



# Sustainability Report

Summary version **2014**



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.

The complete report is available in Portuguese and English on KPMG in Brazil's dedicated hotspot.

This year's edition brings two major changes: the first is our transition from GRI G3 to G4, which has placed a yet greater focus on 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.

This report has been independently assured by BSD Consulting and 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.

We hope you can enjoy the reading.

**Maria Cristina Bonini**

Director – People,  
Performance and Culture

**Eliane Momesso**

Manager – Corporate  
Citizenship & Diversity

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**We welcome your feedback:**

please send any comments,  
questions, suggestions or critiques to  
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+55 (11) 3736-1228

# 2014 Headlines

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**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**

International Financial 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

**The Sustainable Firm of the Year**

(third consecutive year)

**International Accounting Bulletin (IAB)**

**New Tax and Audit solutions**

**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



invested in  
cultural, social and  
environmental  
projects

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

UN Women

**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 sentiment.

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

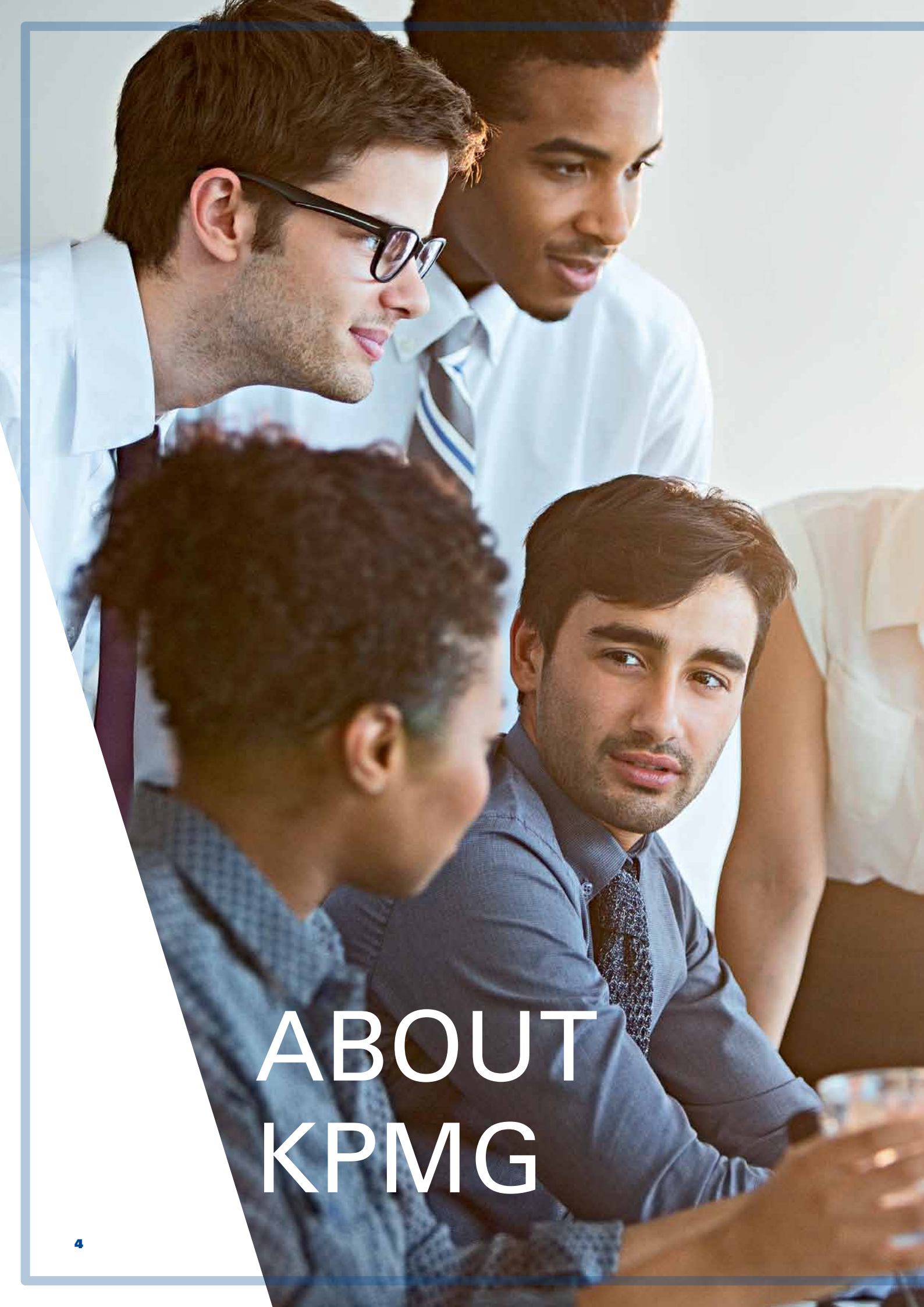
our business within the Six Capitals framework proposed by the IIRC.

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

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

"Where your talents and the needs of the world cross; there lies your vocation." 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 embraced 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.

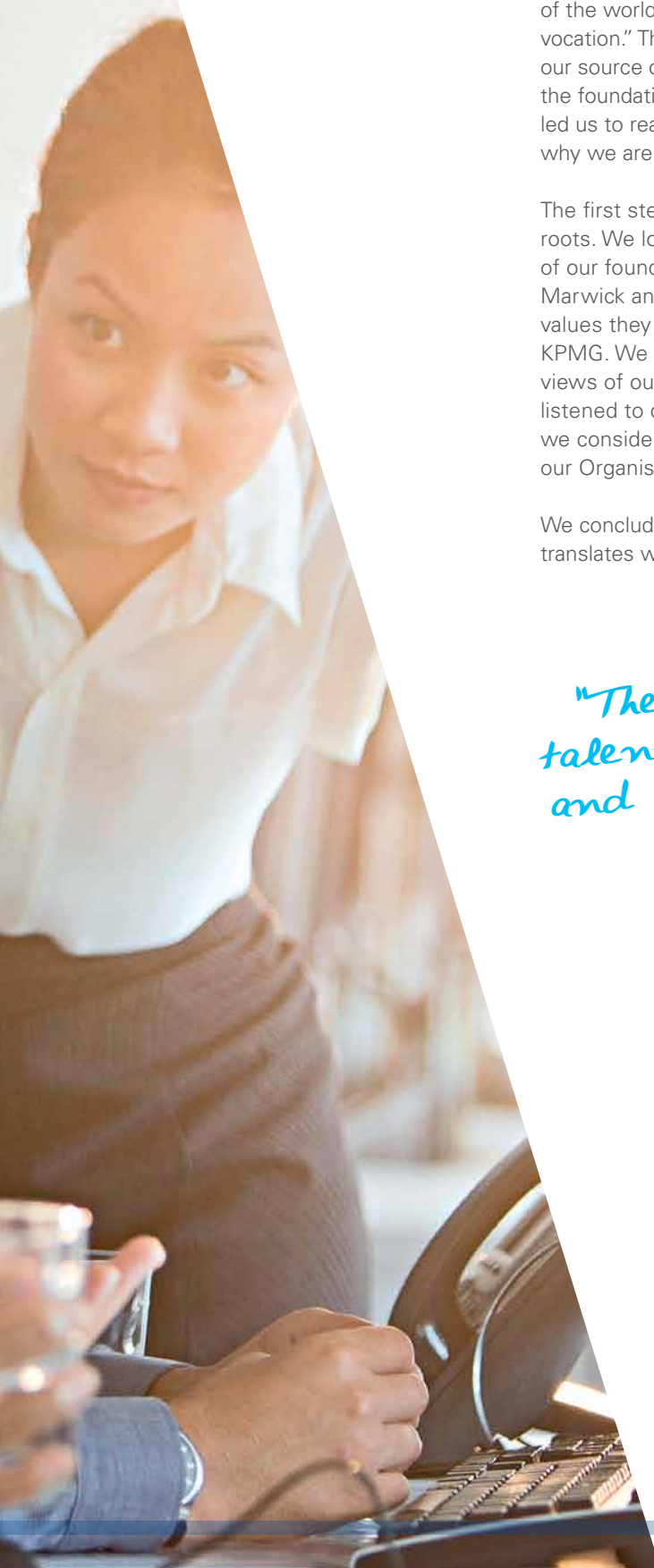
We concluded that what best translates what we do is, 'Inspire

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, 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

