



# Transparency Report 2021

KPMG Auditores Independentes Ltda.  
April 2022



# Message from the leadership



Introduction  
and preface

## Focus on quality to inspire confidence and empower change

It is a pleasure to share with the Brazilian public the 2021 Transparency Report, prepared by KPMG Brazil, for the fiscal year ended September 30, 2021. The document demonstrates KPMG's genuine commitment with quality and with strict observance of its Values: Integrity, Excellence, Courage, Together and For Better.

In this Report, we document the progress we have achieved in our quality management. With the Global Audit Quality Transformation, we put quality and consistency of our Audit projects at the forefront, supported by relevant pillars, such as the new International Standard on Quality Management (ISQM) and KPMG Clara Workflow, our Audit platform.

We are conscious that audit quality relies on exceptional people, who do not take the easy way out and are committed to seeking and delivering high-quality audits. Our people are at the heart of our business and supporting their wellbeing is and always will remain a priority.

For us, it is extremely important to provide a safe environment for all, ensure an appropriate level of workloads, and undertake initiatives that drive efficiency through technology. We take seriously the purpose of caring for the emotional and mental health of professionals.

The option for the hybrid model, even before the impacts caused by the pandemic, is an example of our close attention to people, as well as our various initiatives in terms of inclusion, diversity, and equity.

We also believe that sustainability must be intrinsic to business. We recognize, with great enthusiasm, the significance of the International Sustainability Standards Board announced at COP26. We are aware that we will play a key role in identification and assurance of information relating to sustainability with the same quality as we operate today in other sectors and markets.

To be able to rigorously fulfill our commitments to ethical values, quality and best practices, we insist in maintaining high standards of governance and management. Our Global Council has been implementing governance changes exactly to achieve high levels of consistency and accountability across all our member firms. In the 145 countries and territories where we are present, we follow a common set of values, standards and services that place us at the forefront.

Through our quality controls, management, global monitoring, support, assistance; our policies for attracting and retaining talents; with investments in Automation, Artificial Intelligence (AI) and Data & Analytics; and effectively committed to the best environmental, social and governance (ESG) practices, we are prepared for the challenges of today's world and ready to be co-authors of the future.

In this way, we respond to market expectations with new technologies and resources, while we build an increasingly strong culture of consistency and accountability.

KPMG is already synonymous of trust and quality, both in the Brazilian market and worldwide. And, more and more, we will work to consolidate the Organization's name in the leadership of our profession and, in this way, consolidate one of our goals, which is to be The Clear Choice.

We thank you for the confidence you place in us and trust: we will always be ready to exceed ourselves!

We wish you all an excellent read.



**Charles Krieck**

Chairman of KPMG  
Brazil and South America



**Carlos A. Pires**

Head of Audit of KPMG  
Brazil and South America

Driving the  
quality agenda

Living our culture  
and values

Applying expertise  
and knowledge

Embracing  
digital technology

Using qualified and  
multidisciplinary  
teams

Associating with  
the right clients  
and engagements

Being independent  
and ethical

Performing quality  
engagements

Assessing risks  
to quality

Communicating  
Effectively

Monitoring and  
remediation

Network  
arrangements

Appendix

Governance  
and leadership

# Who we are



Introduction  
and preface

## Our business

KPMG is a global organization of professional service firms providing Audit, Tax and Advisory services. KPMG operates in 145 countries and territories, with more than 236,000 partners and professionals working in the member firms worldwide. Each KPMG member firm is an independent and separate legal entity and describes itself as such, being legally and financially responsible for its own obligations and liabilities.

In Brazil, there are approximately 5,000 partners and professionals, distributed in 22 cities, located in 13 States and the Federal District.

Driven by its purpose of empowering change, KPMG has become a benchmark company in the segments in which it operates. We have shared Values and inspired trust in the capital markets and communities for over 100 years, transforming people and companies and generating positive impacts that contribute to sustainable changes in our clients, governments and society.

Our audit services in Brazil are delivery through KPMG Auditores Independentes Ltda. and the companies listed in Annex 1 of this report ("KPMG Brazil"). Additional details on the services offered by KPMG Brazil can be found on our website [www.kpmg.com.br](http://www.kpmg.com.br).

## Our strategy

Our strategy is set by the KPMG Brazil's Executive Committee and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our firm.

See the [KPMG Brazil's Governance and leadership](#) in this report.

Driving the  
quality agenda

Living our culture  
and values

Applying expertise  
and knowledge

Embracing  
digital technology

Using qualified and  
multidisciplinary  
teams

Associating with  
the right clients  
and engagements

Being independent  
and ethical

Performing quality  
engagements

Assessing risks  
to quality

Communicating  
Effectively

Monitoring and  
remediation

Network  
arrangements

Appendix

Governance  
and leadership



Introduction  
and preface

Driving the  
quality agenda

Living our culture  
and values

Applying expertise  
and knowledge

Embracing  
digital technology

Using qualified and  
multidisciplinary  
teams

Associating with  
the right clients  
and engagements

Being independent  
and ethical

Performing quality  
engagements

Assessing risks  
to quality

Communicating  
Effectively

Monitoring and  
remediation

Network  
arrangements

Appendix

Governance  
and leadership

**Audit  
quality** is fundamental to  
maintaining public trust and is the key  
measure on which our professional  
reputation stands.

We define “audit quality” as the  
outcome when audits are executed  
consistently, in line with the  
requirements and intent of applicable  
professional standards, within a  
strong system of quality controls.

All of our related activities are  
undertaken in an environment  
of the utmost level of objectivity,  
independence, ethics and integrity.

# Driving the quality agenda



## Our global approach to delivering audit quality

We continue to invest significantly in audit quality across the KPMG global organization. We are building on our sound audit quality foundations, in terms of how KPMG member firms are managed and how they execute their audit engagements.

This means ongoing investment in our system of quality management, global monitoring of audit quality, enhanced support, and providing leading-edge technology and tools for engagement teams.

Our global audit quality program supports consistent deployment of consistent policies, processes, control and technologies by member firms to enhance and drive a common approach.

### Building consistency through a global approach



At KPMG, audit quality is about consistent execution across all member firms in line with the requirements and intent of professional standards and is supported

by a strong system of quality management.

We have made significant investments in strengthening the consistency and robustness of our system of quality management across our global organization, ensuring the effective implementation of the International Standard on Quality Management (ISQM 1), which will take effect as of December 2022. KPMG International has initiated a program to support an effective implementation of our global organization-wide requirements for member firms' systems of quality management.

### Our system of quality management



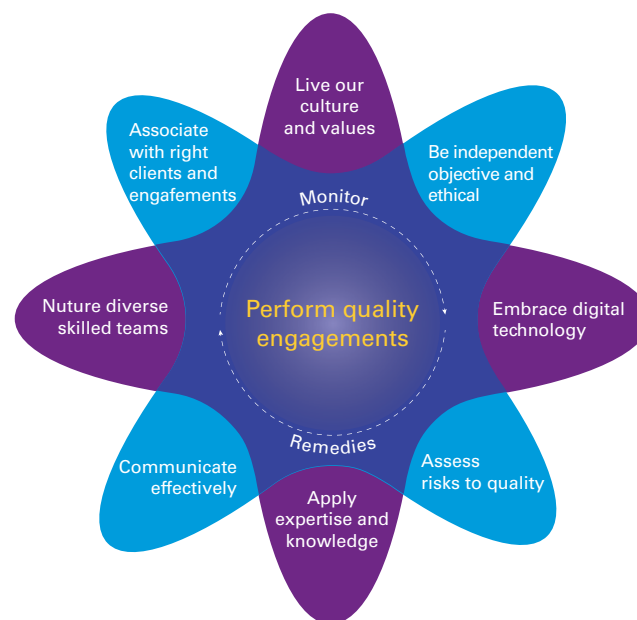
Our commitment to integrity and quality lie at the heart of the way we do things at KPMG. Our system of quality control ensures our performance meets the highest professional standards.

As we prepare for the implementation of ISQM 1, we have adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how all KPMG professionals are accountable for its delivery. The principle of 'Perform quality engagements' sits at the core along with our commitment to continually monitor and remediate our processes as necessary.

Our Quality Drivers give clear direction to encourage the right behaviors in delivering audit quality. The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards), issued by the International Ethics Standards Board for Accountants (IESBA), which we will refer to subsequently as 'the IESBA Code of Ethics' which apply to professional services firms that perform audits of financial statements.

While this Transparency Report summarizes KPMG's approach to audit quality, it also may be useful to stakeholders interested in the Advisory and Tax services of our firm, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered by KPMG firms.

In this report we use our Global Quality Framework to describe our approach to quality.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

## Our commitment to audit quality during the COVID-19 pandemic



The COVID-19 pandemic has forced us all to think differently and we continue to respond to and embrace this challenge.

