



Transparency Report 2022

KPMG Auditores Independentes Ltda.

January 2023

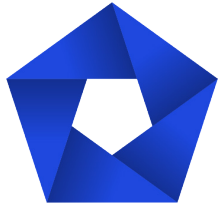


Our Values

KPMG is committed to quality and excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

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 of our stakeholders.

Our values are:



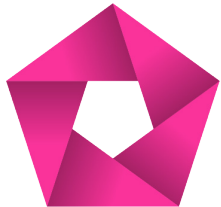
Integrity

We do what is right.



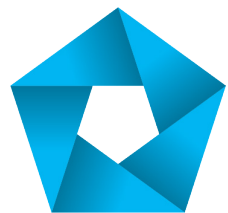
Excellence

We never stop learning and improving.



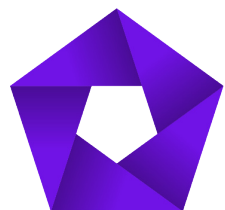
Courage

We think and act boldly.



Together

We respect each other and find strength in our differences.



For Better

We do what matters.



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Ethics, integrity and eyes focused on the future

Resilience, commitment to quality and fidelity to our values: KPMG in Brazil's 2022 Transparency Report shows that we are always ready to surpass ourselves and deliver the best for our clients, the market and society

We are very pleased to present KPMG in Brazil's Transparency Report. You will find updates on our progress during the fiscal year ended September 30, 2022.

Independence, ethics, and integrity have outlined and will continue to support our progress, which is accompanied by the adoption of new and emerging technologies, innovative processes and the search for effective solutions and excellence for clients and other stakeholders.

Once again, we are an example of resilience, of fidelity to our values – Integrity, Excellence, Courage, Together and For Better – and of commitment to quality. So much so that you can see on the following pages that we have made significant progress to strengthen the consistency and robustness of the quality management system across our global organization, with a focus on the implementation of the International Standards on Quality Management (ISQM 1), effective from December 2022.

You will also learn more about the full implementation of KPMG Clara, our audit methodology and workflows platform, which operates in a fully integrated and scalable manner, based on data-driven outcomes and deeper insights by blending the best of technology with the best of our people. This leading technology helps our 90,000 plus audit professionals in 144 countries, deliver consistent and high-quality audits on an ongoing basis.

This way, with the use of the automation and recognition of people, with an eye on the future and faithful to its 150-year legacy, KPMG goes hand in hand with quality. It is our commitment to quality, which makes us so trusted by our clients and other stakeholders. The measure of our success will always be determined by the level of quality we deliver.

We emphasize that, to maintain the high-quality standards that we value so much, innovation is of the utmost importance. Our significant investments in methodologies and technology-based tools clearly demonstrate our determination to modernize ourselves to drive the quality of our services.

Thus, automation, the use of data and the insights provided by various technologies allows for consistent performance of audit quality standards, even when we operate in challenging scenarios. We have felt the social and economic impacts of the Covid-19 pandemic and the conflict between Russia and Ukraine for some time now, which are reflected, for example, in rising in inflation and interest rates

worldwide and supply chain disruption. But we have shown that this does not prevent us from delivering the best results!

Another aspect that was on the rise throughout the fiscal year was the global ESG agenda. We are very proud to report, once again, that we were committed to deepening environmental, social and governance agendas, both within our firm and in the daily working of our clients.

As stakeholders demand more accountability on ESG issues and regulators begin to require disclosures across new metrics, KPMG International has invested more than 1.5 billion US dollars to make ESG something intrinsic to our company.

We know that providing high-quality services takes hard work, dedication, and focus, as well as continued investments in the people that make this happen. We are making sure our incredible people – who respect our code of conduct, live our values and care about doing the right thing – to be with us every step of the way. The past years have been challenging and our people's remarkable resilience and deep commitment to providing services of the highest quality to all our clients have been inspiring. That is why we are committed to helping them to expand their careers, supporting their well-being and building a safe and inclusive workplace. Their individual success is key to our collective growth.

Audit has been a fundamental part of our business for generations and, as the world changes drastically, our fidelity to ensuring the successful working of capital markets through the robust quality of our audits stayed constant.

Through our quality controls, management, monitoring, support, and assistance; our transparency and governance policies; the attention that we pay to our talents; investments in automation, artificial intelligence (AI) and data & analytics; to the ESG practices implemented in seriousness; and to the attention to our clients, we have an extremely positive image in the market. An image that is associated with quality, robustness, trust, and genuine and effective commitment to building the future.

We thank you for the confidence and we confirm our commitment to always strive to exceed limits and to deliver nothing less than excellence to society, to clients and to the world.

We wish you all an excellent read



Charles Krieck
Chairman of KPMG Brazil and South America



Carlos Pires
Head of audit of KPMG Brazil and South America



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 management.

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

01 About KPMG



Our business

KPMG is a global organization of professional service firms providing Audit, Tax and Advisory services. KPMG operates in 144 countries and territories, with more than 236,000 partners and professionals working in the member firms worldwide — in Brazil, we are approximately 5,000 partners and professionals, distributed in 21 cities, located in 14 States and the Federal District. 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.

Driven by its purpose of empowering change, KPMG has become a benchmark company in the segments in which it operates.

At KPMG in Brazil, 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 change in our clients, governments and society.

Our audit and assurance services in Brazil are delivered through KPMG Auditores Independentes Ltda. and the companies listed in [Appendix 1](#) of this report (“KPMG in Brazil”).

Additional details on the services offered by KPMG in Brazil can be found on our website www.kpmg.com.br.



Our strategy

Our strategy is defined by the Executive Committee of KPMG in Brazil and demonstrates commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a global strategy execution.



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02 Living our culture and values



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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.

