



KPMG Sustainability Report 2016





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Forward

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Publishing a sustainability report takes time and effort. After six months of work involving multiple phases back to back, we are proud to release our report to our stakeholders.

This is our seventh consecutive annual KPMG in Brazil Sustainability Report. In it we describe our sustainability strategy and how it is connected to the value proposition that guides our interaction with stakeholders.

This Report is in accordance with the **GRI G4 Core** option, addressing what is most material to KPMG and our stakeholders using the Capitals Framework developed by the International Integrated Reporting Council (IIRC).

Further delivering on our commitment to transparency, we have added case studies to this edition that demonstrate how we put our purpose into practice. And we again illustrate this commitment in images of our staff that portray KPMG's true ethos, one that is demonstrated each day by a team characterized by diversity and a continuing drive to be better.

SCOPE

The social, environmental and economic performance of the 24 offices that make up our network of independent firms in Brazil.

VERSIONS

Our stakeholders can view all editions of the Report on the [website](#), in both unabridged and abridged versions, in either Portuguese or English.

DATA SOURCES

15 interviews with KPMG leaders in Brazil to incorporate their strategic vision into the report.

6 interviews with KPMG professionals to provide inputs into the case studies.

76 data sheets and more than **30 sources of qualitative information** provided by **11 operations areas**.

50 national and international KPMG and third-party publications.

REPORTING PERIOD

This Report is for the financial year of KPMG in Brazil, from 1 October 2015 to 30 September 2016. For simplicity, our financial year is referred to as year 2016.

Financial information is presented for the calendar year (1 January to 31 December 2016) for consistency with KPMG's financial reporting practices. Financial information has been prepared in accordance with Brazilian generally accepted accounting principles, within the same scope and boundaries, and using the same measurement basis as in previous years. Environmental information is also reported on a calendar-year basis for consistency with the practices adopted internationally by KPMG in disclosures of this nature.

INDEPENDENT INSURANCE

Green Domus.

We hope you enjoy this report.

Maria Cristina Bonini

Director – People, Performance & Culture

Eliane Momesso

Manager – Corporate Citizenship, Inclusion & Diversity



We welcome contributions to our Reports: please send any feedback, questions, suggestions or critiques to comunidade@kpmg.com.br or call +55 (11) 3736-1228.



Message from the chairman

G4-1

ANTICIPATE TOMORROW. DELIVER TODAY.

In 2015 we worked with key people at KPMG International to articulate our approach to the *new normal*, a world marked by disruptive technologies and businesses, strong local and international regulation at all levels, changing geopolitics, impacts from climate change and an immeasurable volume of data circulating globally.

In 100 years of operations we have become one of the Big Four firms providing Audit, Tax and Advisory services in Brazil and globally. We intend to retain this position over the next hundred. To do this, we recognize we have a role to play in leading the way into this exciting new world, in line with our purpose to *Inspire confidence. Empower change.*

Our approach is to accelerate collaboration among member firms to further establish KPMG as a provider of solutions to all the challenges that the new normal presents to our clients. This is the way to becoming *The Clear Choice* for our clients. Technological innovation, combined with integration across Audit, Tax and Advisory, is integral to our strategy.

We are working to align member firms so they speak with one voice. The *KPMG Story* has been the primary platform by which we have deepened our sense of belonging to a single large, global corporation.

Our perspective on sustainability - focused on developing to create value - is part of this path we are pursuing and the path we have helped our stakeholders travel.

Publishing this Sustainability Report is part of this journey. For seven years we have made it our commitment to report annually, and are pioneers in doing so in our industry. We believe that providing wide visibility to our strategy will strengthen our efforts to improve our indicators, enhance our professionals' engagement and inspire more companies to adopt good practices.

Our diverse capabilities coupled with innovation to deliver greater value with each engagement.



2016: TACKLING AUSTERITY WITH INNOVATION

The year 2016 was a testing one for us and our clients. Inflationary pressure, broadly declining levels of economic activity, lower revenues, higher fixed costs and the need to use more expensive sources of financing meant the economy dropped to its lowest level in ten years.

Delinquency has grown significantly, but we have stood shoulder to shoulder with our clients, helping them make effective decisions for their recovery. The litigation environment was also more challenging than in previous years. There have been cases that have tested our model and led us to perfect it so it better supports our culture of integrity and independence.

Despite the climate of austerity, our responsible and forward-looking management strategy has again paid dividends in the form of **11.6% growth**. And we achieved this without succumbing to the pressure to accept engagements that would require us to compromise on our principles and policies. The instability and credibility crisis have made the due diligence process in client and engagement acceptance and continuance even more complex. Each case has been reviewed and discussed extensively using an evidence-based approach and orchestrated implementation of Risk Management tools and guidelines to inform fair and sound decision-making.

As a result, our hours sold increased despite pressures on prices and direct costs. This has allowed us to retain our staff, provide profit sharing benefits and maintain investments.

Innovation was high on the agenda in the year. We worked with KPMG International on Strategic Growth Initiatives (SGIs) that are building a portfolio of state-of-the-art solutions providing strategic direction to KPMG's and clients' businesses. These include initiatives to develop tools and incorporate companies, products and professionals in areas such as cyber security, strategy and D&A.

The products highest in demand in 2016 were directly related to some of our clients' most pressing concerns:

Backoffice structuring Debt renegotiation, cost reduction, better cash flow management, efficiency and productivity improvements and cyber security.

Risk Consulting Risk consulting delivered extraordinary performance, primarily in ethics, governance and fight against fraud. Forensic performed best within the Advisory practice and capitalized on investments made over the past three years in developing one of the most complete Forensic laboratories on the market with D&A capabilities for investigations and risk assessments.

Digital tax compliance In addition to helping companies reorganize to meet new tax requirements, we have assisted our clients and their lawyers in appealing on unwarranted system-generated delinquency notices.

Audit It continues in a constant process of evolution and transformation, presenting a more and more clear and essential role in the process of gaining the investors and the capital market's confidence. The quality of the audit is a top priority to our professionals, with special attention to innovation and technology. The use of tools of Data & Analytics combined with the experience of our professionals allows us to get a deeper look at our clients' businesses and their inner risks. All this commitment contributes to our positioning as leading auditors for Listed Companies in Brazil.

M&A, Separation & Integration Both separation and integration services were high in demand. Due to the crisis, large conglomerates that had expanded into new businesses decided to focus on their core businesses and dispose of other operations. International investors, on the other hand, again turned to Brazil as an attractive foreign investment destination, eyeing the potential for significant returns on relatively controlled risks, especially in energy and agribusiness.

2017: RESPONSIBLE OPTIMISM

Despite the climate of increasing optimism (improving consumer and investor sentiment), it appears safe to say that 2017 will still be marked by caution. Growth is likely to gain momentum only from the second half of the year, with the economy (including the global economy) still depressed.

Yet we are fully confident in KPMG's future, in the market's ability to rebuild, in the fortitude of Brazil's democratic institutions and in sustainability as the only way to maintain our viability on Earth. The Brazil CEO Outlook survey with 50 leading CEOs shows that we are not alone in our view.

We will continue to invest in professional, technological and organizational development, environmental management and awareness, and in projects that enhance our performance as a corporate citizen and our diversity — including, but not least, initiatives to deliver quality education and gender equity. While the outcomes from these investments may seem negligible in the short and often in the medium term, they are unwavering priorities at KPMG worldwide.

Throughout this Report, you will learn in-depth about the six *KPMG Capitals* and how we manage them to create value for our Organization and our stakeholders.

Inspire Confidence. Empower Change: this is the daily fuel that inspires our people, clients, governments, trade associations, universities, social organizations and the media to meet their most critical challenges and operate at a new, more sustainability-centric level.

Thank you for being shoulder to shoulder with us through another year of achievement.

Pedro Melo

Chairman, KPMG in Brazil

About KPMG





Who we are

► *The Clear Choice* for clients from all industries

KPMG INTERNATIONAL G4-3 | G4-4 | G4-5 | G4-6 | G4-7

KPMG is a global network of professional firms providing **Audit, Tax** and **Advisory** services, with **189,000 professionals** in **152 countries**.

The member firms of the KPMG network are independent and affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity headquartered in Amsterdam. KPMG International develops and ensures that policies and standards are consistent in order to protect and strengthen the KPMG brand and thereby ensure the sustainable growth of the Organization as a whole. It does not provide client services. Each member

firm is a separate and independent legal entity and should describe itself as such.

Guided by our purpose of empowering change, KPMG has become a leader in the professional services industry. We have shared value and inspired confidence in capital markets and communities for over a century, transforming people and business, generating a positive impact and contributing to sustainable change among clients, governments and broader society.

► **KPMG International Combined Global Revenues 2016**

US\$25.42 billion



KPMG Worldwide

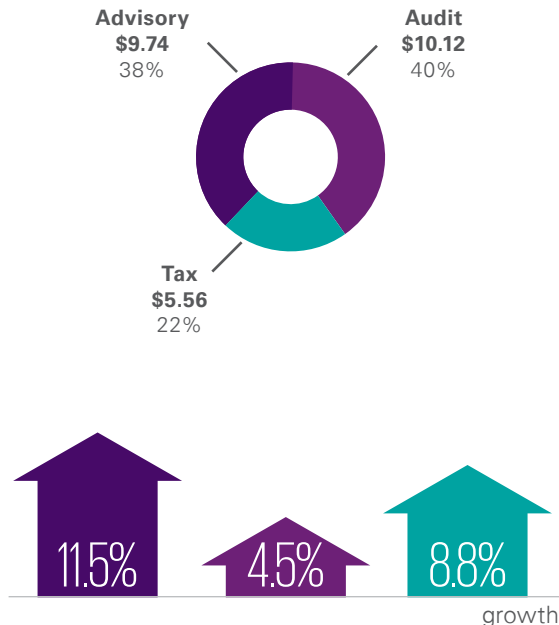
We work shoulder to shoulder with clients in **152 countries**, anticipating trends, innovating and delivering real results.

Albania **Algeria** Andorra **Angola** Antigua and Barbuda
Argentina Armenia **Aruba** Australia **Austria** Azerbaijan
Bahamas Bahrain **Bangladesh** Barbados **Belarus** Belgium
Bermuda Bolivia **Bosnia and Herzegovina** Botswana
Brazil British Virgin Islands **Brunei** Bulgaria **Cambodia**
 Cameroon **Canada** Cayman Islands **Chile** China **Colombia**
 Cook Islands **Costa Rica** Côte d'Ivoire **Croatia** Curacao
Cyprus Czech Republic **Democratic Republic of the Congo** Denmark **Dominican Republic** Ecuador **Egypt**
 El Salvador **Estonia** Fiji Islands **Finland** France **French Polynesia** Gabon **Georgia** Germany **Ghana** Gibraltar
Greece Guatemala **Guernsey** Honduras **Hungary**
 Iceland **India** Indonesia **Ireland** Isle of Man **Israel** **Italy**
 Jamaica **Japan** Jersey **Jordan** Kazakhstan **Kenya** Kuwait
Kyrgyzstan Laos **Latvia** Lebanon **Liechtenstein** Lithuania

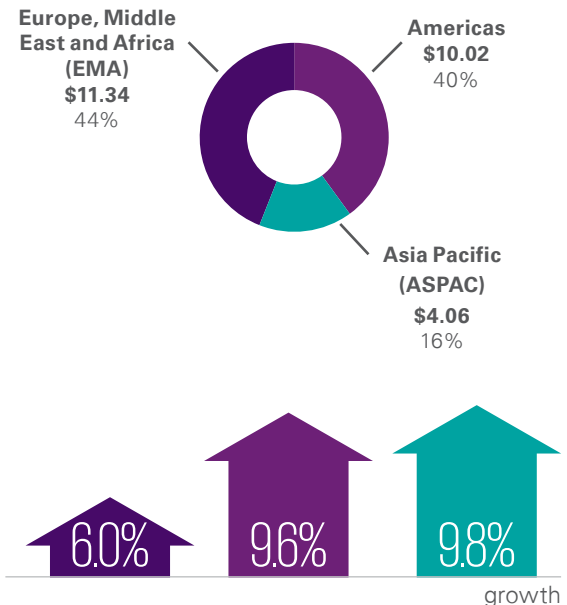
Luxembourg Macedonia **Malawi** Malaysia **Maldives**
 Malta **Mauritius** Mexico **Moldova** Monaco **Mongolia**
 Montenegro **Morocco** Mozambique **Myanmar** Namibia
Netherlands New Caledonia **New Zealand** Nicaragua
Nigeria Norway **Oman** Pakistan **Panama** Papua New Guinea **Peru** Philippines **Poland** Portugal **Qatar** Republic of the Congo **Romania** Russia **Rwanda** Saint Vincent and the Grenadines **Saudi Arabia** Senegal. **Saint Lucia** Serbia
Sierra Leone Singapore **Sint Maarten** Slovakia **Slovenia** South Africa **South Korea** Spain **Sri Lanka** Surinam
Swaziland Sweden **Switzerland** Taiwan **Tanzania** Thailand **Togo** Trinidad and Tobago **Tunisia** Turkey **Turks and Caicos Islands** Uganda **Ukraine** United Arab Emirates **United Kingdom** United States **Uruguay** Venezuela **Vietnam** Yemen **Zambia** Zimbabwe

MEMBER-FIRM SHARE OF SALES IN KPMG INTERNATIONAL – 2016

By Practice



By Region





KPMG IN BRAZIL

[G4-3](#) | [G4-4](#) | [G4-5](#) | [G4-7](#) | [G4-8](#) | [G4-9](#)

KPMG in Brazil is a network of independent firms under local ownership and management, with registered offices located in accordance with their respective articles of incorporation. We are more than 4000 people in 24 offices across 22 cities.

We have built a reputation not only as one of the Big Four auditors, but also for our unique approach that is aligned with our purpose of inspiring confidence and empowering change.

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

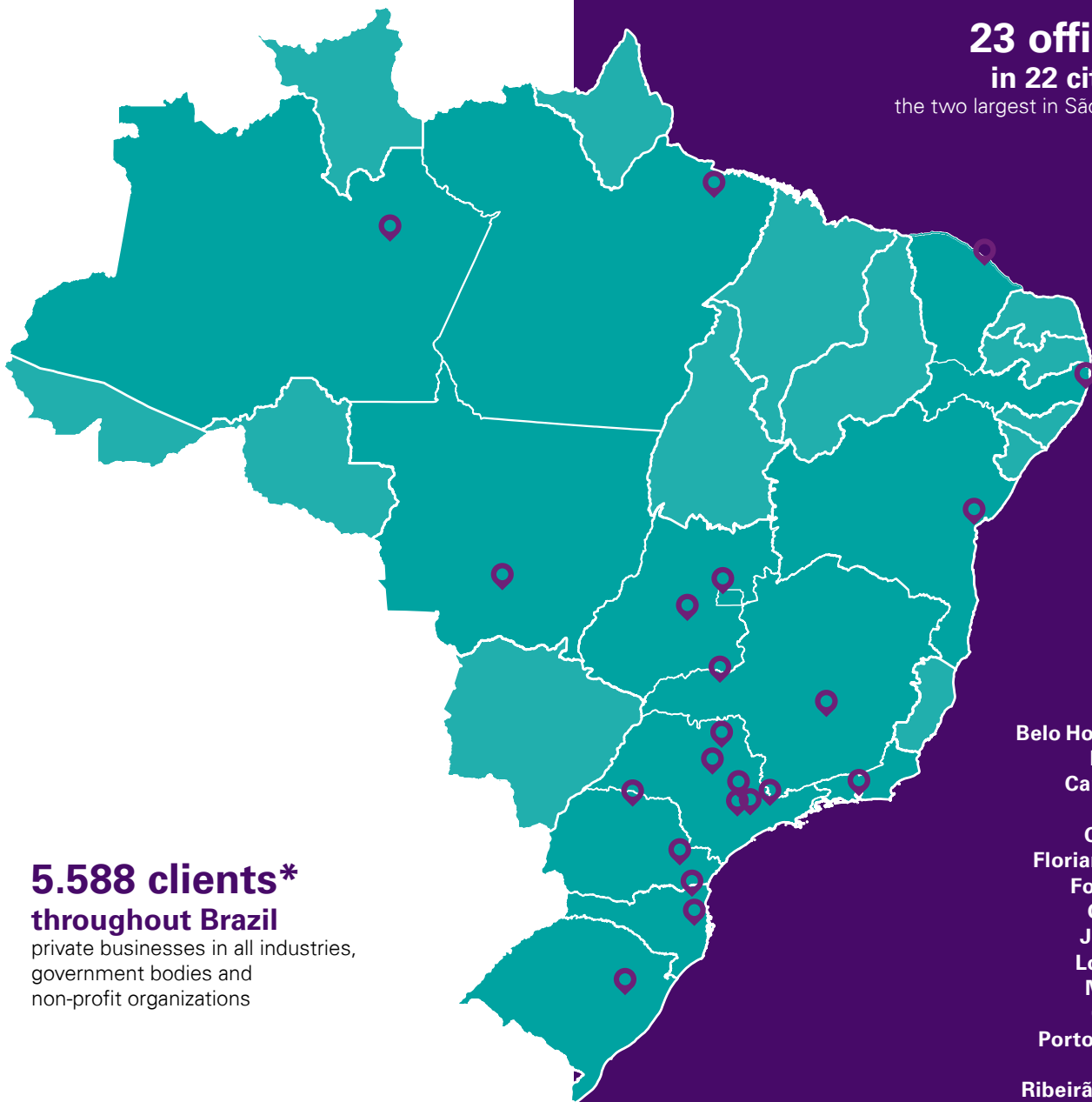


Our work is supported by a range of initiatives, policies, proprietary methods and training provided by the KPMG International network. Through KPMG International, we tap into the knowledge generated by other member firms and adapt and perfect it to suit our clients' needs, opportunities and challenges. We also share the knowledge acquired by member-firm professionals in Brazil, helping to develop and disseminate good practices across the network and in the market.





KPMG IN BRAZIL G4-5 | G4-8 | G4-9



23 offices
in 22 cities*

the two largest in São Paulo

5.588 clients*
throughout Brazil

private businesses in all industries,
government bodies and
non-profit organizations

4.043 professionals*



- 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

* As of financial year-end, 30 September 2016



The KPMG Story

► A cohesive narrative that articulates who we are and where we're going G4-56

Building on an initiative initiated two years ago, in 2016 we consolidated our Vision, Values, Strategy and Promise into the **KPMG Story**, a unique framework that guides our interactions with each stakeholder in our network.

Making these principles relatable to our professionals' day-to-day business strengthens our culture and identity, cementing our path to achieving our vision of being The Clear Choice for our stakeholders.

In Brazil, we have developed a KPMG Story rollout programme covering partners, managers and other professionals. The level of engagement and collaboration around the programme has been extraordinary. We have also embedded it into our contracts and formalities to reach a level where KPMG's culture is united in spirit with the people involved.

◀ This is why we're here:

Inspire Confidence.
Empower Change.

This is our Purpose.

◀ This is what we believe in:

- Lead by example
- Work together
- Respect the individual
- Seek the facts and provide insight
- Communicate openly and honestly
- Improve communities
- Above all, act with integrity

These are our values.

◀ This is what we want to be:

- The Clear Choice
- Our people are extraordinary
 - Our clients see a difference in us
 - The public trust us

This is our vision.

◀ This is how we'll get there:

We will:

- Drive a relentless focus on quality and excellent service
- Take a long-term, sustainable view
- Act as a multidisciplinary firm, collaborating seamlessly
- Invest together in our chosen global growth priorities
- Continuously improve quality, consistency and efficiency
- Maintain a passionate focus on our clients
- Deploy globally our highly talented people
- Bring insights and innovative ideas
- Build public trust

This is our strategy.

◀ This is how we want the world to see us:

We love what we do and we have a purpose. We work shoulder to shoulder with you, integrating innovative approaches and a deep expertise to deliver real results.

This is our promise.

This is
KPMG
 This is how we deliver
 G4-4 | G4-8

AUDIT

Proprietary methodology and technology deployed with independence and transparency provide strategic insights and enhance the quality and reliability of information prepared by our clients for use by management, investors, analysts and other stakeholders.

TAX

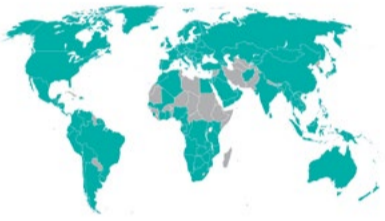
Our service offering helps clients anticipate and respond to tax and governance developments. Efficiency is the core benefit, underpinned by clear and transparent policies and procedures that are aligned with the tax environment of each country involved in transactions.

ADVISORY

Our multidisciplinary approach supports our clients' business development in areas such as strategic planning, M&A, corporate governance, risk management and compliance, financial and operating performance improvement, outsourcing, innovation and technology.

GLOBAL LINKS

A high-calibre team of experts helps global clients to invest in Brazil, and Brazilian multinational enterprises to expand abroad. KPMG also has *International Corridors* in the United States, Spain, the Netherlands, Germany, China, Japan, Korea and France.



LOCAL PRESENCE

We are present in 13 Brazilian states and the Federal District. These Hubs are able to meet region-specific demands. Our services are also offered to clients in broader Latin America and can leverage synergies with other local member firms.



SHOULDER TO SHOULDER WITH CLIENTS

We deliver value-added services that inform clients' decisions, promote new practices and support their implementation.

MULTIDISCIPLINARY TEAMS

Professionals with in-depth knowledge in finance, technology, tax and management deliver synergistic solutions to meet the needs of clients in every market.

GLOBAL CENTRES OF EXCELLENCE

Bring together KPMG's leading subject-matter experts globally to enhance engagement quality by identifying the needs of specific markets, providing relevant insights and developing and improving methodologies.

MARKETS PROGRAMME



INNOVATION

We are an innovative firm that invests in a combination of disruptive technologies and extraordinary people to provide clients with solutions to their most complex challenges.

FOCUS ON THE MIDDLE MARKET

Unregulated and/or non-listed companies can access a set of strategic and operational competencies enabling them to tap into the capital market, organize their information and processes, and perfect their corporate governance.





Underpinned by governance

▶ Global and local consistency

Our reputation as a globally leading organization in our industry is supported by our teams' strict adherence to the principles of ethics, integrity and quality.

Integration of our principles, knowledge, methodologies, technologies and people across the member firms of KPMG International ensures our purpose to Inspire Confidence, Empower

Change is reflected in the quality of service we deliver wherever we operate.

This puts **governance at the core of our business model**, aligning and underpinning the value created by each of our Six Capitals. This is detailed throughout the following chapters.

GOVERNANCE AT KPMG INTERNATIONAL

[G4-34](#) | [G4-38](#) | [G4-40](#) | [G4-42](#) | [G4-47](#)

The corporate governance framework at KPMG International is supported by six key bodies. Our Chairman in Brazil is a member of four high-level bodies: the Global Board, the Americas Board, the South America Board, and the Americas Management Committee. In January 2015, he also became chairman of KPMG in South America.

GLOBAL COUNCIL

This body focuses on strategy and governance, and performs functions equivalent to a shareholders' meeting for a public stock corporation. Among other things, the Global Council elects the chairperson of KPMG International for a term of up to four years (renewable for a further four) and approves the appointment of Global Board members. It includes representation from 58 member firms of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member-firm. It provides a forum for open discussion and communication among member firms. [G4-42](#)

GLOBAL BOARD

The Global Board is the principal governance and oversight body, and is responsible for approving strategy, protecting and enhancing the KPMG brand, overseeing management, and approving policies and regulations. It also admits member firms and ratifies the chairperson's appointment of the members of the Global executive team. Led by the chairperson of KPMG International – who is supported by the Executive Committee – this Board also includes the deputy chairperson of KPMG International and the chairperson of each of the three regions – the Americas; Asia Pacific (ASPAC); and Europe, the Middle East and Africa (EMA) – and a number of senior partners from some of the largest member firms, including Brazil, totalling 21 members. [G4-42](#)

INTERNATIONAL COMMITTEES

support the Global Board and Global Management Team by recommending and promoting strategies for each specific area of the business. These include the:

Executive Committee; Governance Committee; Operations Committee; Investments Committee; Quality & Risk Management Committee; and Professional Indemnity Insurance Committee.

GLOBAL MANAGEMENT TEAM

The Global Board has delegated certain responsibilities to the Global Management Team. These include working with the Executive Committee to develop global strategy and priorities, supporting member firms in their execution of our global strategy and establishing processes to monitor and ensure compliance with global policies. It is led by the Global Deputy Chairman and includes the Global Chairman, the Global Chief Operating Officer, global function and infrastructure heads, and the General Counsel.

GLOBAL STEERING GROUPS

The Global Steering Groups act under the oversight of the Global Management Team. They work closely with regional and member firm leadership to establish effective policies and processes to improve quality and manage risk across the network.

