff, valet, telephone operator, messenger, receptionist, intern, assistant, office assistant, trainee, printer operator, computer operator I and II, and reviser.

Pension Plan G4-EC3									
Pension Plan Name	Type of Plan (Defined Benefit (DB), Defined Contribution (DC), composite, other)	Total participants (CLT employees)	Total participants (CLT employees + partners)	Contribution by professional - Voluntary (percent of basic salary)	Contribution by employer - Compulsory (percent of basic salary)	Level of participation in plan	Total Plan contribution (R\$)	Total voluntary plan contributions by professionals (R\$)	Closed-end fund? Yes / No
KPMG PREV	DC	3188	3478	5% to 10%	8% of the amount exceeding the Pension Unit (PU) (R\$ 3,745.00)*	National / Annual	3,263,391	265,165	Yes

The KPMG Pension Plan has management, structure as well as formal and regulated guidelines.



## GPS

Based on the GPS results, leaders and business partners (Human Resources) design specific action plans aimed at improving the indicators

### → INTERNAL ENVIRONMENT / ORGANISATIONAL CLIMATE

Every two years we conduct a Global People Survey (GPS) to gain an understanding of the needs, motivation and satisfaction of our professionals. Based on the results, each department's leaders and respective *business partners* (Human Resources) design specific action plans aimed at improving these indicators.

The most recent GPS was conducted at the start of the 2014-2015 financial year and enjoyed 83% participation, with 2,600 professionals responding. The results show that employee satisfaction has improved across virtually all indicators, and especially Vision and Strategy.

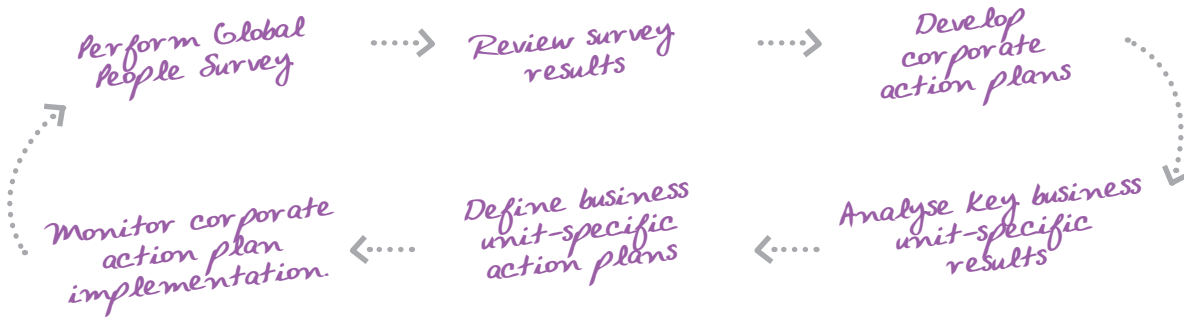
Based on the results from the most recent survey, we began implementing action plans in 2014 in order to meet the expectations and needs of our various internal stakeholders. The main topics of the action plan are: Developing Performance, Engagement, Communication and Recognition & Rewards.

Improvements are being addressed in a number of ways, including: specific training focused on people management and geared to performance managers; meetings involving Audit, Tax and Advisory practice leads and their teams to discuss the Organisation's initiatives, strategies and results; business training programmes (Advisory Academy, Tax Business Academy and Elos, in partnership with Fundação Dom Cabral); K Fleet, a corporate car benefit that has increased total compensation for managers and is unique among the Big Four; Talent Management (*Agility*); and the Purpose programme, focused on the sense of pride in being part of KPMG.

We also have an annual **Seniority Celebration** in recognition of our professionals after five years with the Organisation.

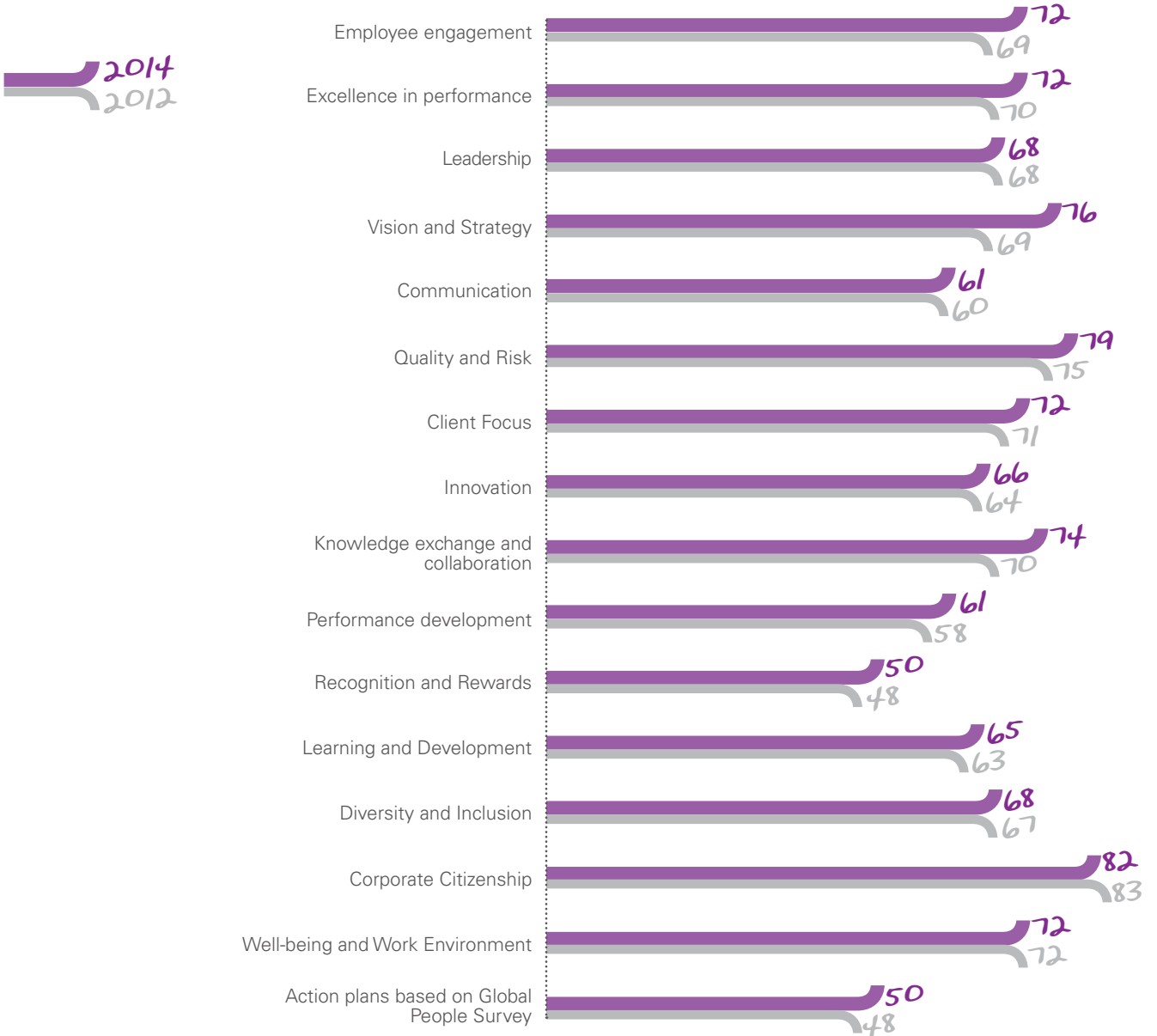


### Global People Survey Phases



### Global people survey (GPS) results – Brazil 2014

(Percent satisfaction – on a scale of 0 to 100)



→ DIVERSITY

Our approach to diversity is guided by 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 their personal traits. These principles are further reinforced by our Code of Conduct and by merit-based compensation and promotion policies.

The pillars of our Diversity policy are: KNOW-Women, Religion, Disabilities, Apprentice, Sexual Orientation and Ethnicity. Our intranet provides information on each of these pillars and fosters dialogue with our professionals.

In December 2014, we launched a Citizenship & Diversity Survey to map the profile and needs of KPMG in Brazil. Based on the survey, we assessed existing initiatives towards implementation of new programmes to enhance our commitments in 2015. Among these initiatives are Citizenship & Diversity Roadshows that will tour all our offices in Brazil to share our values and gain an in-depth understanding of local realities.


**KPMG’s Network of Women (KNOW)**

Identified as one of our differentiators, which has earned us a Silver accolade in the WEPs 2014 Brazil awards (UN Women), KNOW encourages the professional development and retention of women at KPMG by offering the resources and conditions necessary to provide them with the opportunity to develop professionally.

KPMG in Brazil has been highly active in this group with a range of initiatives, such as our internal mentoring programme, rescheduling of client appointments for women during and after pregnancy, six-month maternity leave, milk dispensaries, and the active engagement of our leaders in relevant forums, such as *CRC Mulher*, *IBEF Mulher*, *Movimento + Mulher 360*, *LIDE*, Women Corporate Directors (WCD), and our *Gestante blog*, launched in 2014.

Through our affirmative actions within KNOW, our post-maternity leave retention rate is now 66%. [G4-LA3](#)

In 2014, we supported the 4<sup>th</sup> Women in the Spotlight Forum (*Fórum Mulheres em Destaque*) to promote women’s business careers and leadership, with 29 professionals (managers and supervisors) attending the event.

Our efforts are based on the Women’s Empowerment Principles, a joint initiative of the Global Compact and the United Nations Development Fund for Women (UNIFEM) webdesign, of which we are signatories. Our participation in this group also provides access to a broad network for sharing policies and good practices relating to gender equality and women’s development. [G4-15](#) 

*KPMG’s goal is to have 25% female partners by 2015.*



**Recognition**

In 2014, our efforts to promote diversity received recognition in the form of a Corporate Citizen Mark from the São Paulo State Government and a Silver award in the Women’s Empowerment Principles (WEPs) Brazil Awards 2014.



Ratio of basic salary of women to men\* G4-LA13

Group	Category	2014	2013	2012
		2014 Ratio*	2013 Ratio*	2012 Ratio*
Technical	Interns	**	1.00	1.00
	Trainees	0.99	1.00	1.00
	Staff	0.89	0.89	0.90
	Managers	0.99	0.98	0.98
	Partners	0.94	0.99	0.97
Administrative	Interns	**	1.00	1.00
	Trainees	**	0.94	**
	Staff	1.01	1.02	1.01
	Managers	0.86	0.86	0.80
	Partners	0.98	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 professionals in these areas/categories.

**Inclusão Group**

This group unites the different practices at KPMG around attracting, retaining and developing people with disabilities within the Organisation. This programme has generated the following initiatives:

- **Co-working** – A Co-working Manual for staff on appropriate ways to interact, disseminated via the intranet, institutional videos and internal newsletters.
- **Support** – Provided individually by our Diversity area to people with disabilities, apprentices and their managers.
- **Hiring** – Since 2011, we have invested in programmes geared to employing people with disabilities.

Although regularly contacting the appropriate organisations, we have encountered difficulty in finding qualified candidates. Because of these difficulties, one of our member firms has signed a Term of Conduct Adjustment with the Labour Attorney’s Office. Validated by our leadership, a programme is being prepared to enable us to conclude the number of hires required throughout 2015.

- **Training** – In 2013 and 2014, we sponsored programmes run by APAE-SP and *Oficina de Menestréis*, which aim to create opportunities for young people with intellectual disabilities to develop the skills needed to find jobs.