2.1 Fostering the right culture, starting with tone at the top

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

KPMG's global leadership drives an awareness that everyone across the organization who is involved in performing an audit, or any client engagement across tax and advisory, has a responsibility for quality and a part to play.

All KPMG firms are committed to a common set of Values, standards and service-quality expectations. We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

Clear values and a strong Code of Conduct

Our values — Integrity, Excellence, Courage, Together, For Better — lie at the heart of the way we do things. To do the right thing, the right way. Always. 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.

Outlined in KPMG's Global Code of Conduct ("the Code") are the responsibilities all KPMG personnel have to each other, the public and our clients and shows how our values inspire our greatest aspirations

and guide all our behaviors and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Everyone at KPMG is held accountable for behaviour consistent with the Code and is required to confirm their compliance with it. They are required to take annual training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code, or our values.

Everyone at KPMG is required 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 law or regulation.

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 KPMG member firms or KPMG personnel. We take reports received by the International hotline seriously, and for each of them we respond, and take appropriate action.

All KPMG firms and personnel 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 any person who takes retaliatory action will be subject to the firm's disciplinary policy.

In addition to the processes outlined above, the Global People Survey (GPS) provides KPMG in Brazil leadership and KPMG International leadership with results related to upholding the KPMG Values. KPMG in Brazil and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings. See the [Section 10 - Effective Communication](#) in this report for more details about GPS.

System of quality management

Audit quality is foundational to instilling confidence and public trust in the capital markets and it remains our highest priority.

Tone at the top, leadership, and a clear set of values and conduct are essential to set the framework for quality. The quality of each audit rests on a foundational system of quality management.

Across our global organization, we have strengthened the consistency and robustness of our system of quality management that enables compliance with the International System on Quality Management Standard 1 (ISQM 1), issued by the International Auditing and Assurance Standards Board (IAASB), which was effective on December 15, 2022. We consider this a transformational and fundamental change for KPMG firms.

Our globally consistent approach to ISQM 1 drives the robustness of our responses to the risks of achieving the quality objectives set out in the standard. For each component in the standard, KPMG International established minimum required quality objectives, quality risks and responses for all KPMG firms.

KPMG International has established a risk assessment process required to be used by KPMG firms in identifying additional firm specific quality objectives, quality risks, and responses and requirements for testing and evaluation of their system of quality management together with guidance, tools and templates to support the consistent implementation of ISQM 1 across KPMG firms.

The new requirements apply to all KPMG firms within our global organization. The objective of this centralized approach is to drive the consistency,

robustness, and accountability of responses within KPMG firm's processes.

In preparation for ISQM 1, we adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how everyone at KPMG is accountable to 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.

In this report we use our Global Quality Framework to describe our approach to 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 apply to professional services firms that perform audits of financial statements.

This Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in KPMG firms' Tax and Advisory services, as many KPMG quality procedures and processes are cross-functional and apply equally to all services offered.

KPMG in Brazil leadership responsibilities for quality and risk management

KPMG in Brazil demonstrates commitment to integrity, quality, objectivity, independence, and ethics and communicates its focus on quality to clients, stakeholders, and society.



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Our leadership in Brazil 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. It is committed to building a culture based on integrity, quality, objectivity, independence, and ethics, demonstrated through their actions.

KPMG in Brazil is required to seek input from the relevant Global Steering Group or his/her delegee on the performance of certain leaders within KPMG in Brazil who have specific regional or global functions in a way that is aligned with the activities of these international groups. Input is sought as part of the annual performance process, which includes matters of public interest, audit quality and risk management activities.

Global Steering Groups drive the quality strategy execution. 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: (i) establish and ensure communication of appropriate audit, quality and risk management policies; (ii) establish and support effective and efficient processes to promote audit quality; (iii) promote and support the implementation of strategy in KPMG firms' audit functions, including standards of audit quality; and (iv) 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 in Brazil:

Chairman

In accordance with the principles in ISQC 1, our Chairman, Charles Kriek, has the ultimate responsibility for KPMG in Brazil's system of quality management. The measures to ensure that a culture of quality prevails within KPMG in Brazil are taken jointly with the Executive Committee. For more details see [Appendix 2 - Details of those charged with governance at KPMG in Brazil](#).

Risk Management Partner (RMP)

The Risk Management Partner is responsible for establishing general risk management and quality control policies and monitoring compliance at KPMG in Brazil. The Risk Management Partner is a member of KPMG in Brazil's Executive Committee and has a direct reporting line to the Chairman. The Risk Management Partner consults, as appropriate, with the Chairman, the Regional Risk Management Partner, Global Quality & Risk Management resources, and the Office of General Counsel (OGC) Leader, as necessary.

At KPMG in Brazil, the Risk Management Partner has a delegate partner who plays an active role in the operationalization and monitoring of our firm's internal controls processes.

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 in 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 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.

At KPMG in Brazil, the **Head of Audit** is responsible for the effective management and control of the Audit Practice. 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 skepticism, objectivity, and ethics and integrity.
- Developing and implementing an audit strategy which is aligned with our firm's audit quality requirements.
- Working with the Risk Management Partner to monitor and address audit quality issues and risks related to the Audit practice.



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Audit Leadership Team

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

For more complex issues, which might require amendments to KPMG's global audit methodology or audit tools, these will be raised with 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).

For more information about the KGSG and the ISG refer to [Section 8 – Performing quality engagements](#) of this report.

Audit Quality and Professional Practices Partner (AQPP)

The AQPP has operational responsibility and accountability for the direction and support of monitoring activities in our quality management system for the Audit practice.

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.
- Any other matter that may impact audit quality.