REGIONAL BOARDS

Each region (the Americas, EMA and ASPAC) has a Regional Board comprising a regional chairperson, a COO, a representative from each sub-region, and other members as appropriate. Each Regional Board supports the global strategy and assists in the implementation of KPMG International's policies and processes with a focus on the needs of their region.

Global network



...y global - Active in 110 countries with 3,000 dedicated professionals.
 ...ghly regarded global team and regional teams with the ability to dominate markets.

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Global Board

Members of the Global Board of KPMG International

John Veihmeyer [United States]
Chairman, KPMG International

John Scott [Spain]
Deputy Chairman, KPMG International

Chairperson, KPMG EMA

Bill Thomas [Canada]
Chairperson, KPMG Americas

Sai Choy Tham [Singapore]
Chairperson, KPMG ASPAC

Abdullah Al Fozan [Middle East and South Asia]

Richard Cysarz [Central and Eastern Europe]

Seyi Bickersteth [Africa]

Oleg Goshchansky [Commonwealth of Independent States (CIS)]

Pedro Melo [Brazil]

Simon Collins [UK]

Jay Nirsimloo [France]

Klaus Becker [Germany]

Richard Rekhy [India]

Shaun Murphy [Ireland]

Domenico Fumagalli [Italy]

Tsutomu Takahashi [Japan]

Peter Nash [Australia]

Kyo Tae Kim [South Korea]

Guillermo Garcia-Naranjo [Mexico]

Honson To [China]

Stefan Pfister [Switzerland]

Albert Roell [United States]



KPMG

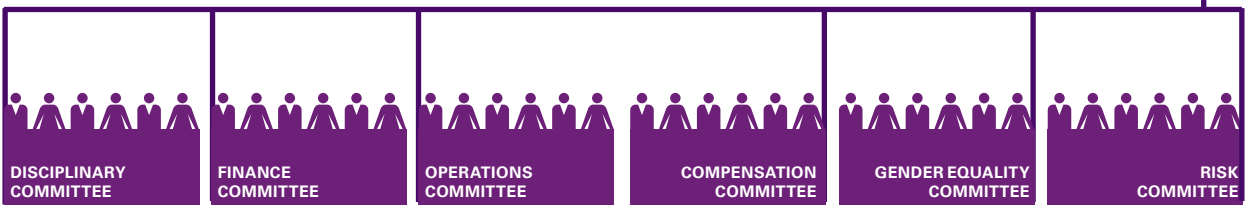
GOVERNANCE AT KPMG IN BRAZIL

G4-34 | G4-38 | G4-39 | G4-40 | G4-41 | G4-42 | G4-47

Our local governance framework adheres to the standards set out by KPMG International and has its own supplementary bodies for management coordination and oversight, in accordance with Brazilian law.

The model in place favours dialogue between leaders and other partners and professionals, ensuring all areas are represented at the Organization's primary decision making bodies.

GOVERNANCE STRUCTURE



PARTNERS

All partners attend quarterly strategy alignment and status meetings, as well as statutory annual meetings to approve reports and discuss other subjects related to the business. We also organize periodic business group meetings and meetings of bodies such as KPMG's Network of Women (KNOW) and the Profit Sharing Committee.

CHAIRPERSON

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

As part of the career development process, professionals showing outstanding performance become partners and can apply as candidates for chair, provided they meet the requirements established in our by-laws.

COMITÉ EXECUTIVO

Together, the chairperson and the Executive Committee are responsible for annual strategic planning – ensuring consistency with global strategy – and for providing general oversight of business activities. **G4-42** The Executive Committee is composed of the chairperson and up to eight partners appointed by the chairperson, generally the heads of the relevant practices, who continue to perform their responsibilities in client engagements. As an executive body with both management and strategy definition functions, its standing membership includes no independent, non-executive members. The Executive Committee is supported by the General Meeting in discussing and approving strategic and management guidance. **G4-38**

CHIEF OPERATING OFFICER (COO)

The COO is responsible for the management and representation on the Executive Committee of each administrative area, including Corporate Citizenship, Inclusion & Diversity; Marketing; People, Performance & Culture; Learning &

Development; Comptrollership; Financial; Facilities; and Information Technology.

DISCIPLINARY COMMITTEE

The Disciplinary Committee Investigates suspected violations of rules and policies by our professionals. This committee consists of practice heads and the heads of Human Resources, Performance and Culture, the Risk Management partner and the Chairperson. **G4-41**

FINANCE COMMITTEE

Responsible for the financial management of the organization, including short-and long-term investment and cash flow management.

OPERATIONS COMMITTEE

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

COMPENSATION COMMITTEE

Composed of three members of the Executive Committee (not including members of the Operations Committee), the Compensation Committee addresses the profit-sharing rules applying to partners.

GENDER EQUALITY COMMITTEE

The Gender Equality Committee prepares, approves and monitors the strategic plan and budget for KPMG's Network of Women (KNOW) programme, ensuring we progress on women empowerment issues both within and outside the Organization.

RISK COMMITTEE

The Risk Committee oversees risk management within the Organization, including strategic risks. The Committee has four permanent members – the Chairperson, Risk Manager, Legal Counsel and the partner for Regulatory and Litigation Affairs – and Two Rotating Members Appointed by the Executive Committee.



Our sustainability strategy





Developing to create value

► **Fulfilling our purpose, our sustainability strategy has been designed to create value through the development of our people, our clients and society. G4-1**

The insights we have across the KPMG network into trends, specific markets, standards, laws and technology provide a comprehensive understanding of current challenges and the needs of businesses, governments and broader society. We believe this knowledge should be channelled not only into the services we offer, but also into developing our stakeholders.

Translating our knowledge into sustainable approaches is a continuing journey on two converging paths:

The path we travel An internal journey towards understanding how we can create value for all our stakeholders. Our homework

assignment, one we complete each day and over the long term and which draws on our purpose, values, vision, strategies and promise approach to shape the way we interact with our stakeholders.

The path we help others travel 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. We work to inspire and help our stakeholders operate responsibly and develop sustainable business models.

SITO empower change



Value created by our sustainability strategy

PURPOSE

Inspire Confidence.
Empower Change

STRATEGIES

Excellence, consistency and efficiency
A long-term, sustainable view
A multidisciplinary firm, collaborating seamlessly
A passionate focus on clients
Deploy our most talented people
Innovation

VISION

The Clear Choice

VALUES

We lead by example
We respect the individual
We work together
We seek the facts and provide insight
We are open and honest in our communications
We empower communities
We act with integrity

PROMISE

We love what we do and we have a purpose. We work shoulder to shoulder with you, integrating innovative approaches and a deep expertise to deliver real results.

Our sustainability strategy

Creating value through the development of our professionals, clients and communities.

Sustainability management is at the heart of our business, defining how we mobilize each capital to generate value to our stakeholders

KPMG CAPITALS

VALUE CREATION

For our professionals

For our clients

For society



Intellectual Capital

World-class intelligence and technology supporting sustainable development

Technical and human development; Career paths; Valuable experience.

Consistent decision making; Innovation; Efficiency; Governance; Access to new markets, resources and knowledges; Risk management; Stakeholder trust.

Ethical and sustainable business; Highly skilled professionals; Access to thought leadership.



Human Capital

Continuing investment in our people with a focus on high performance and a deep sense of ownership and purpose

Remuneration and benefits; Career development; A sense of KPMG pride; Work environment; Respect for diversity; A resume the market values; Health and safety.

Ethical conduct, integrity and high-performing professionals.

Best workplace, diversity and corporate citizenship practices.



Financial Capital

The value of the success we share with our stakeholders

Financial rewards for services.

Investment in technology and knowledge that translates into superior performance.

Giving back to communities through taxes, salaries, payments to suppliers and community investment.



Social and Relationship Capital

Shared knowledge and resources creating value for our stakeholders and KPMG

KPMG pride; Community engagement; Membership of industry associations.

Access to thought leadership and services aligned with our values and our approach of working shoulder to shoulder with clients.

Pro bono services for social organizations; Shared knowledge; Promoting tax morality and compliance; Sustainable value chains.



Natural Capital

Our commitment to leave the world better than we found it

Environmental awareness and engagement at home and at work.

Sustainable business models, policies and procedures.

Lower greenhouse gas emissions; Carbon Neutralization; Resource efficiency.



Manufactured Capital

Physical, material and technological assets supporting quality of service and reducing environmental impacts

Efficiency; Integration; Information security; Occupational health and safety.

High-quality and efficient delivery; Information security.

Reduced environmental impact from our offices and travel.

Governance and sustainability management

Global principles: local action G4-1

GOVERNANCE

At KPMG we believe sustainability is a shared responsibility. Two of our teams have played an active role in providing leadership in two different dimensions of sustainability:

Corporate Citizenship, Inclusion & Diversity

Guided by our purpose, our Corporate Citizenship, Inclusion & Diversity team's mission is to help us make KPMG and society an even better place. It leads our sustainability engagement and awareness initiatives, monitors our social and environmental performance, ensures reporting transparency and manages community projects and investments. [\[Read more about](#)

[Corporate Citizenship, Inclusion & Diversity\]](#)

Global Sustainability Services

A multidisciplinary team that works with other KPMG services to promote sustainable practices among our clients, markets and communities.

Sustainability performance is currently assessed at two levels by our Corporate Citizenship, Inclusion

and Diversity function, which reports directly to the Chief Operating Officer (COO):

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

Operational An annual Action Plan and the relevant programmes are submitted to the COO, the chairperson and the Executive Committee.

Actions are followed up and reported on in monthly meetings with the relevant leaders and in quarterly meetings with the COO. In addition, members of the Executive Committee and regional leadership are involved at two stages of developing our Sustainability Report: during the initial interviews and in reviews of final versions for content validation. [G4-47](#) | [G4-48](#)

The beginnings of our **Sustainability Committee** began to take shape with the creation of our Sustainability Reporting Group, which in 2016 played an active role in designing the contents of this Sustainability Report and validating reported data.



MANAGEMENT

G4-1

Strategically, sustainability management at KPMG in Brazil is connected to the KPMG Story and our goals:

- Continually leverage the depth of our unique industry expertise.
- Extend our capabilities in highly complex services.
- Retain a team of extraordinary, highly motivated professionals.
- Deploy KPMG’s global expertise and methodologies for the benefit of our clients.
- Improve operating efficiency.

Operationally, it is connected to our global and local policies and procedures, and external commitments to which we have subscribed voluntarily.

POLICIES AND PROCEDURES

G4-15 | G4-56

Our **Global Code of Conduct, Global Marketing Compliance Guidelines and Quality & Risk Management Manual** are international standards on ethics in relations with stakeholders and on KPMG’s responsibility to actively foster sustainable business models.

The Global Climate Response aligns the environmental management approaches of member firms around the world. It has the following three main pillars: Environmental Goals, Awareness and Engagement, and Community and Market.

The **Global Development Initiative (GDI)** supports good corporate citizenship at member firms, addressing issues related to development and social justice in the communities where we operate.

Our **Suppliers’ Code of Conduct** lays down social and environmental criteria for the acceptance and continuance of suppliers in Brazil.



International Commitments

Principles of Responsible Capitalism

National Commitments

Human Rights/
Instituto Ethos

Letter of
Accession to the
Business and
LGBT Rights

Letter of
Accession to
the Business
Initiative for
Racial Equality

VOLUNTARY COMMITMENTS

To ensure our member firms around the world are abreast of and in-line with current developments, KPMG International has subscribed to a number of initiatives which are supplemented by KPMG in Brazil's local commitments. This set of initiatives underpins our policies and actions and helps us promote good practices throughout our value chain.



Read about KPMG's progress in implementing the Global Compact Principles in 2016:
and

KPMG CAPITALS

The Capitals Framework developed by the International Integrated Reporting Council (IIRC), and which KPMG in Brazil adopted in 2014, translates how our sustainability management connects to the resources and relationships used and affected by our activities.

A perusal of our capitals matrix below will show that sustainability is at the heart of our business, in the way we manage our Human, Intellectual, Social and Relationship, Environmental, Financial and Manufactured capital and how we recognize both the positive and negative impacts of our presence.

KPMG CAPITALS AND THEIR IMPACTS G4-19 | G4-20 | G4-21 | G4-22 | G4-EC7

ISSUES DEEMED MATERIAL for KPMG and our w

POTENTIAL POSITIVE IMPACTS AND BOUNDARIES

POTENTIAL NEGATIVE IMPACTS AND BOUNDARIES

KPMG INDICATORS



INTELLECTUAL CAPITAL

- » **Ethics & Integrity Governance**
- » **Risk and quality management**
- » **Privacy and information security**
- » **Training and Development**
- » **Investment and Innovation**

- » **For our professionals:** Continuous professional and personal development.
- » **For our clients:** Consistent decision making; Innovation; Efficiency; Governance; Access to new markets and resources; Risk management; Stakeholder trust.
- » **For society:** Ethical and sustainable business; Access to thought leadership.

- » **For our professionals, clients and communities:** Any loss of quality in services provided and/or data protection could have negative impacts on the business and on public trust.

- » – Hours and amounts invested in training and development.
- » – Trainees trained and hired.
- » – Awards received.
- » – Mobility programme participants.
- » – Website access and downloads and social media interaction.
- » – Publications and events produced globally by the KPMG network.



HUMAN CAPITAL

- » **Attracting and retaining talent**
- » **Career Development**
- » **Remuneration**
- » **Quality of life**
- » **Rewards and Benefits**
- » **Organizational climate**
- » **Diversity**

- » **For our professionals:** Remuneration and benefits; Career development; KPMG pride; Work environment; Respect for diversity; A resume the market values; Health and safety at the workplace.
- » **For our clients:** Ethical conduct, integrity and high-performing professionals.
- » **For society:** Best workplace, diversity and corporate citizenship practices

- » **For our professionals:** Challenges in balancing 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 staff.
- » **For our clients:** Behaviour by our professionals that goes against our guidelines, standards and procedures could affect our relationships and engagement quality.

- » – Number of professionals.
- » – Educational level.
- » – Number of promotions.
- » – Global People Survey results.
- » – Staff diversity data.
- » – Health and safety targets.
- » – Benefits.



FINANCIAL CAPITAL

- » **Economic performance**

- » **For our professionals:** Compensation for work performed.
- » **For our clients:** Investment in technology and knowledge that translates into more efficient and accountable management approaches.
- » **For society:** Giving back to communities through taxes, salaries, payments to suppliers and community investment.

- » Failing to achieve business performance targets could affect:
- » **Our professionals:** By reducing profit-sharing payments and job opportunities.
- » **Our clients and communities:** By reducing our investment capacity, tax payments, job opportunities and community investment.

- » – Statement of Added Value.
- » – Investment and innovation in services.



SOCIAL AND RELATIONSHIP CAPITAL

- » **Client and market relations**
- » **Client satisfaction**
- » **Client and engagement acceptance and continuance**
- » **Voluntary global commitments to communities**

- » **For our professionals:** KPMG pride; Community engagement; Membership of industry associations.
- » **For our clients:** Access to thought leadership and services aligned with our values and our approach of working shoulder to shoulder with client.
- » **For society:** *Pro bono* services for charitable organizations; Shared knowledge; Initiatives to promote tax morality, compliance and trust in the audit process; Sustainable value chains.

- » **For our professionals, clients and communities:** Loss of trust if we provide services to clients facing regulatory scrutiny.

- » – Client Satisfaction Survey.
- » – Media coverage.
- » – Client acceptance and continuity procedures.
- » – Supplier Code of Conduct (pro-Human Rights).
- » – Number of events organized and publications produced.
- » – Relevant memberships.
- » – Community investment.



NATURAL CAPITAL

- » **Voluntary global environmental commitment**

- » **For our professionals:** Environmental awareness and engagement.
- » **For our clients:** Sustainable business models, policies and procedures.
- » **For society:** Lower Greenhouse Gas Emissions; Carbon Neutralization, with positive impacts on biodiversity and income opportunities from sustainably managing and keeping forests intact; Resource efficiency; Awareness of sustainable practices; Access to research and thought leadership.

- » We have no significant direct environmental impacts due to the nature of our business. GHG commissions are an indirect, but material, impact and we have therefore set global voluntary emissions reduction and offsetting targets.

- » – Eco-efficiency goals.
- » – A global commitment to reducing GHG emissions.
- » – Carbon emissions neutralized.
- » – Environmental awareness initiatives.



MANUFACTURED CAPITAL

- » **Technologies and infrastructure that contribute to material issues such as Quality of Life, Risk and Quality Management, and Information Security**

- » **For our professionals:** Efficiency; Integration; Information security; Occupational health and safety.
- » **For our clients:** High-quality and efficient delivery; Information security.
- » **For society:** Reduction environmental impact from our offices and travel.

- » **For our professional and clients:** technology and information security issues that compromise engagement quality or efficiency.
- » **For society:** impacts on urban mobility from people commuting to and from larger offices.

- » – São Paulo office building certified for environmental performance.
- » – IT Investments.
- » – Helpdesk assessment by KPMG professionals.
- » – IBS performance.
- » – Office location and encouraging the use of public and alternative means of transport, such as bicycles.

Priority stakeholders

Continuous engagement G4-18 | G4-24 | G4-25 | G4-26

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

Our business is continually affected by the dynamics of the relationships we establish with each of our stakeholders, as well as by the regulations, standards and practices of the markets in which we operate.

We are therefore continually alert to and in search of new ways to engage with each stakeholder to understand their needs, expectations, potential and limitations and where they intersect with our own interests.

KPMG in Brazil's first stakeholder mapping exercise was conducted in 2009, bringing together representatives from the different practices and offices of our Organization in Brazil.

Reviews conducted in 2011 and 2014 resulted in the current group of 12 stakeholder categories, seven of which are considered priority stakeholders for the business: Partners, Internal Stakeholders, Clients and the Market, Government and Regulators, Civil Society, Industry Experts and the Media.

Identifying these seven priority stakeholder groups was essential to developing increasingly effective management practices, and helped develop a forum for appropriate and targeted dialogue with each stakeholder, but without neglecting other stakeholders which contribute to strengthening our reputation.

STAKEHOLDERS MAP



PRIORITY STAKEHOLDERS



Material issues

What is most relevant to KPMG and to our stakeholders?

G4-18 | G4-22 | G4-23 | G4-26 | G4-27

MATERIALITY MATRIX

The process of building the KPMG in Brazil Materiality Matrix began in 2009. In 2011, an important review process led by Good Business identified nine themes related to the roles and responsibilities of our services, involving the business world and society.

These nine themes were referred to representatives of our seven priority stakeholders, who identified which were most material to KPMG and our stakeholders.

In 2014, the year we transitioned to GRI G4, we conducted an extensive exercise to build a clearer and more tangible Materiality Matrix than the previous one. The matrix was then reviewed and validated by members of KPMG in Brazil's Executive Committee.

In 2016, as in 2015, we continued to review our material issues to ensure that important emerging issues were not missed or left unaccounted for. Conducted by our Global Sustainability Services, the review process used the *KPMG Global Materiality Assessment Toolkit and Methodology* and two different approaches:

Direct sources

Review of feedback from engagement channels Climate Surveys; Internal Client Satisfaction Surveys; Client Satisfaction Surveys, Whistleblowing hotline, and inputs from the Audit Committee Institute. In addition, we remained actively engaged in discussions within the KDNA programme (which engages KPMG leadership and client and market representatives) and the ELOS programme around why we are here and the perception that stakeholders have of the value of our services.

KPMG strategy information Review of our strategic business objectives 2014-2025; interviews with leadership.

Direct sources

Benchmarking Against industry leaders.

Media research To identify topics of interest to stakeholders. We compiled research, news and indices and ranked them using the previously defined materiality criteria.

A comparison of these issues against the KPMG Materiality Matrix revealed that there are no new issues needing to be addressed. We have therefore maintained the issues addressed in the previous reporting period.



MATERIAL ISSUES TO KPMG AND TO OUR STAKEHOLDERS G4-18 | G4-27

Ethics and integrity	Governance	Risk and quality management frameworks and systems	Client and engagement acceptance and continuity	Privacy and information security	Client and Market Relations
Client satisfaction	Economic performance	Investment & Innovation	Training and Development	Career Development	Attracting and Retaining Talent
Rewards and Benefits	Organizational Climate	Quality of Life	Rewards and Compensation	Diversity	Voluntary global commitments (not prioritized by stakeholders, but important for KPMG): <ul style="list-style-type: none"> – Environmental commitment – Commitment to communities



Our performance

In this chapter we summarize the most material developments at KPMG in 2016 in each of the six Capitals that are used or affected by our activities: Human, Financial, Intellectual, Natural, Social and Relationship and Manufactured.

In detailing each Capital, we describe the following:

MANAGEMENT

Our approach to managing that Capital.

ASSETS

KPMG strategies for that Capital to deliver.

VALUE CREATION

The primary value we create from invested Assets.

HEADLINES

Figures and awards related to that Capital.



Intellectual Capital

World-class intelligence and technology supporting sustainable development.

MANAGEMENT

Our primary commitment is to **translate our Intellectual Capital** — a composite of our people and our local and global expertise — into **sustainable development solutions** for our clients.

We do this by adhering to the principles of **professionalism** and **integrity** — on which KPMG's reputation is built and which are connected to our purpose of making a difference in the lives of our stakeholders, inspiring confidence and empowering change.



ASSETS

Innovation

We continually renovate the strategies and technologies we offer to anticipate and meet the challenges faced by clients, the market and broader society at every stage of their lifecycle.

Global links

We leverage the global insight we derive from the knowledge flowing through the global KPMG network to remain at the leading edge of market trends and developments.

Knowledge

We continually invest in the strategic, technical and human development of our professionals and offer them career-advancing challenges

Integrity and responsibility

We strictly adhere to the principles of integrity based on an effective and comprehensive Risk and Quality Management framework.

Generating knowledge

We generate and disseminate knowledge and innovative solutions.

GENERATED VALUE

For our professionals

Continuous professional and personal development.

For our clients

Consistent decision making; Innovation; Efficiency; Governance; Access to new markets and resources; Risk management; Stakeholder trust.

For society

Ethical and sustainable business; Access to innovative knowledge.

➤ **LEADING AUDITORS FOR LISTED COMPANIES**

➤ **5,588 CLIENTS SERVED**

➤ **R\$ 26.6 MILLION INVESTED IN TRAINING AND DEVELOPMENT**

➤ **325 THOUSAND TRAINING HOURS**

➤ **Nº 1 TRANSFER PRICING SERVICES**
International Tax Review

➤ **BR WEEK BEST AUDIT COMPANY AWARD**
Novarejo and CIP

➤ **BR WEEK BEST RETAIL BUSINESS PARTNER AWARD** | Novarejo and CIP

➤ **LEADER IN INFORMATION SECURITY SERVICES** | Forrester Research

➤ **BEST INSURANCE AUDITORS**
Latam Insurance Review

➤ **WORLD'S BEST OUTSOURCING ADVISORS** | International Association of Outsourcing Professionals

➤ **BEST CORPORATE FINANCE FIRM 2016 BRAZIL** | Acquisition International



Expertise supporting development

► Innovation and knowledge for the benefit of our clients G4-1

Every year KPMGI conducts a CEO Outlook survey to identify what some of the world's leading executives see as future challenges, opportunities and areas for improvement.

In 2016, KPMG in Brazil conducted the first national cross-section of the CEO Outlook survey with 50 CEOs from major companies. The study provides an overview of their expectations for business expansion, challenges and strategies for the next three years.

Below is a summary of seven key insights and how KPMG has helped address these issues in real-world cases, denoting some of the ways we create value in these engagements.

◀ **Anticipate tomorrow. Deliver today.**

We anticipate market trends and prepare our teams to translate insights into solutions. That is how we help to shape the future.



WE ARE IN A PERIOD OF UNPRECEDENTED CHANGE AND CEOs DON'T FEEL THEY'RE READY

CEOs have little or no prior experience with issues that are shaping the future of their companies, such as disruptive technologies and businesses, new consumer profiles, cyber security, and data & analytics. There is much to be done and the support of independent consultants will be instrumental in implementing needed changes.

HOW WE ADDRESS THIS

We work with clients to drive positive transformation, seize opportunities and steer clear of risks. We do this end to end, translating our multidisciplinary expertise into solutions to the challenges facing leading CEOs today: Growth Strategy, Transactions Strategy, Operational Strategy and transformation strategy.

Case Study

STRUCTURING AN AGRIBUSINESS COMPANY

Challenge

After a difficult and challenging start, a fruit packing company in the Northeast sought KPMG's advice on its structuring process.

Our approach

Assessments focusing on accounting and operational improvement provided a basis for the business structuring process, which involved: auditing, developing processes and procedures focused on efficiency and corporate governance, appointing executives to key positions and potentially onboarding investors.