- **Accessibility** – Physical and technological adaptations to ensure that professionals with disabilities are well accommodated at our offices.
- **Awareness** – A continuous effort involving a range of specific initiatives.
  - Diversity Week, in which information is provided to raise awareness and massages are administered by professionals with visual disabilities at our offices in São Paulo
  - The *Movimento Superação* street march in São Paulo
  - *Virada Inclusiva* (inclusion initiative) in São Paulo
  - The *Movimento Superação* street march in Porto Alegre
  - *e-Learning* on diversity and inclusion (878 professionals trained in 2014).





**LOCAL HIRING**

One of the ways in which we promote diversity, alongside the development of our communities, is by incorporating knowledge of local culture into our business. At KPMG in Brazil, 93% of our leadership (partners) is Brazilian.

**Local Hiring** G4-EC6

Location	Total partners			Partners working in their home States					
	Absolute number			Absolute number			Percentage 2014		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
State of São Paulo*	218	209	197	157	149	144	72%	71%	73%
State of Rio de Janeiro*	34	36	29	27	27	22	79%	75%	76%
Other States*	38	34	37	17	17	18	45%	50%	48%
<b>Total Brazilian partners</b>	<b>290</b>	<b>279</b>	<b>263</b>	<b>268</b>	<b>255</b>	<b>229</b>	<b>91%</b>	<b>91%</b>	<b>92%</b>

\* São Paulo and Rio de Janeiro are the states with the largest number of partners 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.



### The diversity in numbers:

Composition of KPMG professionals in Brazil by age and by gender (G4-10 / LA12)

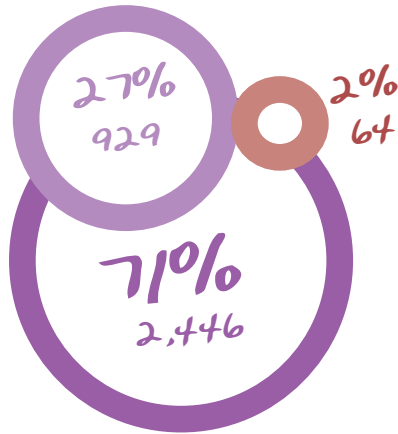
#### Total of Professionals by age 2014

Total: 3,504



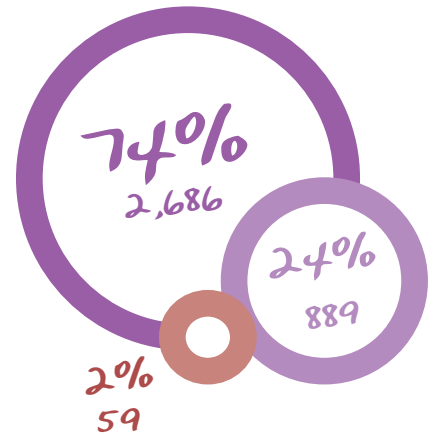
#### 2013

Total: 3,439



#### 2012

Total: 3,634



● Up to 29 years    ● Between 30 and 50 years    ● Above 50 years

#### Total of Professionals by gender

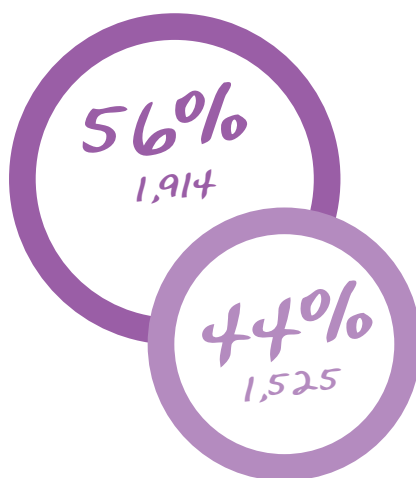
#### 2014

Total: 3,504



#### 2013

Total: 3,439



#### 2012

Total: 3,634



● Male    ● Female

**KPMG Professionals** *Administrative Team*

By gender						
	2014		2013		2012	
	Male	Female	Male	Female	Male	Female
Trainees	0%	100%	75%	25%	100%	0%
	2		4		4	
Interns	25%	75%	34%	66%	30%	70%
	9		9		10	
Staff	35%	65%	34%	66%	34%	66%
	477		449		424	
Managers	45%	55%	42%	58%	39%	61%
	53		48		38	
Partners	69%	31%	63%	37%	70%	30%
			33		33	
Total administrative team	38%	62%	37%	63%	37%	63%
	583		543		509	

By age									
	2014			2013			2012		
	Up to 29	30 to 50	Over 50	Up to 29	30 to 50	Over 50	Up to 29	30 to 50	Over 50
Trainees	100%	0%	0%	100%	0%	0%	100%	0%	0%
	2			4			4		
Interns	100%	0%	0%	100%	0%	0%	100%	0%	0%
	9			9			10		
Staff	59%	38%	3%	58%	37%	5%	59%	37%	5%
	477			449			424		
Managers	2%	92%	6%	8%	91%	4%	5%	92%	3%
	53			46			38		
Partners	0%	62%	38%	0%	75%	25%	0%	79%	21%
	42			33			33		
Total administrative team	50%	44%	6%	51%	44%	5%	53%	42%	5%
	583			543			509		



**KPMG Professionals**

*Technical Team*

By gender						
	2014		2013		2012	
	Male	Female	Male	Female	Male	Female
Trainees	50%	50%	51%	49%	51%	49%
	810		778		1,047	
Interns	25%	75%	20%	80%	43%	57%
	4		5		7	
Staff	55%	45%	55%	45%	57%	43%
	1,415		1,439		1,421	
Managers	68%	32%	69%	31%	68%	32%
	444		428		420	
Partners	89%	11%	89%	11%	88%	12%
	248		246		230	
Total technical team	58%	42%	60%	40%	59%	41%
			2,896		3,125	

By age									
	2014			2013			2012		
	Up to 29	30 to 50	Over 50	Up to 29	30 to 50	Over 50	Up to 29	30 to 50	Over 50
Trainees	100%	0%	0%	99.5%	0.5%	0%	100%	0%	0%
	810			778			778		
Interns	100%	0%	0%	100%	0%	0%	100%	0%	0%
	4			5			7		
Staff	89%	11%	0%	89%	10.8%	0.2%	88%	12%	0%
	1,415			1,439			1,421		
Managers	21%	79%	0%	25.2%	74.3%	0.5%	28%	72%	0%
	444			428			420		
Partners	0%	88%	12%	0.5%	87.5%	12%	0%	87%	13%
	248			246			230		
Total technical team	74%	25%	1%	75%	24%	1%	77%	22%	1%
				2,896			3,125		

# FINANCIAL CAPITAL

## shared value



Financial Capital is the pool of funds that is available to an organisation or can be generated through operations or obtained through financing, such as debt or equity. *Framework, IIRC*

### → FINANCIAL RESULTS

G4-9 | 17 | EC1 | EC4 | EC7

The various resources (or Capitals) available to our business are converted synergistically into a range of value outputs which we share with our stakeholders.

The quality of the services we deliver strengthens our reputation, client loyalty and client acquisition. This increases our hours worked, which in turn generates financial returns for our partners, salaries and benefits for our professionals, tax revenue for governments, sales revenue for our suppliers, social investments, investments in our Organisation's infrastructure and in the continuing development of our knowledge, methodologies and solutions towards more sustainable business models, which in turn are converted into benefits for our clients, cascading the effects of our services on their value chains.

Following this virtuous cycle, we want to remain a successful organisation, but we want our success to be increasingly meaningful and valuable for our stakeholders. This way, profit will always be something rightfully earned as a result of the value we create for society, and not an end in itself.

In 2014, despite the unfavourable economic environment, we continued to pursue our medium and long-term strategy, investing in professional training and development and in more efficient technologies and tools. This ensured that our Human and

Intellectual capitals remained in a state of readiness for a quick and efficient response to economic recovery. We also seized the opportunities offered by healthier market segments and remained alert to new business opportunities.

These strategies enabled us to retain our leading position in a number of segments and achieve 12% growth compared with the previous financial year. As a result, we approached – but were unable to fully achieve – our targets for the period, which prevented us from paying profit-sharing to our employees.

In 2015, we will continue to work diligently to ensure that our management and investments, combined with our efficiency initiatives, enable us to achieve our business targets. Our growth projections are 14% for the Audit practice, 18% for Tax and 30% for Advisory.

Our statement of added value also shows a significant increase in payments to the Government, in economic value distributed through salaries and employee benefits, and in contributions to our communities.



## Shared growth

In 2014 we registered a significant increase in payments to the Government, in economic value distributed through salaries and employee benefits, and in contributions to our communities.

### Statement of added value \* (R\$)

	2014	2013	2012
Direct economic value created	898,559,330	799,436,864	805,111,888
Revenue	898,559,330	799,436,864	805,111,888
Economic value distributed	701,794,065	650,729,691	627,281,780
Operating costs	148,951,352	149,266,106	137,498,458
Employee salaries and benefits	382,254,266	366,690,234	350,811,678
Payments to the Government	166,771,920	132,469,321	136,183,828
Community investments	3,037,371	2,304,029	2,787,817
Voluntary contributions (including pro bono) to social, environmental and cultural projects <a href="#">G4-EC7</a>	2,367,371	2,020,957	2,387,453
Contributions to social, environmental and cultural projects under tax incentive laws <a href="#">G4-EC4</a>	670,000	283,072	400,364
Cumulative economic value	196,765,265	148,707,173	177,830,108

This information refers to the periods January to December 2014, 2013 and 2012, and includes the activities of all independent entities operating under the KPMG brand in Brazil. Under applicable legislation, 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 Structured Finance, which publishes its statement of financial position in mainstream newspapers in Brazil. [G4-17](#)

# MANUFACTURED CAPITAL

## infrastructure to deliver quality



Manufactured Capital is the collection of physical, material and technological objects that are available to an organisation for use in the provision of services and therefore in fulfilling its purpose.

*Framework, IIRC*

### → INFRASTRUCTURE: OUR OFFICES

#### G4-13

Our 26 offices in Brazil are located in cities that serve as business hubs for strategic regions and provide the physical and technological infrastructure required for our professionals to provide quality and efficient service to our clients.

Since 2009, our Building Infrastructure area has worked to adapt our facilities to the needs of professionals with physical disabilities. Building maintenance and performance items are also covered by this area.

An important highlight in infrastructure is the opening of our new flagship office in São Paulo, planned for May 2015. Our Audit, Tax and Advisory professionals, currently working at three separate offices, will now be integrated in seven floors of office space at the EZ Towers in Morumbi. The decision was supported by studies and extensive discussion among our leadership on aspects such as layout, location, surrounding facilities, access to public transport and corporate image.

Our investment in new office space is intended to provide a higher quality work environment, better integration and efficiency and an improved organisational climate. It also delivers on our global environmental commitment to building efficiency and sustainable technologies – environmental guidelines were

followed to minimise environmental impacts both during construction and when in operation through features such as energy efficiency, bicycle parking space, building automation, water recycling, a heat-insulating glass façade, a state-of-the-art air conditioning system and other comfort enhancing features. These attributes earned the towers LEED® CS Gold pre-certification from the Green Building Council - a globally recognised programme to promote high-performance, green building design, construction, operations and maintenance.