Office of General Counsel (OGC) leader

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



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03 Applying expertise and knowledge



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

3.1 Methodology aligned with professional standards, laws, and regulations

Consistent audit and assurance methodologies and tools

Our audit and assurance methodologies, tools and guidance 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), 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.
- Are centered on identifying risk, focusing on risks of material misstatements and the necessary audit response
- Are made available to all KPMG audit and assurance professionals and required to be used, where necessary.
- Are applied even where local auditing standards may be less demanding than the ISAs.
- Are based on the requirements of the International Standard on Assurance Engagements (ISAE) and aligned to assurance products in response to the growth of 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 workflows) and includes KPMG interpretation of how to apply auditing standards, which we believe enhance audit quality.

The KPMG Assurance Manuals provide the requirements and guidance for a consistent approach to performing assurance engagements, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The Audit and Assurance methodologies emphasize applying appropriate professional skepticism in the execution of procedures and require compliance with relevant ethical requirements, including independence.

Enhancements to the Audit and Assurance methodologies, guidance and tools are made regularly to maintain compliance with the applicable standards and address emerging auditing and assurance areas of focus and audit quality results (internal and external). For example, the current focus on ESG assurance is driving updates to our assurance methodologies, tools, and guidance.

As necessary, we may add local requirements and/or guidance to the globally prescribed minimum requirements in the KPMG Audit Manual, the KPMG Audit Execution Guide and the KPMG Assurance Manuals to comply with local professional, legal, or regulatory requirements.

3.2 Deep technical expertise and knowledge

Access to specialist networks

Specialist expertise is an increasingly important part of the modern audit. The engagement teams have access to a network of KPMG specialists – either within Brazil or in other KPMG member firms. These specialists receive the training to ensure they have the competencies, capabilities and objectivity to appropriately fulfil their role on our audits. They also receive a global annual update on global quality performance issues.

The need for specialists to be assigned to an audit engagement in areas such as information technology, tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.

Our commitment to audit quality during significant external events

Significant external events such as the conflict in Ukraine, the COVID-19 pandemic and the emerging impacts of climate changes have contributed to rising inflation and interest rates, supply chain disruption and increased global economic uncertainty.

Matters such as going concern, asset impairments and valuations will likely require careful judgment as organizations deal with elevated uncertainty and market volatility. Our role as auditors is to evaluate these judgements.

KPMG International maintains an online [financial reporting resource center](#) to assist financial statement preparers and other stakeholders in understanding the potential accounting and disclosure implications of significant external events.

KPMG International issues extensive guidance to assist engagement teams in addressing the financial reporting, auditing and reporting related matters arising from the impacts of these external events, addressing the potential implications for going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, subsequent events, audit evidence and communications with those charged with governance.

KPMG's guidance is continually updated as new significant accounting, auditing, and reporting issues emerge.

KPMG is a technology-enabled organization, with technical accounting and auditing resources, guidance and audit platforms and tools available electronically, which enable our engagement teams to effectively operate in office and remote working environments.

Hybrid working supported by digital technology

At KPMG in 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. Our business model maintains a format that accompanies the transformation process and the maintenance of hybrid works that rely on quality controls for such transformation.

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, in advance, among others, an investment viability plan to determine the required structure, whether in office, 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 in Brazil through its business management has reassessed its strategic planning.

3.3 Quality and risk management manual

KPMG International has quality and risk management policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (GQ&RM Manual) which applies to all KPMG personnel.

KPMG in Brazil is required to establish and maintain a system of quality management and design, implement, and test the operating effectiveness of quality controls.



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04 Embracing digital technology

We are committed to serving the public interest and creating value through continuous innovation. We are transforming the audit experience for our professionals and clients by leveraging the data and insights of leading technologies and enhancing audit quality by increasing our ability to focus on the relevant issues.

4.1 Intelligent, standards-driven audit workflows

All KPMG in Brazil professionals are expected to adhere to KPMG International and KPMG in Brazil policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The KPMG in Brazil policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant laws and regulations.

Evolving our audit workflows

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 we reimagined our audit platform, workflows and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights, and future-proof our systems for the expected continued development of new technologies, such as robotic process automation, machine learning and cognitive technologies.

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

4.2 KPMG Clara

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 enhanced audit methodology through data-enabled workflows.

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

The digital audit is increasingly integral to how KPMG member firms perform quality audits and interact with their 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 in a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts. Examples of current capabilities include:

- Analysis of account balances and journal entry data.
- Automation of 'period on period' balances comparison and 'time series' evolution information.
- Analysis of sub-ledger, transactional data over certain business processes and accounts.
- Integration (where applicable) with industry-specific digital procedures and solutions.



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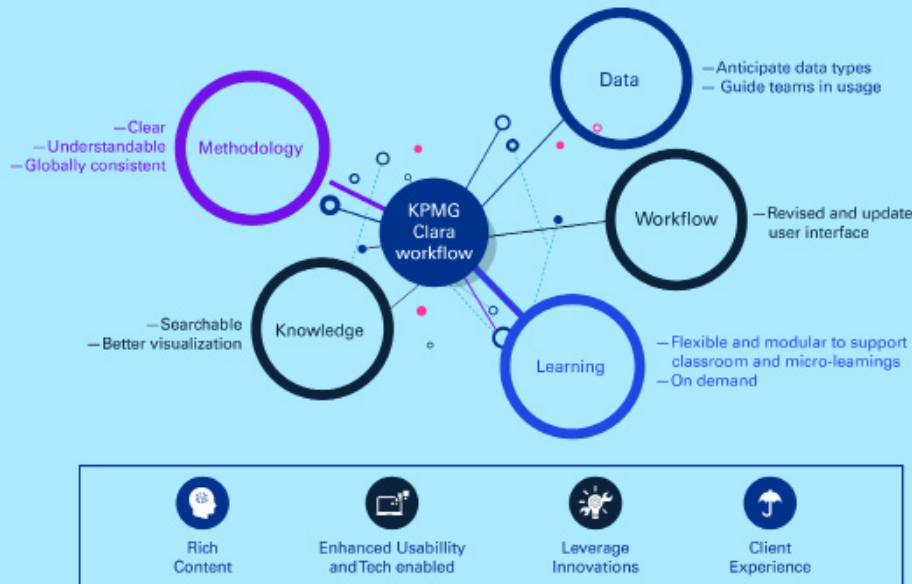
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Our vision of the future