Value created

In five years, the company grew at Chinese rates to become the largest producer and exporter of fresh fruit in Brazil.



INNOVATION IS A PRIORITY INVESTMENT

New technologies are the key enablers of the changes enterprises are now making or will need to make. Intelligent use of data allows businesses to redesign processes, drive efficiency, target strategies and change, better serve customers, and develop new products and services. That is why most CEOs rank innovation as one of the top three items on their agenda.

HOW WE ADDRESS THIS

Our teams include a wide range of subject-matter specialists to support our clients in the strategic use of disruptive technology and thinking within an integrated approach to processes, information technology and people.

Case Study

KPMG SPECTRUM: STATE-OF-THE-ART, MARKET-ADAPTABLE SOLUTIONS

Challenge

Clients from all segments are looking for technology that provides efficiency and competitive advantage.

Our approach

We assemble the best experts from KPMGI member firms into a team that helps develop and/or procure leading-edge technology tools and deploy them in a collaborative environment to improve our clients' performance. Innovation partners meet periodically to make strategic investment choices best suited to current and future market needs.

Value created

KPMG's advisory services are powered by Artificial Intelligence and Cognitive Intelligence engines that gather industry information for comparisons among variables such as geographies, process efficiency indicators and operational models using robotics, for example. The efficiencies obtained from the use of these analytical engines in conjunction with robotic control processes exceed 40% in many cases.



➤ GROWTH APPETITE REQUIRES NEW BUSINESS MODELS

Growth is high on the agenda for most CEOs, but the road there is difficult. To seize growth opportunities in a progressively competitive environment, businesses need a real change of mindset toward new business models based on collaboration and partnership.

HOW WE ADDRESS THIS

KPMG teams have worked effectively in a wide range of engagements involving mergers, acquisitions and disposals of all or parts of clients' businesses, combining expertise in Strategy, M&A, Due Diligence, Valuation, Integration & Separation, Tax, Fraud Prevention and Anti-corruption, IT, People, Logistics and Procurement.

Case Study

SEPARATION OF A MULTINATIONAL TECHNOLOGY COMPANY

Challenge

A large multinational corporation engaged KPMG to advise on separating the business into two distinct entities that could be listed independently, reducing each other's influence on share price.

Our approach

Based on an analysis of the operational, legal, financial and tax situation of the businesses involved, we helped to develop a strategy and define the actions needed to ensure that on D-day both companies would be operating independently and without business disruption.

Value created

By leveraging our experience of similar projects and our multidisciplinary approach, the project was successfully completed on schedule and with the lowest possible tax burden.



CEOs LOSING SLEEP OVER NEW CONSUMER PROFILE

The new consumer has new needs and is more demanding than ever. Loyalty and the influence of millennials are among CEOs' concerns. A genuine client focus is one of their top priorities for the next three years.

HOW WE ADDRESS THIS

Globally, D&A is a key strategic asset for KPMG. An instrumental part of the assessments and strategies developed by our professionals, our D&A function combines innovative technologies and algorithms with our depth of knowledge and business experience to help clients transform data into real business value.

Case Study

D&A HELPS TELECOM CARRIER RETAIN CUSTOMERS

Challenge

In the last four years, telecom companies in Brazil have seen successive growth in cell phone usage, and especially data packs. With the crisis, however, our client recorded significant churn among prepaid, generally low-income customers. The challenge was to contain the loss of customers, win them back and then retain them.

Our approach

Due to the nature of its services, our client had a huge amount of data on the usage profile and patterns of each subscriber, but had failed to make strategic use of this information. KPMG structured a Data & Analytics system capable of capturing, storing, organizing, analyzing and processing this information. Using the system, we identified individual usage profiles by city and by region that enabled the company to deploy incentive and retention strategies targeting the specific needs of each subscriber group.

Value created

Instead of haphazard campaigns targeting all subscribers, the client began investing in group-specific campaigns according to their preference for voice or data, their geographical location and their loyalty. These investments proved to be much more effective in reducing prepaid churn rates and increasing revenues.



Case Study

MONETIZING DATA: A SUBSTANTIAL SOURCE OF REVENUE FOR TELCOS

Challenge

Mobile carriers have a wealth poorly explored data on millions of users: travel patterns (routes, means of transport, schedules, applications used, home and work addresses), time-of-day population density in each region, travel and shopping behaviour and mobile device usage (voice, data, SMS).

Our approach

We develop systems to organize and collate this information for analyses of population flows and consumer patterns that can inform product and service development or improvement, pricing, stratified marketing campaigns and strategic business siting decisions. We are enabling our clients to monetize and market this data while protecting the data privacy of their users' personal information.

Value created

Mobile telcos' first forays into database monetization in Brazil have generated a wealth of useful information for sectors such as retail, transport and even public security. Insights into population flows and socioeconomic stratification can inform business decisions such as new store locations, bus fleet sizing or time-of-day train frequencies, as well as population tracking in situations such as demonstrations or natural disasters.





CYBER SECURITY: THE BIGGEST RISK

The threat of a cyber-attack haunts CEOs and can compromise business competitiveness. Most CEOs do not feel their companies are fully prepared for a cyber event.

HOW WE ADDRESS THIS

Identifying what risks could materialize is at the heart of this process. As a provider of advisory services to governments and businesses in all industries, KPMG works to find intelligent, creative, and ground-breaking strategies to cut through complexity and address the challenges of cyber security.

Case Study

CYBER SECURITY: FROM RISK TO COMPETITIVE ADVANTAGE

Challenge

Companies and executive boards have little visibility of their exposure to cyber risks, the operational defences needed, the cyber response process and how to translate cyber security controls into a language that is effective for their particular business.

Our approach

We begin with a health check on clients' protection systems to demonstrate to managers the cyber threats and risks in their operations and the implications and losses for the business. Based on this assessment, we develop effective strategies for protection, identification and response to cyber events.

Value created

Our clients are able to design a roadmap with a focus on improving and optimizing their control environment, making cyber security a real differentiator for their business.



REGULATION IS A MAJOR CONCERN FOR CEOs

At the top of the list of concerns of Brazilian CEOs is the regulatory environment as a potential inhibitor of growth. Internationally, a growing cross-sectoral movement is promoting tax morality and transparency. The regulatory environment continues to be increasingly intense, not just in highly regulated sectors, but across all industries that do business across borders.

HOW WE ADDRESS THIS

We create multidisciplinary approaches to address the structural changes arising in the new business environment, combining our tax, legal, consulting and technology expertise. Through these approaches we help clients review their internal processes and implement the solutions needed to achieve compliance with both local and international regulations.

Case Study

OUR CONTRIBUTION TO TAX REGULATIONS ON DISRUPTIVE BUSINESS IN BRAZIL

Challenge

Many multinational corporations setting up operations in Brazil require an understanding of how their services and products will be taxed to fine-tune their business plans – especially how taxation applies to the intended business and will ultimately affect the pricing of their products and services. The process is even more complex for disruptive businesses not yet covered by current tax regulations.

Our approach

We helped three large multinational corporations to understand how current regulations could apply to their business. We first identified potential interpretations of tax rules and structured unique tax models accounting for the specific nature of each business. These models provided the rationale needed by clients working with government agencies to regulate their businesses, paving the way for regulatory reform to accommodate these emerging industries.

Value created

All three clients secured regulatory consent to operate legally in Brazil based on the tax models developed by KPMG, opening up the market to new players.



Case Study

TAX CONTROVERSY AND KTAX HELP CLIENTS MITIGATE IMPACTS FROM TAX DELINQUENCY PROCEEDINGS

Challenge

Brazil's new tax reporting environment - in which all tax information must be prepared and filed electronically - has brought benefits such as reduced tax evasion and faster and more comprehensive tax assessment processes, ultimately improving transparency and tax revenues. However, companies have often been subject to unwarranted delinquency proceedings due to reporting differences, either because they have not yet fully adapted their internal processes and systems, or because authorities have misinterpreted the facts.

Our approach

Using our proprietary KTAX software, we help our clients identify errors and inaccuracies in their tax filings and recommend preventive adjustments to avoid fines. For clients who have been subject to tax delinquency proceedings, our Tax Controversy team reviews each case and compiles evidence to demonstrate whether the fine is warranted. Tax reports are made available to the lawyers handling clients' legal proceedings.

Value created

For one **client in the financial market**, we helped demonstrate that its stock option plan met legal requirements, leading the court to dismiss a case worth **R\$ 1.5 billion**.

In **another financial market case**, we demonstrated that the company's profit sharing programme rules were compliant with legal requirements, resulting in the cancellation of a **R\$ 200 million** fine.

In yet another case involving an **industrial company**, we demonstrated that the accounting records and policies were adequately reflected in the calculation of taxes on profit, leading to the suspension of a **R\$ 100 million** fine.





REPUTATION: STRENGTH AND WEAKNESS

Building a company's reputation in a world where technology provides fast and unrestricted access to information of all kinds is a major challenge. Protecting reputation is among CEOs' chief concerns.

HOW WE ADDRESS THIS

Our Audit team works in the public interest, organizing and reviewing information and bringing reliability to our clients' financial statements, which has an impact on a company's reputation in the market. Our Forensics practice helps clients map corruption risks in the business, and design and implement procedures, standards and controls for the entire value chain.

Case Study

INTERNAL AUDIT CONTRIBUTES TO SUCCESSFUL GAMES DELIVERY

Challenge

The Organizing Committee of the Rio 2016 Olympic Games was faced with the task of hosting an event in Brazil that would be unprecedented in its complexity. A wide range of operations running simultaneously - some led by teams with little in the way of a control culture - added risk to each decision. This and the need to report to multiple national and international forums led Rio 2016 to engage our Rio de Janeiro office in 2011.

Our approach

When our engagement began, the Organizing Committee was pre-operational and needed to fast track its maturity in basic controls. We provided best-practice recommendations and performed risk assessments that helped to inform key policies. Beginning in 2012, we assigned permanent teams on site to work through each phase of the Committee's delivery schedule, including procurement, ticketing, events, logistics, transport, the Olympic Village and the ceremonies. A total of 26 functions/processes were audited, involving more than 19 thousand engagement hours. KPMG's focus was on timely auditing each process so that recommendations could be implemented in a timely and cost-effective manner consistent with the temporary nature of the Organizing Committee.

Value created

The Games were a success. Over the course of six years, more than 40 KPMG professionals worked to provide assurance to Rio2016 and its Audit Committee that its internal processes had controls that were consistent with their objectives and related risks. Our information helped Rio2016 to report to internal and external bodies, achieve regulatory compliance and leave a positive risk management and internal audit legacy for the Tokyo 2020 Olympic Games.



Forensic: assisting clients in achieving the highest levels of business integrity

Our Forensic laboratory combines the highest calibre experts and technologies to manage risk, prevent, detect and investigate fraud and misconduct (bribery, corruption and money laundering) and perform accounting, financial and business investigations. The laboratory's datacenter holds 250 terabytes of data, with files backed up on an hourly basis to a separate site.



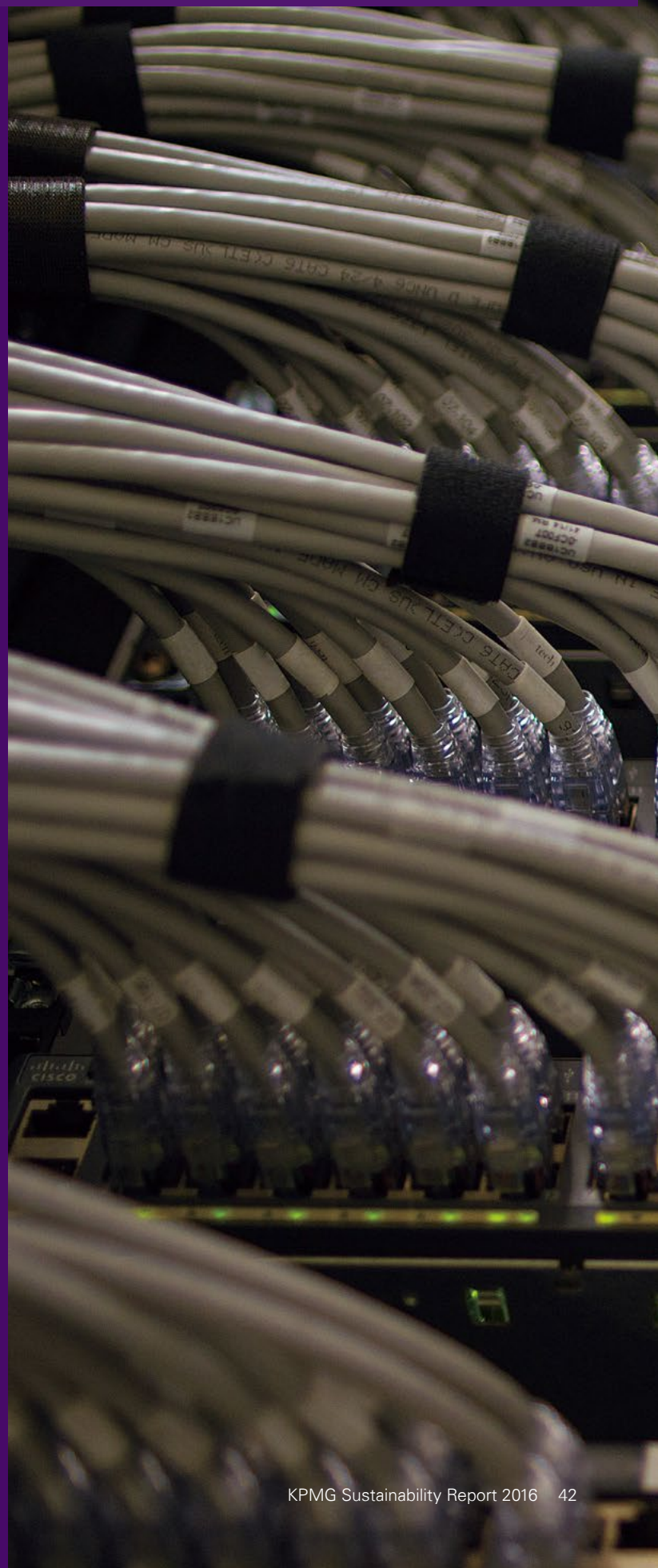
THE FUTURE OF AUDIT IS HERE AT KPMG

The next-generation Audit combines technology with professionals' judgement capacity and expertise. KPMG is advancing the use of technology on multiple fronts.

KPMG Clara is our new smart Audit platform. It provides cognitive, predictive and automated analysis capabilities that enable our teams to look deeper and discover more about a client's business and its risks.

Working with IBM Watson, our Audit teams have access to comprehensive data with 100% test coverage and can compare this data with market information.

Another breakthrough innovation is **Dynamic Risk Assessment** (DRA), a system developed by a team of our leading scientists, economists and mathematicians. DRA analyses the velocity and interconnectedness of systemic risks, providing deeper insights to KPMG audit teams.





Professional development

High-performance Intellectual Capital

Our professionals – our Human Capital – are ultimately what make us successful in generating and sharing knowledge and building the Intellectual Capital that inspires and empowers our stakeholders.

We accordingly report under Intellectual Capital our extensive investment in developing and honing skills, which translates into high-performing professionals.

This investment includes behavioral, technical and strategic training, reimbursement for undergraduate, graduate, specialist and language training programs, and incentives for mobility and secondments throughout the KPMG network of member firms.

To address the breadth of our portfolio and regulatory requirements, programs in this area are structured to develop general and specific skills according to our professionals’ functions, capabilities, areas of expertise and where they are in their careers.

INNOVATIVE LEARNING

How we drive training efficiency:

70-20-10

A framework widely used by innovation-centric companies, the 70-20-10 model prescribes that learning is:

70% from on-the-job experience: learning occurs through real-world experience and dealing with work-related problems in a collaborative environment, providing a better understanding and the opportunity to apply skills directly.

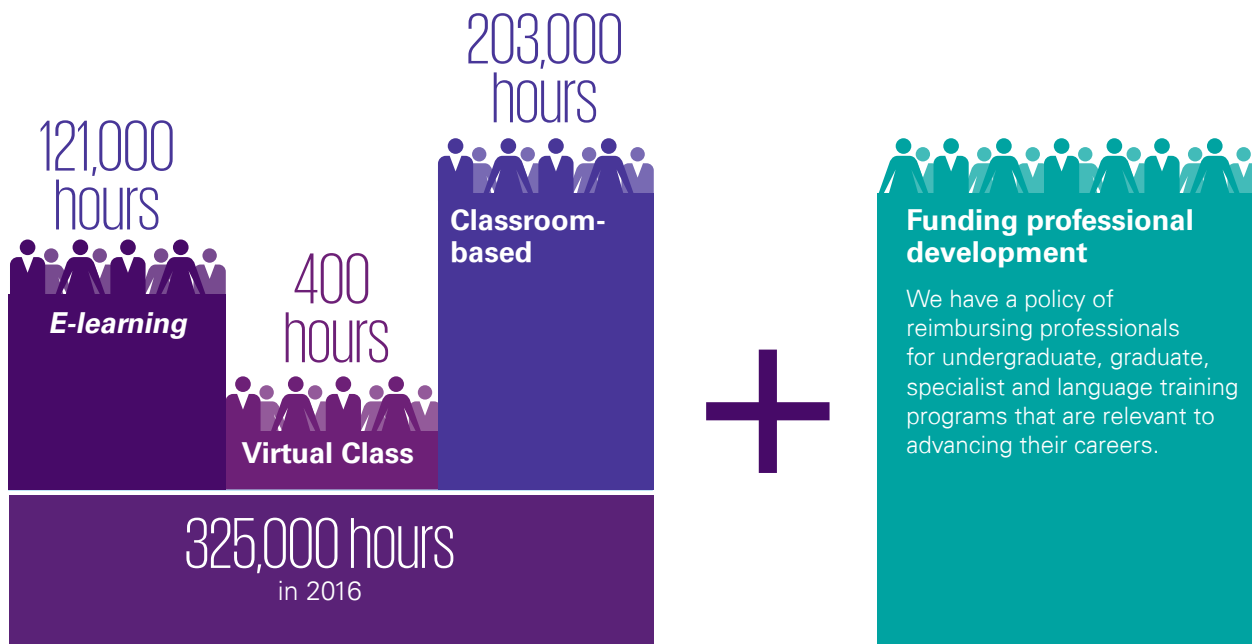
20% from informal learning: mentoring, coaching, feedback and observing people who have mastered the relevant skill.

10% from formal training: in classroom, in person or e-learning.

Just-in-time learning

Especially in Audit, we provide technical training as the time approaches when the relevant knowledge will be needed most, allowing classroom-based learning to be absorbed more effectively through practice and by sharing experience.

TRAINING AND DEVELOPMENT



R\$ 26,6 million invested
in training and developing our professionals

Investment in training and development

	2016	2015	2014
Training: Specific investments in technical and behavioral skills	18,637,783	15,400,000	14,700,000
Funding professional development: Investments in undergraduate, graduate, language, exchange and other programs	8,023,000	7,200,000	8,100,000
Total Investment in training and development (R\$)	26,660,916	22,600,000	22,800,000
Time invested in training (hours)	325,000	364,000	253,000



Average hours of training per year per professional by gender and by category **G4-LA9**

	2016						2015		2014	
	Men 83h		Women 78h		Average 80h		98h		72h	
	55h	86h	50h	85h	52h	85h	69h	107h	56h	76h
Interns	0	0	60	51	60	51	47	88	56	41
Trainees	57	104	28	110	42	107	0	130	77	107
Staff	49	75	49	74	49	75	66	82	53	62
Managers	83	79	61	82	70	80	97	107	60	56
Partners	73	115	56	116	70	116	93	129	75	81

● Average Administrative ○ Average Technical




The gender cross-section is an improvement introduced in the 2015 reporting cycle, although we have maintained the historical series from previous years for comparison by professional. Annually, all processes at the KPMG Business School undergo a Quality Review, which is an internal audit.





99.6%
Of our professionals
have higher or
university education

Educational levels of KPMG in Brazil professionals

	2016		2015		2014	
		%		%		%
Higher or university education	4,026	99.58	3,674	98.8	3,431	98
Primary/secondary education	3	0.07	4	0.1	47	0.7
Technologist	14	0.35	41	1.1	26	1.3
Total professionals	4,043	100	3,719	100	3,504	100



KPMG BUSINESS SCHOOL

Continuous learning

The KPMG Business School plans and implements our training and development programs, including both online and classroom-based activities.

Supporting this is KPMG in Brazil's Clix, an online learning management platform which offers over 200 courses to our professionals.

Training Centers in São Paulo and Rio de Janeiro centralize classroom-based activities, reducing travel time and expenses at our larger offices.

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

Corporate training Mandatory for all professionals. This training develops behavioral skills and disseminates corporate standards and policies, such as Risk Management, Ethics & Independence and Data Privacy.

Core training Develops technical knowledge and skills by activity area, enhancing our standards of excellence in service provision. Mandatory for all professionals.

Professional training Teaches concepts related to delivery methodology for each practice.

Specialist training Covers specific subjects recommended by leaders to address professional requirements and interests.

We create a modern and innovative work environment that allows our professionals to thrive.





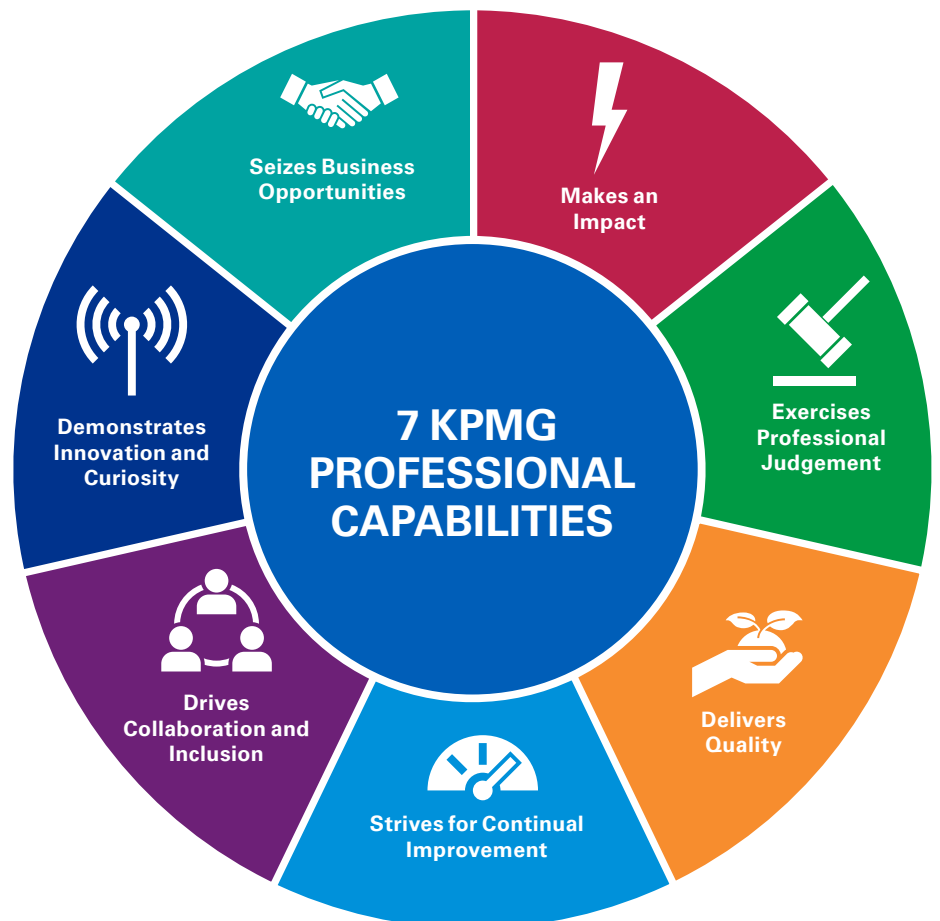
PERFORMANCE & DEVELOPMENT (P&D)

› Fostering outstanding careers

Our P&D function offers opportunities to achieve a balance between specialist skills and the behavioral skills and experience professionals need to both develop in their positions and progress in their careers.

A development plan is crafted based on performance assessment results (MyPD, My360 and Agility) and where a professional is in their career at KPMG (Staff, Lead, Manager or Partner).

The Performance & Development department contributes to KPMG’s strategic objectives, strengthening our vision and values and delivering innovation, excellence and quality.





LEADERSHIP DEVELOPMENT

▶ Inspiring in practice G4-43

Members of KPMG's senior leadership attend training and development programs designed to prepare them for leadership succession.

We provide specialist programs, offered by prestigious universities or specialized consulting firms, on subjects such as innovation, business management, international business, people management, sustainability, leadership styles, strategy and communication.