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

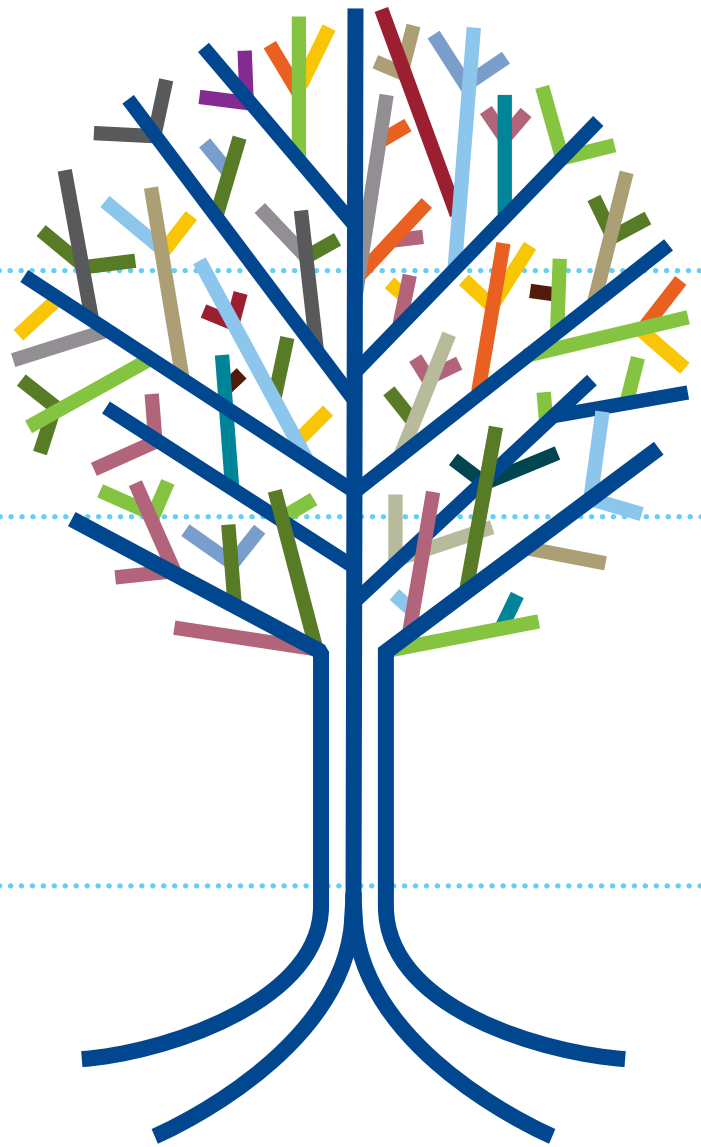
- Be market-focused
- Become an issues-led business
- Ensure operational excellence
- Build the culture and motivation to support our vision

## 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 firm and the world better than we found them*

## WHO WE ARE

### KPMG International

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 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 the mode of operation and the provision of services to clients.

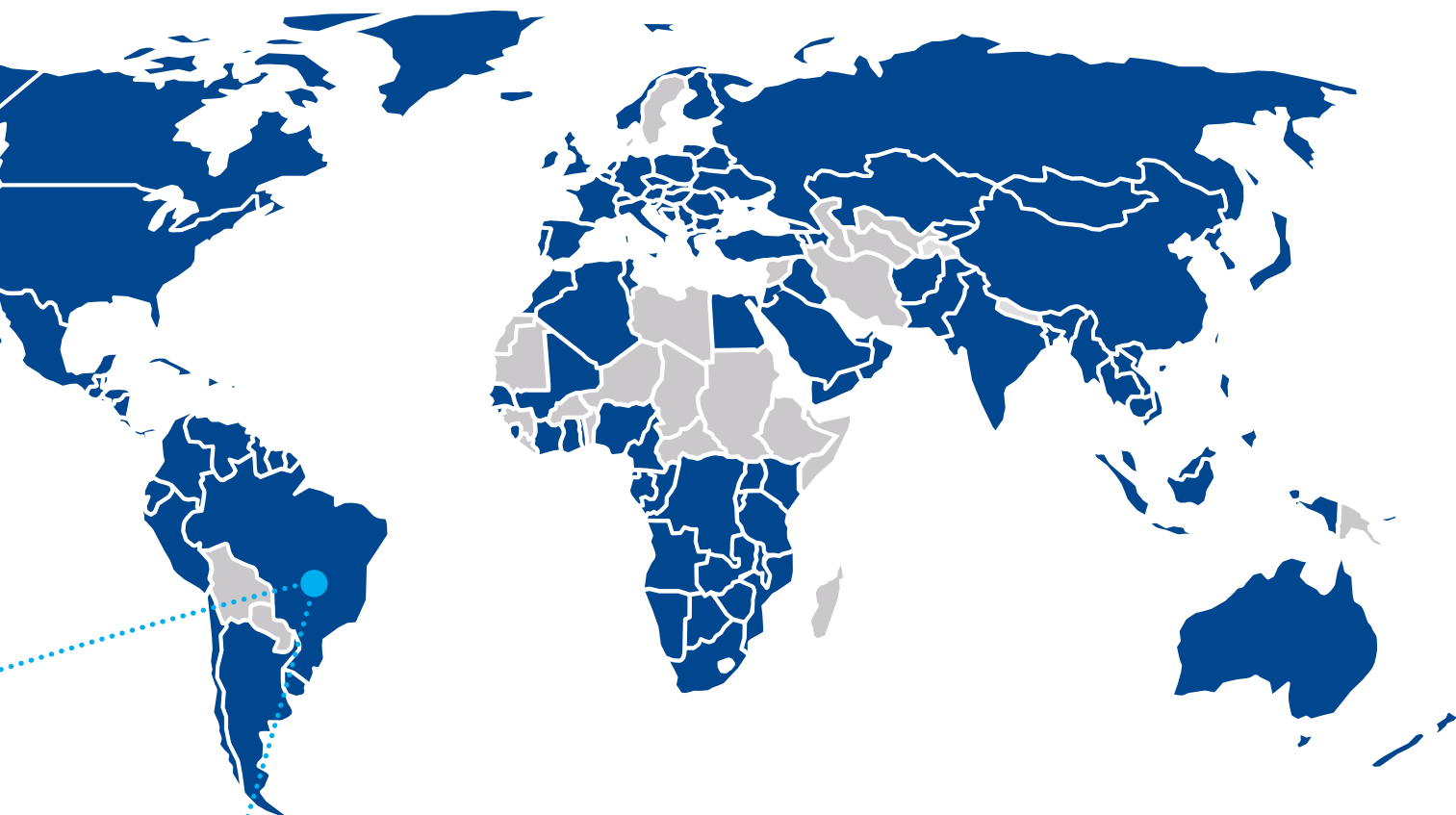
### KPMG in Brazil

KPMG in Brazil can be traced to firms dating back to 1915. It 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, drawing from 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 these, we tap into, and collaborate toward, the knowledge generated by other member firms and adapt and perfect it to suit our clients' needs, opportunities and challenges.





## KPMG in Brazil

**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.**

**26**

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

**3.774**

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

**3.504**

professionals\*

\* As of period-end, 30 September 2014

## OUR PRACTICES

### 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 segment, congregating high-performance, subject-matter experts in Accounting, Finance, Tax and Management.