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

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



KPMG Clara workflows

Our previous platform, eAudIT, is being replaced with new workflows embedded with our revised audit methodology and enabled by the KPMG Clara smart audit platform. Phased full deployment of the KPMG Clara workflows (with the exception of very small and less complex national audits) commenced in Brazil in 2019 with planned completion of full transition for the 2022 fiscal period-end audits. Global transition for less complex national audits, leveraging enhanced scaling capability has commenced in 2021 and will be completed by 2023.

The web-enabled KPMG Clara workflows guide audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities.

The workflows and revised audit methodologies are scalable – adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflows significantly enhance the execution of an audit by KPMG professionals and drive audit quality and global consistency.

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

We continue to enhance the KPMG Clara smart audit platform to accommodate evolving security demands, further integrate existing audit applications, and develop new capabilities to digitalize additional audit processes.

KPMG in Brazil’s audit 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. Our teams have access, on demand, to training and guidance when and where they need it.



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Audit Technology and Innovation (ATI)

With a multidisciplinary approach and market knowledge, we use innovation to provide solutions to the needs of digital transformation.

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. To this end, the Audit, through ATI, invests in innovation, technology, and efficiency in all its processes.

Within the Audit and Firm's innovation fronts, we have professionals with diverse specialties from the development of new product concepts, through business design, product architecture, development, project management, validation, 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.



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Some of the technological solutions developed and supported by ATI in Brazil 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 and accounting obligations and bank files

KPMG Insurance Sector Routines

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

Intelligent Platform for Automation

Platform that relies on automations of manual and automated internal control testing

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 for Clients

New generation of tools that allows an interaction between the client and KPMG in real time

KPMG Confirmation Portal

Fully 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

Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms, including our KPMG Global Code of Conduct.

We have policies on information security, confidentiality, personal information and data privacy. We have a document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with applicable laws, regulations, and professional standards.

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

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 on centralization, specialization and standardization.



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05 Nurturing diverse skilled teams



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

5.1 Recruiting appropriately qualified and skilled people, including specialists, with diversity of 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, retention, and assignment of our professionals.

Recruitment

KPMG in Brazil continually invests in understanding how to attract the talent we need now and in the future across the organization to achieve the quality and minimize the risks in the profession. This includes building an extraordinary experience for all current and prospective partners and professionals.

Our recruitment strategy is focused on screening candidates based on unique and job-related criteria to ensure they have the appropriate skills and experience for an excellent performance and to be properly allocated in 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 and managers in the areas. For trainee positions, in addition to interviews, we conduct assessments on behaviors, which contribute 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 members of the Executive Committee (Chairman, Risk Management Partner, and Human Capital Partner).

KPMG in Brazil has invested in specific hiring programs aimed at providing possibilities for new work models, whether hybrid or remote, which

include scholarships for work based on intermittent contracts and digital offices/HUBs, respectively.

The hiring models are already aligned with the transformation of the profession that also aim to use technological investments providing greater efficiency and ensuring the maintenance of quality.

Inclusion, diversity & equity programs

We are 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 in 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), 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.

The connection between performance and reward is achieved by assessing the performance of professionals and through collegiate meetings in which participate the leaders who evaluated them, the Performance Manager of the professional and the Business Partners, in order to have an impartial and assertive evaluation. The evaluation process relies on investment in a robust, user-friendly tool for quick feedbacks, enabling integration with the training platform for all skills that includes regulatory training so that professionals are developed periodically without necessarily waiting a long time to understand certain aspects of development.

The extent to which our professionals feel that their performance has been reflected in their reward is measured through the GPS – Global People Survey. Meanwhile, KPMG has a regular process for assessing market and public knowledge salary averages that are done through surveys to monitor any deviations.

The Profit-Sharing considers the Firm's performance as a trigger of the program and, subsequently, the result of the individual assessment as a component of the model.

Leadership compensation

In our business model, the partners' compensation is based on the distribution of dividends. The BSC performance assessment serves as a subsidy for the Profit-Sharing Program (PPL), which considers the general results of KPMG in Brazil, of the business unit and the professional himself. These same principles are used to define the partners' compensation, including the chairman, added to financial and non-financial criteria, such as the firm's profitability, business goals and inclusion and diversity goals, among others.

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.

5.2 Assigning an appropriately qualified team

KPMG in Brazil has 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.

Partner assignment

Function heads are responsible for the partner assignment process, which take in consideration key considerations include experience and capacity – based on an annual partner portfolio review – to perform the engagement taking into account 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, may including involving specialists from our own Firm, other KPMG member firms or external experts.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, 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 judgement.
- An understanding of KPMG in Brazil's quality control policies and procedures.
- Quality Performance Review (QPR) results and results of regulatory inspections.



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5.3 Investing in data centric skills – including data mining, analysis and visualization

KPMG is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. 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.

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

5.4 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. This includes access to internal specialists and the Professional Practice Department (DPP) for consultation. Where the right resource is not available within KPMG in Brazil, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

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 and development groups at the 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).

The completion of mandatory professional training is monitored in a timely manner to ensure compliance with the global curriculum (MATC).

Mentoring and on the job training

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 and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment, technical excellence and instinct.