Since the start of the pandemic, we have maintained an online [COVID-19 | Financial reporting resource center](#) to assist companies and other stakeholders in understanding potential accounting and disclosure implications of the pandemic.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit-related matters arising from the impacts of the COVID-19 pandemic, including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, stock taking and inventories, subsequent events and communications with those charged with governance. Additionally, KPMG International issued specific guidance for remote working environments that addresses how teams work together, communications with management and the design and performance of audit procedures.

KPMG's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

In Brazil, we have taken actions that follow KPMG's International communications, including:

- Translation of BlogPosts on the accounting impacts of the COVID-19 pandemic, generating a wider coverage of KPMG's publications.
- Meetings with audit teams on relevant audit and accounting issues to be observed as a result of the pandemic.
- Publications and events focused on the consequences of the pandemic on accounting, such as the "[Sinopse Contábil](#)" and the IFRS Summit.
- Active participation in the IBRACON's debates and publications on the implications of the pandemic on auditing procedures, risk assessment and the most recurrent accounting issues.
- Participation in the external forums with the market, entities and interlocutors of audit engagements.

Communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to provide our professionals with more regular updates, including virtual meetings to share best practices and guidance.

## Hybrid working supported by digital technology



KPMG is a connected technology-enabled organization with technical resources, platforms and electronic tools, and structure for on-site or remote working, which enabled the decision for a hybrid working model. At KPMG Brazil, even before the conditions related to COVID-19, it was possible for employees to work in a hybrid format through a policy internally known as *Telecommute*, which is in compliance with Brazilian labor legislation standards.

The hybrid model was broadly adopted and available to everyone, utilizing more investment in technology to enhance relationships and collaboration, as well as enabling us to react quickly and minimize operational risks that can cause disruptions.

A working model requires, among others, an investment viability plan to determine the required structure, whether on-site, hybrid or remote, training in new formats of working, dress code policies, etc. In the constant exercise of compliance with regulatory standards and excellence in the execution of our work, as well as the new formats of working and models may bring in related to the risks and leverage of our work, KPMG Brazil through its Business Management has reassessed its Enterprise Risk Management (ERM) strategic planning and monitored the priority risks.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

# Living our culture and values



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

**It's not just what we do at KPMG that matters — we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviors. Shared across every level and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.**

## Fostering the right culture, starting with “Tone at the top” leadership



Our global leadership, working with regional and member firm leaderships, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on accountability, quality, objectivity, independence, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders rely.

The global leadership also drives an awareness that all professionals across KPMG who is involved in performing an audit, or any client engagement across tax and advisory practices, has a responsibility for quality and an important part to play. This is one of the key factors that connects all KPMG professionals.

We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

Our Values are defined in [Appendix 3](#) of this report.

## Clear Values and a strong Code of Conduct

Our Values lie at the heart of the way we do things. To do the right thing, the right way, at the right time. Always. They drive our daily behaviors, guide our decisions, and shape our character. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. Our Values propel us forward — through our work and the example we set — as we inspire confidence and empower change throughout the world.

Within our KPMG's Global Code of Conduct (“the Code”), we outline the responsibilities all KPMG personnel have to each other, the public and our clients. It shows how our Values inspire our greatest aspirations and guide all of our behaviors and actions. It defines what it means to work at and be a part of KPMG, as well as our individual and collective responsibilities.

All professionals at KPMG are held accountable for behaving in accordance with the Code and are required to confirm their compliance. We are all required to take annual training covering the Code and be committed to holding ourselves accountable to behave in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or is not in compliance with the Code or with our Values.

Moreover, everyone at KPMG is required and accountable to report — any activity that could potentially be illegal or in violation of our Values, our policies, applicable laws, regulations, or professional standards.

To safeguard this principle of holding each other accountable, each KPMG member firm is required to establish, communicate and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries about, raise concerns in relation to, provide feedback on, and notify reportable matters without fear of reprisal in accordance with applicable laws or regulations.

The KPMG International hotline is a further mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of member firms or KPMG professionals.

KPMG's hotline in Brazil is 0800 891 7391 (24-7 service), or through instructions on KPMG Brazil Intranet. Other countries: [www.clearviewconnects.com](http://www.clearviewconnects.com)

All member firms and professionals are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and retaliatory action will be subject to their firm's disciplinary policy.

In addition to the controls outlined above, the Global People Survey (GPS) provides KPMG Brazil and KPMG International leaderships with results related to upholding KPMG Values.

See the section [Effective Communication](#) in this report for more details about GPS.

## Consistent quality and risk management policies



KPMG International has quality control policies that apply to all member firms. These are included in the Global Quality & Risk Management Manual (GQ&RM Manual), which applies to all KPMG personnel. These policies and associated procedures are designed to assist KPMG member firms in complying with relevant professional standards and regulatory and legal requirements.

They are based on the ISQC 1 and on the IESBA Code of Ethics. Both are relevant to KPMG member firms that perform statutory audits and other assurance and related services engagements.

The member firm are required to implement KPMG International's policies and procedures and adopt their own additional policies and procedures that are designed to address rules and standards applicable to their own jurisdictions as well as applicable legal and regulatory requirements.

## Leadership responsibility for audit quality and risk



The global leadership plays a critical role in driving KPMG quality agenda for the organization. In respect to audit quality, our Global Head of Audit and our Global Head of Audit Quality provide reports to the Global Audit Quality Committee which has responsibility for oversight of audit quality of all member firms for KPMG International.

KPMG Brazil demonstrates commitment to quality, objectivity, independence, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society. Our leadership in Brasil plays a critical role in setting the right tone and leading by example — demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

KPMG Brazil is required to seek input from the chair of Global Steering Group or his/her delegee representatives on the performance of certain leaders within KPMG Brazil whose role most closely aligns with the activities of the Global Steering Group. This input is sought as part of the annual performance process and it is based on an assessment of the leader's performance, which includes matters of public interest, audit quality and risk management activities.

Global Steering Groups drive the execution of the quality strategy. Each of these global groups has its specific areas of focus, and they work closely with one another on quality matters, along with regional and KPMG member firm leadership, to:

- Establish and ensure communication of appropriate audit, quality and risk management policies;
- Establish and support effective and efficient processes to promote audit quality;
- Promote and support the implementation of strategy in KPMG firms' audit functions, including standards of audit quality; and
- Assess and monitor audit engagement quality, including issues arising from quality performance and regulatory reviews, and focus on best practices to increase audit quality.

The following individuals have leadership responsibilities for quality control and risk management at KPMG Brazil:

### Chairman

In accordance with the principles in ISQC 1, our Chairman Charles Kriek has the ultimate responsibility for KPMG Brazil's system of quality control. The measures to ensure that a culture of quality prevails are taken jointly with the Executive Committee. For more details see Appendix 2.

### Risk Management Partner (RMP)

The Risk Management Partner is responsible for establishing general risk management and quality control policies and monitoring compliance at KPMG Brazil. The RMP has a seat on the Executive Committee and has a direct reporting line to the Chairman.

### Ethics and Independence Partner (EIP)

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures at KPMG Brazil and for reporting on ethics and independence issues to the RMP.

### The Audit, Tax and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Chairman for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management and quality control for their



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership



specific functions within the framework set by the Risk Management Partner. These procedures make it clear that, at the engagement level, risk management and quality control are ultimately the responsibility of all KPMG's professionals.

The **Head of Audit** is responsible for the effective management and control of the Audit Practice in Brazil. This includes:

- Setting a strong tone and culture supporting audit quality through communication, engagement support and commitment to the highest standards of professional excellence, including professional scepticism, objectivity, and ethics and integrity;
- Developing and implementing an audit strategy plan that drives trust and growth with a financial plan which is aligned with the firm's audit quality requirements; and
- Working with the Risk Management Partner to monitor and address audit quality issues and risks related to the Audit practice.

### The audit leadership team

The Audit Leadership Team has regular discussions to agree on actions about current and emerging audit quality issues arising from external and internal quality review processes, concerns being raised by engagement teams, root cause analysis procedures and other quality issues identified from a variety of sources.

For more complex issues, which might require amendments to KPMG's global audit methodology or audit tools, are referred to the KPMG International global audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG) and the International Standards Group (ISG).

### Audit Quality Leader

The Audit Quality Leader has operational responsibility and accountability for establishing and maintaining the Audit Quality and System of Quality Management for the Audit function on behalf of the Head of Audit.

### Audit Quality Group

The Audit Quality Group is comprised of a senior audit leadership team to provide a strategic approach to address relevant audit quality and engagement performance matters that affects the firm and its professionals.

Key initiatives led by this group include evaluation of:

- New and revised policies impacting audit execution and contributing to audit quality
- Sufficiency of action plans to address quality issues identified in internal and external inspections
- Plans and actions necessary to implement global and regional initiatives and
- Any other matter that may impact audit quality.