## 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)

## 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

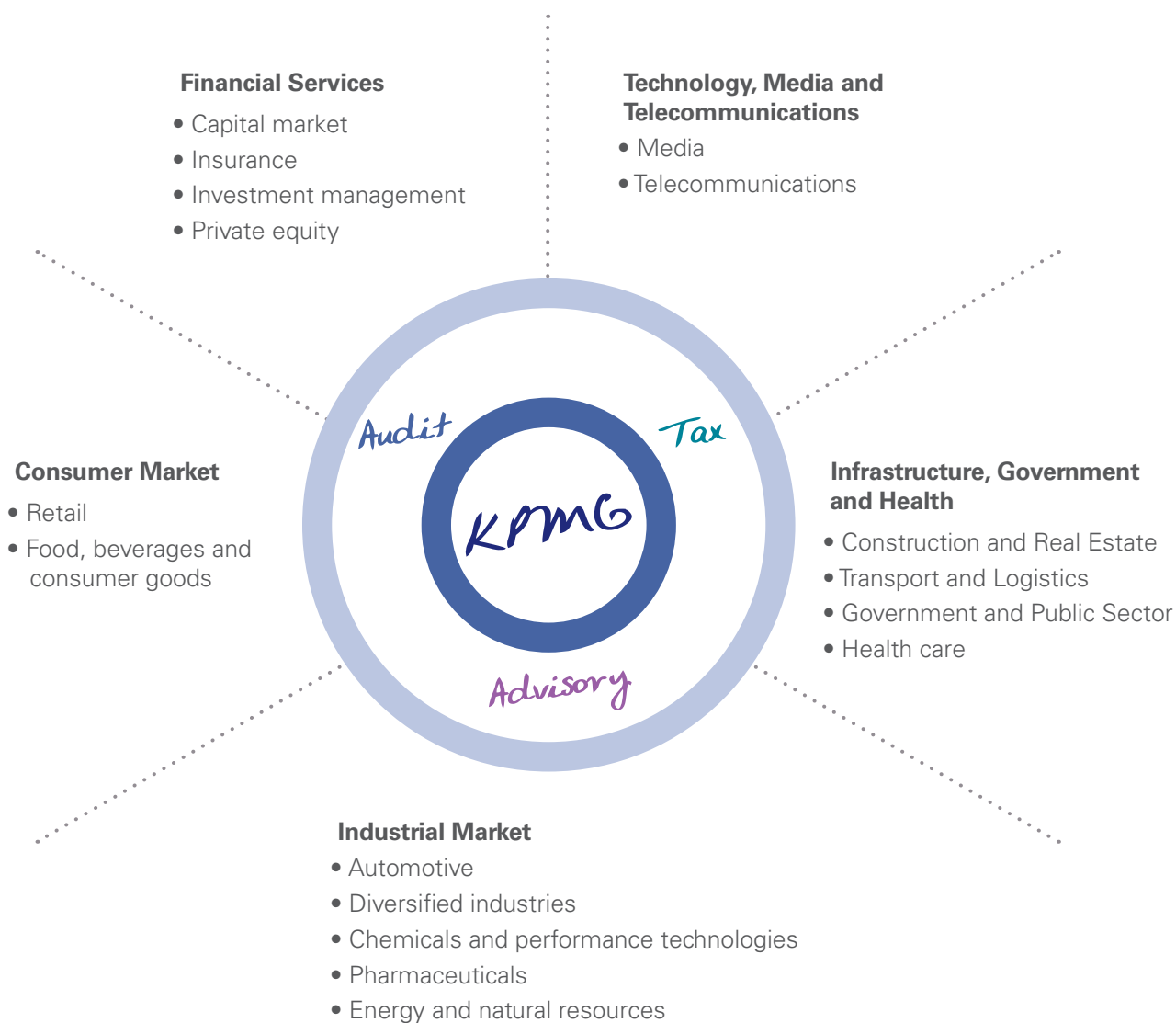
Our Advisory practices support strategic decisions and development of projects with a multidisciplinary approach, which includes skills in strategic planning, mergers and acquisitions, corporate governance, outsourcing, innovation and strategic use of technology. This service offering is structured into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

- Risk Consulting
- Management Consulting
- Transactions & Restructuring

*Broad-ranging expertise and multidisciplinary teams with unrivalled depth of knowledge in each of our markets are an asset that creates meaningful value for our clients and society.*



## Markets Programme



## GLOBAL CONSISTENCY: UNDERPINNED BY GOVERNANCE

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 industry 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 following chapters.

### Governance at KPMG International

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

**Global Council** – This body focuses on strategy and governance, and performs functions equivalent to a shareholders' meeting for a public stock corporation.

**Global Board** – The principal governance and oversight body.

**Global Management Team** – Supports the execution of the strategy approved by the Global Board and establishes processes to monitor and ensure compliance with global policies.

**Global Steering Groups** – Responsible for supporting and driving the execution of the strategy and business plan for Audit, Tax, Advisory and Risk Management.

**Regional Boards** – These support the global strategy and assist in the implementation of KPMG International's policies and processes with a focus on the needs of their region.

### Governance at KPMG in Brazil

Our local governance function 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** – Partners are called to quarterly meetings to report on results and for strategic alignment. They also attend statutory annual meetings and periodic business group meetings.

**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.

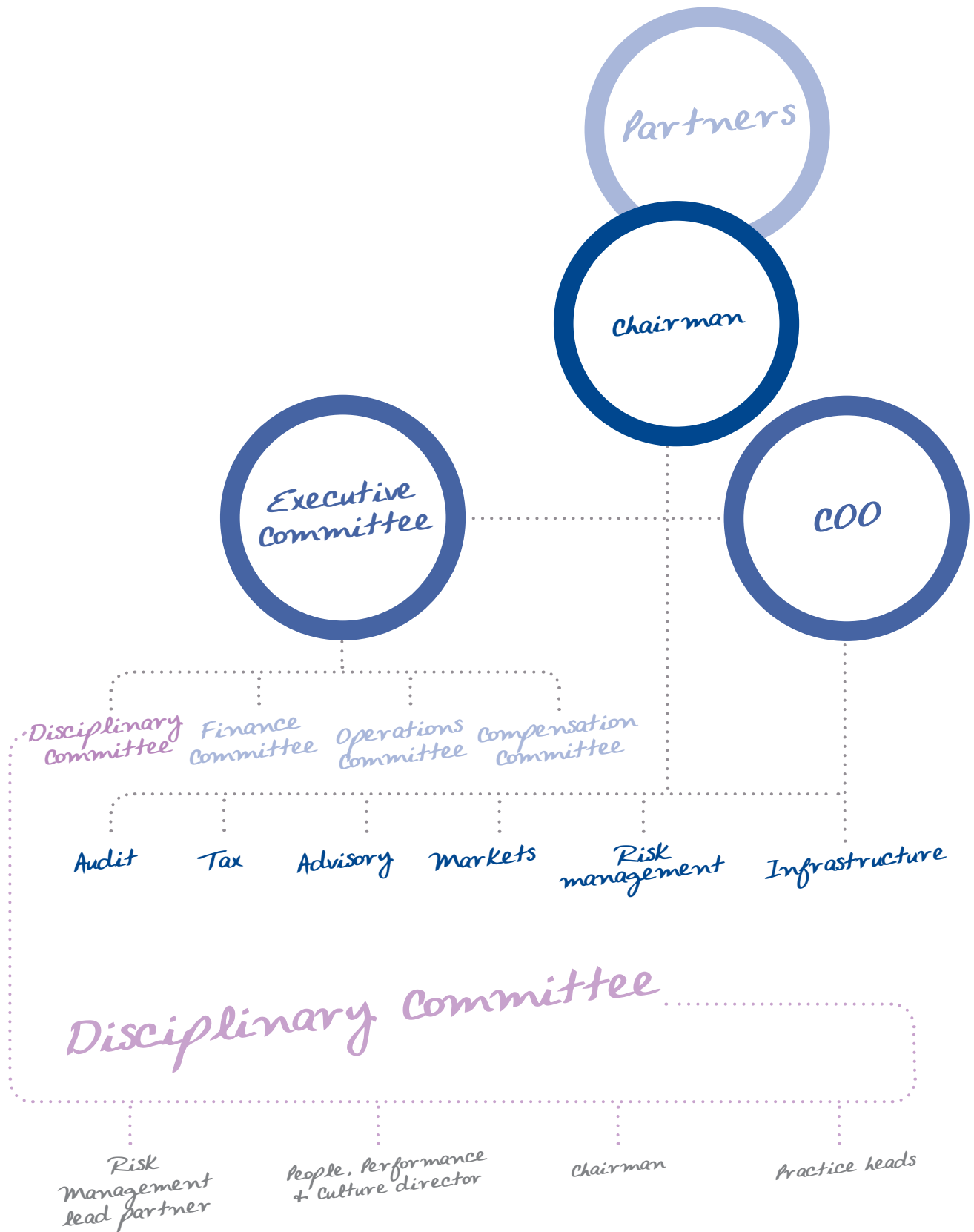
**Chief Operating Officer (COO)** - Responsible for the management and representation of each administrative function on the Executive Committee

**Executive Committee** - The Executive Committee consists of the chairperson and up to eight partners, generally the heads of our main practices. It is responsible for reviewing our policy as well as for the planning, supervision and general management of activities. This includes defining goals for local growth and steering the strategic management of our practices, ensuring consistency with global strategy.

The Executive Committee is supported by the **Disciplinary Committee**, which investigates suspected violations of rules and policies by our professionals; the **Finance Committee**, responsible for the financial management of the Organisation; the **Operations Committee**, which is active in the day-to-day conduct of business, working towards the goals set out in the strategic plan; and the **Compensation Committee**, which addresses the compensation rules applying to partners.

*Governance is central  
to our business model*

### KPMG in Brazil - Governance Structure:



# OUR PATH TO VALUE CREATION

## VALUE PROPOSITION

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.