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

Licensing and mandatory requirements

Continuing Professional Education Program (CPEP)

All KPMG in Brazil’s audit professionals from the position of supervising, who provide services to audit clients, are required to comply with the requirements of Continuing Professional Education Program (CPEP) - CFC - Federal Accounting Council, following professional standards, laws and applicable regulations. KPMG in Brazil’s policies and procedures are designed to facilitate and assist compliance with CPEP.

Compliance with CPEP requirements is tested as part of KPMG’s annual monitoring programs.

Licences and mandatory requirements for US GAAP and/or US auditing standards

KPMG has specific requirements, which apply to partners, partner directors, managers, in-charges, and engagement quality control reviewers (EQC) partners, responsible for engagements performed outside the US that report on financial statements or financial information prepared in accordance with US GAAP and/or audited in accordance with US auditing standards, including reporting on the effectiveness of the entity’s internal control over financial reporting (ICOFR).



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These require that at a minimum, all partners, partners director, managers and, if appointed, the EOC 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.

5.5 Recognizing quality

Personal development

KPMG in Brazil's approach to performance development, 'Open Performance Development' (OpenPD), is built around the 'Everyone a Leader' performance principles, and includes:

- Role profiles (including role profiles specific to audit quality accountabilities and responsibilities).
- A goal library (including audit quality content).
- Standardized review forms (with provision for audit quality ratings).

OpenPD is linked to the KPMG Values and designed to articulate 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 shift 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 in our Organization.

KPMG in Brazil considers quality and compliance metrics in assessing the overall evaluation, promotion, and remuneration of partners, directors and managers. These evaluations are conducted by performance managers and partners who are able 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. Accordingly, since 2021, KPMG in Brazil annually has been promoting the Audit Quality Awards program to recognize and reward exceptional professionals who are outstanding in quality in the audit process.

All Audit, Tax, and Advisory professionals (the latter as specialists) - from trainees to partners - who performed audit engagements in the fiscal year prior to the program, are eligible to receive the award.



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06 Associating with the right clients and engagements



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

6.1 Following the client and engagement acceptance and continuance policies

The KPMG 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 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.

6.2 Accepting appropriate clients and engagements

Client evaluation process

We undertake 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 client, its key management, directors, and owners. If necessary, we obtain additional information required to satisfy applicable legal 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 conflicts and independence checking

system), intended purpose and use of engagement deliverables, public perception, 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 include the competence of the client's financial management team and the skills and experience of KPMG professionals assigned to staff the engagement.

The evaluation is made in consultation with other senior KPMG in Brazil personnel and includes additional reviews 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 undertake an annual re-evaluation of all audit clients. The re-evaluation identifies any risks in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long running non-audit engagements are also subject to periodic re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change to the 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

Where KPMG in Brazil comes to a preliminary conclusion that indicates that we should withdraw from an engagement or client relationship, we consult internally and identify any required legal, professional, and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

6.3 Managed portfolio of clients

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

Each audit partner's client portfolio is reviewed through discussions with the partners responsible for managing each business unit in the audit practice. Reviews consider the industry sector, nature and risk of the client portfolio as a whole along with the competences, capabilities and workload of the partner and wider team to deliver a quality audit for every client.



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07 Being independent and ethical



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

7.1 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 KPMG 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.

Local policies and procedures are added to ensure compliance with the local independence standards. Such policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, employment relationships, partner rotation and approval of audit and non-audit services.

The Head of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG member firms, and that tools are available to help the firms and their personnel comply with these requirements.

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

The EIP fulfils this responsibility through:

- Implementing/monitoring the ethics and independence quality control process and structure within KPMG in Brazil.
- Approving/appointing partners responsible for ethics and independence within KPMG in Brazil.
- 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 ethics and independence training materials.
- Implementing procedures to address non-compliance.
- Overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies are included in regular quality and risk communications with all KPMG member firms, which are required to implement changes as specified in the communications. This checked through the internal monitoring programs described in [Section 11 – Monitoring and remediation](#).

KPMG in Brazil' partners and employees are required to consult with the EIP on certain matters as defined in the Global Quality and Risk Management Manual (GQRMM). The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

7.2 Maintaining an objective, independent and ethical mindset, in line with our Code

Personal financial independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm audit and assurance clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners — irrespective of their firm or function — are generally prohibited from owning securities of any audit client of any KPMG firm. KPMG member firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment 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 available funds and securities registered on recognized or regulated exchanges 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 firms of personal compliance with the KPMG independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2022 over 180 of KPMG in Brazil's partners and employees were subject to these audits (this included approximately, 37% of our partners).

Employment relationships

Any KPMG professional providing services to an audit or assurance client irrespective of function is required to notify the firm EIP if they intend to enter into employment negotiations with that client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity (PIE).

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

Key audit partners and members of the chain of command for an audit client that is a public interest entity (PIE) 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 has passed.

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

Member firm financial independence

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

In common with other KPMG member firms, KPMG in Brazil uses KICS to record its own 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, KPMG in Brazil is 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, KPMG in Brazil confirms compliance with independence requirements as part of the KPMG Quality & Compliance Evaluation program.



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Business relationships/Suppliers

KPMG in Brazil 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 U.S. Securities and Exchange Commission (SEC).

These include establishing and maintaining a process to evaluate potential third-party arrangements (for example business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities) with particular regard to whether they have a bearing on auditor independence.

Business acquisitions, admissions and investments (if applicable)

If KPMG in Brazil is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultations with the Global Independence Group and Global Quality & Risk Management are required to enable independence and other issues to be addressed when integrating the business into KPMG in Brazil and the wider global organization.

Independence clearance process

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, KPMG in Brazil 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 the procedures that 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 firm rotation of statutory audits, when necessary.