### Office of General Counsel (OGC)

Direct reporting to the Chairman, the Office of General Counsel (OGC) is responsible for the firm's legal matters, public affairs, and the administration and resolution of litigation.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements


Appendix

Governance and leadership

# Applying expertise and knowledge

**We are committed to continue to build on our technical expertise and knowledge recognizing its fundamental role in delivering quality audits.**

## Methodology aligned with professional standards, laws and regulations

 The KPMG audit methodology, tools and guidance, which enable a consistent approach to planning, performing and documenting audit procedures over key accounting processes, are:


- Globally consistent and fully compliant with the applicable standards, including International Standards on Auditing (ISA), U.S. Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by KPMG member firms.
- Inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed.
- Centered on identifying risk, focusing on risks of material misstatements and the necessary audit response.
- Made available to all KPMG audit professionals and required to be used, where necessary.
- Applied even where local auditing standards may be less demanding than the International Standards on Auditing (ISAs).
- Focused on the international assurance methodology and the alignment of assurance products in response to growth of Environmental, Social and Governance (ESG reporting).

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAudit) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the COVID-19 pandemic, many businesses are experiencing significant financial uncertainty. We have issued guidance to our auditors on conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and asset impairments. We have also provided reminders of the importance of exercising professional skepticism taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

When necessary, we may add local requirements and/or guidance to the KPMG Audit Manual and the KPMG Audit Execution Guide to comply with additional local professional, legal, or regulatory requirements.

## Access to specialist networks

 Specialist expertise is an increasingly important part of the modern audit. KPMG firm engagement teams have access to a network of KPMG specialists — either within Brazil or in other KPMG member firms. These specialists receive the training they need to ensure they have the competencies, capabilities, and objectivity to appropriately fulfill their role on audit engagements.

The need for specialists to be assigned to an audit engagement in areas such as Information Technology, Tax, Treasury, Actuarial, Forensic and Asset valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

# Embracing digital technology

**We are committed to serving the public interest and create value through continuous innovation. By leveraging leading technologies, we are transforming the audit experience for our professionals and our clients — enabling us to provide an even higher quality audit by increasing our ability to focus on the issues that matter through the data and insights it provides.**

## Intelligent and standards-driven audit workflow



KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution. As a fully integrated, scalable, cloud-based platform, it enables the use of an enhanced audit methodology through a data-enabled workflow.

The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization.

## Our audit workflow

We recognize that to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world.

That is why KPMG embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our teams, deliver audit detailed insights, and enable systems and processes that allow continued development of new technologies such as process automation, machine learning and cognitive technologies.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG's journey to innovate, digitalize and transform the audit. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

## KPMG Clara



The digital audit is increasingly integral to how KPMG firms perform quality audits and interact with clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment, and support of technology in our audits.

KPMG Clara platform is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts.

The current capabilities include:

- Enabling the analysis of account balances and journal entry data;
- Automating 'period-on-period' balances comparison and 'time series' evolution information; and
- Enabling the analysis of sub-ledger, transactional data over certain business processes and accounts.

## Our vision of the future

KPMG Clara was developed to be the foundational technology platform to deliver audit quality. It delivers this by being the base technology delivering new capabilities in a globally consistent way, enabling effective management of audit workflows and a fully digital experience for audit professionals.

The KPMG Clara platform evolves as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

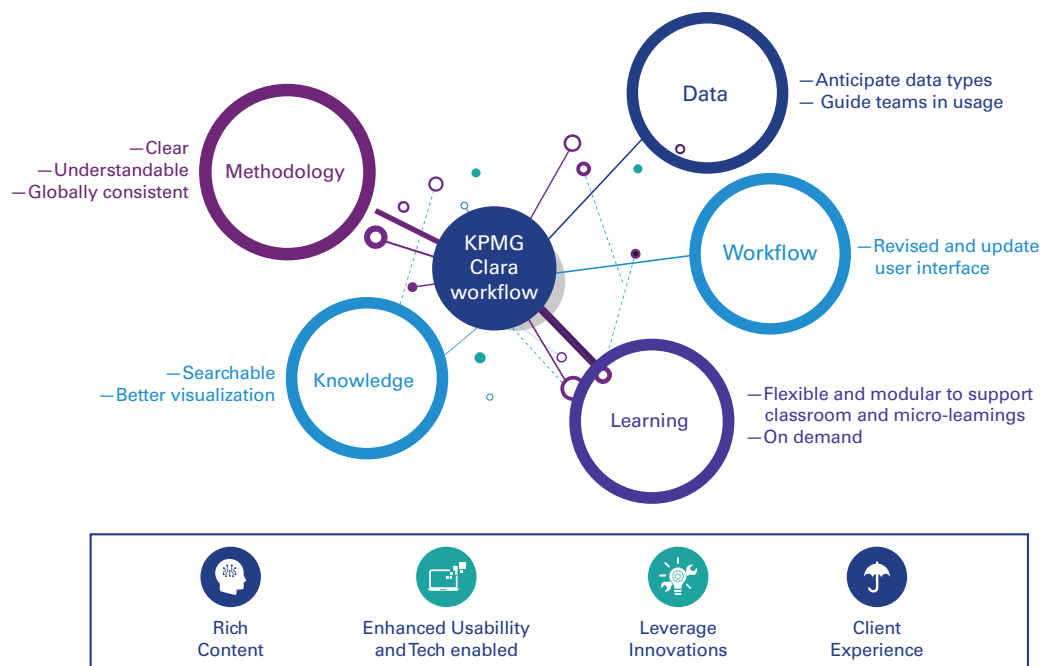
Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

### KPMG Clara Workflow

We are replacing eAudit, our current audit platform, with a new workflow and revised audit methodology embedded into the KPMG Clara smart audit platform. Phased full deployment of KPMG Clara workflow commenced in Brazil in 2019 with planned completion of transition for the 2022 fiscal period-end audits.

The KPMG Clara workflow guides audit teams through a series of steps in a logical sequence aligned to the applicable auditing standards with a clear display of information, visual resources, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodology are scalable, adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflow significantly enhances the execution of an audit by KPMG professionals and clearly drives audit quality and global consistency.

Using data mining and tracking of relevant engagement-level data indicators, the KPMG Clara workflow can also facilitate monitoring of audit execution at the engagement level.

We continue to enhance the KPMG Clara smart audit platform to accommodate accelerating security demands, integrate existing audit applications into a single platform, and develop new capabilities to digitize additional audit processes.

### Local auditing innovations

In Brazil, our area of Audit Technology Innovation (ATI), connected to the Innovation & Enterprise Solutions Committee (I&ES), leads the innovation processes on auditing, developing new products that improve the quality, consistency and efficiency to our audits, creating an exceptional client experience and building a culture of continuous learning and process improvement.

As we invest in new tools and technological resources, we are committed to empowering our professionals with the knowledge and confidence they need to fully take advantages of the opportunities that innovation offers.

We provide training on a wide range of technologies to ensure that our field professionals not only meet the highest professional standards but are also upskilled in new technologies. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.

We are recruiting and training professionals who specialize in software, cloud capabilities and artificial intelligence and who can bring leading technology capabilities to our smart audit platform.

#### Audit Technology and Innovation (ATI)

With a multidisciplinary approach and market knowledge, we use innovation to respond to the digital transformation's needs.

Our objective is to leverage the auditor and our clients' experience in an increasingly faster, safer and technological process, always focused on quality and consistency. For this, Audit, through ATI, invests in innovation, technology and efficiency in all its processes.

Within the ATI work fronts, we have professionals with different specialties from the development of new product concepts, through business design, product architecture, development, project management, approval, deployment, maintenance and post-implementation support. In addition, ATI has professionals specialized in Data & Analytics, who support the audit teams in different ways.


ATI follows the internal guidelines of both global and local firms in its approval processes, which are based on the KPMG Global Framework.


Projects are approved annually by the Innovation & Enterprise Solutions (I&ES) group and the Audit Innovation Committee based on an investment plan that considers the audit automation priorities for each fiscal year and the technologies that need to be developed to achieve that objective.


Currently, the audit has a portfolio of 13 technology solutions developed for use by auditors, totaling more than 100 electronic procedures based on D&A, artificial intelligence, cognitive technologies, among others.


**Constantly innovating is essential to raise the level of quality and consistency of audits**

Some of the technological solutions developed by ATI are:

 **KPMG Cognitive** - Solution that performs the reading of multiple documents simultaneously with the application of Artificial Intelligence technologies.

 **KPMG Chrono** - Solution that consists of automating substantive procedures and Data & Analytics performed mainly on tax obligations, accounting obligations and bank files.