In addition, KPMG has invested in an internal programme to obtain LEED® ID+C Gold certification for our facilities, involving a range of requirements focused on sustainable technologies and materials.

The move was announced to our professionals in June 2014 and has been supported by an extensive communication and clarification process through a dedicated Intranet channel. Despite our efforts to ensure the impacts of the move are mostly positive, we know that some of our professionals will be impacted by new commuting routines and we will be unable to address each case individually. [G4-LA4](#)



## IBS

Greater agility,  
efficiency and  
effectiveness for  
KPMG and our clients

### → CORPORATE FLEET

In 2014 we implemented a new company vehicle benefit programme for managers, called KFleet – the first of its kind among the *Big Four*. More than 80% of our leaders have subscribed to the benefit and chosen among four available models (all of them flex-fuel vehicles).

### → TECHNOLOGY

**Equipment and service** - The volume of information that our teams must access and process, both locally and globally, requires state-of-the-art infrastructure and effective hardware and software solutions. We are equipped with 100 servers and 4,000 computers, as well as help desk support for fast troubleshooting. Some of the improvements implemented in 2014 include: duplication of our office data links, outsourcing of our Data Centre and replacement of our core switch and printing service provider.

#### Integrated Business System (IBS)

- In a growth environment like KPMG, investments in improving the efficiency of our management and internal governance processes are crucial. KPMG's new business management system was deployed throughout 2014 to enable integration, review, standardisation and aggregation of many of our processes, including Engagement and Billing, Time and Expense Management, Risk Management, Finance and CRM, in full alignment with our international systems.





# SOCIAL AND RELATIONSHIP CAPITAL

## our legacy as a corporate citizen



Social and Relationship Capital consists of intangibles (shared values, commitments and knowledge) that form the basis of the reputation and trust that we have developed. *Framework, IIRC*

The volume of local and international accolades with which we have been honoured is also a measure of the market's positive perception of our performance. In 2014 alone, KPMG received ten local and international awards linked to sustainability, human rights, management, human resources and audit.

engagements>p.55, we have policies in place to ensure we associate with the right clients. Regardless of the financial returns that a potential new engagement could generate, it will only be accepted after background checks have been performed on the prospective client. The same care is taken in determining whether to continue with engagements.

The way we enhance the KPMG brand is expressed in a set of documents and procedures that guide the actions of all member firms worldwide (read more in Intellectual Capital> Quality and Risk Management>p.49).

**Client satisfaction** - Client Satisfaction Surveys are conducted annually and help us identify the most material issues from the perspective of these stakeholders, as well as strengths and opportunities to improve our workflows. [G4-PR5](#)

### → BRAND AND REPUTATION

The KPMG brand carries the initials of our four founders. Though from different countries and professional backgrounds, they all shared a common set of values that can today be best translated as 'Inspire Confidence. Empower Change'.

For 145 years, our global track record has been characterised by a forward-thinking service offering, responsible professional conduct, business integrity and helping shape a better future by sharing our knowledge with businesses, governments, the media, unions and trade associations, and voluntary sector organisations.

This combination of attributes has long sustained our position among the global Big Four and secured our prestigious position as leaders in a number of our segments.

### → CLIENT RELATIONS

[G4-26](#)

Our relations with clients, the market and society are underpinned by ethics and independence and are part of our basis for ensuring the quality of our work and the sustainability of the business.

This interaction takes place directly between clients and professionals on the ground, through satisfaction surveys and through the various channels available to share the knowledge flowing through KPMG International's network of member firms, such as research and publications, events, seminars and roadshows.

**Acceptance and continuance of clients and engagements** – As described in Quality and Risk Management> Acceptance and continuance of clients and

We use two criteria to determine the sample of clients responding to the survey: engagements 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 has a dedicated field for additional comments.

For financial year 2013-2014, questionnaires were sent to 1,446 companies matching these criteria, 23% of which responded.

**Internal Client Satisfaction Survey** – This survey is designed to collect feedback, measure the satisfaction levels of our professionals and inform action plans to improve the support provided by our Operations and Infrastructure areas.



## Recognition

In 2014, KPMG received ten local and international awards linked to sustainability, human rights, management, human resources and audit.

### Client Satisfaction Survey

Dimension	2013/2014	2012/2013	2012*
	331 respondents	186 respondents	164 respondents
	Score	Score	Score
Expectation	9.1	9.4	9.5
Technical quality	7.9	7.9	8.2
Cross-team communication	7.8	7.8	7.9
Professional conduct and service	8.3	8.5	8.6
Form of delivery	7.7	7.6	7.8
Timely delivery	6.7	6.9	6.8
Would use other services	92%	93%	96%
Would recommend KPMG	95%	97%	98%

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

→ **COMMUNICATING,  
PRODUCING AND SHARING  
EXPERTISE**

G4-26

On a daily basis, our professionals are provided with 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 teams can maintain excellence in service and ensure high-quality delivery.

Part of the repertoire we build is placed at the disposal of our stakeholders in order to enhance the debate around the complex issues we address. Continual collaboration with the media, 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 forum for disseminating best practice in corporate governance as well as political, economic, corporate, legal and tax trends affecting our business.

Maintained by member firms of KPMG International, the Institute is open to the members of the Boards of Directors and Audit Committees of companies in more than 30 countries. In 2014 KPMG in Brazil held six meetings attended

**Media** – In 2014 we were directly or indirectly cited in 2,706 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. Some of the publications produced by KPMG in Brazil and KPMG International in 2014 Include:

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## *Accounting Workshop for Journalists*

In 2014 our Fortaleza office organised an important initiative designed to provide a better understanding of our business to broader society: a workshop for members of the leading Business, Industry and Finance media organisations in the State of Ceará.

The event aims to translate accounting into clear, concise and current language, providing journalists with an understanding of issues they report on a regular basis, such as the role of the auditor, regulations and the use of financial reporting in a business context.

Further editions are planned for 2015 in other cities in the region. These will address subjects suggested by the attending journalists, such as mergers and acquisitions and understanding the statement of financial position.

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>> Available for iOS and Android



Content produced by our specialists can be accessed at [kpmg.com/BR](http://kpmg.com/BR) or through our smart phone application, which provides research alerts, information about events, videos, office locations, social media and other KPMG news.

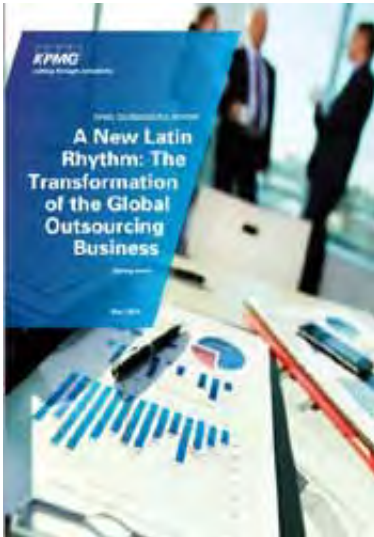



## Risk University

Designed to provide the executives with an innovative platform for sharing experience and learning about best practice, corporate governance, and risk and compliance tools, and for enhanced networking among participating companies.

*The knowledge we acquire in our quest to understand the world of business is the raw material for our work, which is converted into outputs that we share with our stakeholders*

# Some KPMG Publications in 2014




 *A New Latin Rhythm: The Transformation of the Global Outsourcing Business*




 *The Integration Imperative: Reshaping the Delivery of Human and Social Services*



 *Cross-border investigations: Are you prepared for the challenge?*




 *Gerenciamento de riscos - Os principais fatores de risco apresentados pelas empresas abertas brasileiras (2014)*



 *Mobile security: from risk to revenue*



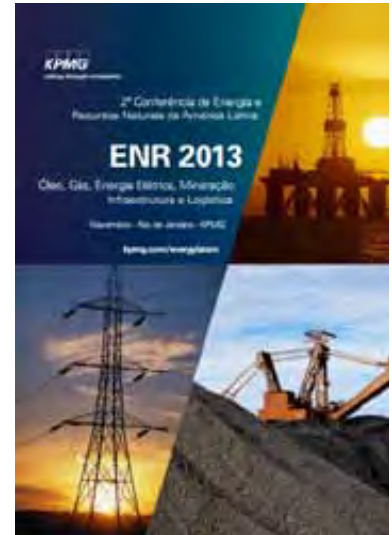
 *2014 Global Manufacturing Outlook - Performance in the crosshairs*



*Corporate Governance: 10 years of Brazil ACI Institute*



*Corporate Governance and the Capital Market 2013/2014*



*Book de Energia - 2ª Conferência de Energia e Recursos Naturais da KPMG no Brasil*



*IV Anuário de Transparência Contábil e Governança Corporativa*



*Consolidação de Dados da Indústria de Private Equity e Venture Capital no Brasil 2011/2012/2013*



*KPMG Business Magazine*

## Our performance in 2014

Events - We also foster the dissemination of knowledge through events, seminars and lectures we sponsor. During 2014, we invested R\$ 2,259,625.00 in 149 events.

Key events  
in 2014

### January

- Shared Services & Outsourcing Week Brazil 2014

### February

- IBEF-CE: Brazil's Anti-corruption Act: main aspects and risks
- IBEF-RJ: Brazil's Economic Outlook for 2014
- IBEF-Campinas: Important tax changes introduced by MP-627/13

### March

- IBEF-Campinas: How to enhance credit recovery for your business
- Global Agribusiness Forum 2014
- Amcham-Goiânia: CFO Forum
- IBEF-Campinas: Big Data - A critical ingredient for the future of businesses

### April

- Amcham-Porto Alegre: Construbusiness Committee
- 9<sup>th</sup> IBEF Oil & Gas Forum
- 5<sup>th</sup> Regional Meeting of Accounting Science Students - Belém/PA
- Amcham-GO: eSocial: a new era in employee, employer and government relations
- ANFAC - Brazilian Factoring Conference

### May

- COOPERCON and SINDUSCON/CE: Initial Round of 'Brazil in Debate' Conferences
- Expogestão 2014
- ANEFAC and KPMG Roadshow: DIPJ/2014 and MP-627 hot points - Porto Alegre, Rio de Janeiro, São Paulo, Salvador, Campinas, Belo Horizonte
- PPP Summit 2014
- Launch of Integrated Reporting framework in Portuguese
- Sindicont-SP: 5<sup>th</sup> Meeting of Accounting Professionals and Academics

## Investments

During 2014, we invested R\$ 2,26 million in 149 events.