Independence training and confirmations

All KPMG in Brazil 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.

New partners and client facing employees who are required to complete this training are required to do so by the earlier of thirty days after joining KPMG in Brazil or before providing any services to or becoming a member of the chain of command for, any audit client.

Other annual trainings on the following matters are also available for partners and employees at KPMG in Brazil:

- The Global Code of Conduct.
- Bribery and compliance with laws, regulations, and professional standards.

New partners and employees are required to complete these trainings as soon as they start their careers at KPMG in Brazil.

All KPMG partners and employees are required to sign, upon joining KPMG / accepting their offer to join KPMG in Brazil, and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies.

Non-audit services

All KPMG member 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 public interest entity 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.



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For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision to, 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 in Brazil is required to establish and maintain a process to review and approve all new and significantly modified services that are developed by KPMG. KPMG in Brazil's EIP is involved in the review of potential independence issues related to these new or modified services.

KPMG global independence policies prohibit KPMG firm audit partners from being evaluated on, or compensated based on, their success in selling non-audit services to their audit clients.

Fee dependence

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 Regional Risk Management Partner 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 addition, if the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

- This be disclosed to those charged with governance at the audit client.
- A partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

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

Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG in Brazil partners or employees 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 RMP or the EIP is required in these situations.

All KPMG member firms and personnel 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 in Brazil has risk management resources who is/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.

KPMG International policies are also in place to prohibit KPMG personnel 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 have been offered with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

Independence breaches

All KPMG personnel are required to report an independence breach as soon as they become aware of it to the EIP. 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 has been agreed 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 in 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 are reflected in the individual quality and risk metrics of all personnel.

Partner and firm rotation

Partner rotation

KPMG partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements.

KPMG in Brazil 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:

- Be a member of the audit team or perform quality control of the engagement.
- 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 other professional services at the client.
- Oversee the relationship of the firm with the audit client.
- Have any other significant or frequent interaction with senior management or those charged with governance.

KPMG in Brazil monitors the rotation of audit engagement leaders (such as the engagement partner, the engagement quality control reviewer and any other key audit partner role, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Audit firm rotation

KPMG in Brazil is subject to periodic rotation as auditor of audit clients subject to the rule established

by the Brazilian Securities Commission (CVM) in Resolution CVM n° 23, for a maximum period of five fiscal years, or, of ten years if certain provisions presented in this Resolution. A minimum interval of three fiscal years (referred to as the 'cooling off period') must occur before the return of this auditor. We have processes in place to track and manage compliance with audit firm rotation requirements.

7.3 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.

We prohibit 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 by our clients, suppliers or public officials.

KPMG International requires KPMG 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 member firms' partners and employees 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 in 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 the 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.



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08 Performing quality engagements



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How an audit is conducted is as important as the result. KPMG partners and professionals are expected to demonstrate certain behaviors, and comply with certain policies and procedures in conducting effective and efficient audits.

8.1 Consult when appropriate

Encouraging a culture of consultation

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

KPMG established protocols for consultation and documentation of significant matters, including procedures to facilitate resolution of differences of opinion on engagement issues. KPMG audit, assurance and reporting manuals also include required consultations. Additionally, the Global Quality and Risk Management Manual (GQRMM) 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 and auditing matters) and Risk Management (risk management issues).

Technical consultation and global resources

Technical accounting, auditing and assurance support is available to member firms through the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), the International Standards Group (ISG) and the PCAOB Standards Group (PSG), all of which report directly to the Global Head of Audit.



Global Audit Methodology Group (GAMG)

KPMG's audit and assurance methodologies are developed and maintained by the GAMG, which develops our audit and assurance methodology based on the requirements of the applicable audit and assurance standards of the International Auditing and Assurance Standards Board (IAASB), on which the Brazilian auditing standards are based, as well as Public Company Accounting Oversight Board (PCAOB) and American Institute of CPAs (AICPA).

KPMG Global Solutions Group (KGSG)

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

The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investment in our audit and assurance 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, assurance, IT, data science, 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 KPMG ISG works with IFRS topic teams with geographic representation from around the world, and the IFRS Panel and Methodology Advisory Group (MAG) 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. The ISG recently has expanded its remit to encompass the activities of the International Sustainability Standards Board (ISSB), including providing global thought leadership and guidance as the ISSB issues standards.

PCAOB Standards Group (PSG)

The KPMG PSG comprises a dedicated group of professionals with backgrounds in PCAOB auditing standards who promote consistency in the interpretation of PCAOB auditing standards in KPMG firms' audits of non-US components and 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 delivery of such training.

Professional Practice Department (DPP)

KPMG member firms provide appropriate consultation support on technical audit and accounting matters to audit professionals through professional practice resources (referred to as DPP or Professional Practice Department). These resources also assist engagement teams where there are differences of opinion either within teams or with the engagement quality control reviewer. Unresolved differences are required to follow

a prescribed escalation protocol for final resolution.

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 ISG and the PSG are also available for consultation support when required.



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8.2 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 judgement and maintain professional skepticism throughout the audit engagements.

Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgement encompasses the need to be aware of and alert to biases that may pose threats to good judgements.

8.3 Direct, coach, supervise and review

Embedding ongoing coaching, supervision and review

To invest in the building of skills and capabilities of KPMG professionals, KPMG [insert name] promotes a continuous learning environment and supports a coaching culture.

Ongoing direction, 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 engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions.
- Whether the team understands its instructions and the work is being carried out in accordance with the planned approach to the engagement.
- Helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately.
- Identifying matters to review and discuss with more experienced team members during the engagement.

The timely review of the work performed so that significant matters are promptly identified, discussed and addressed is also used as a coaching opportunity.