In addition to these, partners also attend exclusive international development programs:

Chairman 25 A group of 75 KPMG partners in the Americas, Europe, Africa, Asia and Oceania, all aspiring to key positions within the Organization. The group meets every quarter to discuss important issues and leadership responsibilities. The program has a duration of one year and a half and also involves CEOs

from other firms and external consultants, in an environment that is conducive to sharing professional experience.

Latin America Leadership Development Program (LALDP) A three-module strategy and leadership programs held at Georgetown University (Washington) for partners in Latin America, the United States and Canada who have between three and five years of experience in their positions and are key to the development and future of their member firms.



TRAINEE PROGRAM

▶ New talents attuned to new requirements

KPMG in Brazil invests consistently in developing young talent through *Novos Talentos*, one of the most attractive trainee programs in our industry. In 2016, **526** of **53,298 candidates** were hired to work at our Audit, Tax and Advisory practices across Brazil.

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

In 2016 we modified trainees' career plans to accelerate progression and incorporate their skills early in deploying technology in our solutions.

▶ NEW TALENTS: TRAINEES HIRED



Global Mobility: The right people, with the right skills, in the right place and at the right time for our clients.

MOBILITY AND SECONDMENT

Working shoulder to shoulder with clients, wherever they need us

Professional mobility serves two purposes. The first is to provide each client with the most qualified assets to address their challenges, wherever they are needed.

The second is to enable our professionals to acquire international experience in new practices and the capabilities to meet business demands, advance their careers and develop as leaders.

Global Opportunities (GO) is a program covering all forms of temporary assignments to KPMG member firms, with professionals retaining employment in their home country. Four types of assignments are available, ranging from three months to five years.

In 2016, KPMG in Brazil seconded and hosted **27 inbound and outbound professionals** through the program.

Global Opportunities (GO)

	Duration	Participating professionals		
		2016	2015	2014
Global Opportunities - Long Term	12 to 60 months	15	24	25
Global Opportunities - Short Term	3 to 12 months	2	2	1
United States Mobility Program (USMP)	18 months	1	2	3
Tax Trek	3 months	5	11	8
DA Swap	3 to 12 months	1	-	-
Tax Trek LATAM	3 to 12 months	1	-	-



BRASIL INOVA

► A step ahead of clients' needs

To deliver on our vision to be the Clear Choice for our clients, we work to remain a step ahead of their needs and to exceed their expectations for quality, comprehension and speed of response.

Under the leadership of the **KPMG Operational Innovation (KOI)** committee, in 2016 we implemented *Brazil Inova*, a pioneering initiative

that provides an opportunity for all KPMG professionals to contribute ideas and feedback that can drive improvements for KPMG and our clients. In just a few months the initiative recorded more than 100 ideas and 300 interactions among KPMG professionals.

Risk and quality management

▶ A guardian for our culture of integrity

G4-14 | G4-41 | G4-56 | G4-57 | G4-58 | G4-PR3 | G4-PR4
G4-PR7 | G4-PR8 | G4-SO3 | G4-SO4

KPMG business is based on the trust of our practices and advices. Our stakeholders acknowledge that integrity and professionalism are the principles with which we operate.

Robust regulation of the Audit segment led KPMG International to develop a culture of integrity, based on risk and quality management that influences all of the Company's activities, including Tax and Advisory.

The continued effort to improve the quality of our work is based on:

- our integrity culture
- the performance of extraordinary professionals
- the support of our methodologies and processes.

Risk Management Area and Quality Area

Responsible for supervising implementation and monitoring risk management policies related to professional services we render.



100% of the work carried out by KPMG is based on strict risk verification

Quality Control System Guidelines, policies and procedures that help our professionals to act with integrity, skepticism and objectivity and to carry out their jobs with diligence while complying with laws, regulations and professional standards. *KPMG Global Quality & Risk Management Manual* includes rules that all member firms and their professionals must comply with.

Principle of precaution All of our operations are subject to periodic risk assessments related to corruption. This principle is part of our core business, influencing the development of our professionals, the guidelines for customer acceptance, execution and monitoring of our work.

G4-SO3

CULTURE OF INTEGRITY

Promoting ethics and integrity in our activities

Our culture of integrity is supported by a robust set of values, policies and processes, allowing ethical actions and behaviors to spread throughout the entire KPMG network, starting with the leadership. We promote the culture where consultation is encouraged and recognized as strength.

Converting our Values into Action

Our Code of Conduct translates our values into commitment with our professionals, network, communities and clients.

It defines who we are and how we behave, in addition to emphasizing that all our professionals are personally responsible for expressing and maintaining behavior patterns related to professionalism and integrity applicable to their function and responsibility level. **G4-56**

Tone at the top

Shows KPMG's leadership commitment with quality, ethics and integrity and the aim at the quality services to the clients, company and other stakeholders.

GLOBAL AND LOCAL RESPONSIBILITY FOR QUALITY

A Several Global Steering Groups supports and guides the execution of business plan and strategy in their respective areas (*Global Audit, Tax and Advisory Steering Groups* and *Quality & Risk Management Steering Group*), cooperating with regional leaderships and member-firms to:

- Establish and communicate quality/risk management policies.
- Establish efficient and effective risk processes to promote quality.
- Proactively, identify and mitigate critical risk factors.
- Evaluate issues identified in quality inspections and reviews.

Procedures and policies that guide our work towards these principles are consolidated in three documents: *Code of Conduct*, *Global Marketing Compliance Guidelines* (GMC) and *Global Quality and Risk Management Manual* (GQ&RM).

Other specific documents and guidelines conduct professionals to comply with local rules and standards disclosed by national entities - Federal Accounting Council, Institute of Independent Auditors of Brazil, Accounting Pronouncement Committee, Securities Commission, Central Bank of Brazil, Private Insurance Superintendence, Supplementary Pension Plan National Superintendence, National Supplementary Health Care Agency – and international, such as *Public Company Accounting Oversight Board*, *US Security and Exchange Commission* and *International Federation of Accountants*.

Documents' contents are transmitted to our professionals by the leadership in communications, training courses, technical and intranet meetings.



100% of required professionals participated in training courses on Independence, Acting with Integrity and Combat to Money Laundering.

Communicating with transparency

Global Marketing Compliance Guidelines (GMC) and *Global Quality and Risk Management Manual (GQ&RM Manual)* provide guidelines we must follow to guarantee the brand’s global consistency, maintain ethical and objective communication with all our audiences, control risks related to reputation and manage client’s expectations regarding services rendered, with disclosure of clear and objective information.

Any communication and marketing material produced by KPMG in Brazil is reviewed by professionals accredited at GMC. In 2016, we had no cases of non-conformity or of warning related to the Organization’s regulations or codes. **G4-PR7**

Zero tolerance policy towards corruption and bribery

We prohibit the involvement of four professionals in any type of bribery. This approach extends to relationships with all of our stakeholders, including clients, suppliers and civil servants.

Periodically, all our professionals are required to take training courses on anti-corruption, anti-bribery and combat to money laundering. In addition, KPMG includes anti-corruption and anti-bribery clauses in all its supplier agreements. Our Supplier Code of Conduct also addresses this theme.

G4-SO4

Participation of active and required professionals¹ in training courses *Independence, Acting with Integrity G4-SO4* and *Combat to Money Laundering*

	Independence ²			Acting with Integrity ²			Anti-money Laundering ³		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Not Managers	2,632	2,367	2,289	3,071	2,425	2,235	2,644	2,371	NA
Managers	578	545	477	575	568	454	557	521	NA
Partners	314	294	283	314	298	279	303	279	NA
Trainees	1	2	6	4	2	3	1	2	NA
Total	3,525	3,208	3,055	3,964	3,293	2,971	3,505	3,173	NA
	100%			100%			100%		

¹ **Active professionals:** Professionals of abovementioned categories that were in Mobility or leave in respective year are not considered as active.

² **Required professionals:** partners, managers, technical professionals and interns (which serve external clients) and leadership of administrative areas.

³ **Required professionals:** technical areas and leadership of administrative areas.

Ensuring independence in Audit

The auditor's independence in relation to the client is a complex theme and one of the pillars of professional and regulatory rules and standards. Accordingly, it is taken very seriously by KPMG.

We count with detailed independence policies and procedures established in the *Global Quality and Risk Management Manual* (GO&RM Manual) that incorporate requirements of the Code of Ethics of the *International Ethics Standards Board for Accountants* (IESBA), associated to *on-line* systems that facilitate compliance with such requirements:

On-line systems Include Sentinel™, which must be used at every prospection to identify possible independence and conflict of interest issues, in accordance with local and global standards. In case the system identifies existing or possible conflicts that cannot be resolved, the policy determines that the project must be refused.

Training and Confirmations KPMG's independence procedures and policies are transmitted to our professionals through mandatory and monitored training, carried out upon admittance, and, on an annual basis, including case studies and real examples of KPMG's independence, as well as our professionals'. With the same periodicity, they are also required to electronically confirm understanding of and commitment with compliance with applicable ethics and independence standards and policies, as well as conformity with KPMG's Code of Conduct.

Specialists' guidance In addition to training courses and on-line systems, our professionals guidance on independence matters is provided by the Ethics and Independence partner and by the *Global Independence Group*.

Independence System related to investments Allows us to monitor compliance with our investment policies by partners and managers and by KPMG's member firms. The system contains a list of listed companies, their affiliates and financial institutions, as well as types of securities issued by them.

Partners and managers use the online system to record any change in individual investments and to evaluate if they are restricted or not. In case an investment becomes restricted, holders are notified to dispose of it.

Member-firms must also record their investments and professionals' pension funds. In addition to investments, it is necessary to record all loans, financing, custody or brokerage accounts that hold assets. **G4-41**

Rotation of partners responsible for audit clients In conformity with the law – which limits the number of years in which leaders may provide this type of service to the same client – we conduct this rotation, which also helps us to develop transition and succession plans, promoting our businesses' longevity. **G4-41**



Evaluating possible clients and engagements

Policies and processes for evaluation of possible clients and engagements, as well as continuity of ongoing engagements, help us to maintain the quality of services we provide and protect our reputation and brand.

Client Engagement Acceptance Continuance (CEAC) is an *online* system that helps to manage and document this strict policy for acceptance and continuity of clients and projects, including verifications and consultations to public information on the business and management of potential client, such as financial robustness, managers' reputation, type of product and technical risk of the project.

Sentine™ AIDS this certification taking into consideration independence, identification issues, prevention of conflicts of interest, and applicable standards. Law against money laundering stimulated us to include parameters in the system to identify the final beneficiary of the service, reinforced by an internal policy to denounce cases of this nature. **G4-41**

This process also includes analysis of our capacity to conduct the work, considering skills and experience of professionals assigned to provide service to client.

Additional and specific procedures are adopted to identify and evaluate threats to independence in relation to potential audit clients considered as 'entities of public interest', including review of any non-audit service provided to the client and of other relevant relations (financial, commercial, etc.). Considering growing use of this procedure for evaluation and mandatory rotation of audit firms in some countries (including Brazil), KPMG's online system *Independence Checkpoint* was introduced to automate and standardize work flow.

When a possible conflict of interest or independence cannot be resolved in accordance with regulatory and professional standards, with KPMG's procedures – or if there are other risk and quality issues that may not be mitigated, we relinquish the client or the project under discussion.

Audit clients and contracts are reevaluated on an annual basis. Changes in a client or contract risk profile (specific integrity issues or circumstances that may interfere in commercial relation) also trigger reevaluations.



Establishing clear and proper contracts

Based on *Global Quality and Risk Management Manual*, our contracts provide total transparency to clients regarding service details, including scope, description of products, schedule, fees, client responsibilities, sub-contracting and responsibilities of KPMG in Brazil. **G4-PR3**

Maintaining confidentiality of information

KPMG has information safety policies and procedures that govern confidentiality of our clients and professionals' information. We also determined technical requirements in Information Technology systems to better protect information. As part of information safety policy, all computers are equipped with software for data encryption and access is protected by passwords.

Our professionals commit to maintaining confidentiality of clients and former client information. Acknowledgment of and conformity with this commitment are confirmed on an annual basis, through electronic statement.

E-learnings on Data Privacy and Information Protection Fundamentals also address this matter and communications are regularly issued, reinforcing procedures.

In the period covered by this report, we had nine cases of non-intentional leakage of clients' information involving wrong e-mail address and equipment theft, with no losses to clients. Due to these cases, internal procedures were strengthened and reviewed. **G4-PR8**

Addressing ethic and quality matters

KPMG's Hotline or Direct Line In support to our commitment with integrity and ethics, we maintain a channel for communication of anonymous reports on possible violations – suspected or proven – of KPMG's policies or laws, regulations and standards through an independent service provider.

Hotline is available to all our professionals, clients and third parties.

In the period covered by this report, KPMG in Brazil did not receive penalties or fines deriving from reviews, and no cases of corruption were recorded by monitoring tools either. **G4-SO5**

Litigation Manages possible lawsuits and administrative claims. During the period covered by this report, we were not subject to any definitive conviction resulting from dispute referring to services provided. **G4-PR4**



PEOPLE

▶ How our professionals deal with quality guarantee

Our professionals are responsible for interactions between KPMG and its stakeholders. For this reason, they are essential to guarantee efficiency of the Risk and Quality Management Program.

We recruit and develop personnel and delegate responsibilities to talented professionals, who combine passion, sense of purpose, great expertise and innovative minds to deliver quality services.

Recruiting professionals at any career moment

Our recruiting strategies focus not only on professionals at the beginning of their careers, but also on those that are at more advanced stages. Accordingly, we are always prepared to keep up with speed of our clients' and their markets' transformation.

We are acknowledged as a stable and renowned employer due to our openness to young people at career start and to professionals already consolidated in the market.

Extraordinary professionals are the basis of our business and of our services' high quality.





In order to be able to offer services at the quality level that markets and investors need and demand, we must have to count on the best and most brilliant people.



Attracting the best talents

Employer of choice We created an environment where our professionals may develop their full potential and feel proud and motivated. Our investment in people focus performance and development, coaching and mentoring, reward and recognition, flexible benefits and open and honest communication within our teams. All this leads to a culture of learning, collaboration and inclusion, supported by a shared set of common values and purpose.

Attitudes of our professionals and their general commitment level are evaluated by *Global People Survey*, carried out every two years. We communicate results and carry out proper actions to address raised issues.

Inclusion and diversity We work hard to promote an inclusive culture that helps building teams with the broadest range of skills, experiences and perspective in an just and ethical work environment.

Developing our professionals

We develop multiple learning solutions to reinforce our Values, ensuring that our professionals absorb them properly and develop skills and attitudes that improve our work quality and added value.

We offer on-site and virtual training courses, coaching and just-in-time leaning, accessible at the click of the mouse and in line with specific job profiles and learning trajectories of each team member.

In case of Audit, we make available training guides on themes that require judgment and also develop professional judgment tools designed to strengthen the importance of professional skepticism.

Evaluating and rewarding quality

One of KPMG's global operation pillars is to provide Quality Services, gathering our professionals to address the needs to obtain individual and collective success.

All professionals, including partners, are subject to annual goals and performance evaluations to measure their compliance with established goals, show global skills/ behaviors, adherence to KPMG's values, technical capacities, and knowledge of the market.

Our remuneration and promotion policies are clear, simple and related to the performance evaluation process. This helps our professionals to know what is expected from them and what they can expect to receive in return.

PERFORMANCE

How we ensure quality audit reviews

Excellence in work performance is the main characteristic of KPMG; this is possible due to a set of measures that include the already mentioned commitments with ethics and integrity, the quality of our professionals, innovation and technical competence.

Audit quality is not limited to achieving a correct opinion, but also refers to the path we took, including consistent processes and tools, compliance with professional and regulatory standards, promotion of proper skills and knowledge, encouragement to consultation culture, innovation and technology.

Applying clear, consistent and updated audit Standards

Groups of professionals of KPMG International's *Global Services Center* (GSC) are responsible for conducting consistent application of audit standards in the entire global network. Our audit methodology and tools, developed and maintained by GSC, are as follows:

- globally consistent and fully compatible with international audit standards (ISAs).
- designed for effectiveness in all types of risky environments and economic circumstances.
- made available to and used by all KPMG's audit professionals, even when local audit standards are not as strict as ISAs.

International Standards Group Interprets international audit and accounting standards and facilitates their consistent application, issuing guidelines to the entire KPMG network.

Global Topic Teams Operate as a central contact reference for technical consultations, formulate guidelines on accounting practices, and disclose reports on specific sectors or technical areas.

Global IFRS and ISA Pannels Follow evolution of the International Accounting Standards Board and of the International Audit and Assurance Standards Board (IAASB) to communicate guideline changes to Professional Practice Departments of each member firm that supports local audit teams.

Using technology

Each of our auditors has access to a full set of KPMG's methodologies and specific knowledge of each industry through eAudit. Our audit tool is constantly evolving to follow the rhythm of the environment's new requirements and consistently lead our teams during the entire process.

We are developing new Data and Analytics (D&A) tools intended to aid our teams to analyze clients' financial data in new ways, in order to provide a broader view for identification and evaluation of main issues and for audit tests.

Assigning the right people to each engagement

For evaluation and planning of new engagements, we identify experienced partners and professionals that have the knowledge and skills to properly conduct audit work in accordance with applicable professional rules and standards and in conformity with KPMG's methodology.

When we do not have the exact specialist for a certain engagement, we seek that resource in another member firm.

Managing audit documentation

We use the *KPMG Audit* methodology and the *eAudit* tool to provide guidance on audit work documentation procedure. This documentation records audit procedures that were carried out, evidences obtained and conclusions reached in each engagement.

In addition to document management and retention policies, eAudit helps teams to fully prepare audit documentation.

Encouraging a culture of consultation

We have built a strong culture of consultation and our professionals are encouraged to use this procedure to clarify difficult or contentious issues.

Audit professionals also count on consultation and documentation protocols for significant accounting and audit matters, including procedures to solve differences of opinion. Matters that are not solved are sent to other organizational levels.

Using EQCR

Engagement Quality Control Reviewer (EQCR) is a partner with sufficient and adequate knowledge and experience to independently and objectively evaluate decisions and conclusions of the team during preparation of audit report.

Issuing adequate audit reports

Applicable audit standards determine format and contents of report issued by the auditor. We early adopted new IAASB requirements for audit reports – which became effective in December 2016 – and improved them to provide users with further information on audit and more transparency.

NEW AUDITOR'S REPORT: CLEARER AND MORE RELEVANT

At clients, regulators and market demand, international audit Standards established a new report model to be used by auditors beginning as of 2017.

This new version must be clear and didactic when presenting main audit themes and procedures adopted to address them, as well as results obtained. Accordingly, this document will emphasize the most relevant aspects when analyzing each client.

KPMG has already adopted new regulation and started to deliver some clients' reports in the new format. Due to this pioneer action, we are being invited to aid in raising market's awareness on this theme, speaking in congresses and seminars.



MONITORING

How we monitor audit quality

Internal inspections

We are committed to continuously improving our audit reviews through integrated monitoring programs for quality and compliance, which allow us to identify quality control deficiencies, analyze their causes, and develop and implement action plans to remedy them.

These programs have the same approach in all member firms, including texts and reports' nature and extension.

Name	Periodicity	Focus
Quality Performance Reviews (QPR)	Annual	Evaluation of performance level and identification of opportunities to improve work quality in Audit, Tax and Advisory practices. All partners of the technical area are subject to review at least once every three years.
Risk Compliance Program (RCP)	Annual	Self-evaluation that monitors, documents and evaluates conformity level of quality control system created by KPMG in Brazil, based on KPMG International's quality and risk management policies, as well as on applicable legal and regulatory requirements.
Global Compliance Reviews (GCR)	At least once every three years.	Conducted by KPMG International's independent global team, test integrity and robustness of our <i>Risk Compliance Program</i> , status of action plans, commitment of member-firm with quality and risk management, spread of this commitment to its general structure, governance, financial area, and compliance with policies and procedures related to the rendering of services upon global information reports generation.



In the period covered by this report, KPMG in Brazil did not receive penalties or fines deriving from these reviews. G4-PR9



External regulatory inspections

In addition to KPMG’s monitoring programs, regulatory agencies conduct periodic inspections focusing on audit clients subject to applicable rules:

Name	Periodicity	Focus
Public Company Accounting Oversight Board (PCAOB)	At least once every three years.	Evaluates the adherence of our accounting audit practice to PCAOB standards and regulations
Securities Commission (CVM)	Periodic	Evaluates audit practice’s quality control system and adherence to standards and regulations of the Federal Accounting Council (CFC) and the Brazilian Securities and Exchange Commission (CVM).
External peers review required by the Federal Accounting Council (CFC)	Every four years	Performed by another audit firm of the same size. Evaluates audit practice’s quality control system and whether procedures adopted during audit review comply with applicable standards and rules.



Analyzing the root cause and preparing action plans

Taking into consideration external inspections results, issues raised by QPR, RCP, GCR and internal processes related to quality incidents, we analyzed the main cause and prepared timely and adequate action plans to solve problems identified.

Recommending improvements

Quality and Risk Management Leaders are responsible for monitoring quality and risks. Our *Global Audit Quality Issues Council*, established by the Global Audit Steering Group (GASG):

- Considers issues raised by quality control internal reviews and by external inspections of KPMG network.
- Monitors advances made in approaching issues related to audit quality.
- Makes recommendations to GASG about audit quality issues.

Global Code of Conduct

G4-56

OUR PROFESSIONALS

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

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

OUR COMMUNITIES

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

- Enhance the role of the accountancy profession and instil confidence in the global capital market
- Help improve 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 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

Human Capital

Continuing investment in our people with a focus on high performance and a deep sense of ownership and purpose.

MANAGEMENT

People management is at the heart of our strategy, driving **excellence** in Intellectual Capital.

We are recognized internationally for our **ability to attract and generate talent** by investing all resources necessary to train and develop our professionals and leaders.

A **high performance culture** leads them to maximize their potential, while diversity provides a unique mix of expertise to generate innovative insights.



ASSETS

Continuous development

We invest in the quality of our services through continuing training and development.

Rewards and Benefits

We encourage healthy practices and quality of life through campaigns, benefits and a collaborative environment.

Career development

Professional achievement is recognized through a range of evaluation and feedback tools that inform each professional's career plans and development.

Diversified talent

We draw on intraregional diversity and experience to deliver a combination of expertise and innovative insights in our engagements.

New talent

We invest in new talents and expect them to adhere to our principles of professionalism and integrity.

➤ 4,043 PROFESSIONALS

➤ 47.5% WOMEN ON OUR TEAM

➤ 1,785 PROFESSIONALS PROMOTED IN 2016

➤ BEST COMPANIES TO WORK FOR Fortune

➤ 25 MOST ADMIRER COMPANIES FOR HR Gestão RH

➤ LEARNING & PERFORMANCE BRAZIL ABRH, FENADVB, FNO, ABES

➤ WEP (WOMEN'S EMPOWERMENT PRINCIPLES) AWARD (BRONZE) UN Women

➤ BRAZIL'S MOST ADMIRER HR ORGANISATIONS | Gestão RH

➤ 20 FIRMS THAT HELPS THE MOST TO GROW IN THE CAREER IN SÃO PAULO Love Mondays

GENERATED VALUE

For our professionals

Remuneration and benefits; Career development; KPMG pride; Work environment; Respect for diversity; A resume the market values; Health and safety at the workplace.

For our clients

Ethical conduct, integrity and high-performing professionals.

For society

Best workplace, diversity and corporate citizenship practices.