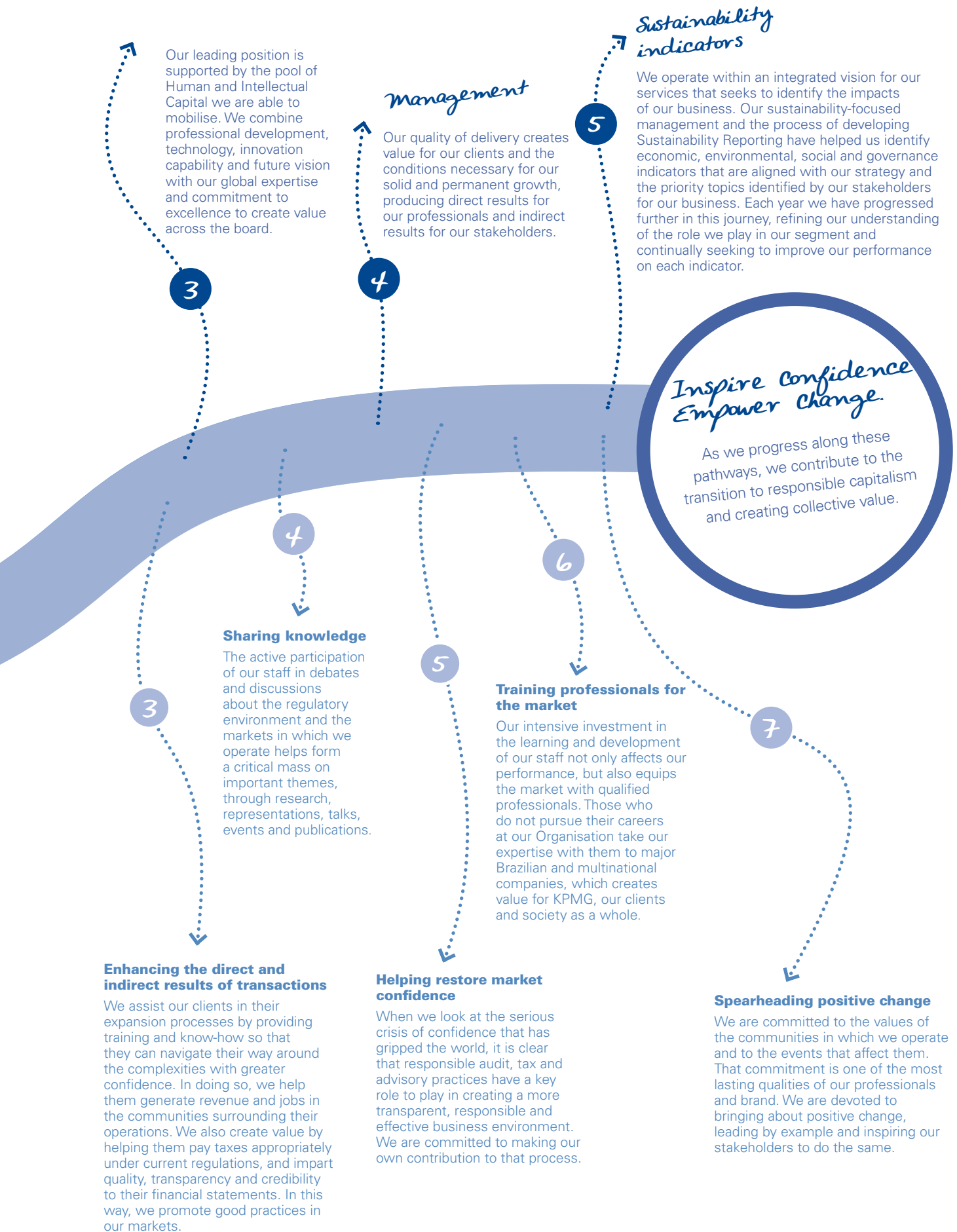
Our practices untangle the complexity, identify opportunities and challenges, and anticipate the potential impact of the changes taking place in our operating environment. With this information, we can help our stakeholders prepare for these changes and develop optimal strategies to address them.

### 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.



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**

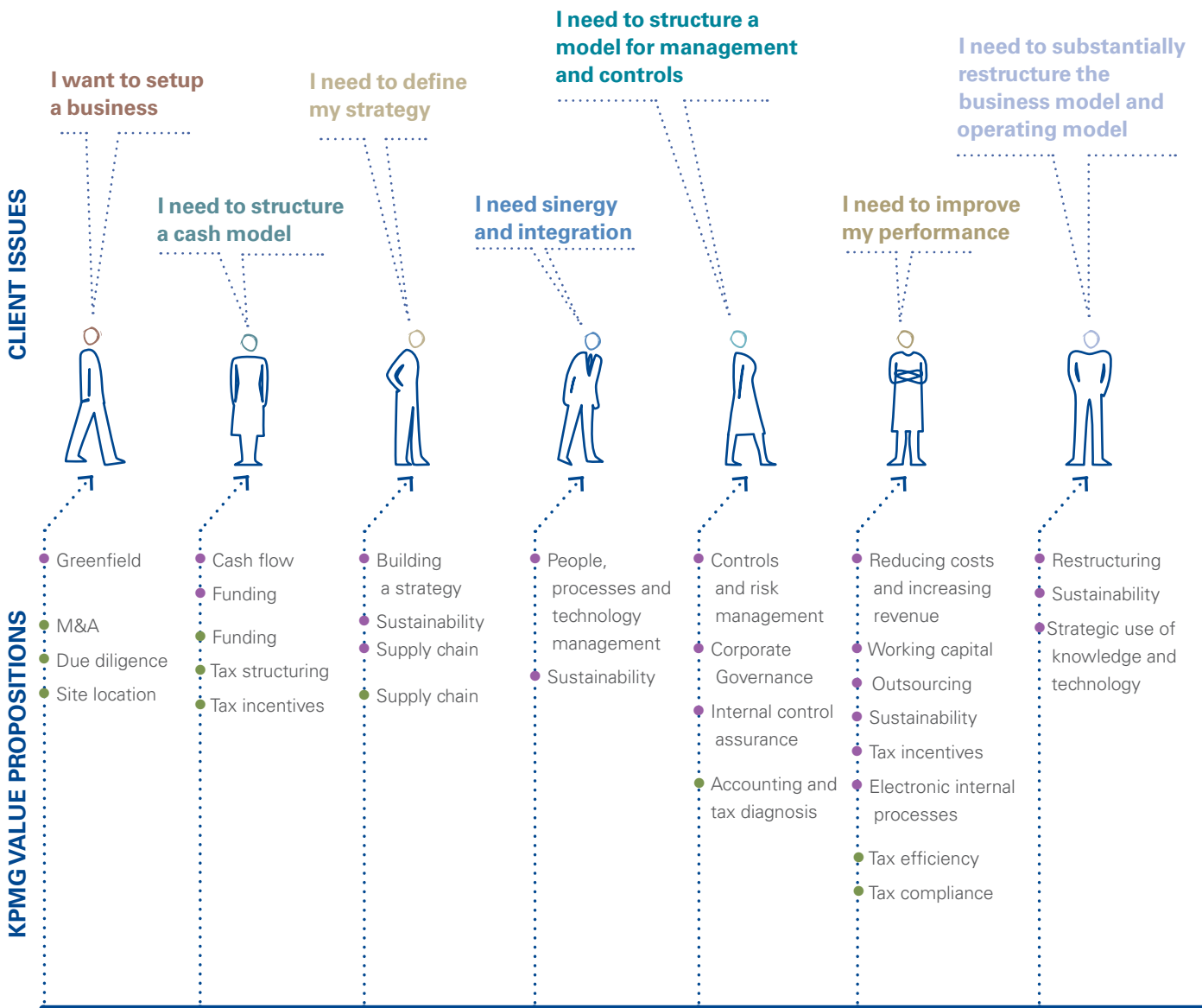
When we look at the serious crisis of confidence that has gripped the world, it is clear that responsible audit, tax and advisory practices have a key role to play in creating a more transparent, responsible and effective business environment. We are committed to making our own contribution to that process.