Engagement quality control (EQC) reviewers

The EQC review is an important part of KPMG's approach to quality. An EQC reviewer is required to be appointed for audit engagements, including any related review(s) 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, including certain assurance engagements, as designated by the Risk Management Partner or Head of Audit.

An EQC review is an objective evaluation of significant judgments made by the engagement team and its related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer's evaluation of significant judgements includes an evaluation of the engagement team's assessment of significant risks, including fraud risks, the related responses and whether the related conclusions are appropriate.

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

EQC reviewers are required to meet training, knowledge and experience criteria to perform the EQC review for a particular engagement. Reviewers must be objective, cannot be members of the engagement team and must be independent of the audit client.

8.4 Appropriately Support and document conclusion

Reporting

Local auditing standards and legislation or regulation largely dictate the format and content of the auditors' report which includes an opinion on the fair presentation of the reporting entity's financial statements in all material respects. Engagement leaders form all audit opinions based on the audit performed and evidence obtained.

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 of matter' or 'other matter' paragraph).



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Engagement documentation

KPMG in Brazil audit documentation is completed and assembled according to the timeline established by KPMG International policy and applicable auditing standards. We have implemented administrative, technical, and physical safeguards to protect the confidentiality and integrity of client and firm information.

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



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09 Assessing risk to quality

KPMG International reviews the results of the quality monitoring programs and develops additional global remediation actions as needed.

Global remediation actions developed by KPMG International are aimed at changing behavior and driving quality and consistency across the global organization. These remediation actions may be implemented through the development of global policies, procedures, training tools and guidance.



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10 Communicating effectively



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



10.1 Provide insights and maintain open and honest two-way communication

We stress the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. 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.

Audit Committee Institute (ACI)

In recognition of the important role that Audit Committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, KPMG's Audit Committee Institute (ACI) aims to help Audit Committee, Board of Directors and Fiscal Council members enhance their commitment and ability to implement effective processes.

The ACI operates in approximately 40 jurisdictions across the globe (including KPMG in Brazil) and provides Audit Committee and Board 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 offers cover the array of challenges facing Audit Committees, Boards, and businesses environment today – from risk management and emerging technologies to strategy and global compliance.

In Brazil, the ACI has been operating for 18 years and has more than 700 members, who meet in regular events and have access to studies and benchmarks made by KPMG.

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

10.2 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 in 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 Compliance Review Evaluation Program (KQCE).

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

10.3 Conduct an Ethical Culture Survey

Participating in a global pilot project, KPMG in Brazil conducted an ethical culture survey with all of its employees and is developing and implementing an action plan based on the results, which help us understand which concepts and controls are strengthened and which opportunities we have to improve. That our people have clarity and behave ethically is one of the important components of our culture that strengthens us in the pursuit of quality in the processes of delivering projects to clients and in internal management.



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11 Monitoring and remediation



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Integrated quality monitoring and compliance programs enable KPMG 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 management.

11.1 Rigorously monitor and measure quality

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG firm 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.

At KPMG in Brazil, we compare the results of its internal monitoring programs with the results of those of any external inspection programs and takes appropriate action.

Internal monitoring and compliance programs

KPMG in Brazil monitoring programs are created by KPMG International and applied across all member firms. The programs evaluate both:

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

Our internal monitoring programs also contribute to the assessment of whether our system of quality management has been appropriately designed, effectively implemented, and operates effectively. These include Quality Performance Reviews (QPR), the KPMG Quality & Compliance Evaluation program (KQCE) and the Global Quality & Compliance Review (GQ&CR) program.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

Audit Quality Performance Reviews (QPRs) program

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 (in all member firm) is reviewed at least once in a four- year cycle. A risk-based approach is used to select engagements.

KPMG in Brazil conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG in Brazil level and are monitored regionally and globally.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent engagement under review.

Training is provided to review teams and others 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 member firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Compliant', 'Compliant- Improvement Needed' or 'Not Compliant'.

Reporting

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

The issues identified are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners (LAEPs) are notified of "Not compliant" 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 program.

Global Audit Quality Monitoring Group (GAQMG)

The GAQMG is comprised of a team of partners, directors and senior managers experienced in performing QPR program reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls.

Each of the GAQMG reviewers takes the Global QPR training. The GAQMG team is responsible for performing and overseeing selected QP reviews of LRE audit engagements.

KPMG Quality & Compliance Evaluation (KQCE) program (formerly known as Risk Compliance Program (RCP))

KPMG International develops and maintains quality management policies and processes that apply to all KPMG member firms. These policies and processes, and their related procedures, include the requirements of the Global Quality and Risk Management Manual (GQ&RM), ISQC 1, and the implementation requirements of ISQM 1 for this transition period.

The objectives of the KQCE program are to:

- Document, assess and evidence of the member firm's implementation of ISQM 1, extent of compliance of their system of quality management with the Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements.
- Provide the basis for KPMG in Brazil to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where exceptions 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 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.



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The GQ&CR team performing the review is independent of the firm and is objective and knowledgeable of GQ&RM 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:

- A firm’s commitment to quality and risk management (“Tone at the top”) and the extent to which its overall structure, governance and financing support and reinforce this commitment.
- A firm’s compliance with KPMG International policies and procedures.
- The robustness with which the member firm performs its own quality and compliance program (former RCP and, current, KQCE program).

KPMG in Brazil develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree these with the GQ&CR team. Our progress on action plans is monitored by the GQ&CR central team.

Results are reported to the GQ&RM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

11.2 Obtain, evaluate, and act on regulators feedback

Regulators

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss thematic audit quality issues and the steps taken to address such issues across the organization. We value the open, honest and transparent dialogue 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.

KPMG in Brazil

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 ongoing.