### June

- LIDE-SP: World Environment Day Forum
- Seminar on PPP Projects – an avenue for infrastructure investment in Santa Catarina
- 2<sup>nd</sup> International Procurement Conference

### July

- 14<sup>th</sup> USP Comptrollership and Accounting Conference and 11<sup>th</sup> Undergraduate Accounting Conference
- IBEF-CE: Options for family and business estate succession planning
- Brazilian Retail Week
- Retail Forum: good governance practice based on sustainability and lasting retail chains

### August

- IBEF-CE: Municipal Mobility Policy
- COOPERCON and SINDUSCON/CE: 'Brazil in Debate' Conference Round
- IBEF Campinas: *IBEF-Mulher*
- IT Forum +
- Leaders on the Ground 2014

### September

- Amcham Brazil: Growth, investment and governance in uncertainty
- IBEF-MG: 25<sup>th</sup> National Conference of Finance Executives
- Health Business Forum
- 4<sup>th</sup> Accountancy and Auditing Meeting for Listed Companies and Corporations
- 17<sup>th</sup> ANEFAC Awards - Transparency Trophy 2014
- FEBRABAN: 4<sup>th</sup> International Risk Management Conference

### October

- Amcham-RJ: compliance and organisational management
- Amcham-Curitiba: Corporate Governance Cycle 2014
- Women Empowerment Alliance: equity generates business - the importance of women to business transformation
- Futurecom 2014
- 35<sup>th</sup> Brazilian Internal Audit Conference 2014

### November \*

- Amcham Brazil: 6<sup>th</sup> Capital Market Trade Mission
- LIDE SP: 5<sup>th</sup> Entrepreneurs' Forum
- 11<sup>th</sup> International CPC Forum - International Financial Reporting Standards
- Retail Cycle: mergers and acquisitions: a good avenue for retail expansion in Brazil?
- 28<sup>th</sup> Enconsel

### December

- IBEF-MG: Awards 2014 - Executive of the Year 'Walking the Tightrope' Corporate Finance Excellence Awards Minas Gerais
- 6<sup>th</sup> Private Equity Brazil Forum 2014
- WCD Brazil 2014
- IBEF-RJ: 'Walking the Tightrope' Awards 2014

### \* 3<sup>rd</sup> Energy and Natural Resources Conference

Held in Rio de Janeiro, the conference was attended by 427 delegates (347 industry executives and 80 global and local leaders from KPMG) to discuss Prospects and *Trends in the Energy and Natural Resources (ENR) Industry* and the impacts of the Brazilian presidential elections.

Nationally and internationally renowned specialists set the tone of the debate around the challenges facing the industry, such as the economic and financial rebalancing of the electric power sector, the pre-salt concession model, the new regulatory framework for mining and bottlenecks in infrastructure.

A majority presence of C-Level executives (51% of the delegates) from 194 companies in the industry supported the development of sound proposals and helped further establish KPMG as an important facilitator and opinion leader in the industry.



→ PARTICIPATION AT TRADE ASSOCIATIONS AND REGULATORS

G4-16

Our professionals are members of a number of associations representing a range of industries and society, where they share knowledge in debates or serve on boards, executive committees and subject-matter working groups for the benefit of sustainable business development.

KPMG International and the G20

We played a decisive role throughout 2014 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 debate on tax morality, a concept that seeks to establish a balance between tax payments and gains and has held centre 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.

Participation in trade associations and regulatory agencies

ORGANISATION	GEOGRAPHIC SCOPE	FORM OF PARTICIPATION
<b>TRADE ASSOCIATIONS</b>		
Brazilian Association of Financial Law (ABDF)	Rio de Janeiro	Membership and participation in events
Brazilian Association of Human Resources (ABRH)	Rio de Janeiro	Membership and participation in events
National Association of Finance, Business Management and Accounting Executives (ANEFAC)	São Paulo, Rio de Janeiro and Salvador	Association membership, participation in events and board membership/Salvador
Association of Analysts and Professionals from the Capitals and Investment Market (APIMEC)	São Paulo and Rio Grande do Sul	Membership and participation in events
Brazilian Institute of Finance Executives (IBEF)	Todas as regionais	Participation in events, lectures, Executive Boards, Boards of Directors, Commissions, Study groups and <i>IBEF-Mulher</i>
Brazilian Institute of Internal Auditors	Brazil	Participation in activities
IBRACON - Brazilian Institute of Independent Auditors	Brazil	Fixed financial contributions and membership of the National Board, Board of Directors, Ethics Committee, Working Groups for Capital Markets, Banks, Insurance and Agribusiness
<b>CORPORATE REPRESENTATIVE ENTITIES</b>		
Brazilian Infrastructure and Heavy Industry Association (ABDIB)	Brazil	Participation in Infrastructure and Generation Committees
Brazilian Franchising Association (ABF)	Brazil	Participation in events and meetings
Brazilian Licensing Association (ABRAL)	Brazil	Participation in events and meetings
National Association of Factoring Houses (ANFAC)	Brazil	Participation in the Ethics Council
Brazilian Association of Public Stock Corporations (Abrasca)	São Paulo and Rio de Janeiro	Membership, participation in events and the Legal, Audit and Accounting Standards commissions
Brazilian Private and Venture Capital Association (ABVCAP/SP and RJ)	São Paulo and Rio de Janeiro	Membership and participation in events
Rio de Janeiro Trade Association (ACRJ)	Rio de Janeiro	Membership and participation in events
Uberlândia Trade and Industry Association	Uberlândia	Membership and participation in events
Trade Association of Paraná	Paraná	Membership and participation in events
Trade Association of Porto Alegre	Porto Alegre	Membership and participation in events



ORGANISATION	GEOGRAPHIC SCOPE	FORM OF PARTICIPATION
British Chamber of Trade and Industry in Brazil - Britcham	São Paulo, Rio de Janeiro, Uberlândia, Curitiba and Porto Alegre	Membership, participation in events, the Board of Directors and the Tax, Energy and Consulate Matters Committees
American Chamber of Trade (Amcham)	Brazil and regional offices in Belo Horizonte, Campinas, Curitiba, Goiânia, Ribeirão Preto, Rio de Janeiro and São Paulo	Membership, participation in events, the Board of Directors, strategic committees - Energy, Business Affairs, Economics and Finance, Tax and Sustainability — and in regional branches
Brazil-Germany Chamber of Trade (AHK)	São Paulo, Rio de Janeiro and Porto Alegre	Membership and participation in events, Executive Board and Corporate Council
US Chamber in Amazonas	Amazonas	Participation in events and meetings
Brazilian-Dutch Chamber of Trade (Dutcham)	Brazil	Participation in events and Executive Board
Japan-Brazil Chamber of Trade and Industry	Brazil	Participation in events and Legal Affairs Study Commission
Spanish Chamber of Trade in Brazil	Brazil	Participation in activities
Portuguese Chamber of Trade in Brazil (CPCB)	Rio de Janeiro, São Paulo, São José dos Campos and Salvador	Participation in events and Audit Committee/RJ
Amazonas State Industry Centre	Amazonas	Participation in activities
Chamber of Industry, Trade and Services of Caxias do Sul (CIC)	Caxias do Sul	Participation in activities
Industry Centre of São Paulo state (CIESP)	São José dos Campos	Participation in activities
Industry Centre of Rio Grande do Sul state (CIERGS)	Rio Grande do Sul	Participation in events and meetings
Paraná State Industry Federation (FIEP)	Paraná	Participation in activities and the Parana Council of Corporate Social Responsibility
Brazilian Institute for Petroleum, Gas and Biofuels (IBP)	Brazil	Participation in events and activities
<b>REGULATORY AGENCIES</b>		
National Health Agency (ANS)	Brazil	Participation in the Regulatory Commission
National Quality Foundation (FNQ)	Brazil	Participation in the Oversight Board
Brazilian Securities Commission (CVM)	Brazil	Monitoring of activities and whenever possible and/or necessary, collaboration with the Commission's work
Brazilian Central Bank (Bacen)	Brazil	Monitoring of activities and whenever possible and/or necessary, collaboration with the Bank's work
Private Insurance Regulator (SUSEP)	Brazil	Monitoring of activities and whenever possible and/or necessary, collaboration with the Regulator's work
Federal Accounting Council (CFC)	Brazil	Monitoring of activities and whenever possible and/or necessary, collaboration with the Council's work
Accounting Pronouncements Committee (CPC)	Brazil	Monitoring of activities and whenever possible and/or necessary, collaboration with the Committee's work
<b>OTHER</b>		
Junior Achievement Brasil	Brazil and Rio de Janeiro	Donation of funds to the national programme, participation in the Executive Board and Board and voluntary work
Business Leaders Group (LIDE)	São Paulo, Curitiba, Porto Alegre and Rio de Janeiro	Several partners represent KPMG in Brazil in LIDE and the Business Leaders Group for Women (LIDEM)
Brazilian Institute of Corporate Governance (IBGC)	São Paulo and Rio de Janeiro	Participation in activities, the financial board, Sustainability Committee and Diversity Study Group
Ethos Institute for Social Responsibility	Brazil	Membership fees
Competitive Brazil Movement	Brazil	Membership and support for sponsor
Movement +Women 360	Brazil	Membership, consultancy and participation in work groups
Network of Women Leaders for Sustainability (Ministry of the Environment)	Brazil	Participation in the Advisory Board
Women Corporate Directors (WCD)	Brazil	Participation in activities and the national board


## → SUPPLIER MANAGEMENT

G4-HR10 | 12

The procurement of suppliers is generally centralised at our Purchasing department in São Paulo. However, when economically feasible, suppliers are procured regionally in cases such as cleaning services and materials.

The service provision agreements (building maintenance and management, receptions, cleaning, canteens, dispatch, couriers, technical support and security services) in São Paulo account for around 70% of total outsourced staff in Brazil. We accordingly require these suppliers to properly register their employees in accordance with Brazil's legislation. Payment of these suppliers is only made upon presentation of monthly documents that provide evidence of the employment relationship.

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, also influencing relations with suppliers and clients. Standard draft contracts have included anti-bribery and pro-human rights provisions since 2012 and to date no contract has been refused due to a violation of human rights.

Despite the fact we do not have a complex and high-impact supply chain - due to the segment we operate in - in 2013 we took another step forward and began mapping our key suppliers during the 'Sustainability Workshop: critical suppliers'. Further progress was made in 2014 with the internal validation of the Suppliers' Code of Conduct , which will be introduced in 2015. Discussion and reflection about this matter will continue over the next two years, also using inputs from working groups of other member firms to determine the critical suppliers in our chain. G4-12

## → CORPORATE CITIZENSHIP

G4-15 | EC4 | EC7

### Global

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 matters such as ethics, integrity and transparency come into play, all of which are vital to our business and where our Corporate Citizenship & Diversity team – which is responsible for influencing the strategy of KPMGI member firms in terms of Sustainable Development – operates.

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 also extend to the member firms of KPMG around the world.

### United Nations (UN)

#### Global Compact

Since 2002 we have striven to perform the commitments established by the compact. Every year KPMG International publishes the report Communication on Progress (COP) about the respective efforts of member firms.

#### Leadership Development Programme –

Since 2011, we have been a member of the platform for corporate sustainability leadership, focused on helping companies integrate the ten principles of the Global Compact.

#### Guiding Principles on Business and Human Rights –

We have integrated the Human Rights principles of the Global Compact into our Code of Conduct and the procedures and policies for accepting clients and procuring suppliers.

#### Millennium Development Goals –

The member firms of KPMG around the world have focused efforts around the three first goals and have now subscribed to the **12 Sustainable Development Goals**, which will replace the Millennium Development Goals from 2015.



**World Economic Forum**

KPMG International also engages actively in a number of initiatives of the World Economic Forum, which unites leading business and political leaders, intellectuals and journalists in the pursuit of solutions to the more urgent issues faced worldwide. These initiatives help underpin our policies and practices and consolidate new parameters for companies' operations.