**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

How we service clients throughout their lifecycle

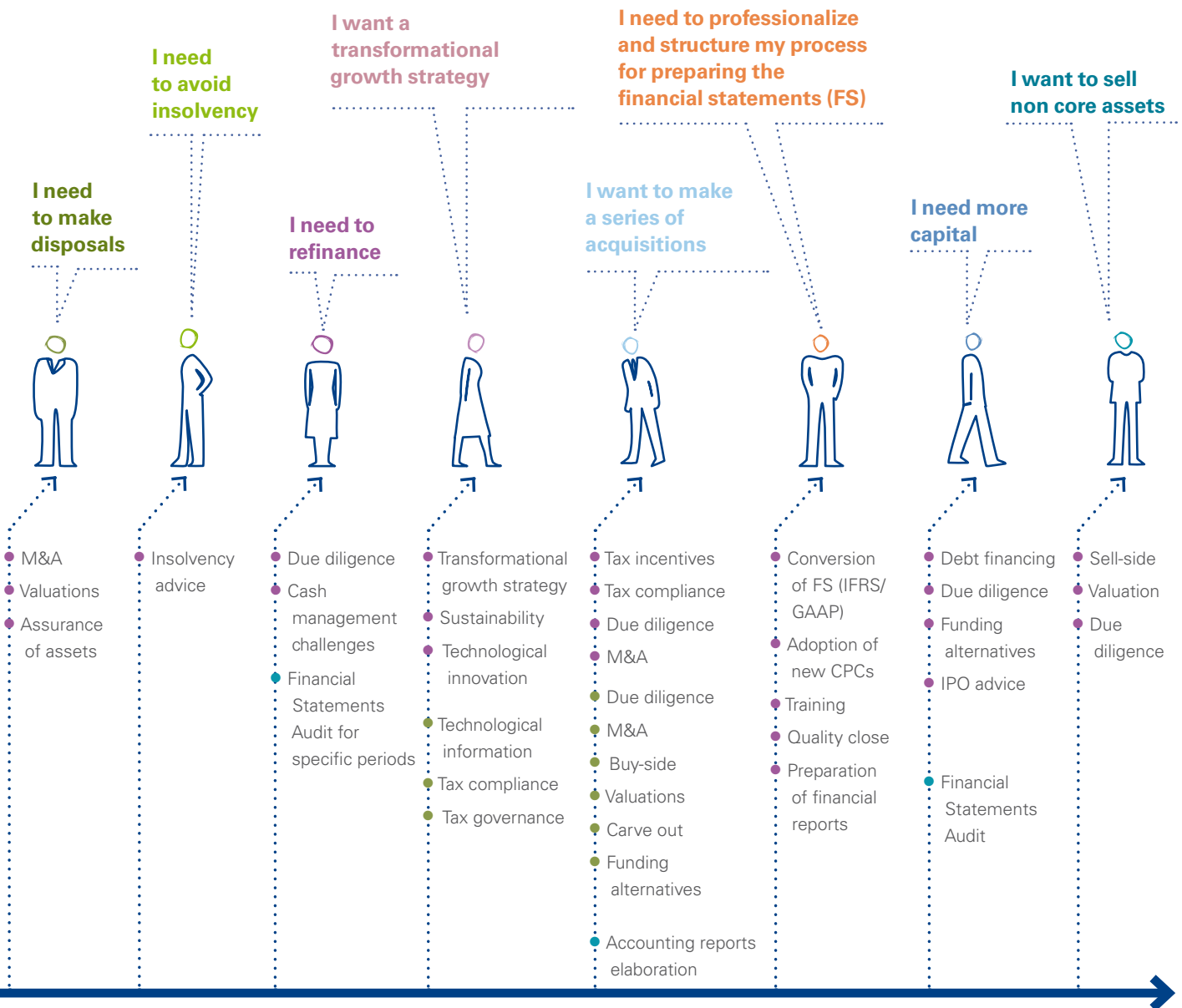


## FINANCIAL STATEMENTS AUDIT

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

In outworking our purpose to 'Inspire Confidence. Empower Change', we have based our efforts on four strategic pillars:

- **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 infrastructure 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 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):

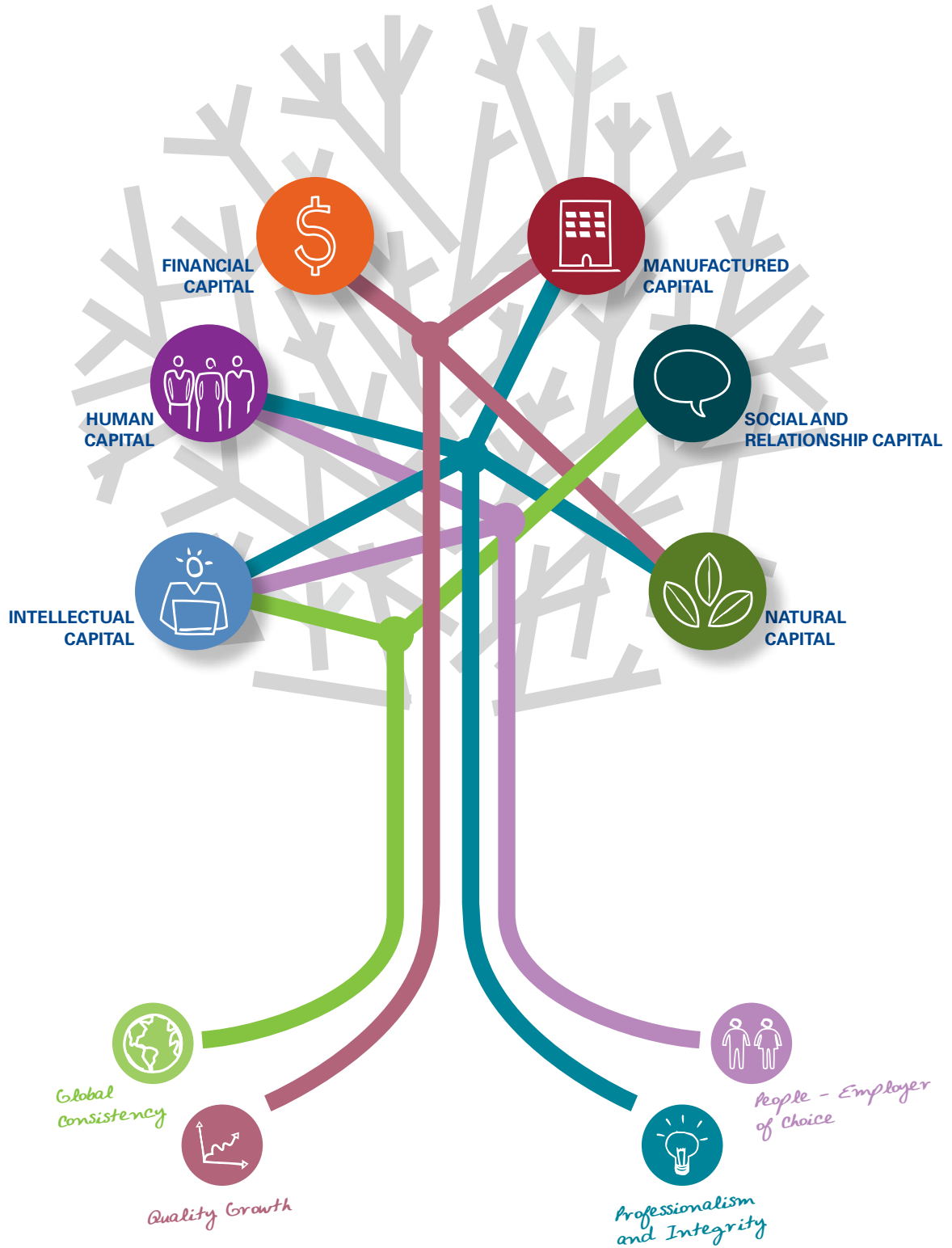
- Invest in emerging markets
- Focus on key sectors such as financial services, health, government, infrastructure, energy and natural resources
- Retain an extensive pool of professionals specialising in these segments and their challenges
- Continually leverage the depth of our unique industry expertise
- 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, 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 results are 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**

Our business is continually affected by the dynamics of relationships we establish with each of the stakeholders who influence or are influenced by our business. 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 map was prepared in 2009 and is reviewed annually. Out of a total of 12 stakeholder groups, seven have been classified as priority stakeholders, as shown in the diagram below.

**MATERIAL TOPICS**

The process of identifying topics that are material to KPMG and our stakeholders began with the first edition of our report in 2009.

In 2011, we conducted an extensive review of these topics as part of a global programme run by KPMG International in collaboration with Good Business, in which four high-level topics were identified that have guided our decision making since:

- Conducting business ethically
- Responsible and transparent governance systems

- High-quality and fully independent services

- Treating employees well

In subsequent years we conducted internal reviews in which our professionals and leaders assessed the report and reviewed and confirmed the priority topics.

In 2014, we conducted an extensive review of the material topics based on surveys and available engagement tools:

**Map of Stakeholders**

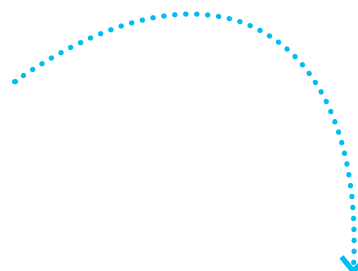
**Priority Stakeholders**



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.