 **KPMG Insurance Sector Routines** - Cloud solution for processing substantive procedures and Data & Analytics performed mainly on official SUSEP records and balance sheets.

 **KPMG Bank Sector Routines** - Solution that consists of automating substantive procedures and Data & Analytics performed mainly on market price information, standard custody files and portfolio composition.



**KPMG Funds Sector Routines -**

Solution created to streamline and make consistent auditing procedures for Investment Funds.



**Inventory App** - Cross-platform mobile application with a Web interface used in the process of tracking physical inventory counts, which aims to make inventory counts faster and more efficient.



**KPMG Clara Client Collaboration** – Tool that allows interaction between the client and KPMG in real time.



**KPMG Confirmation Portal** – Electronic process of confirming balances (confirmation procedures) with a digital certificate.



**KPMG Portal de Assinaturas** – Platform for managing and signing proposals, contracts and other documents with legal validity.

**Our Delivery Center (KDSC)**

The main objective of KPMG's Delivery Center in Brazil is to increase the efficiency of KPMG's operations, offering in its portfolio the processing of operational activities related to the Audit, Tax, Advisory and Infrastructure areas.

This improvement in KPMG's efficiency, reflected in reduced deadlines and enhanced quality, is achieved through a process-oriented management, focused in centralization, specialization and standardization.

**Client confidentiality, information security, and data privacy**



The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the KPMG Global Code of Conduct (the Code).

We have policies on information security, confidentiality, personal information and data privacy and document-retention, detailing the retention period for audit documentation and other records relevant to an audit engagement in accordance with the local and IESBA relevant requirements as well as other applicable laws, regulations and professional standards.

We provide training on confidentiality, information protection and data-privacy requirements to all our professionals annually.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

# Using qualified and multidisciplinary teams

**Our people make the real difference and are instrumental in shaping the future of audit. We put quality and integrity at the core of our audit practice. Our auditors have diverse skills and capabilities to address complex problems.**

**Recruiting appropriately qualified and skilled people, including specialists, diversity (of gender, gender identity, sexual orientation, race, ethnicity, skin color, and skills, nationalities age), perspective and experience**



One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation and purpose, to deliver high quality audits. This requires the right recruitment, development, reward, promotion and assignment of professionals.

## Recruitment

KPMG Brazil continually invest in understanding how we can attract the talent that an audit firm needs to achieve the quality and minimize the risks of the profession. This includes building an extraordinary experience for all current and prospective professionals.

Our recruitment strategy is focused on screening candidates based on unique and job-related criteria to ensure they possess the appropriate skills and experience for an excellent performance and to be properly placed to their roles.

Interview forms are used for all auditing professional recruitment processes, considering KPMG's competencies, in addition to technical requirements for the role, which are also evaluated and calibrated by partners in the areas. For trainee positions, in addition to interviews, we conduct assessments on behavior, which help us to ensure rules for approval. For partner hiring, we also count on assessment phases by an independent supplier, a business case, and interviews conducted by the local executive committee.

## Inclusion, Diversity & Equity programs

KPMG Brazil is committed to building a diverse and equitable firm that is inclusive to all.

Inclusion, Diversity, and Equity (IDE) is at the core of our very existence, helping us build great teams with diverse views that represent the world we live in. It leads us to better decision making, greater creativity and innovation, and encourages us to stand up, live our Values and do what is right.

We recognize that our position working with clients around the world affords us a privileged place and we still have a lot of work to do. Thus, we recognize our opportunity and responsibility to lead the way to a fairer and more equitable society.

Our Collective Action Plan for Inclusion, Diversity and Equity was co-created globally and outlines the guidelines and actions that are necessary to advance this agenda at KPMG Brazil and at all other member firms.

The Inclusion, Diversity and Equity Committee (CIDE) has broad leadership support and works on the pillars of gender (KNOW), LGBTI+ (Voices), Ebony (race and ethnicity) and Buddies (People with Disabilities) and Synergy (Intersectionality and other themes). Our actions are aimed at raising awareness, reflection and behavior, as well as affirmative actions aimed at equity.

Each pillar has goals, budget and an action plan to increase awareness and advance in representativeness KPIs. Together, we work so that everyone, regardless of characteristics, experience or skills, feels safe, welcomed, valued and encouraged to be authentic and prosper at KPMG.

## Reward and promotion

**Reward** - We have clear and simple compensation and promotion policies made up of market data and linked to the performance review process. These policies help our professionals understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved by assessing the professional performance and through peer group meetings in which the leaders, the



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

performance manager of the professional and the Business Partners participate, in order to have an impartial and assertive assessment.

The Profit-Sharing considers, first, the firm’s performance as a trigger of the program and, consequently, the result of the individual assessment as a component of the model.

The extent to which our professionals feel that their performance has been reflected in their reward is measured through the GPS. Based on the results, action plans are developed as required, in addition to the results of each Business Unit (BU) being linked to the partners’ dividends distribution.

**Promotion** - The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

## Assigning a qualified team

### Partner assignment



KPMG is required to have procedures in place to assign engagement partners and other professionals to a specific engagement based on their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience and capacity — based on an annual partner portfolio review — to perform the engagement considering the size, complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement).

### Team assignment

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time to perform audit engagements in accordance with our audit methodology, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm, other KPMG member firms or external specialists.

If the right resource is not available, we access a network of highly skilled professionals from other KPMG member firms.

When considering the appropriate competence and capabilities expected of the engagement team, the engagement partner’s considerations may include the following:

- An understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- An understanding of professional standards and legal and regulatory requirements
- Appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing
- Knowledge of relevant industries in which the client operates
- Ability to apply professional judgment
- An understanding of KPMG quality control policies and procedures
- Quality Performance Review (QPR) results and regulatory inspections.

## Focused learning and development on technical expertise, professional acumen and leadership skills

### Commitment to technical excellence and quality service delivery



All our professionals are provided with the technical training and support they need to perform their roles, including access to internal specialists and the Department of Professional Practice for consultation.

At the same time, audit policies require all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.

### Lifetime learning strategy

#### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning & Development at global, regional and, where applicable, member firm level.

Mandatory learning requirements for audit professionals across our organization are established annually and based on a mandatory global curriculum called the Mandatory Audit Training Curriculum (MATC).

Specific requirements apply to partners, partner directors, managers, in-charges, and engagement quality control reviewers (EQC) partners, responsible for engagements that report on financial statements or financial information prepared in accordance with US GAAP and/or audited in accordance with U.S. Public Company Accounting Oversight Board (PCAOB) standards, including reports on the effectiveness of the entity’s internal control over financial reporting (ICOFR).



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

These require that at a minimum, all partners, partners director, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, partner director, manager, in-charge and, if appointed, the EQCR reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

#### *Ongoing mentoring and on-the-job coaching*

Learning is not confined to a single approach — differentiated forms and learning experiences are available when needed, through coaching and microlearnings to all professionals and are aligned with job-specific role profiles.

We support a coaching culture throughout KPMG as part of enabling our professionals to achieve their full potential and instil that every team member is responsible for training other team members and sharing experiences.

## **Mandatory licenses and requirements**

### **Continuing Professional Education (CPE)**

All audit professionals at KPMG Brazil, from the position of supervising, who provide services to audit clients, are required to comply with the requirements of Continuing Professional Education/Development (CPE) - CFC - Federal Accounting Council, following professional standards, laws and applicable regulations.

KPMG Brazil's policies and procedures are designed to facilitate and assist compliance with Continuing Professional Education requirements.

Compliance with CPE requirements is tested as part of KPMG's annual monitoring programs.

### **Compliance with local regulators**

Periodic meetings are held with professionals throughout the year to address specific issues and/or updates of accounting standards and audit methodology to meet the requirements of local regulators.

## **Recognizing quality**

### **Personal development**



KPMG Brazil's approach to performance development is built around the "Everyone is a Leader" performance principle, and includes:

- Role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- Goal setting (including audit quality content); and
- Standardized evaluation forms (with provision for audit quality ratings).

Performance Development platforms are linked to KPMG Values and designed to support what is required for success — both individually and collectively. We know that by being clear and consistent about the behaviors we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

At the same time, KPMG is driving a change in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across our organization.

KPMG in Brazil monitors quality and compliance incidents and maintains quality and compliance metrics in the overall evaluation, promotion and compensation of partners, directors and managers. These evaluations are conducted by Performance Managers and partners who are in a position to assess performance.

### **Audit Quality Awards**

The audit quality environment is achieved when professionals are consistently encouraged and rewarded in order to drive results and improve the work environment. In 2021, KPMG Brazil launched the Audit Quality Awards program with the aim of recognizing and rewarding exceptional professionals who stand out in terms of quality in the audit process.