**Partnership against Corruption** – We have been signatories since 2007. We have adopted and implemented a zero-tolerance policy on bribery and corruption and provided evidence to the Audit Management Committees, regulatory bodies, governments and our clients of the measures we

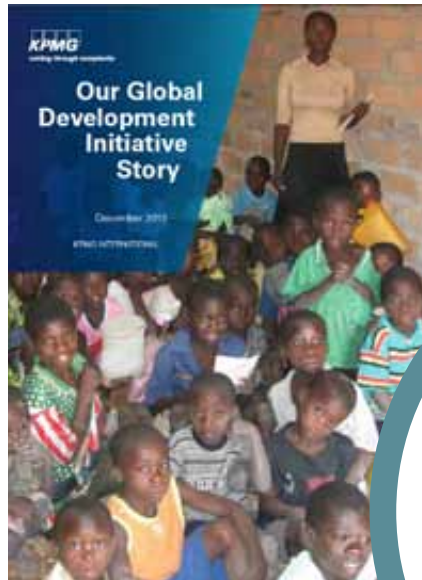
adopt to guarantee that we meet our professional obligations and responsibilities in terms of anti-bribery and anti-corruption.

**Principles of Responsible Capitalism** – We signed this commitment in 2010, which is aligned with our practices and the values we wish to reinforce and disseminate.

**Future Role of Civil Society** – We use this to develop comprehensive dialogue with non-governmental and faith organisations, unions and business leaders, international and government organisations in order to promote joint efforts to improve the state of the world.

*Emerging Best Practices of Brazilian Globalizers*

In January 2014, a partnership between KPMG in Brazil and the World Economic Forum resulted in our presentation in Davos of a study entitled Emerging Best Practices implemented by Brazilian companies in the process of international expansion.



*Global development investment*

Our Global Development Initiative Story – Reports on why and how KPMG International addresses the challenge of sustainable development. 

### 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 and Diversity Board. This board is responsible for defining, organising 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 programmes align our Corporate Citizenship and Diversity 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.

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**. Information about environmental practices can be seen further on in the section Natural Capital.



### Pillars of KPMG in Brazil's Corporate Citizenship strategy





## Little Citizen

18 years investing in the education and in the self-esteem of children and teenagers of São Carlos city.

### Education

KPMG in Brazil works with schools, universities and non-profit organisations to develop the skills and potential of young people and children in education. This support is provided through private social investment in ongoing programmes and specific initiatives.

#### Projetos beneficiados em 2014:


##### PUPA

In 2014 KPMG invested R\$ 53 thousand in training childminders and community educators in the PUPA methodology for child development, which is based on neuroscience and focuses on children up to six years of age. In addition to the community, KPMG's professionals also had access to the training, with a total of 80 benefiting.


##### Little Citizen' Project

We have been investing in the Project for 18 years, which provides supplementary educational activities, medical and nutritional supervision, daily meals and sports and art activities to 220 teenagers from impoverished neighbourhoods in São Carlos/SP. The aim is to bolster their self-esteem, strengthen family ties and develop the intellect of the students, to provide them with a brighter future. Our contribution includes an investment of R\$ 745 thousand/year, advice for pedagogical and coordination teams, *pro bono* auditing of the project's accounts and financing of the **Bessan Award**, which offers secondary education grants to top-performing students in the Project. In 2014, three students received grants and the investment was approximately R\$ 44 thousand. The Project also encourages strategic partnerships with the **Núcleo Aprendiziz**, to offer free places for teenagers in professional courses at SESI and SENAC and Em Cena Produções, which provides classes on video, image and sound editing within *Projeto Júpiter - Editando o Futuro*.




Enactus 

KPMG International is an official sponsor of the World Championship, which mobilises universities to develop programmes for the benefit of their communities, with a focus on sustainability and social empowerment. In addition to an annual contribution of R\$ 60 thousand, KPMG professionals in Brazil participate on the board, audit the results of the National Competition and advise the participating teams. In 2014 we also invested R\$ 26 thousand in the KPMG Ethics and Integrity Award, which was disputed by the teams classified for the final of the Championship, in addition to R\$ 13 thousand in flights for the winning team to represent Brazil in the world championship in China.

Junior Achievement 

Since 2002, we have supported the work carried out by JA with youth from public schools to stimulate their personal development and to provide a clear view of the business world, facilitating their insertion into the jobs market. Five years ago we became one of the national sponsors of the organization, and started to encourage our professionals to be volunteers in managing the programmes. In addition to R\$ 200 thousand in support, 138 volunteers from 18 KPMG offices in Brazil donated 1,484 hours to the project in 2014, benefiting 1,372 students. This is helping us achieve our target of including all of the Organisation's offices in the programme's activities.

Biodiversity in your rucksack/  
Cerrado – WWF Brazil 

The programme was created in 2011 to provide environmental education on the Cerrado biome to public school students in Pirenópolis, Goiás and to support the formulation of public policies to this end. By 2014, 4,000 students had benefited from the programme, which is sponsored by KPMG in Brazil and run by WWF Brazil, with the support of Instituto de Permacultura e Ecovilas do Cerrado (Ipec). Our organisation did not make financial investment in the project in 2014.



**Social, sporting and cultural investment under tax incentive laws (R\$)**

2014	2013	2012
670,000	283,071	400,364

**Development**

Our Development actions are based on the principles of the **Global Development Initiative (GDI)** of KPMG International, which focuses on promoting social justice and supporting sustainable projects. The aim is to help improve the conditions of our communities through the following initiatives.

**Pro bono services or compensation**

- Among our most important initiatives for the community is the provision of pro bono audit and consultancy services to volunteer sector organisations, incorporating professionalism into management, and credibility and transparency into their financial statements.

This work is subject to KPMG’s standard procedures for acceptance of clients and the same methodology, quality and independence offered to paying clients. Fees for the services provided are paid by the Corporate Citizenship team to the KPMG department in Brazil that provided the services. The organisation benefited agrees to undertake an initiative previously agreed as compensation for the services provided. [G4-EC7](#)

Voluntary sector organisations benefited by pro bono / compensation services in 2014

- Ação Comunitária – São Paulo (R\$ 49,000)

- Portaldajuda Association – São Paulo (R\$ 17,000)
- Gol de Letra Foundation – São Paulo and Rio de Janeiro (R\$ 68,000)
- Ling Institute – Porto Alegre (R\$ 18,000)
- Médecins sans Frontières – Minas Gerais (R\$ 59,000)
- Entre Rios Agricultural Education Association – Curitiba (R\$ 10,700)
- Semmelweiss Foundation – Curitiba (R\$ 10,700)
- Sorri Foundation – Bauru (R\$ 49,000)
- Educandário Nossa Senhora Aparecida – PE (R\$ 30,000)
- AACD – São Paulo (R\$ 20,000)
- More Institute – São Paulo (R\$ 19,000)
- Instituto Reciclar do Adolescente – São Paulo (R\$ 35,000)

**Private social investments**

KPMG sponsors the +Unidos (Britcham) initiative, which sponsors education projects teaching English in partnership with the Ministries of Education (Language Laboratories) and Science, Technology and Innovation (Online English platform). We provided R\$ 25 thousand in support in 2014.

**Tax incentive laws [G4-EC4](#)**

KPMG 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 select projects that are aligned with our Corporate Citizenship and Marketing strategies.

Organisations benefited by investment under incentive laws in 2014:

**AACD – Association for Assistance to Disabled Children [↗](#)**

We invested R\$ 70 thousand via PRONAS in the Research Project to evaluate the use of cellular therapy in treatment of the locomotor function.

**Apae-SP – Associação de Pais e Amigos dos Excepcionais de São Paulo [↗](#)**

“Employment Support for the Intellectually Disabled”, which seeks to generate employment opportunities and to help young people develop the necessary skills, received investment of R\$ 20 thousand via Fumcad.

**Padre Cacique Retirement Home/ Porto Alegre [↗](#)**

The home, which works to include, protect and improve the social and emotional well being of 150 Senior citizens, received R\$ 20 thousand via *Fundo Nacional do Idoso*.



**Our performance in 2014**

**Anhumas Quero-Quero Association/ Campinas**

We invested R\$ 50 thousand via Fumcad in the institution, which promotes the cultural, social, psychical, cognitive and affective development of 180 children, youth and adolescents from impoverished neighbourhoods of the city.

**PIO XII Foundation - Barretos Cancer Hospital**

The Foundation offers palliative care for the elderly treated by the hospital and received R\$ 50 thousand from KPMG via *Fundo Nacional do Idoso*.

**GRAAC - Support Group for Children and Teenagers with Cancer**

We support research into the effects of autologous medullary transplants combined with the use of Thiotepa in patients aged under five R\$ 70 thousand via PRONON.

**Cultural Book on Historical Farms and Cuisine**

This documents the history, architectural heritage and cuisine of Farms in São Paulo and Rio de Janeiro, enhancing the appreciation, revival and learning of regional cultures. We invested R\$ 40 thousand via the Rouanet Act.

**Earth, Water, Air and Fire Programme**

A series of four books describing human interaction with the elements. We published the second book in the series, 'Man and Air' in 2014, which was given to our clients as a year-end gift. The investment was R\$ 210 thousand under the Rouanet Act and R\$ 170 thousand via private investment.

**Oficina dos Menestréis**

Five social programmes providing free assistance to the autistic, wheelchair users, youth with Down syndrome, the elderly and impoverished youth. Investment of R\$ 80 thousand under the Rouanet Act.

**Campos do Jordão Tennis Tournament**

Recognised by the Brazilian tennis confederation and the Paulista Tennis Federation, the tournament attracted 96 tennis players from around the world, preparing for the 2016 Olympics. An investment of R\$ 60 thousand under the Sports Incentive Act.

**Voluntary work**

In addition to working in the Junior Achievement programmes, our professionals can also participate in two other annual activities. KPMG Community Day is an initiative that involves professionals from all KPMG offices in Brazil in citizenship activities to meet specific needs identified in their communities, including donating blood, helping the elderly, adolescents and children, education, revitalising common areas in public and private institutions and environmental awareness, amongst others.

Our professionals also use specific occasions like Easter, Winter, children's month or Christmas to collect and distribute donations. Events involving natural disasters and other emergencies are evaluated and can receive our assistance.

Until 2012 we ran the Trainee Challenge, an initiative similar to the KPMG Community Day, as a part of the Training Programme for these young professionals. Due to the change in the training agenda for the employees, in 2013 we discontinued the initiative.

*Winter campaign*

In São Paulo we donated R\$ 11,800 to the Soup Group, for items such as 1620 blankets and 820 kg of food items, in addition to nearly 1000 pieces of clothing. Approximately 80% of this total was donated by our professionals. The Soup Group assists those living in the streets who are at risk, carries out assessments and makes referrals for treatment and detoxification for substance dependents. A further five offices in Brazil engaged in similar initiatives, benefiting local entities.

Results of KPMG Community Day			
	2014	2013	2012
Volunteers engaged	726	551	950
Social institutions served	27	28	27
People potentially benefited	1,700	1,168	1,120



## Caring Christmas

A retirement home and three shelters in São Paulo benefited from this programme. KPMG allocated some R\$ 12 thousand for parties at the retirement home and one of the shelters, which were also given personal hygiene products and the now traditional Christmas presents, given by our professionals to 497 elderly and young people. Another five offices of KPMG in Brazil were involved in similar festivities.

## Campinas Office awarded I Prêmio Cidadania

KPMG Community Day is an important initiative, not just to expand our interaction with the community, but also to further engagement and integration of our professionals beyond the workplace. We therefore decided to present an award to the office implementing the initiative with the greatest impact every year.