### Review process

- 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



**The review is reflected in this new Materiality Matrix, which brought greater clarity and tangibility to the four original high-level themes prioritised by stakeholders in 2011**

HIGH-LEVEL MATERIAL THEMES	SPECIFIC MATERIAL THEMES	MATERIAL ASPECTS G4
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 Opportunity
	Client and Market Relations	Equal Remuneration
	Client satisfaction	Non-discrimination
	Economic Performance	Freedom of Association
	Investment and Innovation	Human Rights
	Learning and Development	Grievance Mechanisms 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	Product and Service Labelling
	Diversity	Marketing Communications
	Voluntary, global and therefore material commitments (not prioritised by stakeholders)	Customer Privacy
	• Global commitment to GHG reduction targets	Compliance
	• Commitment to communities	Assurance
		Governance
		Emissions

We are in the initial process of determining the boundaries of positive and negative impacts from these material aspects, as shown in the KPMG Capitals Analysis, page 26. Impacts will be assessed in greater detail during the following reporting periods.





# 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 by KPMG in our broader activities, explaining "how the organisation converts the inputs from each of these Capitals into products or services, fulfilling its strategic purposes and creating value over the short, medium and long term for it and its stakeholders." *Framework, IIRC*

The diagram 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 more respectful practices and relationships between public and private organisations, their stakeholders and natural resources.

The report we present in this chapter is structured on the Six Capitals.

"I see 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."

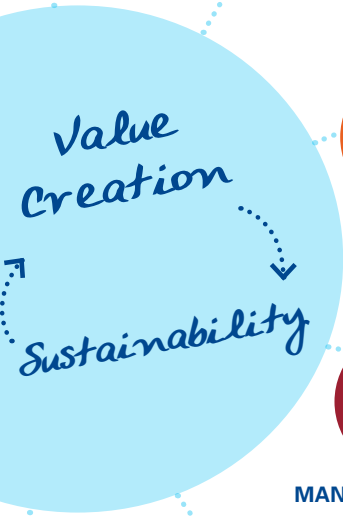
John Veihmeyer – Global Chairman of KPMG International.

KPMG CAPITALS

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

KPMG Indicators

Outputs/Value created

Potential negative impact

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 and which places us at the leading edge of important market trends and developments.

Our extensive service offering meets the Audit, Tax and Advisory requirements of clients of all industries and sizes, throughout every stage of their lifecycle. Through it, we translate our professionals' knowledge and expertise into dynamic and meaningful services that inspire confidence and empower change.



### Productive hours by practice/ 2014

2,254,948

Audit – up 9%

931,909

Advisory – up 14%

604,748

Tax – up 18%





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

➔ **PRACTICE HIGHLIGHTS IN 2014**

**Audit**

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. Our professionals also performed review and other assurance engagements to assist clients in addressing specific matters.

*The auditor's role and limitations*

In recent years, KPMG has actively engaged in discussions on this matter at both local and international organisations. Our professionals 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.

**Tax**

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 a range of industries and activities.

*Research & development tax incentives*

KPMG's team of subject-matter specialists has worked closely with over 100 clients in applying for tax incentives under Act 11196/05, as well as advising on their obligation to report to the Brazilian Ministry of Science, Technology and Innovation and Federal tax authorities.

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.

**INOVAR-AUTO**

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.

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

Advisory

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 – have become increasingly relevant.

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.

*Forensic and the Anti-corruption Act*

In 2014, our Risk Management practice's Forensic team helped companies comply with the Anti-corruption Act by mapping corruption risks, developing standards and procedures to mitigate those risks throughout the value chain, setting up fraud prevention functions and providing training.

*Brazil's 15 infrastructure priorities*

This report, commissioned by the weekly news magazine EXAME, was a highlight in Transaction & Restructuring in 2014. In it we list the infrastructure projects – both planned and under development – that have the potential to make the greatest difference in Oil & Gas, Transportation, Power, Water and Sanitation, Telecommunications and Social Infrastructure. The survey is a valuable tool to inform decisions by governments and companies looking to invest in Public-Private Partnerships.





## → INVESTMENT AND INNOVATION

The constantly changing environment in which our clients operate calls for a virtuous cycle of investment in new solutions for our markets through research, cross-firm knowledge exchange and the development of new practices to expand our service offering. This innovation process brings mutual benefits for both clients and KPMG, further cementing our leading position.

Alongside innovation, efficient business management was a constant pursuit in 2014. We developed new management strategies, combined service offerings and technologies to get work done faster, better and at lower costs.

### 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 incorporated these requirements to develop a dynamic and integrated audit approach that brings practices and specialists together to deliver greater quality, agility, insight and integrity to our clients. The process is based on a combination of reliable tools and practices, notably **eData Mining**, **e-Audit** and the **Local Delivery Centre**.

### Data and Analytics (D&A)

Organising and utilising available electronic data sets has become crucial to business intelligence, creating challenges as well as many opportunities for businesses in general, and for KPMG in particular. Globally, we

have made important investments in technology partnerships and recruited 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 12741 (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 and Technology insights 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.

### Regionalisation in Advisory

In 2014, we approved a new Advisory regionalisation model based on regional hubs (interior São Paulo/ Campinas, South/Curitiba, Centre/BH and North and Northeast/Fortaleza), with local teams of specialists in all locally relevant services, focused on region-specific demands. Another regionalisation effort is leveraging synergies across the network of KPMG member firms in Latin America to better service clients.



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

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



### Support for Public-Private Partnerships

We advise a range of government and private clients on projects within the Public-Private Partnership 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.

### Strategies for compliance with National Waste Management Policy

Our multidisciplinary Risk Consulting team has helped clients effectively address the new challenges arising from this 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.

## → RISK AND QUALITY MANAGEMENT

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.

Our Risk and Quality Management function is responsible for controlling and monitoring factors that could affect our business, our professionals and our clients, or the capital market and the environment in which we operate. This function is directly related to sustainability and the very nature of our business, and uses a precautionary approach focused on our core business, involving:

### Independence, integrity, ethics and objectivity

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 Office of 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 guidelines they contain are transmitted to our professionals through our leadership, Intranet and systematic annual training on ethics, independence and anti-corruption, which is mandatory for all partners, managers and other client-facing professionals, including interns in technical functions, as well as administrative leadership. In 2014, all professionals required to attend training were trained on Ethics & Independence and 99.44% on Anti-corruption policies.

*Ethics and objectivity govern our relations with stakeholders*



## Code of Conduct Commitments

### *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



## Our activities in 2014

### People in quality and risk management

Our professionals are responsible for how we interact with stakeholders.

We therefore 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 development and control policies and procedures that bind our professionals to strict adherence to our guiding principles in their work.

### Client and engagement acceptance and continuance

Policies and procedures to support decision-making on client and engagement acceptance and continuance. Strict compliance with these policies and procedures is essential for us to provide professional services with the quality and integrity necessary to build more ethical and sustainable markets.

### Engagement delivery

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

All professionals are expected to adhere to our policies and procedures (including independence policies) and are supported by a range of tools in meeting these expectations.

The policies and procedures we have established for Audit (and other practices where applicable) are based on, but exceed, applicable professional, legal and regulatory requirements.

### Monitoring

A set of control and monitoring procedures involving:

- **Reviews** – Internal (Risk Controls Checklist and Quality Review Programme) and external (peer review and reviews by the Public Company Accounting Oversight Board) evaluation procedures to assess the integrity and independence of our services and the adherence of our professionals to our policies, methods, training and internal controls, and external standards and regulations.
- **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
- **Confidential international hotline** – A 24-hour hotline for reporting suspected legal, ethical or regulatory violations, managed by an independent provider.

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

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### Whistleblowing Hotline

Brazil: 0800 891 7391

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

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

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



Intellectual Capital

*People are our greatest asset, and professional excellence our greatest heritage. In keeping with this, we invested 22.8 million in training and development in 2014.*

### → QUALITY OF SERVICE / TRAINING AND PROFESSIONAL DEVELOPMENT

Developing and building skills advances the careers of our professionals and is crucial to maintaining the quality of our services, ensuring our growth and creating value for our clients.

Reflecting the breadth of our service offering and regulatory requirements, programmes in this area are structured to continually develop general and specific skills according to the different functions, capabilities and areas of expertise of our professionals.

The KPMG Business School is responsible for planning the training and development programmes for our professionals, which combine classroom-based as well as online training programmes through Clix, an online training management platform offering over 200 courses.

During the reporting period we invested R\$ 22.8 million in training and development beyond the programmes structured by the KPMG Business School, encouraging our professionals to further their education through the following programmes:

#### **Reimbursement for external programmes**

Covers undergraduate, graduate, specialist and language training programmes that are relevant to advancing professionals' careers.

#### **Trainee Programme**

Ensures the development of our young talent. In 2014, a significant 52 thousand candidates applied in the selection process, of which 440 were hired.

#### **Mobility**

Our Global Opportunities programme covers all forms of temporary international assignments between KPMG member firms, with professionals retaining employment in their home country, giving our professionals the opportunity to take assignments throughout KPMG International's global network and experience other cultures. In 2014, 38 KPMG in Brazil professionals joined the programme.