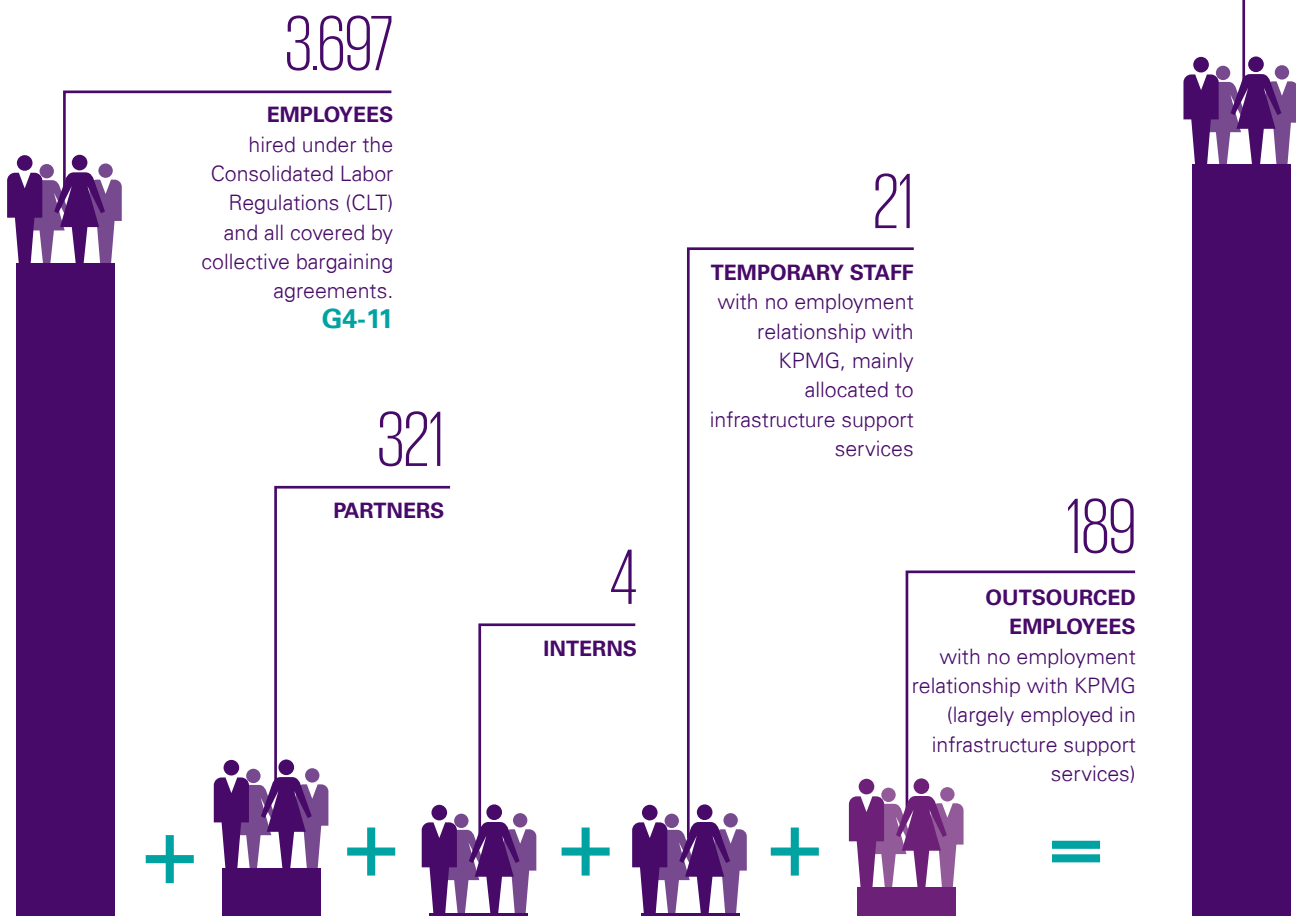


Trabalhamos em conjunto, unindo talento, e paixão pelo que fazemos.

Esse é o nosso futuro. Esse é o nosso propósito. Inspire Confidence. Empower Change.

4.232 employees

All people working at KPMG in Brazil at the end of financial year 2016.



4.043 professionals

Partners, employees at KPMG's technical and management functions (registered in accordance with Brazilian labor legislation), temporary employees and interns



► Distribution of KPMG in Brazil professionals by office (%) G4-10



* As 77% of our professionals work at our São Paulo and Rio de Janeiro offices, we have followed a GRI recommendation and presented these figures in three categories: São Paulo Office, Rio de Janeiro Office and other offices.

Total KPMG in Brazil Staff G4-10

Age Group	Own Employees	Interns	Temporary Staff	Partners
Up to 30	2,600	4	17	0
30 to 50	1,066	0	4	258
Over 50	31	0	0	63
Total 2016	3,697	4	21	321

Office	Own Employees	Interns	Temporary Staff	Partners	Outsourced
São Paulo	2,320	4	19	223	157
Rio de Janeiro	500	0	1	38	14
Other Offices	877	0	1	60	18
Total 2016	3,697	4	21	321	189

Gender	Own Employees	Interns	Temporary Staff	Partners	Outsourced
Men	1,831	0	5	268	101
Women	1,866	4	16	53	88
Total 2016	3,697	4	21	321	189

Total professionals at KPMG in Brazil (all of the above, except outsourced)	4.043
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The total number of outsourced professionals excludes those hired by the Audit, Advisory and Tax practices.

Career planning and development

Dynamic career paths guided by feedback and new challenges

G4-40 | G4-44 | G4-51 | G4-LA11

To support our professionals' development, we have established a **robust career and development plan** that is aligned with KPMG's global privacy guidelines and based on the principles of merit and equal opportunity.

Continuous leadership feedback is a part of KPMG's culture that fosters dialogue and working closely together in our work environment.







Performance assessments are conducted annually using tools that assist in identifying strengths and areas for improvement in both technical and behavioral aspects.

Among our senior leadership, those professionals whose performance most effectively contributes to the Organization's results are recommended as partners and are evaluated by an independent consultancy, by the members of the Executive Committee in Brazil and by Senior Partners at KPMG International.

In 2016, **85% of eligible professionals**, or a total of **3,165 people**, participated in the My Performance Development (MyPD) assessment process. MyPD is supplemented by **My360**, a global platform for feedback by superiors, peers, subordinates and internal clients, providing inputs into our professionals' career development plans. Partners and managers across the KPMG network also participate in the **Agility** feedback program for senior leadership.









Alongside MyPD, career guidance is also supported by **Role Profiles** that clearly outline requirements for each position.

Professionals promoted

POSITION	2016		2015	2014
			 	 
Staff	734	800	1,534	1,840
Staff to Manager	56	46	102	105
Manager to Senior Manager	43	25	68	49
Senior Manager to Partner	52	29	81	38
Total	885	900	1,785	1,791

Performance Assessment – MyPD G4-LA11

Percentage of employees receiving regular performance and career development feedback (up to 30.09.2016)

MyPD	% Men		% Women		% Average for category	
					 	 
Interns	0*	0*	67	100	67	100
Trainees	100	78	100	51	100	50
Staff	78	96	78	95	78	96
Managers	94	92	92	93	93	93
Partners	90	95	100	98	92	95

* There were no men in these areas/categories.

 Administrative

 Technical

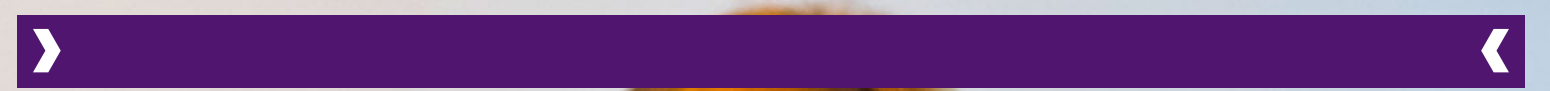


Retirement preparations **G4-LA10**

In 2016 we implemented retirement planning and transition workshops for partners, managers and staff.

The *Life After KPMG* program was attended by **15 partners** due to retire in the next 5 years.

New Horizons workshops were attended by **17 professionals**, who were introduced to a structured career transition process designed to reflect their preferred lifestyle and help to plan future actions and goals across finances, health and new projects.



REMUNERATION

MyPD and My360 are used as a basis for informing promotions and salary increases, as well as for the **Profit-Sharing Program**, which also takes into account the general results of the Organization, the business unit and the professional.

These principles are also used to define the remuneration received by partners, including the chairman, alongside criteria such as KPMG's business profitability and social and environmental targets. **G4-51**

The Profit-Sharing Program is self-funded (rewards are distributed when financial targets are achieved), transparent (with clear communication of the program and interim results), participative (professionals can track results and provide suggestions for improvement through the Employee Committee) and developmental (rewarding the best results and individual performance).

Since 2016 we have paid full profit-sharing bonuses to professionals on maternity leave.

HIRES/TURNOVER G4-LA1

In 2016 KPMG's hiring rate was **33%**, with 59% of new hires at the São Paulo office.

Including voluntary terminations, our **turnover rate was 22%**. Voluntary terminations were largely of professionals under 30 (74%). There was a four percentage-point gender difference in new hires (52% men and 48% women). Turnover rates were 50/50.

In cases of voluntary termination, **Termination Interviews** were held to provide an understanding of what had led each professional to decide to leave KPMG. Qualitative data deriving from these interviews is submitted to partners to inform the development of action plans focused on continual improvement of talent retention rates.

Hires and Turnover G4-LA1

Office	Hires	%	Voluntary terminations	%
São Paulo	794	59	280	61
Rio de Janeiro	139	10	53	12
Other Offices	410	31	125	27
Total	1,343	100	458	100

Gender	Hires	%	Voluntary terminations	%
Men	704	52	229	50
Women	639	48	229	50
Total	1,343	100	458	100

Age Group	Hires	%	Voluntary terminations	%
Up to 30	1,105	82	337	74
30 to 50	225	16	117	26
Over 50	13	2	4	1
Total	1,343	100	458	100

Hiring Rate

33%



Termination Rate

22%



Turnover Rate

11%



Health and quality of life

Well-being at and outside the workplace G4-LA2

MYLIFE

Our quality of life program encourages healthy practices, well-being and care for body and mind, helping staff to balance their work and personal life and physical and mental health.

Quality of life is achieved through little things that combine to provide lasting benefits in the lives of our professionals, such as walking more and driving less, trading processed foods for natural products, practicing responsible consumption and seeing each other as different and complementary individuals.

MyLife has three pillars:

Culture and Entertainment Special programs, tours and discounts at artistic and cultural events.

Health Special discounts at gyms and pharmacies, and an Intranet site and awareness campaigns focusing on quality of life.

Facilities Day-to-day convenience services for our professionals, such as discounts at restaurants, stores, hairdressers and other service providers; and classifieds for buying and selling products and services.

Tennis championship mobilizes Rio de Janeiro office

While many might think of tennis as a sport for physical and mental health only, professionals who participated in the KPMG Rio Tennis Championship say it also helps to build camaraderie and a more collaborative work environment.





◀ Fitness snacks at KPMG São Paulo

As part of our policy of encouraging healthier eating habits, the snack machines installed at our main office now offer healthier options such as yoghurt, fruit, coconut water and natural snacks.

Other MyLife initiatives:

Walking and jogging group Since 2015 we have provided a coaching service to prepare our athletes in São Paulo and Rio de Janeiro for the Pão de Açúcar Marathon. In addition to coaching, we offered a 50% reimbursement of the entry fee and support during the marathon race, including a massage service and breakfast.

Nutrition education program We are considering a proposal to hire a nutritionist or establish a partnership with a content portal for nutrition campaigns.

GYMPASS: activities for all ages. Every day.

Implemented in 2016, this program allows KPMG professionals to engage in more than 350 sporting interests at more than 6 thousand facilities in Brazil, every day.

The plan was developed after feedback from the GPS/Pulse survey revealed that professionals found it difficult to exercise regularly due to time taken commuting.

With Gympass, professionals can simply access the application, select a location, interest and time, and they're good to go. From April to December 2016, the number of employees joining doubled to reach a total of 1,051 users.



**November and Rose October:
Mobilization to promote the health of our professionals.**

HEALTH & SAFETY

G4-LA5 | G4-LA7 | G4-LA8

In line with International Labor Organization guidelines and the standards of the Ministry of Labor and Employment, our labor practices include a set of initiatives to promote the health, safety and well-being of our professionals.

Our *Environmental Risk Prevention* (PPRA) and *Occupational Health Surveillance* (PCMCO) programs, ergonomics survey, internal surveys (SIPAT and SESMT) and initiatives developed by a consultancy firm are communicated through e-learning sessions, Intranet tips and our corporate magazine, KPMGente.

The **Medical Clinic** at our main office in São Paulo, home to 64% of our professionals, has a doctor and a nurse on duty who, in addition to providing occupational and medical care, run prevention and health campaigns and compile case statistics. These indicators inform our mitigation initiatives at a national level. **G4-LA8**

In 2016, our **Labor Safety** department, working with the KPMG clinic and the CIPA Fire Brigade, developed procedures for action in response to occupational injuries and measures to prevent occupational injuries and illnesses. A safe behavior campaign is being run through two-weekly Safety Tip pop-ups displayed to all staff in Brazil.

Our **Internal Accident Prevention Committee (CIPA) represents 75% of KPMG in Brazil professionals** and is governed by a Master Plan encompassing accident prevention and health promotion initiatives throughout the year, integrated with MyLife and our Corporate Citizenship, Inclusion and Diversity function. **G4-LA5**

KPMG's scope of professional services is limited to office activities, exposing our professionals only to ergonomic risks and stress-related health issues. There are no chemical, physical or biological hazards according to the hazard mapped by KPMG member-firms within our Environmental Risk Prevention Program. **G4-LA7**

Benefits provided G4-LA2

Rewards and Benefits	Beneficiaries
Fitness centers	All professionals
Health Care	All professionals
Dental Care	All professionals
Nursery Allowance	Through a local collective bargaining agreement - Provided for mothers. Also for fathers who are legal guardians.
Wedding Gift	All professionals employed under CLT
Birth gift	All professionals
Check-up	Partners
Drugstore facility	All professionals
Payroll Loans	All professionals employed under CLT
Parking	Leads to Partners
Graduate Education Incentive	Managers
Language Learning Incentive	All professionals, except "E" level positions and temporary employees*
Profit Sharing Program	All professionals hired under the Consolidated Labor Regulations, conditional upon meeting performance targets and eligibility requirements
Financial incentive for professionals fluent in English	All professionals from the technical function who provide evidence of fluency
Undergraduate Education Incentive	Interns to managers
KFleet (corporate fleet)	Managers
Pension plan	All professionals
Life Insurance	All professionals
Professional Association Allowance	Trainees to Partners
Grocery Vouchers	Leads and managers
Meal Tickets	All professionals employed under CLT and Interns
Transport Tickets	All professionals employed under CLT and Interns
Gift Cards	All professionals employed under CLT

* Group "E" positions are as follows: catering staff, valet, telephone operator, messenger, receptionist, intern, assistant, office assistant, printer operator, computer operator I and II, and reviser.assistente.

BENEFITS G4-LA2 | G4-EC3

In addition to benefits such as physical wellness, health, comfort and safety, our professionals are also offered a Supplemental Pension Plan – KPMG Prev – that helps them plan their future.

Established and governed in accordance with applicable regulations, the KPMG Prev pension plan has formal and documented management, structure and guidelines and its by-laws and rules are available to participants on the Intranet. News and guidance are provided periodically, ensuring participating professionals are given up-to-date and straightforward information.

A specific fund exists to pay plan liabilities, with dedicated assets set aside to cover 74% of plan liabilities. The calculation base for this estimate includes total salaries and management fees.

KPMG Prev G4-EC3

Name	KPMG PREV
Type	Defined Contribution
Eligible professionals (CLT and Partners)	4,018
Total Participants	811 (20%)
Participant contribution (voluntary)	5% to 10% of basic salary
KPMG contribution (compulsory)	8% of the amount exceeding the Pension Unit (R\$ 4,421.00)
Level of participation in plan	National/Annual
KPMG contribution for financial year (R\$)	3,968,884.84
Closed-end fund? Yes/No	Yes

Organizational climate

Actively listening informs continuous improvement

Performance against KPMG's People policies and processes is measured every two years by a **Global People Survey (GPS)**, through which we:

- Measure engagement.
- Identify factors affecting the performance of our professionals and teams.
- Recognize where we are faring well.
- Identify strategic priorities and actions for improvement.

Based on the results, each department's leaders and business partners (Human Resources) design specific action plans aimed at improving these indicators.

The most recent edition of the GPS was at the beginning of financial year 2016-2017, with **3,411** professionals responding (**84%** of total professionals).

The data showed **satisfaction had improved across 14 of the 16 indicators**, with especially high levels of satisfaction in *Corporate Citizenship* (83%), *Quality and Risk* (82%) and *Strategic Vision* (80%) and improvement in the perception of effectiveness of Action Plans in response to GPS surveys (which increased from 50 to 63%).

In non-GPS years, our short-form **Pulse** survey provides an interim measure of whether we need to adjust our course.

Examples of initiatives implemented in recent years as a result of the survey:

Rewards and Compensation

- Seniority celebrations.
- Grocery cards for engagement leads and managers.
- Advance on first profit-sharing payment.
- Gympass.

- KFleet, a corporate car benefit that has increased total compensation for managers. and is unique among the Big Four.

Communication

- Regular Partner meetings.
- Leadership breakfast.
- New São Paulo office layout for greater integration.

Leadership and Management

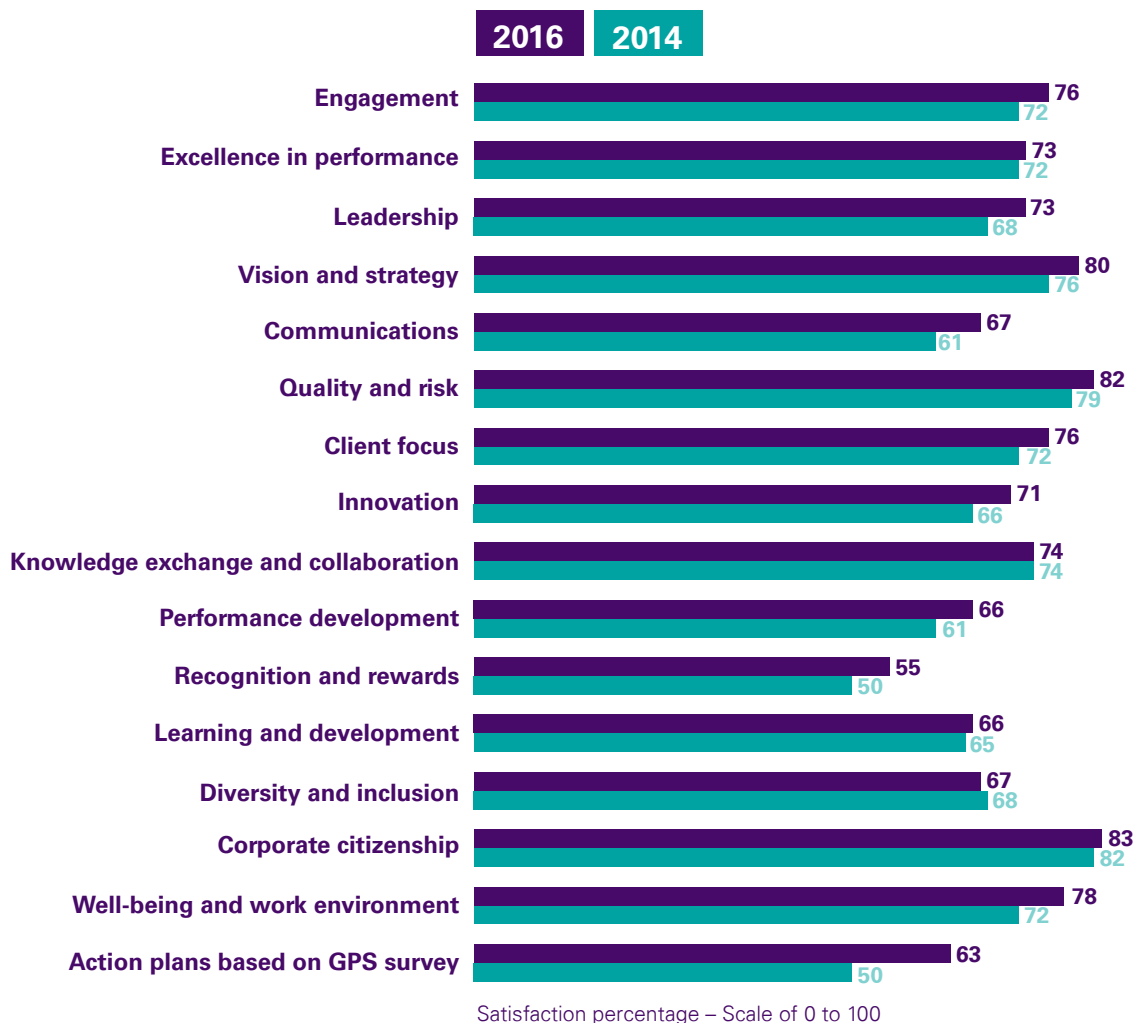
- Vacation Management System.
- Leadership program for engagement leads, managers, directors and partners.
- The *Purpose* Program.
- Employee Coaching program.
- *Trainee Welcome Functions* for greater integration.

GPS Phases





RESULTS FROM THE GLOBAL PEOPLE SURVEY – BRAZIL 2016



TOURING OFFICES: greater flexibility and convenience for KPMG professionals

In 2016 all trade unions representing KPMG professionals in the states where we have offices approved the use of touring offices.

This has provided our professionals with greater flexibility and convenience in registering their work routines.

The new process has also led to the approval of the rules for hour banking and flexible working hours. The touring offices are in response to a Corrective Settlement Agreement concluded in 2015.

Inclusion and diversity

Our differences make us stronger

G4-10 | G4-LA12

Respecting individuality has been integral to our approach to creating a respectful environment that is free of discrimination, welcomes diverse opinions and safeguards the rights of each individual, regardless of their personal traits and beliefs. Diversity is not only expected of corporate citizens, it is strategic for business sustainability and for building more inclusive societies.

Inclusion and Diversity are among our global strategic priorities. A set of guidelines for both the external and the internal environment helps us advance in promoting equity at KPMG and among our stakeholders.

In 2016, the KPMG Global Council named Susan Ferrier as head of Inclusion and Diversity and launched a global commitment:

"We will work together to foster an inclusive culture. We will hire and develop diverse capabilities and build teams with the broadest range of skills, experiences and perspectives; that bring the most innovative ideas to our clients and that enable us to fulfill our purpose to be The Clear Choice.

We will continually challenge our existing practices and assumptions and embed inclusion and diversity in all that we do. Our goal is to work together and individually to build a stronger and more successful company for today and tomorrow.

We know we have lots of work to do, but also much to be proud of. Without doubt we are absolutely committed to make KPMG a truly diverse and inclusive place to work."





These principles are further reinforced by our Code of Conduct and by merit-based compensation and promotion policies. The pillars of our Inclusion and Diversity policy in Brazil are: Equality with respect to gender, Religion, People With Disabilities, Apprentices, Sexual Orientation and Race/Ethnicity. Our Intranet provides information on each of these pillars and fosters dialogue with our professionals.

In December 2016 a series of initiatives celebrated inclusion and diversity at KPMG in Brazil:

1st KPMG Diversity Meeting Speakers from KPMG and invited companies spoke about inclusion and diversity to an internal and external audience of 120 people, using a dynamic approach that could be applied to the real world at the workplace.

Oficina dos Menestréis KPMG supported the drama performances of the troupe, staged by actors with physical or cognitive disabilities and by elderly people.

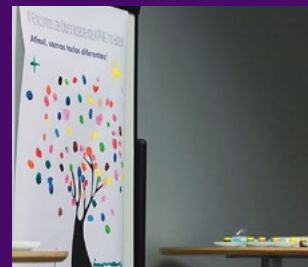
“Serenity of Touch” massage therapists with visual impairments provide quick massage sessions at our offices in São Paulo.

**Corporate Citizenship,
Inclusion & Diversity
building and consolidating
KPMG’ history.**



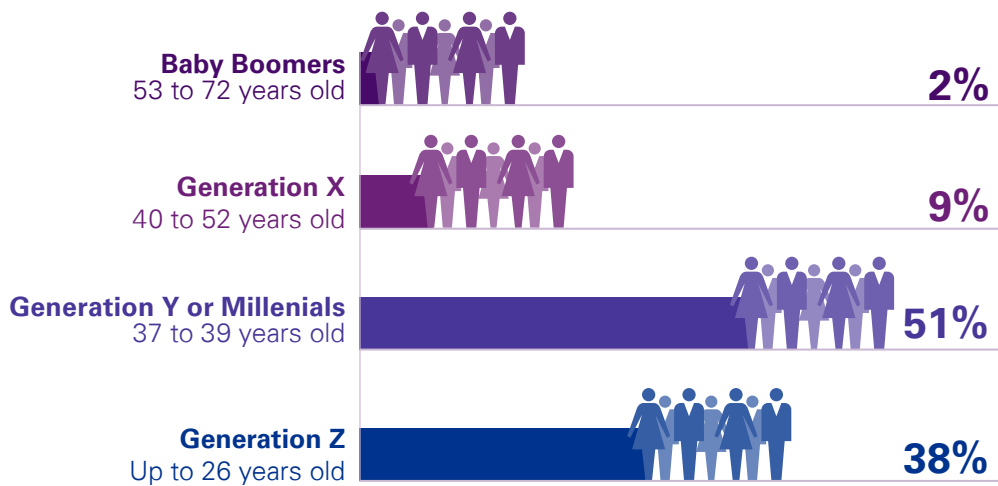
Diversity is about **each of us** and about the variety of unique experiences, qualities and traits we all have.

Inclusion is about **all of us**, creating a culture that promotes equity and embraces, respects and values the differences of all our people.