The Campinas team received the first edition of the award for refurbishing the facilities of *Convívio Aparecida*, a shelter which cares for children removed from their families due to domestic violence, amongst other reasons. 62% of the office participated in the initiative, which dedicated 400 hours of work - mainly at weekends - and raised R\$ 45 thousand (donations of services, products and cash).

As a result of the award, KPMG donated R\$ 5 thousand to the Shelter and rewarded the team with a happy hour.

## KPMG Community Day

KPMG invested around R\$ 26 thousand to cover part of the expenses of the coordinators and teams in implementing the initiatives of the 27 organisations benefited by our 20 offices in Brazil, which engage volunteers in revitalisation, recreation, excursions, blood donation and provision of meals.



# NATURAL CAPITAL

## voluntary commitment



Natural Capital consists of environmental services or resources, renewable or otherwise, which support the past, present or future prosperity of the organisation — such as land, water, air, forests and biodiversity.  
*Framework, IIRC*

Due to the nature of the segment we operate in, KPMG is more dependent on human and intellectual capital than natural capital. Despite this, the global network of firms undertook a global environmental commitment in 2008 in line with our vision of leaving the world in a better state than we found it, through our Code of Conduct, the principle of offering services which encourage more sustainable business models and other international commitments we have voluntarily subscribed to.

KPMG's environmental management in Brazil is one of the aspects addressed by the Corporate Citizenship & Diversity function, based on our Global Green Initiative (GGI), which is regularly reviewed to reflect the challenges faced by society and to align the initiatives of the global network of firms. The table below presents our operating platform and reflects our practice of following two convergent paths toward sustainability in our Organisation: 'The path we travel' and 'The path we help our stakeholders travel' (see more in Our path to value creation>p.26).

## GGI Framework

### Our Environmental Impacts

- Target of cutting Net Greenhouse Gas Emissions per employee (FTE) by 15% by 2015 (baseline year: 2010)
- Increase renewable energy use
- Replace high-emission energy sources with low-emission alternatives

### Community and the Market

- A leading service provider in Climate Change and Sustainable Services
- Collaboration with and support for environmental NGOs
- Contribution through sector initiatives and leadership in climate change and sustainability

### Awareness Raising and Engagement

- Raising awareness about climate change amongst our professionals
- Encouraging our professionals, suppliers and clients to commit to improving environmental performance
- Communication and disclosure of our environmental performance

*Sustainable IT*

*Building Efficiency*

*Responsible Travel*

*Responsible Procurement*

*Carbon Offsets*



## 3X Sustainable Firm of the year

In 2014 we received - for the third consecutive year - the prize awarded by the International Accounting Bulletin (IAB), which acknowledges the global network's success in meeting greenhouse gas emission reduction targets, the significant investment made in supporting communities, especially Enactus, and the contribution of our services to the sustainable development of business in several countries.

### → CLIMATE CHANGE & SUSTAINABILITY SERVICES (CC&S) G4-EC2

This area is home to Intellectual Capital that engages in sustainability issues. KPMG International has a multidisciplinary team of more than 350 experts in 40 countries to help organisations of various sizes and sectors to understand the context of sustainability, to engage in it, and identify the best strategy for engagement and reporting information, including risk management.

The revenues generated by these services are not expressive, but we can expect an increase in demand as a result of awareness and regulatory trend around such issues.

Examples of the services provided by this department include:

- Assessment of risks and opportunities related to climate change
- Support in compiling information and completing reference questionnaires proposed by the Business Sustainability Index (ISE), Dow Jones Sustainability Index (DJSI), Carbon Disclosure Project (CDP), amongst others
- Assessment of the green house effect gases on the supply chain and/or by product
- Definition of socio-environmental Key Performance Indicators (KPIs)
- Assessing the social and environmental performance of the supply chain
- Environmental assessment and due diligence
- Developing waste management strategies
- Assessing impacts on and consumption of water resources by product (water footprint)
- Preparation and independent assurance of green house gas inventories and emissions
- Independent assurance of sustainability reports, social balance sheets, amongst others

*In 2014 KPMG became the only member of the Big Four to be accredited by the National Institute of Metrology, Quality and Technology (INMETRO) in the list of companies that compile inventories of greenhouse gases in accordance with ISO 14065.*

## Sustainability and thought leadership

THREE STUDIES INFORM DECISIONS BY COMPANIES AND GOVERNMENTS ABOUT THE PLANET'S FUTURE

**Expect the Unexpected - Building business value in a changing world** (KPMG International, 2012) - This report analyses a system of ten sustainability megaforges that will impact each and every business over the next 20 years. The report says that if companies had to pay for the entire environmental costs of their production, they would lose an average of USD 0.41 for each USD 1.00 of earnings, which would considerably increase the complexity of the business world.

**New Vision of Value - Connecting corporate and societal value creation** (KPMG International, 2014) – Developed using True Value, a methodology to help businesses combine financial earnings data with monetised externality data - the study demonstrates that the disconnect between corporate value and societal value is disappearing, obliging companies to assume the management of their impact on the community and the environment.

**Future State 2030: The Global Megatrends Shaping Governments** (KPMG International, 2014) – In collaboration with the Mowat Centre, a public policy research Centre of the University of Toronto, the study presents the global trends that will have the greatest impact in the years ahead - demographic changes; individual empowerment; enabling technology; economic interconnectedness; public debt; economic power shift; climate change; resource stress; and urbanisation, helping governments find solutions to ensure economic prosperity, security, social cohesion, and environmental sustainability in the future.



"We know that governments alone cannot address these challenges. Business must take a leadership role in the development of solutions that will help to create a more sustainable future. By leveraging its ability to enhance processes, create efficiencies, manage risk, and drive innovation, business will contribute to society and long-term economic growth"

Michael Andrew, Chairman of KPMG International



## → ENVIRONMENTAL EDUCATION

We maintain ongoing dialogue with our stakeholders to raise their awareness and to encourage the change of habits.

**Environmental Week** – Awareness raising activities, including the launching of the first conscientious consumption and sustainability e-learning module, developed in collaboration with Instituto Akatu. 1,704 professionals took e-learning courses in sustainability in 2014. In 2015 we will launch the second e-learning focussed at sustainability in our business segment.

**Sponsorship of Instituto Akatu** – We invested R\$ 45 thousand in the Edukatu on-line platform, which helps promote sustainable consumption and is being used by 2 thousand schools in Brazil.

**The Positive Deviant: Sustainability Leadership in a Perverse World (Sara Parkin)** - We contributed R\$ 10 thousand for the publication disclosure of the Brazilian edition of the book, which proposes to combine sustainability expertise with leadership tools and skills, based on the four Rs:

resilience, relationships, reflection, and reverence. KPMG professionals attended an exclusive lecture with the author.

**Ideia Sustentável Magazine** – We maintained a corporate subscription to disseminate the content to KPMG's leaders and the social projects we sponsor.

**The Earth, Water, Air and Fire Programme - 'Man and air'** – The last book of the series, which seeks to demonstrate man's interaction with the four elements. Since 2011, we have published one book of the series a year and sent it to our clients as an end of year gift.

## → ENVIRONMENTAL INDICATORS

### Local environmental goals

At KPMG, we have complied with all environmental regulations and laws. [G4-EN29](#). We have adopted local targets in order to encourage the adoption of more sustainable habits at KPMG and in our professionals' personal lives. Only one of the five

commitments undertaken was not achieved: the use of plastic cups, as shown in the table below.

### Control of Greenhouse Gas Emissions (GEE)

#### G4-EN30

For companies providing services in our segment, their carbon footprint has the greatest indirect impact due to the constant travel and mobility of their professionals on business. We therefore undertook a global environmental commitment to reduce these emissions by 25% between 2007 and 2010. The target was exceeded, with a reduction achieved of 29%. The new target is to reduce net carbon emissions *per capita* in relation to the total emissions in 2010 by 15% through 2015.

In Brazil we have been compiling a Carbon Inventory since 2007 and monitor emissions annually. Our greatest impact is described in scope 3 (indirect emissions), over which we have limited or no management capacity. Thus, KPMG in Brazil made a commitment to neutralize our Greenhouse Gas Emissions from 2014 on.

### Local environmental goals

Indicator	Totals in 2010		Targets for 2014	Result
	KPMG in Brazil	Per capita (FTE*)	as % of FTE	
Disposable plastic cups / unit	1,056,859	445	Maintain	Not achieved
Electricity/GJ	9,684	4	Maintain	Exceeded
Paper/sheets	10,614,400	4,467	Reduce by 5%	Exceeded
Water/cubic meters	16,545	7	Maintain	Achieved
Printed material/sheets	12,834,348	5,402	Reduce by 5%	Exceeded

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

**Our performance in 2014**

<b>Greenhouse Gas (GHG) Emissions Inventory</b>					
Emissions (tons of CO <sub>2</sub> e/year)	2014	2013	2012	2011	2010
Total scope 1 (tCO <sub>2</sub> e)	73.08	188.85	182.12	404.65	183.71
Total scope 2 (tCO <sub>2</sub> e)	485.07	325.99	237.57	90.60	136.66
Total scope 3 (tCO <sub>2</sub> e)	4,747.03	5,514.69	5,602.70	5,544.34	4,681.01
Other emissions: HCFC-22 <sup>1</sup>	147.77	162	200.25	220.05	229.76
<b>Total emissions (tCO<sub>2</sub>e)</b>	<b>5,452.94</b>	<b>6,191.53</b>	<b>6,222.63</b>	<b>6,259.64</b>	<b>5,231.14</b>
Emissions <i>per capita</i> (per professional) <sup>2</sup>	1.66	1.80	1.80	1.90	2.20

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.

1 Following GHG Protocol guidelines, these emissions were not included in Scope 1, as 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.