#### **Leadership development**

Dedicated leadership development programmes prepare professionals to succeed our key executives. These include both national and international courses, and discussion and networking groups.

# 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 (p.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)
- 290 partners
- 13 interns
- 13 temporary employees

*204 third-party employees*

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

### *Staff*

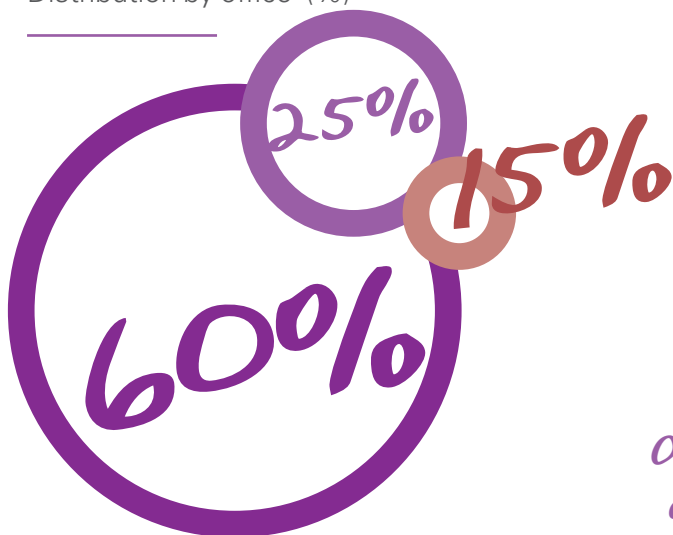
all people working at KPMG in Brazil.

### *Professionals*

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



### KPMG in Brazil Professionals Distribution by office (%)

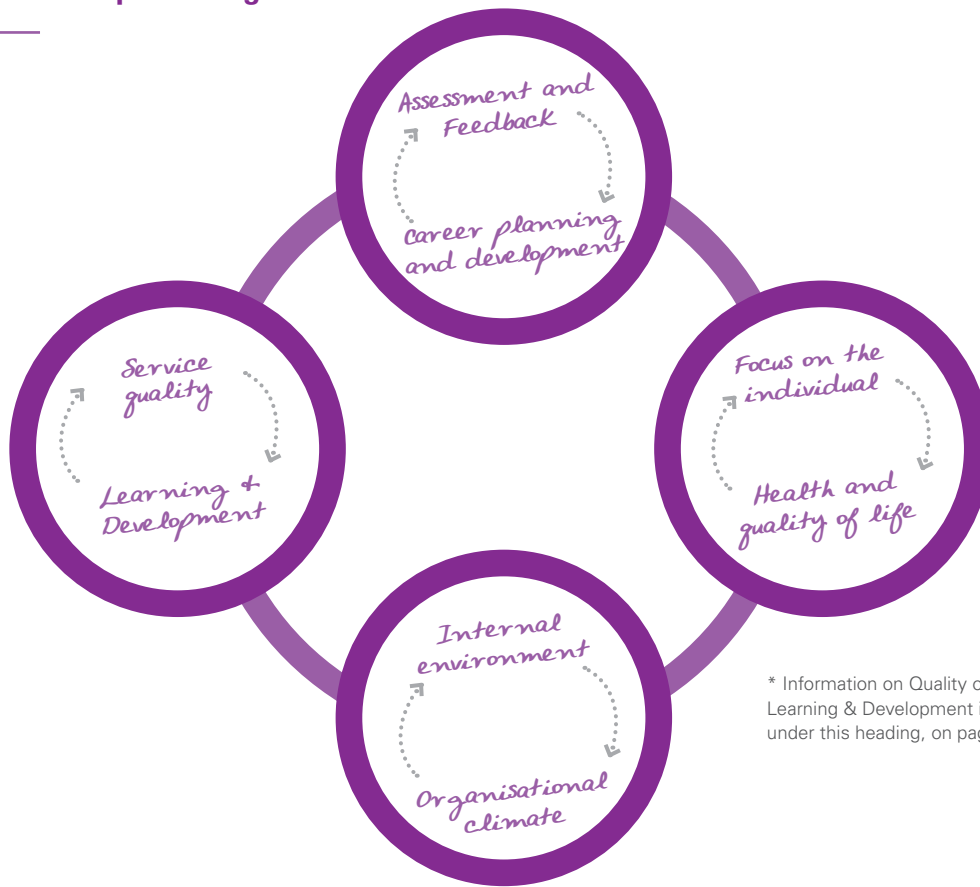


● São Paulo ● Other offices\* ● Rio de Janeiro

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

*Our Intellectual capital is developed entirely by our people. This places people management centre stage in our business strategy*

## Foundations of People Management



\* Information on Quality of Service/ Learning & Development is reported under this heading, on page 34.

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

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 My Performance Development (MyPD), which identifies strengths and areas for improvement in technical and behavioural aspects. For partners and managers, MyPD is supplemented by a 360° Assessment by superiors, peers, subordinates and internal

clients. These two tools combined provide a basis for decisions on promotions and salary increases, as well as for the Profit-Sharing Programme, which also takes account of the general performance of the Organisation, the business unit and the professional.

#### Number of promotions

	2014	2013	2012
Staff	1,840	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





## Balance

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



### → FOCUS ON INDIVIDUALS/ HEALTH AND QUALITY OF LIFE

MyLife is a quality of life programme that promotes healthy habits, well-being and care for body and mind, encouraging staff to balance their work and personal life.

Initiatives geared around Culture and Entertainment, Facilities, Discounts, Occupational Health and Safety, Jogging Groups and Nutritional Re-education Campaigns are among the programme's initiatives.

Alongside MyLife, a wide range of **Benefits** and the **KPMGPrev** retirement plan all contribute to the well-being of our professionals.

### → 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 edition of the GPS was conducted at the start of the 2014-2015 financial year and enjoyed 83% participation, with 2,600 professionals responding. Based on the results – which showed satisfaction has improved across virtually all indicators – action plans are now being developed and implemented to address issues such as Performance enhancement, Engagement, Communication, and Recognition & Rewards.

→ DIVERSITY

The pillars of our Diversity policy are: Women, Religion, Disabilities, Apprentices, Sexual Orientation and Ethnicity. Our approach 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 and beliefs.

**Citizenship & Diversity Survey –**

Launched in 2014, this survey will map our diversity profile and needs. Based on the survey, we will assess existing initiatives with a view to implementing new programmes to enhance our commitments in 2015.

**KPMG's Network of Women (KNOW)**

– A group that fosters the professional development and retention of women within KPMG by offering the resources and conditions necessary for them to develop professionally. Initiatives in Brazil include an internal mentoring programme, rescheduling of client appointments for women during and after pregnancy, six-month maternity leave, milk dispensaries, active engagement of our leaders in relevant local and international forums, and our *Gestante* blog, launched in 2014. Through our affirmative actions, our post-maternity leave retention rate reached 66% in 2014.

**Inclusão Group** – This group unites the different practices at KPMG around attracting, retaining and developing people with disabilities within the Organisation. The group coordinates a broad range of initiatives around: Interaction, Assistance, Hiring, Training, Accessibility and Awareness Raising.

**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, 91% of our leadership is Brazilian. In 2014, the percentage of members of senior management working in their home States was 72% in São Paulo, 79% in Rio de Janeiro and 45% in other States where we operate.

*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 an award in the Women's Empowerment Principles (WEPs) Brazil Awards 2014.





### Diversity in numbers:

Composition of KPMG professionals in Brazil by age and by gender

#### Total Professionals – by age

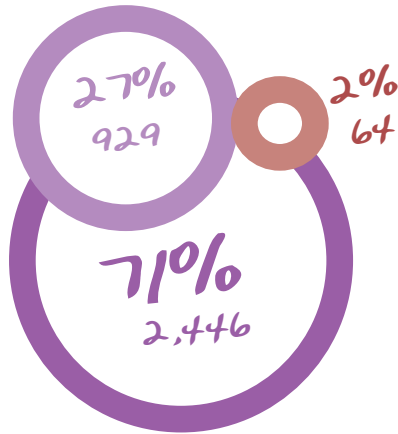
2014

Total: 3,504



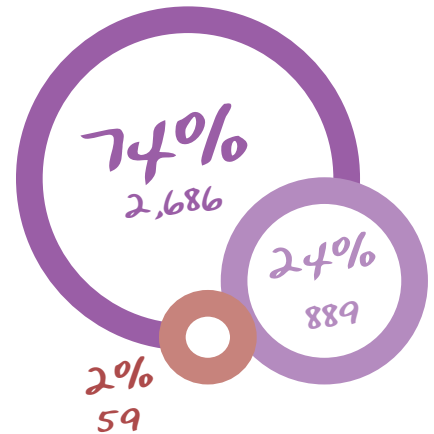
2013

Total: 3,439



2012

Total: 3,634



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

#### Total of Professionals – by gender

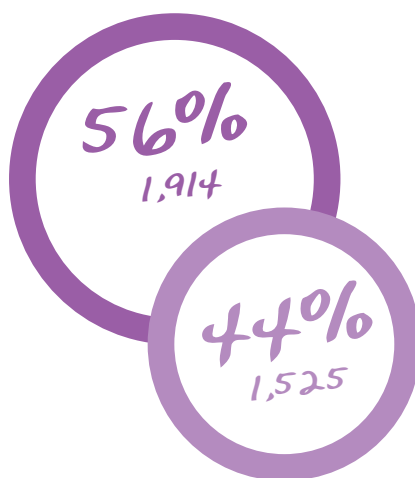
2014

Total: 3,504



2013

Total: 3,439



2012

Total: 3,634



● Male   ● Female

# 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

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 <i>pro bono</i> ) to social, environmental and cultural projects	2,367,371	2,020,957	2,387,453
Contributions to social, environmental and cultural projects under tax incentive laws	670,000	283,072	400,364
<b>Cumulative economic value</b>	<b>196,765,265</b>	<b>148,707,173</b>	<b>177,830,108</b>

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.