All Audit, Tax and Advisory professionals (from trainees to partners) who have worked in Audit engagements (team or specialists) in the 2021 fiscal year were eligible to receive the award.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership



# Associating with the right clients and engagements



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

**Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.**

## Following the client and engagement acceptance and continuance policies



KPMG's client and engagement acceptance and continuance policies and processes are designed to identify and evaluate potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG member firms are required to evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

## Accepting appropriate clients and engagements

### Client evaluation process



We conduct an evaluation of every prospective client, which involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes an assessment of the client's risk profile and obtaining background information on the clients and its key management, directors and owners. If necessary, we obtain additional information required to satisfy local legal and/or regulatory requirements.

### Engagement evaluation process

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's global conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, and whether the services would be unethical or inconsistent with our Values, as well as factors specific to the type of engagement. For audit services, these factors include the competence of the client's financial management team and the skills and experience of KPMG professionals assigned to the engagement team.

The evaluation is made in consultation with other senior KPMG [insert name] personnel and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business, financial and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

## Continuance process

We conduct an annual re-evaluation of all audit clients. Recurring or long-running non-audit engagements are also subject to periodic re-evaluation. In addition, clients are required to be re-evaluated if there is an indication that there may be a change to their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence.

The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

## Withdrawal process

If a member firm comes to a preliminary conclusion that indicates it should withdraw from an engagement or client relationship, it is required to consult internally and identify any required legal, professional and regulatory responsibilities. It is also required to communicate as necessary with those charged with governance and any other appropriate authority.

## Managed portfolio of clients

KPMG's leadership appoints engagement partners who have the appropriate competence, capabilities, time, and authority to perform their role for each engagement.

We review each audit partner's client portfolio in individual discussions with the audit partners. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and workload of the partner and team to deliver a quality audit for every client.



Introduction  
and preface

Driving the  
quality agenda

Living our culture  
and values

Applying expertise  
and knowledge

Embracing  
digital technology

Using qualified and  
multidisciplinary  
teams

Associating with  
the right clients  
and engagements

Being independent  
and ethical

Performing quality  
engagements

Assessing risks  
to quality

Communicating  
Effectively

Monitoring and  
remediation

Network  
arrangements

Appendix

Governance  
and leadership

# Being independent and ethical

## Auditor independence is a cornerstone of international professional standards and regulatory requirements

### Acting with integrity and living our Values



KPMG International's independence policies and procedures, which incorporate the IESBA Code of Ethics, are set out in the Global Quality and Risk Management Manual (GQ&RM), and applies to all KPMG member firms. Automated tools, which are required to be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements.

Member firms add policies and procedures to processes across KPMG's global organization to ensure compliance with local independence standards. Such policies and processes cover areas such as member firm independence (covering, for example, treasury and procurement functions), personal independence, member firm financial relationships, employment relationships, partner rotation, and approval of audit and non-audit services.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that KPMG member firm have robust and consistent independence policies and procedures, as well as available tools to help member firm and their professionals comply with these requirements.

Amendments to KPMG International's ethics and independence policies are included in regular quality and risk communications with all KPMG member firms.

KPMG Brazil has appointed an Ethics and Independence Partner (EIP) — whose primary responsibility is the direction and execution of ethics and independence policies and procedures in Brazil. The EIP is responsible for communicating and implementing KPMG International's policies and procedures and ensuring that local independence policies and procedures are established and effectively implemented when they are more stringent than KPMG International's requirements.

The EIP fulfills this responsibility through the following actions:

- Implementing/monitoring the ethics and independence quality control process and structure within the member firm
- Approving/appointing partners responsible for quality

within the member firm's Ethics and Independence Group

- Overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients
- Participating in the development and delivery of training materials related to ethics and independence
- Implementing procedures to address non-compliance events
- Overseeing the disciplinary process for ethics and independence matters.

The member firm's partners and professionals are required to consult with the EIP on certain specific independence matters as defined in the Global Quality and Risk Management Manual (GQ&RM). The EIP may also be required to consult with the Global Independence Group depending upon the facts and circumstances.

KPMG member firms are required to clearly communicate their independence policies and procedures to all of their professionals.

Compliance with independence policies and processes is monitored through annual independence confirmations and compliance audits within KPMG member firms, as well as through monitoring programs.

### Maintaining an objective, independent and ethical mindset, in line with our code of conduct and policies

#### Personal financial independence



KPMG International policies require that member firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All partners — irrespective of their firm or function — are generally prohibited from owning securities of any audit client of any KPMG member firm.

KPMG member firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).

All partners and manager-grade or above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals.

The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG’s independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2021 over 90 partners and professionals of KPMG in Brazil were subject to these audits (this included approximately 12% of our partners).

**Employment relationships**

Any KPMG professional providing services to an audit client is required to notify its member firm’s Ethics and Independence Partner (EIP) if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG, including payments which are not fixed and predetermined and/or would be material to KPMG, and have ceased participating in the firm’s business and professional activities.

The lead audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as ‘cooling-off’ periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

An assurance team member is also required to notify the EIP when they enter into employment negotiations with the assurance client during the course of the engagement. Former assurance team members or

former partners of KPMG who join an assurance client in certain roles cannot continue to participate in the firm’s business or professional activities.

We communicate and monitor requirements in relation to employment and partnership of KPMG Brazil professionals by audit and assurance clients.

**Firm financial independence**

KPMG member firms are required to also be free from prohibited interests in, and prohibited relationships with, audit clients and their management, directors and, where required, significant owners.

In common with other KPMG member firms, KICS is used by KPMG Brazil to record direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in associated pension and employee benefit plans.

Additionally, member firms are required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, member firms confirm compliance with independence requirements as part of the Risk Compliance Program.

**Business relationships/suppliers**

KPMG has policies and procedures in place that are designed to ensure its business relationships with audit and assurance clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the US Securities and Exchange Commission (SEC).

This includes establishing and maintaining a process for evaluating potential agreements with third parties (e.g., business alliances and joint working arrangements, purchasing relationships and marketing and public affairs activities) with particular attention to whether they impact independence of the auditor.

**Independence clearance process**

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, KPMG follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures also referred to as the “Independence Clearance Process” are required to be completed prior to accepting an audit engagement for these entities.

The KPMG Independence Checkpoint tool is used to automate and standardize all the workflows that



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

comprise the Independence Clearance Process. The tool was developed in anticipation of the increasing number of audit tenders and independence clearances that need to be completed as a result of mandatory rotation of statutory audit firms, when required.

### Independence training and confirmations

All KPMG partners and client service professionals, as well as certain other individuals, are required to complete independence training that is appropriate to their grade seniority and function upon joining KPMG and on an annual basis thereafter.

All KPMG partners and professionals are required to sign, upon joining KPMG, and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethic and independence policies.

### Non-audit services

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees, are required to be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel™ submission.

Lead Audit Engagement Partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients, including their related entities or affiliates, in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

For entities for which group structures are maintained, Sentinel™ enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel™ designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

KPMG global independence policies prohibit member firm audit partners from being evaluated on, or compensated

based on, their success in selling non-assurance services to their audit clients.

KPMG is required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG. KPMG Brazil's EIP is involved in the review of potential independence issues related to these new or modified services.

### Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion. These policies require firms to consult with their Area Quality & Risk Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities represent more than 10 percent of the total fees received by a particular KPMG firm for two consecutive years, these policies also require:

- disclosure to those charged with governance at the audit client;
- a partner from another KPMG firm is appointed as the engagement quality control (EQC) reviewer

No audit client accounted for more than 10 percent of the total fees received by KPMG Brazil over the last two years.

### Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG partners or professionals have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction.

Consultation with the Risk Management Partner (RMP) or the EIP is required in these situations.

KPMG International policies are also in place to prohibit KPMG professionals from offering or accepting inducements, including gifts and hospitality to or from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered with the intent to improperly influence the behavior of the recipient or which would cast doubt on the KPMG individual's or the member firm's integrity, independence, objectivity or judgment.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

All KPMG member firms and professionals are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/or its partners' or employees' ability to be objective or otherwise act without bias.

All KPMG member firms are required to use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG Brazil has risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which is required to be documented.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

### Independence breaches

All KPMG professionals are required to report an independence breach to their member firm's Ethic and Independence Partner as soon as they become aware of it.

In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, KPMG professionals are subject to an independence disciplinary policy.

All breaches of independence requirements of the IESBA Code of Ethics or other external independence requirements are required to be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches have been agreed to with those charged with governance.

We have a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations. KPMG Brazil's Disciplinary Committee oversees policies and procedures in relation to ethical matters and breaches of requirements.

Matters arising are factored into our promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.

## Partner and Firm Rotation

### Partner rotation

KPMG partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require compliance with any stricter local applicable rotation requirements.