KPMG PROFESSIONAL PROFILES
Generation profile





GENDER



Diversity in numbers G4-10 | LA12

Breakdown of KPMG professionals by age and gender* (%)

Position	Up to 30				31 to 50				Over 50			
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Interns	0	100	0	100	0	0	0	0	0	0	0	0
Trainees	50	50	48	52	0	0	0	0	0	0	0	0
Staff	34	66	50	50	30	70	50	50	9	91	0	0
Managers	0	0	62	38	39	61	69	31	40	60	75	25
Partners (Directors and Partners)	0	0	0	0	75	25	83	17	94	6	87	13
Total	34	66	49	51	35	65	66	34	45	55	86	14

*In January 2016 we launched an online onboarding system that allows us to compile data on minorities. We have run internal campaigns encouraging our professionals to complete minority information, but currently do not have sufficient aggregate information to report consistently.

● Administrative Team

○ Technical Team



foto: Nilton Rolin e Rubens Fraulin – Itapua Biraçional



KPMG prized with 2016 WEP Awards Brazil, granted by UN Woman

WOMEN EMPOWERMENT

G4-15 | G4-LA3 | G4-LA13

Globally, Gender is a key focus of our inclusion and diversity strategy. KPMGI has worked with member-firm leadership to establish a set of indicators to advance women’s leadership at KPMG.

KPMG’s Network of Women (KNOW) coordinates the most part of initiatives focused on gender equality at KPMG and fosters gender equity among our stakeholders.

The activities of KNOW and the Gender Equity Committee, implemented through its subcommittees, involve an internal mentoring program, career-focused workshops, rescheduling of client appointments for women during and

after pregnancy, six-month maternity leave, milk dispensaries and the Motherhood Blog. This affirmative action has helped increase our retention rates after maternal leave.

Externally, KPMG actively promotes gender equity by organizing events, providing women executive networking opportunities and attending events and forums such as *CRC Mulher*, *IBEF Mulher*, *Movimento + Mulher 360*, LIDE and Women Corporate Directors (WCD). Our participation in these initiatives places us within a broad network for sharing policies and good practices relating to gender equality and women’s development. **G4-15**









The salary ratio of men to women improved in nearly all categories, except Managers.

#HeForShe

We are a member of the Brazil National Committee for this global movement led by UN Women to encourage boys and men to act against the inequality faced by women and girls.

To strengthen our internal affirmative initiatives, in 2016 we held a contest that offered prizes for the best stories of pro-equity collaboration on our team. The winners were Letícia de Sousa and Hugo Blezer, from the Rio office.

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

Category	2016		2015		2014	
						
Interns	1.00	1.00	1.00	1.00	**	**
Trainees	1.06	1.01	**	1.00	**	1.00
Staff	0.98	0.92	0.94	0.90	1.02	0.90
Managers	0.82	0.97	0.87	1.00	0.86	1.00
Partners	1.15	0.99	1.04	0.96	0.98	0.94

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

Examples for data interpretation/Administrative 2016:

Interns (1.00) = means the base salary of women is equal to men's.

Staff (0.98) = means the base salary of women is 98% of (or 2% less than) men's.

Partners (1.15) = means the base salary of women is 0.15% greater than men's.

 Administrative

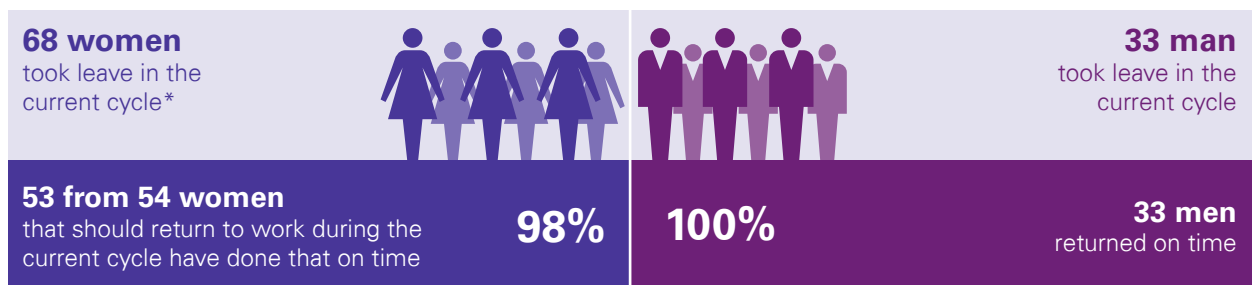
 Technical



◀ Six-month maternity leave

Starting in 2016, KPMG in Brazil extended maternity leave for partners to up to six months. If the father is also a partner, maternity leave can at the couple's discretion be divided between the mother and the father on different dates. The new policy also applies to adoption.

▶ Return to work and retention rates after parental leave **G4-LA3**



*14 women are still in leave and must return in next cycle, when they will be included on retention rates



**KPMG professionals:
working together to real inclusion.**

PEOPLE WITH SPECIAL NEEDS

G4-15 | G4-LA3 | G4-LA13

Grupo Inklusão unites the different practices at KPMG around attracting, including, developing and retaining **people with disabilities** within KPMG.

This program has generated the following initiatives:

Co-working

A Co-working Manual for staff on appropriate ways to interact, disseminated via the Intranet, institutional videos and internal newsletters.

Support

Provides individually by our Diversity function to people with disabilities, apprentices and their managers.

Hiring

We are working to strengthen collaborations with organizations supporting people with disabilities to meet the statutory hiring quota, a significant challenge given the shortage of skilled labor.

In response to a Corrective Settlement Agreement concluded by one of our member-firms with the Labor Prosecutors' Office – which resulted in a fine in 2016 – our *Citizenship, Inclusion & Diversity team led the Recruitment, Risk Management, HCM, Learning & Development and Performance & Development* functions in building and implementing an action plan to address the issue. As a result, we hired **21 professionals with special needs**. This has been an intense and challenging experience that is teaching us to deal in practice with diversity.

We ended financial year 2016 with **49 people with special needs**, including: 6 on the

Technical Team and 43 on the Management Team.

Accessibility

Physical and technological adaptations to ensure that professionals with disabilities are well accommodated at our offices.

Awareness

A continuous effort involving a range of specific initiatives:

Diversity Month Drama performances by *Oficina dos Menestréis*; massages provided by massage therapists with visual impairment from the company *Toque de Serenidade*; our 1st KPMG Diversity Meeting.

Diversity & Inclusion E-Learning 790 professionals trained in 2016.

Awareness Raising Sessions delivered by a consultancy firm for our team of *People, Performance & Culture* coordinators and managers. Further awareness classes are planned for 2017.

JOVEM APRENDIZ

In Brazil we invest on technical and vocational training of public school students from 14 to 24 years and with high social vulnerability - especially in relation to gender, race, ethnicity, sexual orientation and disability. By offering the first job to these young people, we contribute to the development of skills that can empower them to change their realities.



LOCAL SOURCING OF SENIOR LEADERSHIP **G4-EC6**

One of the ways in which we promote diversity and the development of our communities is by hiring local talent. In 2016, **91% of our senior leadership (partners)** were Brazilian.

Local hiring **G4-EC6**

Local	Partners working in their home States		
	2016	2015	2014
São Paulo	73%	73%	72%
Rio de Janeiro	76%	73%	79%
Other Offices	49%	41%	45%

Financial Capital

The value of the success we share with our stakeholders.

MANAGEMENT

Our **financial strength** is anchored in the **professionalism and integrity** that underpins our management of KPMG in Brazil.

We want to remain a successful organization, but we want our success to return increasing value to our stakeholders.

That way, profit will always be something rightfully earned as a result of the value we create for society, and not an end in itself.



ASSETS

Strategic management

We capitalize on our partners' expertise in management, strategic planning and scenario analysis to enhance our financial resilience.

Long-term vision

We direct our services to the sustainable development of our business and our clients.

Capital invested

We provide funding to the business through debt or equity funding.

Integrity and responsibility

We strictly adhere to the principles of integrity based on an effective and comprehensive Risk and Quality Management framework, which helps reduce the risks to which our business is exposed.

GENERATED VALUE

For our professionals

Financial rewards for services.

For our clients

Investment in technology and knowledge that translates into more efficient and accountable management approaches.

For society

Giving back to communities through taxes, salaries, payments to suppliers and community investment.

➤ R\$ 1.13 MILLION IN REVENUE

➤ R\$ 200 MILLION IN PAYMENTS TO GOVERNMENT

➤ R\$ 2.1 MILLION INVESTED IN COMMUNITY

➤ R\$ 497 MILLION in employee wages and benefits

➤ 11.6% GROWTH

Resultados financeiros 2016

Anticipating market demands supports continuing growth

G4-9 | G4-17 | G4-EC1 | G4-EC4 | G4-EC7

Our positive financial results reveal a complex underlying equation: our extraordinary professionals, the quality we deliver in every engagement, client satisfaction, the trust our brand has earned from the market, the global strength of the KPMG network and our commitment to leaving a legacy to communities. These attributes support our vision of becoming **The Clear Choice** for our clients and the market.

Managing them is part of the **strategic planning** and **day-to-day management** efforts of our local leadership, in direct alignment with KPMGI's strategies and principles.

In 2016, this helped ensure that the challenges we faced did not stop us from growing. It was an uphill journey that required a **strategic vision** to invest in what are now becoming excellent business opportunities, combined with **maximum efficiency** in every detail of our operation.

Our long-term strategy remains focused on **innovation**. Whatever the future trends, we believe this is and will continue to be a driving force in addressing our customers' challenges and expanding our market leadership. Accordingly, in recent years:

- We have continued to invest extensively in training and development. And our training efforts have been increasingly efficient, creative and focused.
- We have retained our teams, re-managing those less in demand to better performing segments. This ensured that our Human and Intellectual capitals remained in a state of

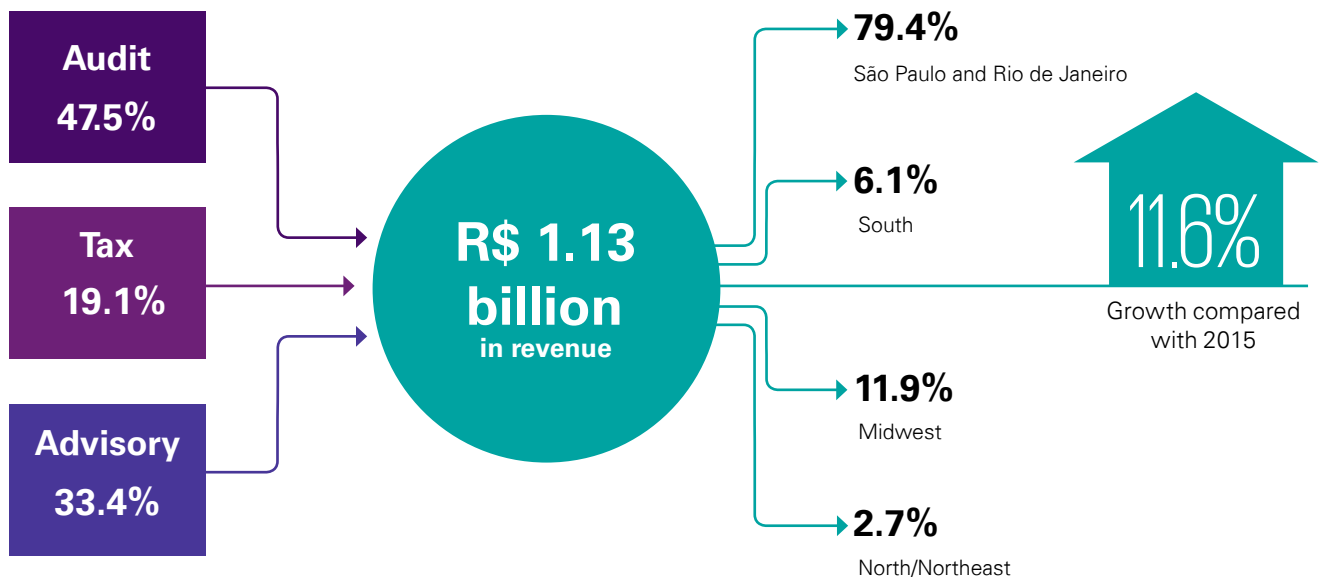
readiness for a quick and efficient response to economic recovery.

- We have invested in structural and technological capabilities that improve integration among our teams, reducing environmental impacts, ensuring our management is seamlessly aligned with the KPMG network of member firms, and improving our technical and operational efficiency.
- We have invested in prospecting new clients – many of them in partnership with other member firms in the KPMGI network – and in building loyalty among our long-standing clients.
- Working with KPMI, we have invested heavily in technologies that have enabled us to remain a step ahead of market trends. Our network is planning investments of more than \$2.5 billion over the next 3 years in new services, technology, alliances and acquisitions, focused particularly on Audit, Data & Analytics, Strategy, Cyber, Digital Labor and Audit. We are expanding our delivery capabilities through alliances with leading innovators such as IBM, Microsoft, Oracle, ServiceNow and Workday.

These long-term investments have helped us navigate with confidence through difficult times while maintaining our leading position in a number of segments and meeting our targets for the year. In the 2016 financial year, KPMG in Brazil recorded **growth of 11.6 percent**, further increasing our government payments, salaries paid and community investment.



CONSOLIDATED REVENUE BY REGION AND PRACTICE* * (%) G4-17
 Independent firms operating in Brazil under the KPMG brand



* For the period from October 2015 to September 2016.

Audit We retained our market leadership in the listed companies segment and remain firm in our strategy of developing new clients through a centralized Audit team supporting the broader organization. Accelerated investment in Dynamic Audit has improved efficiency and quality, supporting **growth of 11.2%**.

Advisory We expanded our staff and service portfolio across all areas, achieving significant success in engagements related to the Anti-corruption Act, corporate reorganization and business transformation. This supported **growth of 14.1%**.

Tax Substantial technology investment in recent years has proved to be crucial in uniquely positioning us to advise our clients in dealing with new tax and filing requirements. **Growth in this segment was 8.3%**.

In 2017 we will continue to work diligently to ensure that our management and investments, combined with our efficiency initiatives, enable us to achieve business targets. Our **growth projections** are 12.7% for the Audit practice, 13% for Tax and 14.8% for Advisory.

Statement of Added Value* (R\$) G4-17 | G4-EC1 | G4-EC4 | G4-EC7

	2016	2015	2014
Direct economic value created	1,137,360,064	907,706,802	898,559,330
a) Revenue	1,137,360,064	907,706,802	898,559,330
Economic value distributed	905,433,495	775,929,579	701,794,065
b) Operating costs	186,381,555	163,983,222	148,951,352
c) Employee wages and benefits	497,661,451	433,204,153	382,254,266
d) Payments to providers of capital	18,169,712	15,300,334	-
e) Payments to government	200,564,514	160,956,840	166,771,920
f) Community investments	2,656,262	2,485,030	3,037,371
Voluntary contributions (including pro bono) to social, environmental and cultural projects G4-EC7	2,149,719	2,014,014	2,367,371
Contributions to social, environmental and cultural projects under Tax Incentive Laws G4-EC4	506,542	471,016	670,000
Accumulated economic value	231,926,568	131,777,223	196,765,265

This information refers to the periods January to December 2016, 2015 and 2014, and represents the operations of all independent entities operating under the name KPMG in Brazil. Under current legislation, they are exempt from publishing statements of financial position. Data from 2015 were redefined between items b and d for better comparability.

Social And Relationship Capital

Shared resources and knowledge creating value for our stakeholders and KPMG.

MANAGEMENT

Our purpose calls for us to make our Intellectual Capital available to our stakeholders in a relationship based on **professionalism, ethics** and **integrity** that creates value for all parties.

To achieve this, we translate our professionals' knowledge and expertise into **dynamic and meaningful services** that inspire confidence, strengthen our reputation and empower change in society.



ASSETS

Reputation

We catalyze the international reputation of the KPMG brand for integrity and professionalism.

Active membership

We actively participate in discussions within trade associations in our segment and regulators on our responsibilities, governance and on tax morality.

Generating knowledge

We openly share the knowledge we produce with clients, governments, regulators, associations, universities, the media and, through them, society.

Corporate citizenship

We maintain lasting partnerships with organizations that promote development and education.

Oversight

We monitor the quality and integrity of our relationships with clients and suppliers.

Voluntary commitments

Our policies are aligned with national and international voluntary commitments to support human rights, sustainability and a low-carbon economy.

➤ R\$ 2.14 MILLION IN COMMUNITY INVESTMENTS

➤ R\$ 678 THOUSAND INVESTED IN PRO BONO SERVICES

➤ SOURCE OF 1,861 NEWS REPORTS

➤ 100 TOP COMPANIES FOR HR MANAGEMENT 2016
Gestão e RH

➤ R\$ 3.4 MILLION invested in 225 events

➤ CLIENT SATISFACTION: 96% WOULD RECOMMEND OUR SERVICES

➤ A MEMBER OF 138 TRADE ASSOCIATIONS

GENERATED VALUE

For our professionals

KPMG pride; Community engagement; Membership of industry associations.

For our clients

Access to thought leadership and services aligned with our values and our approach of working shoulder to shoulder with clients.

For society

Pro bono services for charitable organizations; Shared knowledge; Initiatives to promote tax morality, compliance and trust in the audit process; Sustainable value chains.



Brand and reputation

► **Our brand is our passion; it is what drives us to be our best**

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

For Over a century, our global track record has been characterized 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 organizations.

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 segments.

The local and international accolades with which we have been honored each year are also a measure of the market's positive perception of our performance. In 2016 alone, KPMG received 14 local and international awards linked to aspects such as sustainability, human rights, management, human resources and audit.

The way we enhance the KPMG brand is expressed in a set of documents and procedures that guide the actions of all member firms worldwide.



Our brand attributes

Our brand attributes inspire and guide our decision-making and influence the way we operate. They help us create and deliver unique and engaging experiences for our clients, prospects, and stakeholders.

Innovative We anticipate change and act with the future in mind, continuously evolving our offer and approach to help our clients stay ahead.

Expert We are the best at what we do, combining deep market knowledge with professional judgment to deliver commercially viable, world-class solutions.

Results-driven We help our clients focus on what matters, providing clear, actionable recommendations that save time, build competitive advantage and drive measurable impact.

Passionate Our can-do spirit, client-focus and commitment to excellence come through in all that we do, from concept to delivery.

Global mindset We think beyond borders and see the bigger picture, working together across our global network to provide a fresh, insightful perspective.

Client relations

Dialogue and collaboration to build lasting relationships

G4-26

Our relations with clients – and with the broader 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.

Beginning at onboarding, our relationships are supported by direct interaction between clients and professionals on the ground, satisfaction surveys and the various channels we have created to share the knowledge flowing through KPMG International's network of member firms, such as research and publications, events and seminars.

CLIENT AND ENGAGEMENT ACCEPTANCE AND CONTINUANCE

Our Risk and Quality Management System establishes stringent policies and procedures to ensure we work with the right clients. Regardless of the financial returns that a potential new engagement could generate, it will only be accepted after its implications have been assessed. The same care is taken in conducting systematic assessments as to whether to continue with engagements.

96% of our clients would recommend KPMG and 94% would use other services we offer.

CLIENT SATISFACTION

Gauging the satisfaction of our internal and external clients is an essential part of how we build our reputation and ensure the quality of our services.

Internal client satisfaction survey This survey is designed to measure our professionals' satisfaction with the support provided by our Operations and Infrastructure functions and inform action plans for improvement.

Client satisfaction survey Conducted annually, client satisfaction surveys help us identify the most material issues from the perspective of our stakeholders, as well as strengths and opportunities for improvement in our work dynamics. **G4-PR5** We use two criteria to determine the sample of clients responding to the survey: engagements completed in the relevant financial year and clients paying remuneration above R\$ 50 thousand across all practices in Brazil. These are sent an e-mail questionnaire that rates us on a series of standard indicators and has a dedicated field for additional comments.

With the market becoming increasingly demanding of faster and more targeted solutions, the **fact that 94% of responding clients would use other KPMG services and 96% would recommend us** demonstrates recognition of our quality and integrity.



1,281
Questionnaires sent



12%
Response rate



8.7%
Satisfaction rate



Client Satisfaction Survey G4-26 | G4-PR5

Dimensions	2015/2016	2014/2015	2013/2014
Expectation	9.3	9.2	9.1
Technical quality	8.2	8.2	7.9
Cross-team communication	8.0	7.9	7.8
Professional conduct and service	8.5	8.5	8.3
Form of delivery	7.9	7.9	7.7
Timely delivery	7.1	6.7	6.7
Would use other services	94%	97%	92%
Would recommend KPMG	96%	98%	95%
Total respondents	158	145	313

Shared expertise

▶ Contributing to our stakeholders' development **G4-26**

Every day, our professionals are supported by a robust database of information that is essential to delivering excellence in service and ensuring high-quality delivery.

Part of the repertoire we build across the KPMG network is made available to our stakeholders in order to enhance the debate around the complex issues we address.

Continual collaboration with the media, research, studies, debates and sponsored events provide clarity and guidance about complex issues and are some of the strategies for disseminating this expertise.

AUDIT COMMITTEE INSTITUTE (ACI)

The Audit Committee Institute (ACI) – one of our most important initiatives – is a forum for disseminating best practice in corporate governance as well as political, economic, corporate, legal and tax trends affecting business. Maintained by member firms of KPMG International, the Institute is open to the members of the boards of directors and audit committees of firms in 35 countries. In 2015, KPMG in Brazil held seven meetings in São Paulo, Porto Alegre, Rio de Janeiro and Recife, with 410 people attending.

Supplementing ACI activities are **GRC Forums** at all regional offices, where new market trends and insights into Governance, Risk and Compliance are discussed and shared by executives from related practices. The Forum also provides a platform for professionals in each region to network and share experience.

CEO Fórum

Organized by Amcham, the CEO Forum is recognized as the largest CEO summit in the interior of São Paulo. KPMG have long been sponsors of the 2nd-half forum, which in 2016 attracted more than 800 participants including authorities, executives and entrepreneurs from companies that drive much of the region's economy.



KPMG RISK UNIVERSITY

KPMG Risk University is a comprehensive Governance, Risk and Compliance (GRC) training program that prepares executives to guide companies and organizations on their journey to management maturity.

Recognized by more than 200 executives from 120 companies as an innovative learning and networking platform, Risk University translates KPMG's experience using a dynamic approach supported by proprietary education materials developed by our experts, in addition to providing an opportunity to share experience. In 2017 the program will be open to further admissions in **São Paulo** and **Rio de Janeiro** and initial admissions at our offices in **Belo Horizonte** and **Curitiba**.

In 2016, **Risk University For Women** celebrated its second year of implementation. Aimed at developing skills in women aspiring to senior management and board positions, the program is another way KPMG is supporting the empowerment of women.

MEDIA G4-26

In 2016 we were directly or indirectly cited in **1,861 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.

STUDIES AND RESEARCH G4-26

Our research covers a variety of topics concerning our activities and is used to update our professionals worldwide and the broader market. In 2016 KPMG in Brazil produced **30 publications**.

EVENTS G4-26

Another way we foster the generation and dissemination of knowledge is by sponsoring and organizing events, conferences and lectures. In 2016 we invested **R\$ 3,4 million** in **225 events** in Brazil.



Memberships

► Fostering sustainable development [G4-16](#) | [G4-26](#)

We are members of 138 trade associations and actively engage with regulators, where we share insights in debates or serve on boards, executive committees and working groups to further our professions and to ensure the sustainable development of our business.

Supplier management

► Responsibility across the supply chain G4-12 | G4-HR10

Following the commitment undertaken by KPMG International to the UN's Guiding Principles on Human Rights, the subject of human rights has featured in KPMG's strategy, also influencing relations with clients and suppliers.

Our standard draft contracts include anti-bribery and human rights provisions; to date no contract has been rejected due to human rights violations.

G4-HR10

Supplier management is largely centralized at our Procurement department in São Paulo, which interacts with the Risk Management department to avoid any conflicts of interests involving, for example, suppliers who are also clients. When economically feasible, suppliers are sourced regionally for items such as cleaning services and materials.

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

While our business does not involve a complex and high-impact supply chain, in 2015 we implemented a Supplier Code of Conduct to further deliver on our commitment to disseminating best practices.

In 2016 we progressed further in defining criteria for identifying business-critical suppliers; the basis

for determining our supplier base was modified to include only active suppliers that have worked with KPMG during the previous 12 months.

Out of our 709 active suppliers, 36 were prioritized due to their potential impact on business-critical operations, our reputation or the well being of our professionals. Prioritized categories include suppliers of:

- Benefits directly related to quality of life, such as medical and dental insurance, meals and vehicle fleets;
- Utilities and services that are essential to our operations and that are monopolies in Brazil, such as telecommunications, water/sanitation, electricity and mail;
- Services that are essential to our day-to-day operations, such as IT help desk services, data centers and travel services;
- Services involving access to confidential information about KPMG and our clients, such as archive services, lawyers and data centers; and
- The lease on our new offices in São Paulo.