# 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

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.



## 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*

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.

### → BRAND AND REPUTATION

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.

The local and international accolades with which we have been honoured

each year are also a measure of the market's positive perception of our performance. In 2014, KPMG received ten local and international awards linked to aspects such as sustainability, human rights, management, human resources and audit.

### → CLIENT RELATIONS

Client relations involve active client acquisition, engagement acceptance and continuance procedures, interaction throughout engagements and Client Satisfaction Surveys conducted annually to identify the most material issues from the perspective of these stakeholders, as well as strengths and opportunities to improve our workflows. In financial year 2013-2014, 23% of invited clients responded to the survey.

*The results of our client satisfaction survey showed that:*

**92%**

would use other of our services

**95%**

would recommend KPMG



### → COMMUNICATING, PRODUCING AND SHARING EXPERTISE

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.

Part of the repertoire we build in this process 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 by 259 people.

**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.

**Events** – Another way we foster the generation and dissemination of knowledge is by sponsoring events, conferences and lectures. In 2014, we invested R\$ 2.26 million in 149 events in Brazil.

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

>> 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 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.



Some of our publications in 2014



The Integration Imperative: reshaping the delivery of human and social services



Mobile security: From risk to revenue



Corporate Governance and Capital Markets - 2013/2014



Mobile security: From risk to revenue

**→ PARTICIPATION IN TRADE ASSOCIATIONS AND REGULATORY AGENCIES**

Our professionals are members of 47 trade associations and actively engage with regulatory agencies, where they share insights in debates or serve on boards, executive committees and working groups to further our related professions and to ensure the sustainable development of our business.

*KPMG International and the G20*

We played a decisive role in 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.





## → CORPORATE CITIZENSHIP

### Global

Our role in society is defined by the services we provide and, especially, by the way we engage with our stakeholders. The Corporate Citizenship & Diversity team is responsible for influencing the strategy in terms of sustainable development.

This is supported by two programmes deployed across our global network of member firms: 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. Both

programmes are underpinned by a set of international initiatives to which KPMG International has voluntarily subscribed and which influence our global strategy and local initiatives in Corporate Citizenship & Diversity:

**United Nations** – We are signatories of the Global Compact, the Leadership Development Programme, the Guiding Principles on Business and Human Rights and the Millennium Development Goals. We have already subscribed to the 12 Sustainable Development Goals that will replace the Millennium Development Goals in 2015.

**World Economic Forum** – We support the Partnership against Corruption Initiative, the Principles of Responsible Capitalism and the Future Role of Civil Society.

### Local initiatives

Our initiatives in Brazil are centred around three dimensions: Education, Development and Environment. Information about environmental practices is reported in Natural Capital.

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



## 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.

Organisations benefited in 2014:

### PUPA

This programme trains childminders and community educators in a methodology that incorporates neuroscience in the development of children up to six years of age.

### Little Citizen' Project

This project benefits 220 children annually. In addition to financial support, we provide advice for pedagogical and coordination teams,

audit the project's accounts on a pro bono basis and finance the **Bessan Award**, which offers education grants to the year's top-performing students. We have also developed strategic partnerships with Núcleo Aprendiz (professional training courses at SESI and SENAC) and Projeto Júpiter - Editando o Futuro.

### Enactus

KPMG International is the official sponsor of the Enactus World Cup. In addition to an annual donation, KPMG professionals in Brazil are members of the board, audit the championship results and advise the participating teams. In 2014, we also launched the KPMG Ethics and Integrity Awards and donated three flight tickets to the winning team to represent Brazil in the World Cup in China.

### Junior Achievement

We have supported JA's work with youth from public schools since 2002. In addition to financial support, 138 volunteers from 18 KPMG offices in Brazil donated 1484 hours to the project in 2014, benefiting 1,372 students.

### Biodiversity in your rucksack/Cerrado – WWF Brazil

This 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. As of 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*.



## Little Citizen

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

R\$ 3  
millions

invested in our  
communities in 2014



## Development

Based on the principles of the Global Development Initiative (GDI), our aim is to help improve conditions in our communities through a range of initiatives.

### Pro bono services or compensation

This is one of our most important community initiatives in that it incorporates professionalism into management, and credibility and transparency into the financial statements of voluntary sector organisations. In 2014, 13 organisations were benefited by the programme.

### Private social investment

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).

### Tax incentives

KPMG in Brazil keeps abreast of the opportunities offered by the Government for funding cultural, social and sporting projects, which we select based on our corporate citizenship and marketing strategies. In 2014, we more than doubled our investment through these mechanisms and funded a total of ten initiatives.

### Voluntary work

In addition to working in the Junior Achievement programmes, our professionals can also participate in two other annual initiatives.

On KPMG Community Day, we encourage our professionals from all offices in Brazil to engage in corporate citizenship initiatives aimed at understanding the specific needs of their communities. In 2014, 726 volunteers from 20 offices were mobilised, benefiting 1,700 people in 27 institutions.

# NATURAL CAPITAL

## our 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 less dependent on Natural Capital than on Human and Intellectual Capital. Despite this, our global network of firms undertook global environmental commitments in 2008 in line with our vision of leaving the world in a better state than we found it, including commitments to our Code of Conduct, to 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.

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### *3X The Sustainable Firm of the Year*

KPMG was named 'Sustainable Firm of the Year' by the International Accounting Bulletin in 2014 for a third consecutive year, recognising our global network's success in meeting emissions reduction targets, significant investment to support communities – and particularly Enactus – and the way our services contribute to the sustainability of businesses worldwide.

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#### → **CLIMATE CHANGE & SUSTAINABILITY SERVICES (CC&S)**

This function is home to the portion of our Intellectual Capital that is dedicated to sustainability issues. KPMG International has a multidisciplinary team, consisting 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 to identify the best strategy for engagement and reporting, including risk management.





→ ENVIRONMENTAL EDUCATION

We continually engage with our stakeholders to disseminate relevant information and encourage changes in habits. Initiatives in 2014 included Environment Week, e-learning on conscientious consumption, and support for Instituto Akatu and for publications such as *The Positive Deviant: Sustainability Leadership in a Perverse World*, the magazine *Ideia Sustentável* and the book series *Terra, Água, Ar e Fogo*.

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.



Awareness: Sustainability and Responsible Consumption e-learning





## → ENVIRONMENTAL INDICATORS

We have set local targets (water, power, paper, printing and disposable cups) to encourage the adoption of more sustainable habits at KPMG and that home.

### Controlling Greenhouse Gas Emissions

Our carbon footprint has the greatest indirect impact due to the constant travel and mobility of our professionals on business. Our overall carbon footprint decreased by 29% from 2007 to 2010. Our target is to reduce net carbon emissions per capita in relation to 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. For this reason, in 2014 KPMG in Brazil undertook a commitment to neutralise our greenhouse gas emissions.

#### Greenhouse Gas (GHG) Emissions Inventory (GEE)

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 per capita (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



*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.



## *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.  

# Assurance Statement

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Our report has been prepared 'in accordance' with the Core option under Global Reporting Initiative (GRI) G4 Guidelines and has been independently assured by BSD Consulting.

The Assurance Statement issued by our independent auditors and the GRI Materiality Matters check can be viewed in the online version of this report.

The complete online version of this report is available at:  
<http://www.kpmg.com/BR/RelatoriodeSustentabilidade2014>



# Acknowledgments

## General coordination

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Climate Change & Sustainability Services – KPMG in Brazil

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