KPMG partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period, during which time these partners may not:

- Participate in the audit;
- Provide quality control for the audit;
- Consult with the engagement team or the client regarding technical or industry-specific issues;
- In any way influence the outcome of the audit;
- Lead or coordinate professional services at the client;
- Oversee the relationship of the firm with the audit client; or
- Have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG Brazil monitors the rotation of audit engagement leaders (and any other key roles where there is a rotation requirement) and develops related transition plans to enable the allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

### Audit firm rotation

KPMG Brazil is only permitted to act as an auditor for a specific audit client subject to the firm rotation rule of certain regulators for a defined period and cannot act as auditor for that client for a specified period of time thereafter. We have processes in place to track and manage compliance with audit firm rotation requirements.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership



## Zero-tolerance approach to bribery and corruption

Compliance with laws, regulations and standards is a key aspect for everyone at KPMG. We have zero tolerance of bribery and corruption.

KPMG policy prohibits involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including clients, suppliers or public officials. KPMG International requires member firms to have appropriate internal controls in place to mitigate the risk of involvement in bribery by the firm and its partners and employees.

All KPMG partners and professionals are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

Additionally, KPMG Brazil has a policy on “money laundering”, which provides clarifications, rules and guidelines on this illicit act and includes:

- Enforcement of the Prevention of Money Laundering Act
- Attributions of COAF and International Organizations for the Prevention of Money Laundering and Combating the Financing of Terrorism
- Risks related to Money Laundering and Terrorism Financing crimes
- Communications
- KPMG Procedure for the Prevention of Money Laundering and Combating the Financing of Terrorism
- Suspicious operations
- Administrative penalties for non-compliance with the rules.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

# Performing quality engagements



**How an audit is conducted is as important as the result. KPMG Brazil's partners and professionals are expected to demonstrate certain key behaviors and follow certain policies and procedures in the performance of effective and efficient audits.**

## **Taking responsibility for audit quality at the firm-member level**

While KPMG International creates the global framework and policies for audit quality, the member firm leadership is responsible for the delivery of that quality. Each member firm is responsible for establishing and maintaining a system of quality control.

Within each member firm, there is a Head of Audit, who has primary responsibility for audit quality and is supported by the Risk Management Partner (RMP) in maintaining a system of quality control.

## **Encouraging a culture of consultation**

KPMG promotes a culture in which consultations are encouraged and recognized as a strength, which support teams in the decision-making process, and are a fundamental contributor to audit quality, and which encourages all KPMG professionals to consult on difficult or contentious matters.

KPMG established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the Global Quality and Risk Management Manual (GQ&RM) includes mandatory consultation requirements on certain matters.

Locally, there are requirements for technical consultation and involvement of the technical and risk management area, which include the consultation requirements established by the international firm as well as certain local requirements established by the Professional Practices Department (accounting, auditing and methodology matters) and Risk Management (risk management issues).

## **Technical consultation and global resources**

Technical accounting and auditing support are available to member firms through the Global Audit Methodology Group (GAMG), the KPMG Global Solutions Group (KGSG), the International Standards Group (ISG) and the PCAOB Standards Group (PSG).

## **Global Audit Methodology Group (GAMG)**

KPMG's audit methodology is developed and maintained

by the GAMG, who develops our audit methodology based on the requirements of the applicable auditing standards — International Standards on Auditing (ISA), on which the Brazilian auditing standards are based, Public Company Accounting Oversight Board (PCAOB) e American Institute of CPAs (AICPA).

## **KPMG Global Solutions Group (KGSG)**

The KGSG is responsible for the envisioning, development, and deployment of global audit tools, including new technology and automation innovations.

KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investments in our audit methodology and tools, with the core focus of improving audit quality, global consistency and standardization.

With locations in each of the three KPMG regions (Americas, EMA, and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, IT, Data & Analytics, mathematics, statistics and more, from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

## **International Standards Group (ISG)**

The ISG focuses on the application of International Financial Reporting Standards (IFRS Standards) and the International Standards on Auditing (ISAs), organized into working groups (topic teams) to promote consistency of interpretation of IFRS Standards and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

## **PCAOB Standards Group (PSG)**

The PSG comprises a dedicated group of professionals with backgrounds in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards in KPMG member firm's audits of non-US components of US companies and of foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates the delivery of such training.

Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership



## Department of Professional Practice (DPP)

DPP in Brazil is dedicated to supporting engagement teams to address complex issues relating to accounting and auditing standards and methodology matters.

By having specialized and appropriate resources, DPP performs one of the main activities relating to improving and maintaining audit quality.

Its principal objectives include:

- Supporting teams in the execution of quality engagements
- Contributing to the quality of clients' financial reporting
- Driving the consistent application of standards and methodology by KPMG
- Protecting KPMG's reputation by providing support that mitigates risks related to technical issues faced by the member firm and its clients
- Participating in regional and global networks
- Contributing to the establishment of standards and professional development
- Adding value by developing and maintaining best-in-class technical knowledge and transforming it into value for our clients and other stakeholders.

DPP professionals prepare and represent KPMG's positions on current matters under discussion by regulatory and standardization bodies, through active participation in IBRACON (Institute of Independent Auditors of Brazil). DPP also maintains active communication with the International Standards Group (ISG) and with the KPMG Global Solutions Group (KGSG), regarding the implementation of our methodology, in line with International Standards on Auditing.

In the event of circumstances where the engagement team does not agree with the initial response suggested by DPP, or where the resolution of the consultation implies a decision that is highly controversial, the consultation undergoes an escalation and conflict resolution process.

The escalation process is triggered in the resolution of technical issues raised in formal consultations submitted to DPP and relating to accounting, auditing and KPMG methodology matters.

KPMG's International Standards Group and the PCAOB Standards Group are also available for consultation support when required.

## Critically assessing audit evidence, using professional judgment and skepticism

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence. Each team member is required to exercise professional judgment and maintain professional skepticism throughout the audit engagement. Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to good judgments.

### Direct, coach, supervise and review

#### Embedding ongoing mentoring, supervision and review

To invest in building the skills and capabilities of KPMG professionals, we promote a continuous learning environment and support a coaching culture. At KPMG Brazil, we maintain a team of 640 volunteer culture champions who spread our purpose and culture to their teams.

Ongoing mentoring, coaching and supervision during an audit involves:

- Engagement partner participation in planning discussions
- Tracking the progress of the audit engagement
- Considering the competence and capabilities of the team members, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach
- Helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately
- Identifying matters for consultation with more experienced team members during the engagement.

A key part of effective mentoring and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

## Engagement quality control (EQC) reviewers

The quality control review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed by KPMG firms for audits, including any related reviews of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements, as designated by the Risk Management Partner or Head of Audit.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them.

EQC reviewers are required to meet training and experience qualifications to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

We continually seek to strengthen and improve the role that the EQC review plays in KPMG audits and have taken a number of actions to reinforce this, including issuing best practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

## Support in the preparation of audit reports and documentation

### Reporting

Local auditing standards and legislation or regulation largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects.

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g., a modification to the opinion or through the inclusion of an 'emphasis or 'other matters' paragraph, as well as key audit matters to be communicated).

### Audit documentation

Audit documentation is completed and assembled according to the timeline established by the KPMG International policy and auditing standards, and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and the member firm information.

We recently adopted policies to apply to all KPMG member firms which reduced the time period allowed to assemble audit documentation, which is significantly less than required by the applicable auditing standards.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

# Assessing risks to quality



Through the Global Audit Quality Council (GAQC) and the Global Quality & Risk Management Steering Group (GQ&RMSG), KPMG International reviews the results of the quality monitoring programs, reviews root causes and planned remedial actions, and develops additional global remediation actions as required.

Global remediations are aimed at actions around culture and behavior across the global organization and at driving consistent engagement team performance within their member firms.



Introduction  
and preface

Driving the  
quality agenda

Living our culture  
and values

Applying expertise  
and knowledge

Embracing  
digital technology

Using qualified and  
multidisciplinary  
teams

Associating with  
the right clients  
and engagements

Being independent  
and ethical

Performing quality  
engagements

Assessing risks  
to quality

Communicating  
Effectively

Monitoring and  
remediation

Network  
arrangements

Appendix

Governance  
and leadership

# Communicating effectively

**We recognize that another important contributor to upholding audit quality is to obtain and act upon feedback from key stakeholders.**

## Provide insights, and maintain open and honest two-way communication



Honest and candid communication with clients, including management and those charged with governance, is a key aspect of our reporting and quality service delivery. KPMG Clara, includes a client collaboration portal, allowing clients real-time monitoring of the status of the audit as well as seamless communication with the audit engagement team.

## Communications with those charged with governance

We stress the importance of keeping those charged with governance informed of issues arising throughout the audit. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing discussions with management and members of the audit committee.