*Scope 1*

- Diesel consumption by generators at the São Paulo offices
- Fuel reimbursements for partners
- 
- 
- 
- 

*Scope 2*

- Electricity consumption
- 
- 
- 
- 
- 

*Scope 3*

- Reimbursement for KPMG employees commuting to clients
- Transport of materials and documents between offices
- Motobike couriers – document transportation
- Corporate air travel

*Other emissions*

- HCFC-22
- 
- 
- 
- 
- 

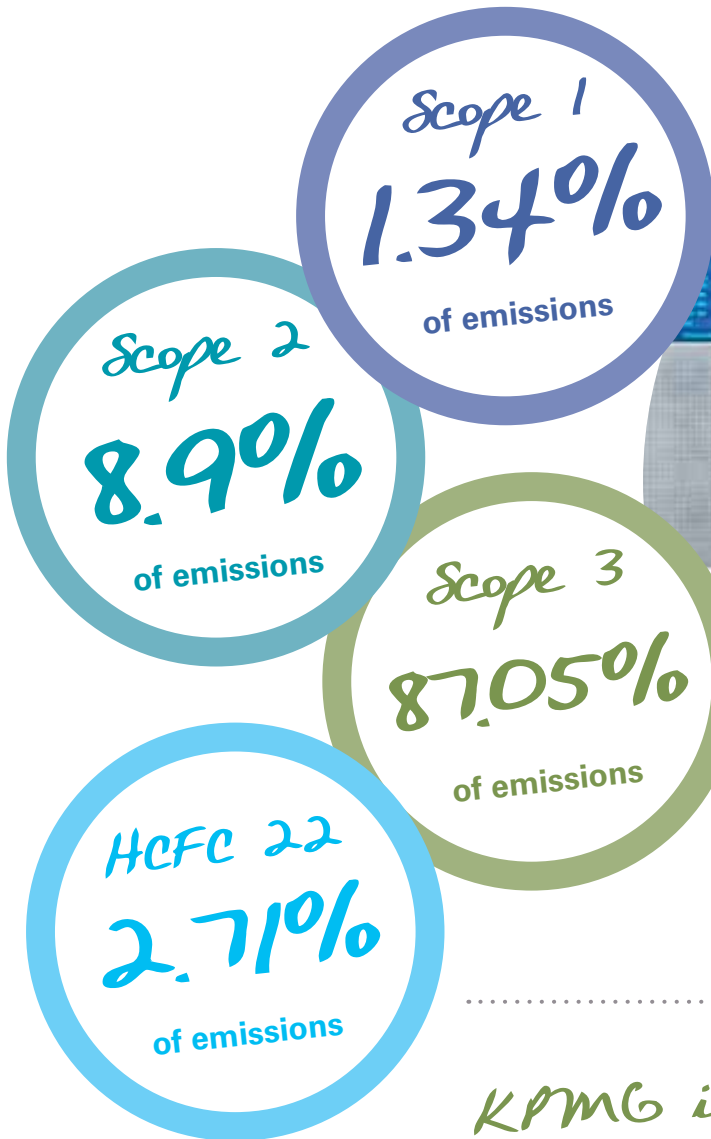


Awareness: Sustainability and Responsible Consumption e-learning

*The Carbon Price Communiqué*

An initiative to which KPMG International has subscribed and which unites companies worldwide in the discussion on mechanisms for reducing global greenhouse gas emissions.

G4-15



## KPMG in Brazil becomes carbon neutral

Our greenhouse gas emissions in 2014 were neutralised following the acquisition of 5.453 units of carbon reduced and verified in accordance with the Verified Carbon Standard (VCS) of the REDD Project + Jari Amapá.

The project ensures the conservation of nearly 66,000 hectares of native Amazon forest in the valley of the Jari River, on the border between the states of Pará and Amapá, working to avoid the historic deforestation that results in the loss of an estimated 0.3% of native forest per annum.

Activities include the development of agroforestry systems with local communities and families in order to generate income by using already degraded areas, thereby avoiding encroachment into new areas; assistance for associations of community members; community engagement with government agencies and the market; satellite monitoring of forest canopy and ground patrols; scientific research and monitoring of biodiversity; amongst others. By acquiring credits KPMG supports the project and funds part of these activities. [G4-EN19](#)  



## Electricity consumption

G4-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 79.3% of the country's power supply, although this percentage declined slightly compared with the previous period due to unfavourable hydrological conditions and the resulting increase in thermal power generation.

In addition to initiatives to encourage habits that avoid waste, we have adapted our premises to avoid unnecessary consumption (such as installing motion sensors) and we consider power consumption when acquiring new electronic equipment.

## Energy Sources in Brazil in 2014

<b>Non-renewable energy</b>	<b>20.7%</b>
Natural gas	11.3%
Oil products	2.4%
Nuclear	4.4%
Coal and Coal Products <sup>(1)</sup>	2.6%
<b>Renewable Energy</b>	<b>79.3%</b>
Hydro <sup>(2)</sup>	70.6%
Biomass <sup>(3)</sup>	7.6%
Wind	1.1%

Source: Resultados Preliminares do Balanço Energético Nacional 2014 - BEN 2014.

1 Includes coke oven gas.

2 Includes imports.

3 Includes firewood, sugarcane bagasse, leachate and other recoveries.

## Energy Consumption – Gigajoule (GJ) EN3

Inside the Organisation	2014	2013	2012
Gasoline	1,434.1	1,755.3	2,174.6
Diesel	74.6	24.3	50.4
Electric energy	12,780.5	12,301.4	12,376.6
<b>Total</b>	<b>14,289.2</b>	<b>14,081.0</b>	<b>14,601.6</b>
<i>Total per capita</i>	4.1	4.09	4.0

## Energy Consumption – Gigajoule (GJ) EN4

Inside the Organisation	2014
Gasoline	82,900.2
Diesel	9,423.1
<b>Total</b>	<b>92,323.3</b>

The factor used for conversion into GJ comes from BEN - National Energy Balance. The fuel was reported based on the average value of the gasoline (R\$ / l).

The calculations of direct and indirect energy per capita and water consumption are for the total number of KPMG professionals as indicated by the G4-10 indicator



### Water consumption

G4-EN8 | EN10 | EN22

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.

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, but have a plan to meet the water crisis in 2015 which includes to implement in the Vila Mariana office in São Paulo a system for rain water harvesting and a cistern for water reuse, as well as the conduction of a feasibility study for drilling an artesian pool. We believe our move from three separate offices to a LEED Gold-certified office space in São Paulo in 2015 will complement the improvements in the performance of this indicator.

#### Water consumption and disposal (m³)

	2014	2013	2012
Consumption	24,829	26,966	25,451
Disposal	24,829	26,966	25,451
Consumption <i>per capita</i>	7.0	7.8	7.4





## UN Global Compact

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In this and the following editions we will no longer include the chart reporting on our progress on each principle of the UN Global Compact in the body of our Sustainability Report. This does not mean it has declined in importance, but only that we have decided to optimise the space we have to disclose information on our Organisation. Detailed information on the UN Global Compact will continue to be published and is available here:

- [Portuguese version](#) 
- [English version](#) 

# Assurance Statement G4-56

BSD Consulting performed an independent assurance process for KPMG Brazil's Sustainability Report 2014, which was developed according to the Global Reporting Initiative (GRI) G4 guidelines, following the in accordance option "Core". The fourth year of the assurance process continues to provide KPMG's stakeholders with an independent opinion about: the quality of the report, the stakeholder 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 independent 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. The report was evaluated against the AA1000AS principles and the GRI G4 adherence checked against the "Core" in accordance option.

## Scope and limits

The scope of our works covers all information included in the KPMG 2014 Sustainability Report, full version, referring to the period from October 1st, 2013, through September 30th,

2014 (presented as 2014), and the total Emissions (CO<sub>2</sub>e tons/year) and DVA (value added statement) data refer to the period from January 1st, 2014, through December 31st, 2014.

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 of adherence to the three principles of AA1000AS: inclusivity, materiality and responsiveness. The verification of financial data was not object of BSD Consulting's work.

## Methodology

The approach and procedures developed during the AA1000AS verification process include:

- Sustainability Report 2014 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 effective management;
- Assessment of evidences for the selected indicators;
- Assessment of evidences for external stakeholder 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. Inclusivity – addresses the stakeholders' participation in the process of developing and implementing a transparent and strategic sustainability management process.

- Consultation with external stakeholders of KPMG was carried out indirectly, and tools and communication channels existing within the firm were used. Direct consultation was not carried out in 2014 for the materiality process, although a commitment was presented in the report to a further consultation of external stakeholders for the reporting process in 2015.
- The Corporate Citizenship area conducted an internal consultation activity, via a kick-off workshop for the reporting process in 2014, which included the participation of the areas responsible for collecting data for the GRI indicators.
- KPMG International is spreading and reaffirming throughout the world in its member firms the KPMG Purpose (*Inspire Confidence Empowering Change*). Thus, KPMG International carried out this process through interviews with stakeholders, studies on the brand, training materials, customer satisfaction surveys and through rescuing the company and its founders' history. The inputs of

this process were considered part of the review of the materiality process in the 2014 reporting cycle (in Brazil).

- The Sustainability Report review process by the Executive Committee was maintained. Nevertheless, knowledge about the report and the concept of sustainability at KPMG can still be intensified at all hierarchical levels, including both the technical staff as administrative.
- In 2014, an e-learning on sustainability topics was offered to the company's employees. It was developed in a partnership between the NGO Akatú and the KPMG Corporate Citizenship area. The e-learning was disseminated through an internal campaign for KPMG employees in Brazil. There are improvement opportunities in disseminating sustainability topics through the development of a strategic training related sustainability issues and their impacts for business.

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

- A materiality review was conducted in 2014. Opinions of stakeholders were analyzed through analysis of documents, inputs gathered by the company's existing communication channels, sectorial sustainability information and a benchmarking research. As a result, the four material macro-themes were maintained and a breakdown into specific material issues was made in order to bring greater clarity to the scope of these macro-themes. The specific material issues were subsequently crossed with the GRI G4 aspects.
- The material macro-themes are the same as in previous cycles and they are aligned with KPMG strategy. The issues: "Conducting business in an ethical manner", "Accountable

and transparent governance systems" and "Services with quality and complete independence" maintained its specific and consolidated processes in order to ensure compliance with policies, codes and trainings aligned with KPMG International guidelines and regulatory bodies.

- There was an improvement in KPMG's sustainability report taking into account the market trends in reporting with a more strategic focus towards sustainability. The company's material issues were presented in connection with the six capitals of the Integrated Reporting framework (IIRC - International Integrated Reporting Council). There is opportunity of improvement through deepening the implementation of the framework and going beyond the relationship of the capitals with the material aspects of GRI G4. It is important to ensure clear connection of material themes and sub-themes with their related positive and negative impacts.
- There was an initial process of assessing the company's impacts related to the material macro-themes. Such impacts were briefly presented throughout the report. The assessment of the limits of the impacts (inside and/or outside of the organization) can be further developed to include all the identified material aspects, including its positive and negative impacts. KPMG is committed to further analyze these impacts in subsequent reporting cycles in order to meet in full the new requirements of the GRI G4 guidelines (G4-20, G4-21 and item "a" of the Disclosure of Management Approach).

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

- The company maintains a reporting channel (hotline) connected with KPMG International and has a local

Disciplinary Committee, which evaluates cases related to ethical issues or violation of the code of conduct. The existence of the channel and encouraging its use is part of the ethics and anti-bribery training content.

- Internal controls of data concerning the G4-SO4 indicator, which refers to trainings in anti-bribery and ethics and independence issues, are standardized and have traceability in the company's information management system. However, information flow between the areas responsible for collecting data and the company's focal points for consolidation of indicators can be improved to contribute to more accuracy of data and the process of final consolidation.
- There was an improvement in attending the principle of balance with relation to information on "Good treatment of employees". The sustainability report covered the publication of relevant aspects, including the company's turnover rate and information concerning the fact of the non-distribution of PPL (Profit Sharing Program).
- According to the verification process around the generation of sustainability performance indicators, the database of the company's employees information related to the turnover rate (G4-LA1) has standardized internal controls. However, the process of consolidation of this indicator can be improved. It is important to evolve in alignment and formalization of the premises for compilation of data concerning the management areas involved, in order to ensure traceability and continuity of the process of generating indicators in further reporting cycles.
- The G4-EC3 indicator (coverage of pension plans) has systematized controls for the base used to calculate the indicator. The G4-EC4 (projects with financial incentives)

and G4-EC7 (pro-bono services) indicators have remained with the same status concerning information control. There is evidence of the project data but monitoring and traceability activities have not yet been defined. For these indicators attention should be paid to standardization of methods and the memory of calculation to ensure accuracy and traceability of consolidated data, independently of managers in charge of the information.