We will continue to refine these criteria during the next reporting period to better identify the risks and opportunities inherent to each supplier and design engagement and monitoring processes to create value for both KPMG and our suppliers. The engagement process was planned to take place in 2016, but was delayed by the challenging business environment in the year. **G4-12**

Corporate citizenship

Education, development and environment G4-EC4 | G4-EC7

GLOBAL STRATEGY

We believe that our initiatives and investment can inspire confidence and empower change, helping to lift people out of poverty and strike a positive balance between economic growth and the need to sustain the environment.

Our approach to corporate citizenship prioritizes *Lifelong Learning* as a strategy to break the vicious cycle of poverty. It also includes our *Global Climate Response*, broader support for responsible business, our support for the UN Guiding Principles on Business and Human Rights, and the program our member firms deliver to drive change in their communities. In fulfilling this commitment, the member-firms of KPMG International invested more than \$100 million in community-based projects over the past 12 months.

Globally, our Corporate Citizenship team is responsible for influencing the sustainable development strategy of KPMGI member firms. This board is responsible for defining, organizing and disseminating guidelines and monitoring the performance of sustainability practices at member firms, including action plans and targets appropriate to local circumstances.

LOCAL STRATEGY

In Brazil, our Corporate Citizenship strategy articulates our initiatives in three pillars: Education, Development and Environment, always aligned to our *Lifelong Learning* and *Global Climate Response* programs. Practices related to the environment are reported under Natural Capital.



▶ PILLARS OF KPMG IN BRAZIL'S CORPORATE CITIZENSHIP STRATEGY





EDUCATION

We provide support through **private social investment** in ongoing programs and specific initiatives. Beneficiaries in 2016 included:

Little Citizen Project We have been investing in this Project for the past 20 years, providing supplementary educational activities, medical and nutritional supervision, daily meals and sports and art activities to **220 teenagers** from impoverished neighborhoods in São Carlos/SP. The aim is to improve self-esteem, strengthen family ties and develop students' intellect, offering them a brighter future.

The Project also catalyzes strategic partnerships with *Núcleo Aprendiz* to offer teenagers free professional training. The results are encouraging: high employability among graduates, admission to public universities and, in 2016, the privilege of inviting one of the program's former students, Ana Keyla Santos, as a trainee at our Audit practice.

In 2016, our contribution included an investment of **R\$ 780 thousand**, advice for

pedagogical and coordination teams, pro bono auditing of the project's accounts and funding for the Bessan Award, which offers secondary education grants to top-performing students in the Project. Two students received grants in an investment of approximately **R\$ 36.5 thousand**.

Enactus KPMG International is an official sponsor of the World Championship, which mobilizes universities to develop programs for the benefit of their communities, with a focus on sustainability and social empowerment. KPMG in Brazil sponsors the national edition of the championship. In 2016 we contributed **R\$ 40,000** and KPMG professionals served on the Management Board, audited the Championship accounts and advised participating teams. We also invested **R\$ 28 thousand** in the *KPMG Ethics and Integrity Award*, benefiting 10 participating teams, and **R\$ 7 thousand** in flights for the winning team to represent Brazil in the world championship in Toronto.

Junior Achievement (JA) Since 2002, we have supported Junior Achievement's work with youth from public schools to stimulate their personal development and to provide a clear vision of the business world, supporting their entry into the job market. For the past six years we have been one of the project's national sponsors, and have encouraged our professionals to be volunteers in administering the program. In addition to sponsorship of **R\$ 220 thousand**, **167 volunteers** from 18 KPMG offices in Brazil donated **1,816 hours** to the project in 2016, benefiting **1,694 students**. This is helping us achieve our target of including all of our offices in the program's activities.

+Unidos (Britcham) KPMG sponsors the initiative, which sponsors education projects teaching English in partnership with the Ministries of Education (Language Laboratories) and Science, Technology and Innovation (Online English platform). We provided sponsorship of **R\$ 25 thousand** in 2016.

DEVELOPMENT

Our initiatives within this pillar focuses on promoting social justice and supporting sustainable projects.

The aim is to help improve the conditions of our communities through the following initiatives:

Pro bono services or compensation

Among our most important initiatives for communities is the provision of pro bono audit and consultancy services to non-profit organizations, incorporating professionalism into management, and credibility and transparency into their financial statements.

These services are subject to KPMG's standard procedures for acceptance of clients and offer the same methodology, quality and independence offered to other clients.

Non-profit organizations benefited by pro bono services or compensation/2016

Organization	City
Instituto Ling	Porto Alegre
Escola Antonieta e Leon Feffer (ALEF)	São Paulo
Instituto Positivo	Curitiba
Child Diabetes Support Institute, Rio Grande do Sul	Porto Alegre
AACD SP	São Paulo
Instituto Reciclar	São Paulo
Child Neoplasia Support Association of Parana (APACN)	Curitiba
Fundação Boticário	Curitiba
Instituto Embraer	São José dos Campos
American Chamber (AMCHAM)	São Paulo
Brazil-Germany Chamber of Trade (AHK)	São Paulo
ABVCAP	Rio de Janeiro
Lide	National

Consideration for the services provided is paid by the Inclusion, Corporate Citizenship & Diversity team to the practice that delivered the services. The beneficiary organization offers a commitment in exchange for the services provided. Thirteen organizations were benefited in 2016, in an investment of **R\$ 678 thousand**.

G4-EC7

Tax-deducted programs G4-EC4

At the end of financial year 2016, after we have done some investments, we suspended our investment in tax-deducted programs, including social, cultural and sports ones.

This was due to KPMG in Brazil - along with 30 other large companies - becoming implicated in a Federal Police investigation on improper use of tax-deducted funds under the Rouanet Act.

R\$ 506 thousand in tax incentives and tax credits under the Rouanet Act and municipal tax incentive laws in Rio de Janeiro.

In addition to fully collaborating with the authorities in providing information, we organized an internal investigation by independent partners to assess whether any of the individuals involved - from the board to the administrative level - had violated KPMG's rules or code of ethics. The investigation found that KPMG had acted in good faith throughout the process and had no responsibility for any wrongdoing by the organizers of the projects in question.

We are developing a new internal policy for selecting and risk-screening sponsored projects in order to protect the integrity of our Organization and contribute more effectively to initiatives that empower communities.



KPMG Community Outreach Day 2016

22 organizations benefited

1.6 thousand people reached

908 volunteers in 20 cities in Brazil

Campaigns Our professionals also mark specific occasions like Easter, Winter, children’s month or Christmas by collecting and distributing donations. Events involving natural disasters and other emergencies are evaluated and can receive our assistance.

Winter Campaign KPMG has supported the Soup Group in São Paulo and Osasco since 2007. This year we donated **1,763 blankets** purchased entirely with donations from our professionals, **one tone of food** donated by KPMG, and more than **1,000 pieces of clothing**. Our **Belo Horizonte, Campinas** and **Rio de Janeiro** offices ran similar initiatives for the benefit of local organizations.

Christmas Outreach Professionals from **14 KPMG offices** – Belo Horizonte, Brasília, Campinas, Curitiba, Goiânia, Joinville, Porto Alegre, Recife, Rio de Janeiro, Salvador, São Carlos, São Paulo, Osasco and Uberlândia – distributed grocery hampers, gifts, personal care items, food and money for Christmas celebrations. In total, **500 people** were benefited.

VOLUNTARY WORK

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

KPMG Community Outreach Day

Professionals from all offices in Brazil engage in initiatives addressing the specific needs of their communities.

Each initiative received R\$ 1,000 from KPMG as an initial incentive. The teams then worked to raise more funds to further enhance their initiatives, which included support for shelters and senior homes, blood donation, fund-raising marathons, building renovations, tree planting and support for animal protection.

The initiative organized by our Rio de Janeiro office on behalf of the NGO *Pequena Cruzada de Santa Therezinha do Menino Jesus* was recognized by the *KPMG Day Award*. The volunteers involved were treated to a special celebration and the NGO received an additional prize of R\$ 5,000.

Natural Capital

Our commitment to leave the world better than we found it.

MANAGEMENT

Our industry is less reliant on Natural Capital than on Human and Intellectual Capital.

Despite this, we undertook a **global environmental commitment** in 2008 (in line with our Code of Conduct) to our vision of leaving the world in a better state than we found it, to the principle of offering services which encourage more sustainable business models and to other international commitments to which we have subscribed.

Environmental management at KPMG in Brazil is based on the **Global Climate Response**, focusing on our **eco-efficiency goals** and **awareness raising and engagement** with stakeholders.



ASSETS

Environmental indicators

We set global and local eco-efficiency targets.

Engagement

We subscribe to national and global commitments to empower positive change.

Raising awareness

We work to raise environmental awareness and engagement among our professionals, customers, suppliers and communities.

Knowledge

Our environmental and climate change expertise is made available to our clients and broader society.

➤ **CARBON NEUTRAL: 7,187 TONNES OF CO₂ OFFSET**

➤ **GREENHOUSE GAS INVENTORY VERIFICATION BODY** (Norma ISO 14065) INMETRO

➤ **8% GROWTH IN DEMAND FOR SUSTAINABILITY SERVICES**

➤ **COMMITMENT TO A LOW-CARBON ECONOMY** | Carbon Price Communiqué and the Paris Pledge for Action

➤ **COMMUNICATION CAMPAIGN OF THE YEAR/CLIMATE CHANGE** | The Accountant & International Accounting Bulletin Awards

➤ **4,314 HOURS OF SUSTAINABILITY EDUCATION**

GENERATED VALUE

For our professionals

Environmental awareness and engagement.

For our clients

Sustainable business models, policies and procedures.

For society

Lower Greenhouse Gas Emissions; Carbon Emission Neutralization, with positive impacts on biodiversity and income opportunities from sustainably managing and keeping forests intact; Resource efficiency; Awareness of sustainable practices; Access to research and thought leadership.

Global sustainability services

► Intellectual Capital specialized in sustainability G4-EC2

The more than 350 consultants in our Global Sustainability Services practice in whole world spend over one million hours every year helping our clients improve their environmental and social performance. This includes supporting them in reducing greenhouse gas emissions, the primary cause of global warming.

In Brazil, our team assists organizations of different sizes and from different sectors to understand the context of sustainability, position themselves within this context and identify the best strategy for operating and reporting information, including risk management. Some services offered include:

- Assessment of risks and opportunities related to climate change.
- Support in consolidating information and completing reference questionnaires developed by the Business Sustainability Index, Dow Jones Sustainability Index, Carbon Disclosure Project, amongst others.
- Assessment of greenhouse gas emissions across the supply chain and/or by product.
- Definition of socio-environmental Key Performance Indicators (KPIs).
- Assessing the social and environmental performance of the supply chain.

4X THE SUSTAINABLE FIRM OF THE YEAR

From 2012 to 2015 we received the Sustainable Firm of The Year award from the International Accounting Bulletin (IAB), acknowledging our global network's success in meeting greenhouse gas emission reduction targets, the significant investment made in supporting communities, especially through Enactus, and the contribution of our services to the sustainable development of business in several countries.

- Environmental assessment and due diligence.
- Developing waste management strategies.
- Assessing impacts on and consumption of water resources by product (water footprint).
- Preparation and independent assurance of Greenhouse Gas Inventories.
- Independent assurance for sustainability reports, social balance sheets, and other documents.

COP22: WHAT DOES IT MEAN FOR BUSINESS?

After attending COP22 in Marrakesh, KPMG released a briefing paper summarizing the main outcomes from the event and its implications for business. In the following article the Global Head of KPMG Sustainability Services describes some of the key outcomes:

COP22 was in many ways a technical conference aimed at establishing the processes and protocols necessary for delivering the Paris Agreement. However, some clear signals for business emerged from the meeting:

- Whatever climate policy the new US administration adopts, at least 110 other countries will press ahead with cutting their emissions in line with the Paris Agreement. Critically, these countries include China, the world's largest emitter of greenhouse gases (GHGs). China has seen the effects of climate change and extreme fossil fuel pollution on its people and will continue to address climate change and develop its clean energy economy along with the other countries. The effects of these countries' commitments are likely to include the further spread of carbon pricing systems around the world and eventual links between these systems, increasing investment into clean technologies and the growth of green financial systems including green bonds.
- State, provincial and city governments worldwide will also step up their action on climate change so businesses can expect increasing regulation and fiscal incentives on a sub-national level.
- World-leading businesses will continue to prepare to thrive in the global low carbon economy. This will create peer pressure for other companies to take action such as committing to 100 percent renewable energy and setting targets to reduce their GHG emissions in line with the global goal of limiting global warming to 2°C.
- Investment in clean technologies will continue to rise and the cost of renewables will continue to fall. This combined with continuing supplies of cheap natural gas will make high carbon fuels like coal more costly in comparison. The market forces behind clean energy are ultimately unstoppable.
- The financial sector – investors, lenders and insurers – are increasingly aware that climate change poses risks to the financial system. They will pressure businesses to be transparent about their climate risks and opportunities and they will increasingly factor this information into their investment, lending and insurance decisions. Businesses will have to respond.
- As the physical effects of climate change are felt more severely, NGO campaigners, activist shareholders and consumers will put increasing pressure on companies to contribute their fair share of emissions reductions and to develop technological solutions. The international fight against climate change is a long-term challenge and has always hit obstacles as it negotiates the complexities of global politics. This is to be expected and I remain convinced the world is on a path to achieve a low or zero-carbon global economy around the middle of this century. Business leaders need to prepare for that today.

Adrian King, Global Head of Sustainability Services

Environmental management at KPMG: global framework X local practice

GLOBAL ENVIRONMENTAL TARGETS 2020

BASELINE YEAR: 2015

Energy 50% of our electricity purchased from renewable sources.

▶ **THIS TARGET HAS ALREADY BEEN MET IN BRAZIL, SINCE OUR NATIONAL ENERGY FRAMEWORK IS 75% BASED ON RENEWABLE ENERGY.**

Greenhouse Gas Emissions 10% reduction in net emissions per full-time equivalent (against a FY2015 baseline).

▶ **THE REDUCTION TARGETS ESTABLISHED BETWEEN 2007 AND 2015 HAVE ALL BEEN EXCEEDED. IN THE 2010-2015 REPORTING CYCLE EMISSIONS THEY WERE REDUCED BY 16.6%.**

STRATEGIES AND RESULTS IN 2016

Sustainable IT

Technology supporting remote working reduces commuting; software applications have helped reduce printing volume by 19%.

Responsible Purchasing

Reduction of materials consumption (Plastic cups: 21% and Paper: 58%); 17.5 metric tons of paper recycled.

Energy-Efficient Facilities

KPMG in Brazil's main office building and facilities are certified LEED CS Gold® and LEED ID+C Gold®; infrastructure improvements have delivered water (19%) and Electricity (28%) savings.

Responsible Commuting

Incentives for using bicycles and corporate carpooling (Caronetas/Wiimove).

Carbon Offsets

Carbon Neutral: 7,187 units purchased from the REDD+ Jacundá-Rondonia Project, validated in accordance with the Verified Carbon Standard and Climate, Community and Biodiversity Standards.

AWARENESS RAISING AND ENGAGEMENT

STRATEGIES AND RESULTS IN 2016

Raising awareness about sustainability amongst our professionals

Environment week and sustainability e-learnings keep our professionals continuously connected to sustainability practices. An online quiz from Akatu Institute revealed that our professionals are 220 percent more conscientious and 82 percent more engaged than the Brazilian average.

Encouraging our suppliers and clients to commit to improving sustainability performance

Stringent client and engagement acceptance policies, client contracts with anticorruption and anti-bribery clauses, and our Supplier Code of Conduct are some of the initiatives that are driving improvements in our supply chain.

Communication and disclosure of our environmental performance

GRI Sustainability Reports published annually for the past seven years. Our sustainability hotspot provides up-to-date information on performance.

COMMUNITY AND THE MARKET

STRATEGIES AND RESULTS IN 2016

Leadership in providing sustainability services

Demand for sustainability services is growing year by year. 2016 saw 8% growth.

Collaboration with and support for environmental NGOs

Our partnership with the Akatu Institute for Conscientious Consumption delivered Edukatu, an online consumer education platform used by 2,000 schools in Brazil.

Contribution to industry initiatives

Policies supported by global and local commitments to which we have voluntarily subscribed.

Environmental management

▶ **Continual engagement helps to disseminate information and encourage changes in practices**

AWARENESS RAISING AND ENGAGEMENT

Environment Week was marked with several internal awareness initiatives including a Conscious Consumption Quiz developed by Instituto Akatu, which was taken by 1,094 professionals.

In 2016, our professionals dedicated **4,314 hours** to six online sustainability training programs.

KPMG in Brazil sponsors and maintains **Instituto Akatu**, an organization that works to raise awareness and mobilize society around conscientious consumption for a sustainable future. In previous years our support went to helping the organization develop an e-learning program on conscientious consumption and implementing Edukatu, an online consumption education platform used by 2000 schools in Brazil. Our sponsorship totaled **R\$ 80 thousand** in 2016.

Online training on Sustainability, Socio-environmental Responsibility, Diversity and Inclusion

	Professionals completing training	Hours
Introduction to Sustainability	18	36
Corporate Social and Environmental Responsibility	417	834
Living Green Quiz	460	460
KPMG, Our Purpose and Sustainability	881	1,762
Diversity and Inclusion	790	790
Sustainability and Conscientious Consumption	216	432
Hours		4,314



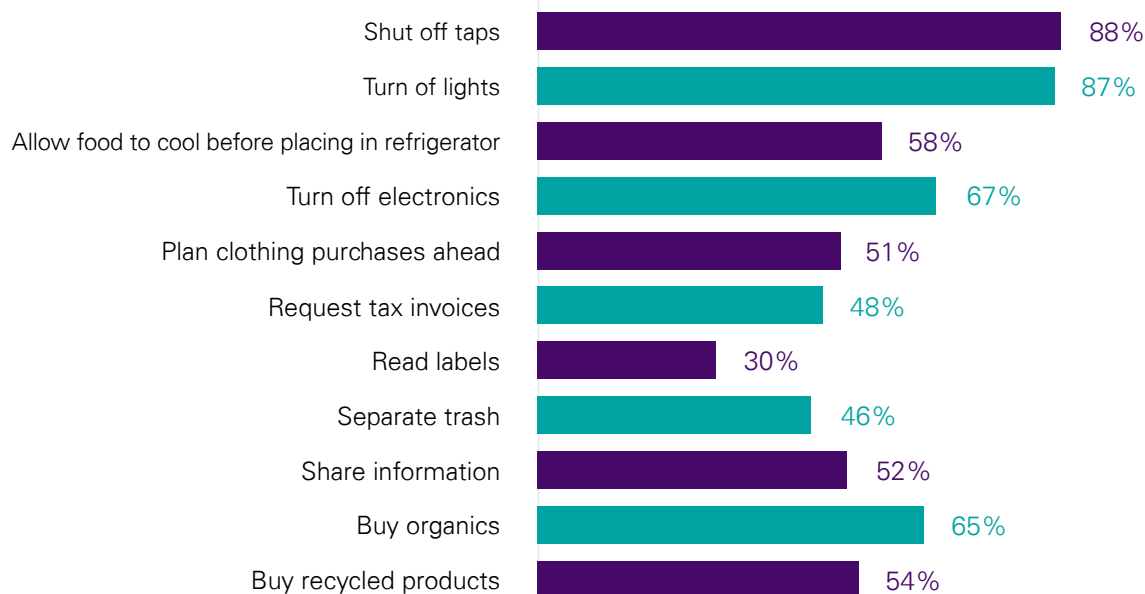
CONSCIENTIOUS CONSUMPTION AMONG KPMG PROFESSIONALS

*An online quiz delivered by Instituto Akatu in June 2016



CONSUMPTION BEHAVIOR AMONG KPMG PROFESSIONALS

*An online quiz delivered by Instituto Akatu in June 2016



BICKINK PARK FACILITY AND CARONETAS: our contribution to urban mobility

Taking advantage of the structure of bicycle paths in the region, since 2016 KPMG Morumbi professionals can get to work by bicycle. To encourage the use of this modality, they have at their disposal a free 24-hour biking park, which has free locker rooms equipped with individual lockers and showers.

Additionally, the partnership with Caronetas will enable the implementation of a practical system

of hitchhiking using the Wiimove app among KPMG professionals from all offices in Brazil.

These efforts to reduce the impacts we generate – in this case traffic-related – and to promote sustainable habits among our professionals are in line with our commitment to the UN Sustainable Development Goals.

In 2016 we began measuring the tonnage of paper recycled by a supplier specialized in dealing with confidential material. A total of 17.5 tones were recycled from our São Paulo and Rio de Janeiro offices.



LOCAL ECO-EFFICIENCY TARGETS

G4-EN29 | G4-EN34

We have set local targets to encourage the adoption of more sustainable habits at KPMG and in our professionals' personal lives. These are included in our corporate goals within MyPD, a performance assessment tool that is linked to profit-sharing payments.

In 2016 there were no reported cases of non-compliance with environmental laws and regulations **G4-EN29** or complaints related to environmental impacts **G4-EN34** at any offices within KPMG in Brazil.

Local eco-efficiency targets

Indicador	2010		2016		Result 2016X2010	Target status	FTE target for FY 2017
	Consumption	Per capita (FTE*)	Consumption	Per capita (FTE*)			
Disposable plastic cups/unit	1,056,859	445	1,330,300	357	-20.88%	Exceeded	Maintain FY16 consumption
Electricity/GJ	9,684	4	10,574	3	-28.30%	Exceeded	Maintain level FY16
Paper/sheets	10,614,400	4,467	9,951,641	2,670	-58.63%	Exceeded	5% reduction on FY16
Water/cubic meters	16,545	7	20,809	6	-18.92%	Exceeded	Mantain level FY16
Printed material/ sheets (IT)	12,834,348	5,402	10,813,231	2,901	-19.45%	Exceeded	5% reduction on FY16

*FTE = Full Time Equivalent, a metric adopted by KPMG International to indicate consumption per capita. The average number of professionals used in the calculation was provided by KPMGI. **FTE FY16 calculated for headcount in August 2016 = 4,043



GREENHOUSE GAS EMISSIONS (GEE)

G4-EN15 | G4-EN30

KPMG is clear that climate change is happening and that urgent action by government, business and civil society is needed to tackle it. We subscribe to the scientific view that human activity is one of the primary causes of climate change and that irreversible impacts will occur if global temperatures increase by more than 2 °C above preindustrial levels.

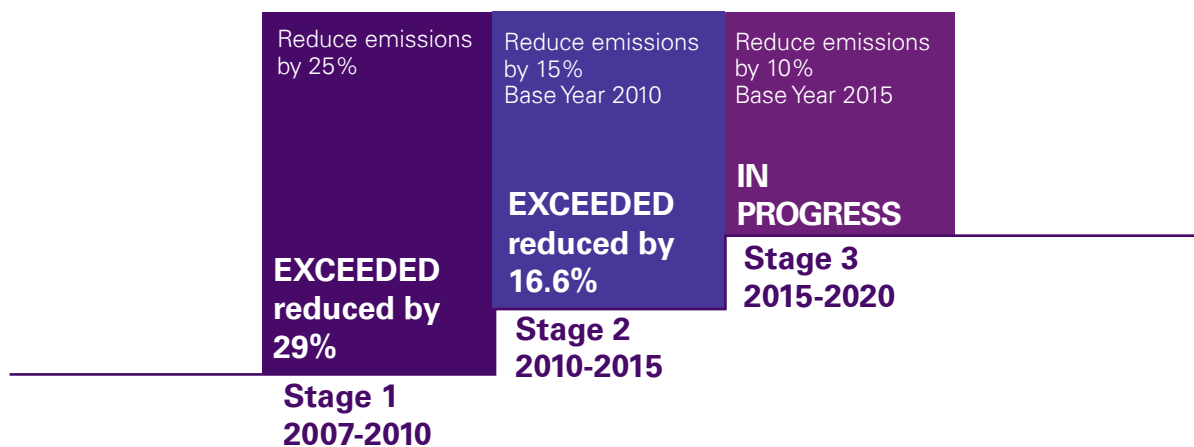
The World Business Council for Sustainable Development (WBCSD), of which KPMGI is a member, has established a goal of achieving net zero emissions by 2100. This is the agenda we are advancing by undertaking international commitments, actively contributing to discussions around climate change and implementing new practices across the KPMG network of member firms.

Our carbon footprint has the greatest indirect environmental impact due to the constant travel and commuting of our professionals on business.