The role of audit committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

## Client Feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. Held annually, they capture the most relevant issues, strengths and opportunities for improvement in our work dynamics. We make an ongoing effort to receive this feedback and establish action plans to meet client's needs.

## Audit Committee Institute (ACI)

In recognition of the demanding and important role that audit committees play in driving audit quality and the challenges that they face in meeting their responsibilities, KPMG's Audit Committee Institute (ACI) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes.

The ACI operates in more than 40 jurisdictions across the globe (including KPMG Brazil) and provides Audit Committee members with guidance on matters of interest to audit committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

In addition to being a forum for disseminating good corporate governance practices, political-economic, legal and tax trends that are decisive for business, it is open to members of Boards of Directors, Audit Committees and Fiscal Councils.

The ACI's contributions cover the array of challenges facing Audit Committees and businesses today — from risk management and emerging technologies to strategy and global compliance.

Further details and insights on the ACI Brazil are available [here](#).

## IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help board and audit committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial and sustainability reporting frameworks.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

## Conduct and follow-up on the Global People Survey (GPS)



Listening to our people and understanding what we can do to change everyone's day-to-day life is the reason that makes the Global People Survey so important to KPMG.

It is a global organizational climate survey tool, which collects the feedback of our personnel on different subjects and based on the insights, it promotes innovative strategic improvements to raise satisfaction and, thus, improve the teams' productivity.

Through the survey results we gain additional insight on how we are performing in categories known to impact employee involvement. The GPS covers areas of focus that which directly relevant to audit quality; the survey includes specific questions related to audit quality that all individuals who participated in an audit respond to, providing us with a specific dataset.

Importantly, results are analyzed against benchmarks and trends, allowing progress and performance to be tracked against other organizations.

KPMG Brazil participates in the survey annually and develops appropriate action plans to communicate and address the items identified in the survey. GPS results are monitored and appropriate follow-up actions are agreed and validated by our Executive Committee and Human Capital Committee. Results and associated action plans are also analyzed as part of the Global Compliance Review Program.

Additionally, KPMG Brazil evaluates its organizational culture through the Barret Values Centre methodology and designed engagement and reinforcing plans that corroborate and strengthen the directions indicated by GPS.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

# Monitoring and remediation



**Integrated quality monitoring and compliance programs enable KPMG member firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans, both in respect of individual audit engagements and the overall system of quality control.**

## Rigorously monitor and measure quality at the local and global level

### Commitment to continuous improvement



We commit to continually improve the quality, consistency and efficiency of KPMG audits.

The quality monitoring and compliance programs are globally consistent in their approach across all member firms, including the nature and extent of testing and reporting.

### Internal monitoring and compliance programs

KPMG Brazil's monitoring programs are created by KPMG International and applied across KPMG firms.

Our programs evaluate:

- Engagement performance in compliance with the applicable standards, applicable laws and regulations, and KPMG International key policies and procedures; and
- KPMG Brazil's compliance with KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedure

Our internal monitoring programs also contribute to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across Audit, Tax and Advisory functions. Participation in the Quality Performance Reviews (QPRs), in the Risk Compliance Program (RCP) and in the Global Quality & Risk Compliance (GQ&RC) programs is mandatory for all KPMG member firms.

The results and experiences of integrated monitoring programs are internally communicated and appropriate actions taken at local, regional and global level.

### Audit Quality Performance Reviews (QPR)

The Audit QPR program assesses engagement level performance and identifies opportunities to improve engagement quality.

### Risk-based approach:

Each lead partner and/or partner director of an audit engagement is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements.

KPMG Brazil conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG Brazil and are monitored regionally and globally. KPMG Brazil Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the firm.

### Reviewer selection, preparation and process

There are robust criteria for selection of reviewers, including senior experienced lead reviewers that are independent of the member firm under review.

Training is provided to review teams and others professionals overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

### Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

### Reporting

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings.

These areas are also emphasized in subsequent inspection programs to assess the extent of continuous improvement.

Lead audit engagement partners (LAEPs) are notified of 'unsatisfactory' ratings on their respective cross-border engagements. Additionally, LAEPs of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

## Global Audit Quality Monitoring Group (GAQMG)

The GAQMG identifies issues to help drive audit quality. The group comprises a team of partners, directors and senior managers experienced in performing program reviews of listed and related entity (LRE) audit engagements. The group also includes partners and professionals with experience in auditing general information technology controls and application controls.

## Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG member firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, the member firms perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

*The objectives of the RCP are to:*

- Document, assess and monitor the extent to which KPMG Brazil’s system of quality control complies with Global Quality & Risk Management policies, and key legal and regulatory requirements; and
- Provide the basis for KPMG Brazil evaluate compliance with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, we are required to develop appropriate action plans and then monitor the status of each action item.

## Global Quality & Compliance Review (GQ&CR) Program

Each KPMG member firm is subject to a GQ&CR conducted by KPMG International’s GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria.

The GQ&CR team performing the review is independent of the member firm and is objective and knowledgeable of Global Quality and Risk Management Manual policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GQ&CR provides an independent assessment of:

- Member firm’s commitment to quality and risk management (including the leadership “tone at the top”) and the extent to which its overall structure, governance and financing support and reinforce this commitment;

- Member firm’s compliance with KPMG International policies and procedures; and
- The robustness with which the member firm performs its own compliance program.

KPMG Brazil develops action plans to respond to all GQ&CR findings that indicate improvement is required and agree to these with the GQ&CR team. Our progress with the action plans is monitored by the GQ&CR central team. Results are reported to the GQ&RM Steering Group (GQRMSG) and, where necessary, to relevant KPMG International and regional leadership.

## Area Quality & Risk Management Leaders (ARLs)

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ALRs) who serve a regular and ongoing monitoring function to assess the effectiveness of a member firm’s efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand.

Significant activities of the ARL, including member firm issues identified and related member firm response/ remediation, are reported to GQ&RM leadership.

## Perform root cause analysis (RCA)

KPMG Brazil performs root cause analysis to identify and address audit quality issues to prevent the same issues from recurring in the future and assist in identifying best practices as part of continuous improvement.

KPMG Brazil professionals who will perform RCA or mentor those who perform RCA participate in RCA training based on the global RCA principles.

The effectiveness of any response to an issue depends on understanding the root cause, the scope of the issue, the ability to adapt a solution to different circumstances, and leadership support for the solution.

We use our knowledge of past experiences and our specifically designed root cause analysis framework to fully understand the root cause of issues and design innovative and appropriate solutions.

KPMG Brazil’s Head of Audit is responsible for audit quality, including the appointment of those responsible for remediation plans for identified audit quality issues. Risk Management Partner must monitor implementation of remediation plans.

Globally, we continue to strengthen our root cause analysis process and drive consistency across KPMG.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

## Regulators

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR), principally through its Global Audit Quality Working Group (GAQ WG), to discuss thematic issues of audit quality, with specific improvement strategies. We value the open, honest and transparent dialogue that IFIAR provides on global audit quality issues.

Every KPMG member firm is expected to maintain professional and respectful relationships with regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

## CVM

The Comissão de Valores Mobiliários (CVM- Securities and Exchange Commission of Brazil) carries out inspections of our quality control structure based on the provisions of subparagraphs I, item “e,” and II of art. 9 of Law No. 6,385, of December 7, 1976. The most recent CVM review started on November 25, 2021 and is still in progress.

## External peer review

In compliance with the Federal Accounting Council (CFC) accreditation requirements, every four-year cycle KPMG undergoes an external review carried out by another auditing firm of equivalent size. The last review was completed on December 15, 2020, by Grant Thornton Auditores Independentes, whose report concludes on the quality control system of KPMG’s audit practice, for the 12 months ended on the date of its issuance. The report was issued without qualifications.

## PCAOB review

KPMG Auditores Independentes Ltda. is registered with the U.S. Public Company Accounting Oversight Board (PCAOB) and, is subject to inspections at least every three years by the PCAOB.

## Result of the last 5 PCAOB inspections

— The PCAOB inspected KPMG Brazil in August and September 2019. The public portion of the inspection report was released on July 6, 2021 and both the report and our response are available on the PCAOB’s website. We are in the process of preparing responses to the non-public portion.

The results of previous inspections are set out below:

— The PCAOB released its 2016 inspection report in July 2017 without any comments in Portion A. With respect to Portion B, as a result of the actions taken by the firm and the responses submitted to the matters described in the report, the PCAOB has determined that the matters have been satisfactorily resolved for purposes of section 104(g)(2) of the Sarbanes-Oxley Act of 2002. The report is available on the PCAOB’s website PCAOB Report 2016. Accordingly, the PCAOB has not publicly disclosed any matters in the nonpublic portion of the report.