- KPMG is preparing for a change of its headquarters in São Paulo city. Professionals who are currently distributed in three separate buildings will be integrated in a unique address. It has to be pointed out that the company has decided to move its operations to a LEED Gold (Green Building Council) certified building and additionally a process is underway for the certification of the office's internal structure, also following the LEED protocols. Such decisions demonstrate the company's concern with environmental aspects of consumption and efficiency of resources, as well as a risk management approach, given the context of possible power supply rationing, which could impact business activities.

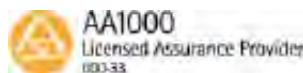
### Final Considerations

We highlight the efforts applied by KPMG for improving management and reporting of sustainability with continuity of the assurance process. In BSD Consulting's view, KPMG has procedures and practices related to material issues including ethics, independence, quality, transparency and personnel management. There are opportunities for improvement in further developing the company's vision on sustainability impacts of the material themes and sub-themes as a way to evolve in adherence to GRI G4 guidelines. We stress the importance of enhancing internal control processes, collection and consolidation of data for the

sustainability report, ensuring continuity and assertiveness in its information management processes.

São Paulo, February 11, 2015.

BSD Consulting - Brasil



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<b>Management approach</b>			
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<b>ASPECT: LABOUR/MANAGEMENT RELATIONS</b>			
<b>Management approach</b>		<b>78</b>	
G4-LA4	Minimum notice periods regarding operational changes	78	No minimum period is established in our collective bargaining agreements with trade unions
<b>ASPECT: OCCUPATIONAL HEALTH AND SAFETY</b>			
<b>Management approach</b>		<b>66</b>	
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G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	66	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	66	The matters addressed in collective bargaining agreements with trade unions include health certificates and temporary leave
<b>ASPECT: TRAINING AND EDUCATION</b>			
<b>Management approach</b>		<b>57</b>	<b>Yes, 107-109</b>
G4-LA9	Average hours of training per year per employee by gender, and by employee category	58	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		KPMG has a consolidated programme for continual skills development, which prepares our professionals both for our strategic challenges and also for those of the sector and market where we operate, supporting employability. Training focused on managing career endings has not yet been implemented.
G4-LA11	Percentage of employees receiving regular performance and career development review	65	

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<b>CATEGORY: SOCIAL – HUMAN RIGHTS</b>			
<b>ASPECT: NON-DISCRIMINATION</b>			
Management approach	52, 70		
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No instances of discrimination were identified by our monitoring mechanisms
<b>ASPECT: FREEDOM OF ASSOCIATION</b>			
Management approach	52, 70		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated		KPMG offers freedom of association and collective bargaining to all professionals, including reimbursement for union fees. No violations of this right were identified within our Organization, and we have not mapped our supply chain.
<b>ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT</b>		<b>NON-MATERIAL</b>	
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<b>ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS</b>			
Management approach	52, 90		
G4-HR12	Number of grievances about human rights impacts		No instances were identified by our monitoring mechanisms.
<b>CATEGORY: SOCIAL – SOCIETY</b>			
<b>ASPECT: ANTI-CORRUPTION</b>			
Management approach	49, 52		Yes, p. 108
G4-SO3	Operations assessed for risks related to corruption	49, 55	
G4-SO4	Communication and training on anti-corruption policies	51	Yes, p. 108
G4-SO5	Confirmed incidents of corruption and actions taken	56	
<b>ASPECT: PUBLIC POLICY</b>			
Management approach	41, 88		
G4-SO6	Total value of political contributions		KPMG makes no donations to political parties.

GENERAL STANDARD DISCLOSURES	PAGE	COMMENT	EXTERNAL ASSURANCE
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G4-SO7	Legal actions for anti-competitive behaviour	No instances were identified by our monitoring mechanisms.	
<b>ASPECT: COMPLIANCE</b>			
Management approach	51, 55, 56		
G4-SO8	Fines and non-monetary sanctions for non-compliance with laws and regulations	No instances were identified by our monitoring mechanisms.	
<b>CATEGORY: SOCIAL - PRODUCT RESPONSIBILITY</b>			
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Management approach	49		
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## General coordination

Corporate Citizenship & Diversity, KPMG in Brazil

## GRI consulting and compilation of disclosures

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## Writing and editing

Jô Mainardi - Dabliz Produtora em Rede

## Design and layout

Report Sustentabilidade

## Revision

Dabliz Produtora em Rede

## Independent assurance

BSD Consulting

## Working Group

Adélia Belo  
Alessandra Fernandes  
Ana Paula Izu  
André Furian  
André Moraes  
Andreia Kakazu  
Angela Machado  
Antônio Carlos Rodrigues  
Carlos Gatti  
Carlos Pires  
Carlos Alberto Silva  
Carlos Eduardo Munhoz  
Cecílio Schiguematu  
Charles Kriek  
Cilene Rodrigues  
Claudia Salomão  
Cristiana Iglesias  
Danilo Vieira

Diana Polo  
Dyane Silva  
Eduarda Bueno  
Eliane Momesso  
Elisangela de Paula  
Elizabeth Zambori  
Fred Coutinho  
Gilberto Munhoz  
Graciela Pereira  
Henrique Silva  
Juliana Takahashi  
Katia Ueda  
Katia Yumi  
Lincoln Silva  
Luciano Silva  
Lucimara Augusto  
Manuel Fernandes  
Marcela Navarro

Marcia Fanti  
Marcia Santos  
Maria Cristina Bonini  
Maria Silvia Vianna  
Mariana Cherobim  
Mariane Sá  
Milena Soares  
Pablo Araújo  
Paula Decomi  
Paula Massini  
Paulo Shinohara  
Pedro Melo  
Ricardo Anhesini  
Ricardo Zibas  
Ronaldo Rodrigues  
Thaise Ebessu  
Ueslei Brandão  
Yasmin Lima  
Yuri Pereira



# contacts and addresses

## Offices

### São Paulo

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

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

Av. Paulista, 2.313  
01311-300 – São Paulo, SP  
Tel.: 55 (11) 3138-5000  
Fax: 55 (11) 3138-5058

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

### Belém

Tv. Dom Romualdo de Seixas,  
1.476, suítes 1.506 and 1.507  
66055-200 Belém, PA  
Tel.: 55 (91) 3321-0150  
Fax: 55 (91) 3321-0151

### Belo Horizonte

Rua Paraíba, 550, 12<sup>th</sup> floor –  
suíte 1200 – Bairro Funcionários  
30130-140 Belo Horizonte, MG  
Tel.: 55 (31) 2128-5700  
Fax: 55 (31) 2128-5702

### Brasília

SBS Quadra 2, Bloco Q, Lote 3  
Suítes 708 to 711 – Ed. João  
Carlos Saad  
70070-120 Brasília, DF  
Tel.: 55 (61) 2104-2400  
Fax: 55 (61) 2104-2406

### Campinas

Av. Barão de Itapura,  
950, 6<sup>th</sup> floor  
13020-431 Campinas, SP  
Tel.: 55 (19) 2129-8700  
Fax: 55 (19) 2129-8728

### Cuiabá

Av. Historiador Rubens de  
Mendonça, 1.894,  
suítes 204 and 205  
Edifício Centro Empresarial  
Maruanã  
78050-000 – Cuiabá, MT  
Tel.: 55 (65) 2127-0342  
Fax: 55 (65) 2127-0343

### Curitiba

Al. Dr. Carlos de Carvalho, 417,  
15<sup>th</sup> and 16<sup>th</sup> floor  
80410-180 Curitiba, PR  
Tel.: 55 (41) 3544-4747  
Fax: 55 (41) 3544-4750

### Florianópolis

Av. Prof. Othon Gama D'êça,  
677, suíte 603 to 605 – Centro  
88015-240 Florianópolis, SC  
Tel.: 55 (48) 3205-5300  
Fax: 55 (48) 3205-5301

### Fortaleza

Rua Desembargador Leite  
Albuquerque, 635  
Suítes 501 and 502 – Aldeota  
60150-150 Fortaleza, CE  
Tel.: 55 (85) 3307-5100  
Fax: 55 (85) 3307-5101

### Goiânia

Av. Deputado Jamel Cecílio,  
Quadra B22, Lote 4E, 2.496  
Suítes A-103 to A-106,  
74810-100 Goiânia, GO  
Tel.: 55 (62) 3604-7900  
Fax: 55 (62) 3604-7901

### Joinville

Rua São Paulo, 31  
1<sup>st</sup> floor – Bairro Bucarein  
89202-200 Joinville, SC  
Tel.: 55 (47) 3205-7800  
Fax: 55 (47) 3205-7815

### Londrina

Avenida Higienópolis, 1.100,  
6<sup>th</sup> floor, suíte 62  
86020-911 Londrina, PR  
Tel.: 55 (43) 3301-4250  
Fax: 55 (43) 3323-4751

### Manaus

Av. Djalma Batista, 1.661, suítes  
801 and 802  
Millenium Center – Torre  
Business  
69050-010 Manaus, AM  
Tel.: 55 (92) 2123-2350  
Fax: 55 (92) 2123-2367

### Osasco

Av. Dionysia Alves Barreto, 500 –  
Suítes 1001 to 1010  
06086-050 Osasco, SP  
Tel.: 55 (11) 3736-1260  
Fax: 55 (11) 3736-1260

### Porto Alegre

Av. Borges de Medeiros, 2.233,  
8<sup>th</sup> floor  
90110-150 Porto Alegre, RS  
Tel.: 55 (51) 3303-6000  
Fax: 55 (51) 3303-6001

### Recife

Av. Eng. Domingos Ferreira,  
2.589, suíte 104  
51020-031 Recife, PE  
Tel.: 55 (81) 3414-7950  
Fax: 55 (81) 3414-7951

### Ribeirão Preto

Av. Presidente Vargas, 2.121  
Suítes 1401 to 1405, 1409 and  
1410  
Ed. Times Square Business  
14020-240 Ribeirão Preto, SP  
Tel.: 55 (16) 3323-6650  
Fax: 55 (16) 3323-6651

### Rio de Janeiro

Av. Almirante Barroso, 52,  
4<sup>th</sup> floor  
20031-002 Rio de Janeiro, RJ  
Tel.: 55 (21) 3515-9400  
Fax: 55 (21) 3515-9000

Rua Rodrigo Silva, 26, suíte 501  
20011-040 Rio de Janeiro, RJ  
Tel.: 55 (21) 3128-2000  
Fax: 55 (21) 3128-2090

### Salvador

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

### São Carlos

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

### São José dos Campos

Avenida Alfredo Ignácio  
Nogueira Penido, 255, 22<sup>nd</sup> floor,  
suítes 2207 to 2209  
12246-000 São José dos  
Campos, SP  
Tel.: 55 (12) 2138-5030  
Fax: 55 (12) 2138-5031

### Uberlândia

Avenida dos Municípios, 146,  
1<sup>st</sup> floor – Suíte 3 – Partial  
38400-254 Uberlândia, MG  
Tel.: 55 (34) 3303-5400  
Fax: 55 (34) 3303-5405

## CONTACTS

### **Ricardo Anhesini**

COO

### **Maria Cristina Bonini**

People, Performance and Culture Director

### **Eliane Momesso**

Citizenship and Diversity Manager

[comunidade@kpmg.com.br](mailto:comunidade@kpmg.com.br)

[www.kpmg.com/BR](http://www.kpmg.com/BR)

Telephone: ++ 55 (11) 2183-3000

## **[kpmg.com/BR](http://kpmg.com/BR)**



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