CARBON NEUTRALISATION

In Brazil, since 2014, we undertook a commitment to neutralize our greenhouse gas emissions. Our Carbon Inventory, published annually since 2007, shows that our greatest impact is described in scope 3 (indirect emissions), over which we have limited or no control.

STAGES IN KPMG'S GLOBAL ENVIRONMENTAL COMMITMENT



GREENHOUSE GAS EMISSIONS AT KPMG IN BRAZIL

		EMISSIONS (TONNES OF CO ₂ EQUIVALENT/YEAR – TCO ₂ e/year)			WEIGHT OF EACH SCOPE IN EMISSIONS (%)
		2016	2015	2014	
SCOPE 1	- Diesel consumption by generators at the São Paulo offices - Fuel reimbursements for partners	267.66	248.29	73.08	3.7%
SCOPE 2	Power consumption	245.99	362.87	485.07	3.4%
SCOPE 3	Reimbursement for KPMG professionals commuting to clients; transport of materials and documents between offices; motobike couriers (transport of documents); Corporate air travel	6,552.55	5,566.65	4,747.03	91.2%
OTHER EMISSIONS	HCFC-22 emissions ¹	121.09	154.39	147.77	1.7%
TOTAL EMISSIONS		7,187.29	6,352.20	5,452.94	100%
EMISSIONS PER CAPITA	Emissions <i>per capita</i> (per professional) ²	1.78	1.88	1.66	

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 .

²The average headcount used in the calculation of per capita emissions is provided by KPMG International for all member firms.

tCO₂e = tonnes CO₂ equivalent

We Are Carbon Neutral **G4-EN19**

Our greenhouse gas emissions were neutralized in 2016 by purchasing **7,187 thousand carbon units** from the REDD Project + Jari Amapá in accordance with the Verified Carbon Standard (VCS) and Climate, Community and Biodiversity Standards (CCBS).

Located in the Amazon Deforestation Belt, the Rio Preto Jacundá Reserve is home to 30 traditional families and vast biodiversity across its 95,000 hectares of intact forestland. The community, originally founded by rubber tappers, has pioneered

the development a conservation plan for the area. Sustainable Forest Management and extraction and processing of non-timber forest products form the basis of the economy to conserve natural resources and keep local traditions alive. Maintaining the Reserve saves 397,000 tCO₂e each year.

ELECTRICITY SAVINGS

G4-EN3 | G4-EN4

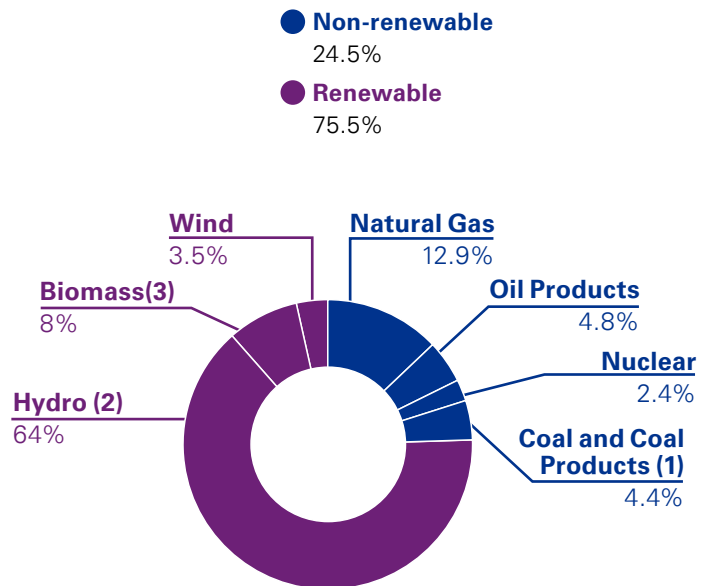
In January 2016 KPMGI announced a new global eco-efficiency target aligned with the UN sustainable development goals. By 2020, 50% of electricity purchased by member firms (scope 2) should be from renewable sources.

KPMG in Brazil already meets this target by purchasing electricity from public utilities, which source 75.5% of electricity from renewable sources.

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

As a result, in 2016 we successfully **reduced our electricity usage** at KPMG offices in Brazil from **3.56 to 3.16** per capita.

Brazil's Energy Mix



Source: Balanço Energético Nacional 2015 – BEN 2016

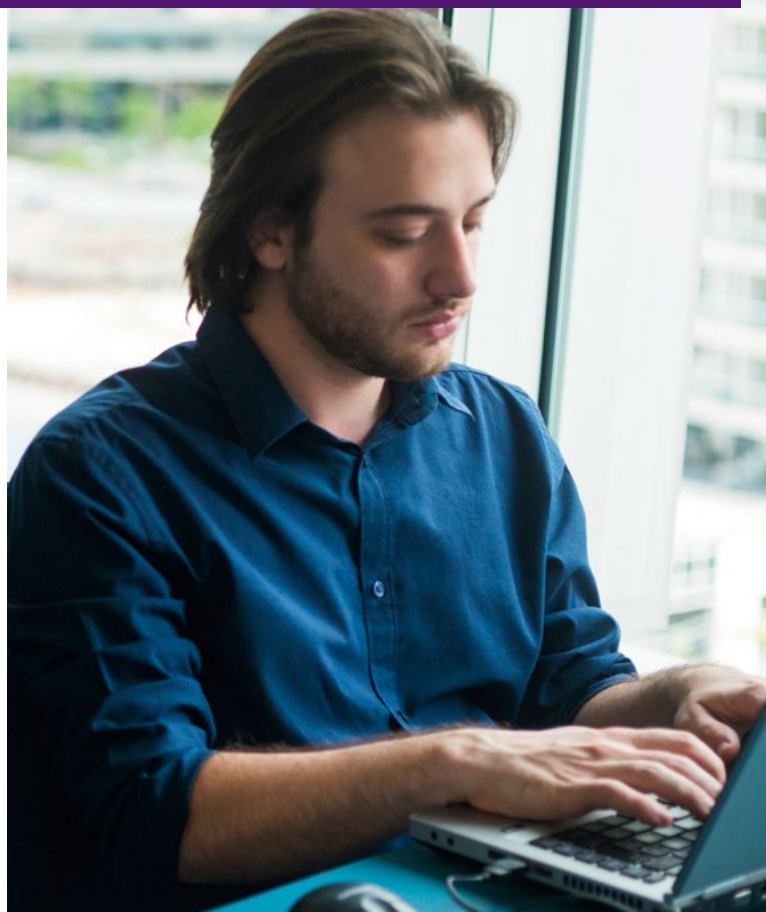
1 Includes coke oven gas

2 Includes imports

3 Includes firewood, sugarcane bagasse, leachate and other recoveries

Preventive maintenance and thermographic inspection deliver electricity savings

In 2016 the air-conditioning systems at all offices underwent preventive maintenance to improve air quality and reduce electricity consumption and Freon gas emissions. Thermographic inspections were also performed on power panel boards to detect overheating and improve efficiency.



Power consumption - Gigajoules (GJ)

	2016	2015	2014
Within the Organization G4-EN3			
Petrol	2,423.85	1,973.14	1,683.80
Diesel	26.09	83.19	69.55
Electricity	10,721.19	11,079.70	12,937.12
Total	13,171.13	13,136.02	14,690.48
<i>Per capita</i>	3.26	3.53	4.19

Outside the Organization G4-EN4

Petrol	29,629.54	27,253.94	22,644.02
Diesel	7,598.50	11,616.15	8,709.57
Total	37,228.04	38,870.09	31,353.59

EN3: The higher gasoline consumption is related to an increase in fuel reimbursement required by KPMG partners and an increase in the number of professionals in this category compared with FY 2015.

28% reduction in electricity consumption *per capita*.

18% reduction of water consumption *per capita*.

*The calculation of withdrawal per capita at KPMG in Brazil takes account of the total headcount as in **G4-10**.

WATER MANAGEMENT

G4-EN8 | G4-EN10 | G4-EN22

Since 2009, our facilities department has worked to improve our performance in this indicator through awareness and plumbing improvements.

Dual flush toilet kits and tap flow reducers are being installed at our offices in Brazil. In addition to water-efficient fixtures, the main office building in São Paulo, home to our largest operation in Brazil, is equipped with rainwater harvesting tanks with a capacity of approximately 432 cubic meters of water for plant watering and washing applications.

In 2016 we presented the owners of the Vergueiro building in São Paulo with a proposal to implement a system involving rainwater harvesting, a water recycling tank and an artesian well. However, the investment was ultimately not approved. **G4-EN10**

The water used at our 24 offices is supplied by local public utilities and our wastewater is collected by public sewage collection systems in accordance with the environmental regulations applicable to our segment.



Water withdrawal and disposal (m³) G4-EN8 | G4-EN22

	Consumo e descarte de água (m ³)		
	2016	2015	2014
Consumption	20,808.75	20,516	24,829
Disposal	20,808.75	20,516	24,829
Withdrawal per capita	5.15	5.52	7.09

Manufactured Capital

Physical, material and technological assets supporting quality of service and reducing environmental impacts.

MANAGEMENT

Excellence in delivery depends to a great extent on the **quality of the technology assets** we provide to manage and ensure the security of information that is relevant to our work. Technology assets are also critical to our innovation processes for the benefit of our clients.

Physical and mobility assets complete the equation of how we **support our professionals in delivering their best**.

All investments related to this capital are consistent with our established environmental targets.



ASSETS

Physical assets

We provide ergonomically designed, functional and comfortable office space furnished with appropriate materials to ensure the health, safety and well-being of our professionals.

Technology

Equipment and systems to enhance engagement efficiency, information security and mobility.

Mobility

Offices accessible by public transport, boost to carpooling, bike park and a corporate car benefit contribute to better mobility.

GENERATED VALUE

For our professionals

Efficiency; Integration; Information security; Occupational health and safety.

For our clients

High-quality and efficient delivery; Information security.

For society

Reduction environmental impact from our offices and travel.

24 OFFICES

SÃO PAULO OFFICE: BUILDING FACILITIES CERTIFIED LEED CS GOLD® AND LEED ID+C GOLD®

TOURING OFFICES | More flexibility and convenience for our professionals

CARPOOL SYSTEM | App Wiimove

CORPORATE FLEET FULL RENOVATION



Physical assets

▶ Ongoing office improvements G4-13

Our 24 offices in Brazil are located in cities that are business hubs in strategic regions and provide the physical and technological infrastructure required for our professionals to deliver high quality and efficient service to clients.

As new office space requirements arise, our office renovation and adaptation efforts are ongoing. Facilities performance is also taken into account in office planning, ensuring each office makes optimum use of available resources and is suited to the different needs of people with special needs.

Our São Paulo office, the largest KPMG operation in Brazil, is located in a building that is LEED CS Gold® and LEED ID + C Gold® certified, which ensure that there was a reduction of the impacts generated throughout the building work and during their use through the use of sustainable technologies and materials.

Five office moves are planned for 2017. To minimize the risk of negative impacts, especially on our professionals, several functions at KPMG are working together to plan and implement necessary action. **G4-LA4**

◀ **Innovation focused on comfort and ergonomics: new chairs at all our offices provide improved quality of life at the workplace.**

Corporate fleet

▶ Comfort and recognition for managers

Our company vehicle benefit program for managers, called KFleet, is the first of its kind among the Big Four.

In 2016, 598 leaders (84% of the eligible beneficiaries) joined the program, benefiting from the already renewed fleet and flex models.



Technology

Secure and efficient information management

EQUIPMENT AND SERVICES

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 2016 included:

New software improves conscious printing

The system only prints the documents once the responsible professional have swiped their badge at the printer.

New computers We have increasingly invested in technology and security to allow our professionals to remotely access the information and systems they need to complete their engagements with optimum efficiency and quality.

Touring offices Implemented in 2016, the system brings greater flexibility and convenience for KPMG professionals.

Assurance Statement

Independent Assurance Statement Sustainability Report (GRI) G4-33

For senior management members and stakeholders
of KPMG AUDITORES INDEPENDENTES

INTRODUCTION

Green Domus Desenvolvimento Sustentável LTDA (Green Domus) was engaged by KPMG to ensure its 2016 Sustainability Report.

KPMG was responsible to prepare and present information about its management and sustainability performance in its Sustainability Report 2016, as well as to collect and present the necessary evidence for the assurance procedures; Green Domus provided the independent assurance service, systematically documented and based on evidences presented by KPMG.

ASSURANCE GUIDELINES

The assurance process was proceeded based on AA1000 Assurance Standard 2008; AA1000 AccountAbility Principles Standard 2008 and Guidelines for Sustainability Reporting, G4 version, 2013, from Global Reporting Initiative (GRI).



LEVEL AND TYPE OF ASSURANCE

The assurance process lead by Green Domus meet the requirements of a moderate level and type 1 assurance, as defined by AA1000 Assurance Standard 2008; Therefore, it ensures the adherence to the Principles of Inclusion, Materiality and Responsiveness, in addition to the requirements of the 'in accordance' Essential option defined by GRI and following principles for defining content and for assuring the report's quality. As a type 1 assurance, Green Domus does not provide conclusions about the reliability of KPMG performance information.

ASSURANCE LIMITS

The assurance was limited to the evaluation of information provided by KPMG on its 2016 Sustainability Report and all the documents and evidences that supported its contents.

METHODOLOGY

The assurance was conducted through the preliminary assessment of information presented by KPMG on its 2016 Sustainability Report and the documents which instructed its preparation, followed by a visit to the information centralizing unit, where interviews were conducted with the stakeholders involved, especially at the management level of the organization.

Through the preliminary version (draft) of the assurance report, clarifications and adjustments of the information presented in the sustainability report were requested and the procedure was only finalized when all of them were solved.

INDEPENDENCE AND IMPARTIALITY

For the purposes of this assurance, Green Domus certifies that there is no relationship with KPMG that would affect the independent and impartial manner of this Statement of Assurance. All professionals involved in the assurance process are aware of and trained in Green Domus' Corporate Management System, which includes policies and procedures that provide the company with impersonal operation standard and mitigation of possible technical risks in the development of activities.

COMMENTS AND RECOMMENDATIONS

Without interfering in the positive conclusion of this assurance, Green Domus suggests to KPMG the following recommendation for improvement and adoption of best practices:

The method of designing the Materiality Matrix is composed of historical elements (precedent), market (benchmark) and stakeholder internal research elements, in order to evaluate the persistence and timelines of existing material issues. It is recommended to have a similar procedure for identification and consideration of new material issues, based on the consultation of stakeholders, avoiding that changes in material issues are not captured by the review of previous matrices.

CONCLUSION

Green Domus Desenvolvimento Sustentável's opinion is that the 2016 sustainability report of KPMG is an adequate representation of the company, which relates their strategies, policies and actions with their sustainability performance.

Nothing has come to Green Domus awareness that suggests the information contained in

the 2016 KPMG Sustainability Report has not been originated and compiled, in all material respects, in accordance with the guidelines of GRI Sustainability Report, G4 version, related to the 'in accordance' Essential option criteria, with the Principles of AA1000 AccountAbility Principles 2008, and with the records and files that served as the basis for its preparation.

São Paulo, March 22, 2017.


Higor José V. do Valle
Lead Verifier



GRI Content Index

The GRI Content Index below correlates the Standard GRI Disclosures with the most material issues for KPMG and our stakeholders.

In accordance GRI G4-Core option

STANDARD DISCLOSURES		
STRATEGY AND ANALYSIS	PAGE	WHERE ADDRESSED/OMITTED
G4-1 Statement from the Chair	4-6,20-24, 31-41	
ORGANIZATIONAL PROFILE	PAGE	WHERE ADDRESSED/OMITTED
G4-3 Name of Organization	8, 10	
G4-4 Primary brands, products and services	8-13	
G4-5 Location of headquarters	8, 10, 11	
G4-6 Countries where we operate	9	
G4-7 Nature of ownership and legal form	8-10	
G4-8 Markets served	10-12	
G4-9 Scale of Organization	8-10, 90-92	
G4-10 Employee profile	68-83, 118	
G4-11 Percentage of employees covered by collective bargaining agreements	68	
G4-12 Supply chain	101	
G4-13 Significant changes during the reporting period	120	
G4-14 Precautionary Approach	53	
G4-15 Charters, principles, or other initiatives to which the Organization subscribes	23, 24, 84, 85	
G4-16 Memberships	100	

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		PAGE	WHERE ADDRESSED/OMITTED
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	3, 90-92	
G4-18	Process for defining the report content and aspect boundaries and implementation of the reporting principles for defining report content	27, 28	
G4-19	Material Aspects identified	25	
G4-20	Aspect Boundary within the Organization	25	
G4-21	Aspect Boundary outside the Organization	25	
G4-22	Restatements of information provided in previous reports	3, 25	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	3	

STAKEHOLDER ENGAGEMENT		PAGE	WHERE ADDRESSED/OMITTED
G4-24	Stakeholder groups engaged	26	
G4-25	Basis for identification and selection of stakeholders	26	
G4-26	Approach to and frequency of stakeholder engagement	26, 27, 96-100	
G4-27	Key topics raised by stakeholders	27	

REPORT PROFILE		PAGE	WHERE ADDRESSED/OMITTED
G4-28	Reporting period	3	
G4-29	Date of most recent previous report	3	Previous report published March 2016
G4-30	Reporting cycle	3	
G4-31	Contact point for questions regarding the report	3	
G4-32	'In accordance' option chosen	3	Core – G4
G4-33	Policy and current practice with regard to seeking external assurance for the report	3, 122-124	

GOVERNANCE (Material Issue)		PAGE	WHERE ADDRESSED/OMITTED
G4-34	Governance structure of the Organization	15-18	
G4-38	Composition of the highest governance body and its committees	15-18	
G4-39	Whether the chair of the highest governance body is also an executive officer	17, 18	
G4-40	Nomination and selection processes for the highest governance body and its committees	15-18	
G4-41	Processes to ensure conflicts of interest are avoided	17, 18, 53-58	
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, and strategies	15-18	
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	49	
G4-44	Processes for evaluation of the highest governance body	70	



GOVERNANCE (Material Issue)		PAGE	WHERE ADDRESSED/OMITTED
G4-47	Frequency of the highest governance body's review of impacts, risks, and opportunities	15-18, 22	
G4-48	The governance body that formally reviews and approves the sustainability report	22	
G4-51	Compensation policy	70-73	

ETHICS & INTEGRITY (Material Issue)		PAGE	WHERE ADDRESSED/OMITTED
G4-56	The Organization's values, principles, standards and norms of behavior	12, 23, 24, 53-59	
G4-57	The mechanisms for seeking advice on ethical and lawful behavior	53-54	
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	53, 58	

SPECIFIC STANDARD DISCLOSURES

CATEGORY: ECONOMIC

ASPECT: BUSINESS PERFORMANCE (Material Issue)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59, 90-92	
G4-EC1	Direct economic value generated and distributed	90-92	
G4-EC2	Financial implications and other risks and opportunities due to climate change	108	
G4-EC3	Coverage of the Organization's Defined Benefit Plan Obligations	77	
G4-EC4	Financial assistance received from government	90-92, 105	

ASPECT: MARKET PRESENCE (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		88	
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	88	

ASPECTO: IMPACTOS ECONÔMICOS INDIRETOS (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		25, 90-92, 104-105	
G4-EC7	Development and impact of investments and services supported	25, 90-92, 105	

CATEGORY: ENVIRONMENTAL

ASPECT: ENERGY (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		116	
G4-EN3	Energy consumption within the Organization	116-118	
G4-EN4	Energy consumption outside of the Organization	116-118	
ASPECT: WATER (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		118	
G4-EN8	Total water withdrawal by source	118	
G4-EN10	Water recycled and reused	118	
ASPECT: EMISSIONS (Material Issue Voluntary and Global Commitments)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		114	
G4-EN15	Direct Greenhouse Gas (GHG) emissions (scope 1)	114, 115	
G4-EN16	Energy indirect Greenhouse Gas (GHG) emissions (scope 2)	114, 115	
G4-EN17	Other indirect Greenhouse Gas (GHG) emissions (scope 3)	114, 115	
G4-EN19	Reduction of Greenhouse Gas (GHG) emissions	114, 115	
ASPECT: WASTEWATER AND SOLID WASTE (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		118	
G4-EN22	Total water discharge	118	
ASPECT: COMPLIANCE (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		113	
G4-EN29	Sanctions for non-compliance with environmental laws and regulations	113	
ASPECT: TRANSPORT (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		114	
G4-EN30	Significant environmental impacts of transport	115	
G4-EN34	Complaints	115	

CATEGORY: LABOUR PRACTICES AND DECENT WORK

ASPECT: EMPLOYEE (Material Issue Attracting and Retaining Talent; Benefits)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59, 73, 85	
G4-LA1	Total number and rates of new employee hires and employee turnover	73	
G4-LA2	Benefits awarded	74, 77	
G4-LA3	Return to work rates after parental leave	86	

ASPECT: LABOUR RELATIONS (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		120	
G4-LA4	Minimum notice periods regarding operational changes	120	No minimum period is established in our collective bargaining agreements with trade unions

ASPECT: OCCUPATIONAL HEALTH AND SAFETY (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		76	
G4-LA5	Percentage of workforce represented in formal health and safety committees	76	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	76	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	76	The matters addressed in collective bargaining agreements with trade unions include health certificates and temporary leave

ASPECT: TRAINING AND EDUCATION (Material Issue Training and Development)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		45, 59	
G4-LA9	Average hours of training per year per employee by gender, and by employee category	45	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	71	We have a consolidated program for continuous skills development that prepares our professionals for both the strategic challenges of KPMG and the challenges of the sector and the market in which we operate, which supports employability. Training focused on preparation for the retirement started to be implemented in 2016
G4-LA11	Percentage of employees receiving regular performance and career development review	70	

ASPECT: DIVERSITY AND EQUAL OPPORTUNITY (Material Issue)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59, 80	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group and minority group membership	80-83	

ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN (Material Issue Remuneration)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		84	
G4-LA13	Ratio of basic salary and remuneration of women to men	84-85	

CATEGORY: SOCIAL – HUMAN RIGHTS

ASPECT: NON-DISCRIMINATION (Material Issue Diversity)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59, 80-87	
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No instances of discrimination were identified by our monitoring mechanisms
ASPECT: FREEDOM OF ASSOCIATION (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated		KPMG offers freedom of association and collective bargaining to all professionals, including reimbursement for union fees. No violations of this right were identified within our Organization. We started mapping our supply chain, but we did not yet identify the risks involved, although we apply our Supplier Code of Conduct, which requires freedom of association, to all suppliers.
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59, 101	
G4-HR10	Suppliers screened using human rights criteria	101	
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59, 101, 80-87	
G4-HR12	Number of grievances about human rights impacts		No instances were identified by our monitoring mechanisms.

CATEGORY: SOCIAL – SOCIETY

ASPECT: ANTI-CORRUPTION (Material Issues Risk and Quality Management Frameworks and Systems; Client and Engagement Acceptance and Continuance)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		53-59	
G4-SO3	Operations assessed for risks related to corruption	53	
G4-SO4	Communication and training on anti-corruption policies	55	
G4-SO5	Confirmed incidents of corruption and actions taken	58	
ASPECT: GOVERNMENT POLICY (Non-material)		PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		59	
G4-SO6	Total value of political contributions		A set of Quality and Risk Management standards and procedures upholds KPMG's quality, credibility and independence including by prohibiting donations to political parties. A December 2015 resolution of Brazil's High Electoral Court also prohibits donations by legal entities to political parties and candidates.



ASPECT: ANTI-COMPETITIVE BEHAVIOUR (Material Issue Client and Market Relations)	PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH	59	
G4-S07 Legal actions for anti-competitive behavior		No instances were identified by our monitoring mechanisms.

ASPECT: CONFORMITY (Material Issue Ethics & Integrity)	PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH		
G4-S08 Fines and non-monetary sanctions for non-compliance with laws and regulations		No instances were identified by our monitoring mechanisms.

CATEGORY: SOCIAL – SOCIETY

ASPECT: PRODUCT AND SERVICE LABELLING (Material Issue Client and Market Relations)	PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH	53-59	
G4-PR3 Product and service information	58	
G4-PR4 Non-compliance with regulations and voluntary codes concerning labeling	58	
G4-PR5 Customer satisfaction surveys	96, 97	

ASPECT: COMMUNICATIONS AND MARKETING (Material Issue Client and Market Relations)	PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH	53-59	
G4-PR7 Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	55	

ASPECT: CUSTOMER PRIVACY (Material Issue Privacy & Information Security)	PAGE	WHERE ADDRESSED/OMITTED
MANAGEMENT APPROACH	53-59	
G4-PR8 Substantiated complaints regarding breaches of customer privacy and losses of customer data	58	

ASPECT: CONFORMITY (Material Issue Ethics & Integrity)	PAGE	WHERE ADDRESSED/OMITTED
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