— The PCAOB released its 2013 inspection report in October 2014 which is available on the PCAOB’s website PCAOB Report 2013. As a result of the actions taken by the firm and the responses submitted to the matters described in the report, the PCAOB has determined that the matters have been satisfactorily resolved for purposes of section 104(g)(2) of the Sarbanes-Oxley Act of 2002. Accordingly, the PCAOB did not publicly disclose any matters in the nonpublic portion of the report.

— The PCAOB released its 2011 inspection report in November 2012 which is available on the PCAOB’s website PCAOB Report 2011. As a result of the actions taken by the firm and the responses submitted to the matters described in the report, the PCAOB has determined that the matters have been satisfactorily resolved for purposes of section 104(g)(2) of the Sarbanes-Oxley Act of 2002. Accordingly, the PCAOB did not publicly disclose any matters in the nonpublic portion of the report.

— The PCAOB released its 2008 inspection report in October 2010 which is available on the PCAOB’s website PCAOB Report 2008. As a result of the actions taken by the firm and the responses submitted to the matters described in the report, the PCAOB has determined that the matters have been satisfactorily resolved for purposes of section 104(g)(2) of the Sarbanes-Oxley Act of 2002. Accordingly, the PCAOB did not publicly disclose any matters in the nonpublic portion of the report.



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership



# Network arrangements



Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

## Legal structure

On October 1, 2020, KPMG Brazil and all other KPMG member firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

Since 1 October 2020, KPMG International Limited has been the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

KPMG International Limited and KPMG Auditores Independentes Ltda. are not a single firm, not a global partnership, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in the section “Governance and leadership” of the [2021 KPMG International Transparency Report](#).

### Legal structure KPMG Brazil

KPMG Auditores Independentes Ltda. is a Brazilian single limited liability company and its corporate purpose is to delivery auditing services and other services inherent to the accounting profession, as per art. 25 of Decree-Law no. 9.295/46.

Due to the nature of the services provided, the company is registered with the Regional Accounting Council and, because it serves publicly traded clients, it is also registered with the Securities and Exchange Commission of Brazil (CVM) as a Corporate Independent Auditor (AIPJ).

Its partnership is composed only by individuals with accounting degrees.

### Name, ownership and legal relationships

KPMG Auditores Independentes Ltda. is a company held solely by partners who are individuals, accountants, registered with the CRC and CVM, and its technical administration is performed by its partners, who are solely responsible for their own obligations.

### Responsibilities and obligations of member firms

Pursuant to its membership agreement with KPMG International, member firms are required to comply with KPMG International’s policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable; having an ownership, governance, and management structure that ensures continuity, stability, and long-term success; and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), serve multi-national clients, manage risks, and deploy global methodologies and tools.

### Professional Indemnity Insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis.

### Governance structure

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team.

Further details on KPMG International’s governance structure can be found in the 2021 KPMG International Transparency Report and on KPMG Brazil’s governance structure see Appendix 2 of this report.

### Our organization in Brazil

A list of the key legal entities, including KPMG Auditores Independentes Ltda. and other related entities, together with details of their legal structure, regulatory status and nature of their business, is set out in Appendix 1.

# Appendix



## Appendix 1 - Principais pessoas jurídicas e áreas de atuação da KPMG no Brasil

Entity name	Legal Structure	Regulatory Status	Nature of Business
<b>KPMG Auditores Independentes Ltda.</b>	Single Limited Liability company	Registered with the CRC-SP under no.2 SP-014428 Registered with CVM under no.4189	Auditing services and other services inherent to the accounting profession
<b>KPMG Assessores Ltda.</b>	Single limited liability company	Registered with the CRC-SP under no.2RJ003789/O-8 T SP Registered with the CRA-SP under no.022896 Registered with the CORECON-SP under no.6575	Services and training and/or capacity building in technical knowledge in the areas of accounting, economics and finance, and administration, and consulting and advisory services in information technology
<b>KPMG Assurance Services Ltda.</b>	Single limited liability company	Registered with the CRC-SP under no. 2SP023228/O-4	Auditing and other services inherent to the accounting profession, including training and/or qualification in accounting matters
<b>KPMG Consultoria Ltda.</b>	Single limited liability company	Registered with the CRA-SP under no.010650 Registered with the CORECON-SP under no.6344 Registered with the CREA-SP under no.1998698 Registered with the CRP-SP under no.06/1923/J	Multi-professional services in the areas of administration, economics, information technology, psychology and engineering, among others
<b>KPMG Corporate Finance Ltda.</b>	Single limited liability company	Registered with the CRA-SP under no.021599 Registered with the CORECON-SP under no.4666	Consulting and business and strategic advisory services, technical evaluations of companies, financial and economic advisory and expertise, among others
<b>KPMG Financial Risk &amp; Actuarial Services Ltda.</b>	Single limited liability company	Registered with the CRA-SP under no. 019320 Registered with the CORECON-SP under no.5982 Registered with the IBA under no.48	Services inherent to the activities of the actuarial profession, including the activity of independent actuarial auditing
<b>KPMG Tax Advisors Ltda.</b>	Single limited liability company	Registered with the CRC-SP under no.2SP022767/O-5 Registered with the CRA-SP under no. 020462 Registered with the CORECON-SP under no.6204	Fiscal and tax advisory
<b>KPMG Tecnologia da Informação Ltda.</b>	Single limited liability company	Registered with the JUCESP under no.3522981001-1	Consulting and advisory services in information technology

Introduction and preface

Driving the quality agenda

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Using qualified and multidisciplinary teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risks to quality

Communicating Effectively

Monitoring and remediation

Network arrangements

Appendix

Governance and leadership

## Appendix 2 - Details of those charged with governance at KPMG Brazil

KPMG International has a robust governance structure to guide and monitor the activities of member firms. Our local governance structure adheres to the same standards, adding its own bodies for management coordination and oversight, in compliance with Brazilian laws.

KPMG Brazil's Chairman and Executive Committee are responsible for annual strategic planning - in line with the global strategy - and for the overall supervision and direction of activities. Our Executive Committee is composed of the Chairman and up to eight partners appointed by the Chairman - generally the heads of the relevant practices.

The key objectives of our Governance are to keep the client at the center of everything we do and to consolidate ourselves as a leader in Innovation, Technology and Execution. At the same time Quality, Efficiency and People are essential pillars to achieve efficiency.

### EXCOM – Executive Committee



**Charles Kriek**  
Chairman



**Carlos Pires**  
Head of Audit



**Marcus Vinicius**  
Head of Tax



**André Coutinho**  
Head of Advisory



**Luciene Magalhães**  
Head of PPC



**Jean Paraskevopoulos**  
Head of Clients & Markets



**Claudio Sertório**  
COO



**Danilo Simões**  
Risk Management  
Partner



**Frank Meylan**  
Head of Technology, Digital  
Transformation and Innovation



**Dr. Rodrigo Camargo**  
OGC Leader, with participation  
as a guest in ExCom meetings



Introduction  
and preface

Driving the  
quality agenda

Living our culture  
and values

Applying expertise  
and knowledge

Embracing  
digital technology

Using qualified and  
multidisciplinary  
teams

Associating with  
the right clients  
and engagements

Being independent  
and ethical

Performing quality  
engagements

Assessing risks  
to quality

Communicating  
Effectively

Monitoring and  
remediation

Network  
arrangements

Appendix

Governance  
and leadership

## Appendix 3 - Our Values

Our Values represent what we believe in, and what's important to us as an organization. They guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

### Our Values are:



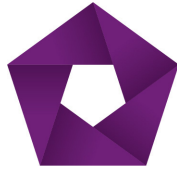
## Integrity

We do what is right



## Excellence

We never stop learning and improving



## Courage

We think and act boldly



## Together

We respect each other and draw strength from our differences



## For Better

We do what matters

Our Values express our firm's long-standing core beliefs. In 2020, the language was updated to make them bolder, simpler, and more memorable to help each of us bring them to life every day.



---

Introduction and preface

---

Driving the quality agenda

---

Living our culture and values

---

Applying expertise and knowledge

---

Embracing digital technology

---

Using qualified and multidisciplinary teams

---

Associating with the right clients and engagements

---

Being independent and ethical

---

Performing quality engagements

---

Assessing risks to quality

---

Communicating Effectively

---

Monitoring and remediation

---

Network arrangements

---

Appendix

---

Governance and leadership



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Throughout this document, “KPMG Brazil”, “we,” “our” refers to KPMG Auditores Independentes Ltda. and the companies listed in Appendix 1 to this report, which are member firms of KPMG International Limited, each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. KPMG International refers to the global organization or one or more member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

Throughout this document, references to “Firm”, “KPMG firm”, “member firm” and “KPMG member firm” refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International Limited is provided in the ‘Governance and leadership’ section of the 2021 KPMG International Transparency Report.

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