External peer review

In compliance with the Federal Accounting Council (CFC) accreditation requirements, every four-year, KPMG in Brazil 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 in Brazil’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 five PCAOB inspection in Brazil:

The PCAOB inspected KPMG in Brazil in September and October 2022. The final report is currently being prepared by the PCAOB team.

The results of previous inspections are set out below:

- The PCAOB inspected KPMG in 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 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.



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- 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.

Client Feedback

We proactively seek feedback from clients through face-to-face meetings and satisfaction surveys forwarded after service delivery. These surveys capture the most relevant issues, strengths, and opportunities for improvement in our work dynamics. We make a continuous effort to receive this feedback and establish action plans to meet customer needs.

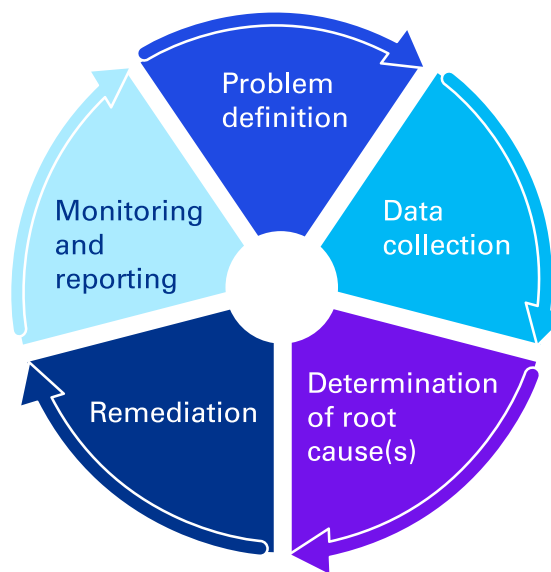
Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work.

11.3 Perform root cause analysis (RCA)

KPMG in Brazil performs root cause analysis (RCA) 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 in Brazil professionals who will perform RCA or mentor those who will perform RCA attend RCA training that is based on the Global 5-Step RCA Principles, as follows:



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

KPMG in Brazil’s Audit leader is responsible for audit quality, including the appointment of those responsible for the remediation plans designed for the identified audit quality issues. The Risk Management Partner or his delegate should monitor the remediation plans remediation.



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KPMG in Brazil's total revenue

KPMG in Brazil's net total revenue for the fiscal year ended September 30, 2022 was R\$ 1,644 million. KPMG in Brazil did not provide services to any non-EU companies with transferable securities trading on regulated markets in the EU. Therefore, it did not generate revenues from audit or other services from EU Member States.

Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements (*)

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was 2.2 billion euros during the year ended September 30, 2022. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended September 30, 2022.

(*) The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

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13.1 Legal structure

KPMG in Brazil and all other KPMG member firms are party to membership and associated documents, the key impact of which is that all member firms in the KPMG global organization are members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

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.

Pursuant to their membership agreements 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 and stability and long-term success; and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, 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.

The complete list of member firms of the KPMG network and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, headquarter or principal place of business are available [here](#).

Legal structure - KPMG in 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.

13.2 Responsibilities and obligations of member-firms

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values.

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the KPMG International Global Board and consistently applied to the firms. A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies set by KPMG International or any of its other obligations owed to KPMG International.

13.3 Professional Indemnity Insurance

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

13.4 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 (i) KPMG International's governance structure can be found in the 2022 KPMG International Transparency Report and on (ii) KPMG in Brazil's governance structure see [Appendix 2](#) of this report.



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14 Statement on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality management for KPMG in Brazil outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our Firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The Chairman, Risk Management Partner and Head of Audit of KPMG in Brazil have considered:

- The design and operation of the quality control systems as described in this report.
- The findings from the various compliance programs operated by our firm (including the KPMG International review programs as described in [Section 11 - Monitoring and remediation](#) and our local compliance monitoring programs).
- Findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Chairman, Risk Management Partner and Head of Audit of KPMG in Brazil confirm with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to September 30, 2022.

Further, the Chairman, Risk Management Partner and Head of Audit of KPMG in Brazil confirm that an internal review of independence compliance within our firm has been conducted in the year ended September 30, 2022.



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Appendix 1

KPMG in Brazil key legal entities and nature of business

Entity name	Legal structure	Regulatory status	Nature of business
KPMG Auditores Independentes Ltda.	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
KPMG Assessores Ltda.	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
KPMG Assurance Services Ltda.	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
KPMG Consultoria Ltda.	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
KPMG Corporate Finance Ltda.	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
KPMG Financial & Actuarial Services Ltda.	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
KPMG Tax Advisors Ltda.	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
KPMG Tecnologia da Informação Ltda.	Single limited liability company	Registered with the JUCESP under no.3522981001-1	Consulting and advisory services in information technology



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Appendix 2

Details of those charged with governance at KPMG in 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.

The key objectives of KPMG in Brazil 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.

The **Chairman** is the principal local executive. He is elected by the other partners for a period of three years, renewable for additional two terms. With this limitation, we promote a rotation of command and encourage the joining of partner in the senior management, keeping the succession process active. As part of the career development process, outstanding professionals become partners at KPMG and can run for the Chair, provided they comply with the regulations.

The **Executive Committee** is responsible for the annual strategic planning - in line with the global strategy - as well as the overall supervision and direction of the activities. It is composed of the Chairman and up to eight partners appointed by him, usually leaders of the key business practices. Being an executive body, which accumulates management and strategic definition functions, its fixed composition does not include independent (non-executive) members. The Executive Committee relies on the General Partners' Meeting to discuss and approve the strategic and management directives.

The Executive Committee consists of nine subcommittees: Finance Subcommittee, Partner Rights Subcommittee, Operating Subcommittee, Inclusion, Diversity and Equity Subcommittee, Compensation Subcommittee, Human Capital Subcommittee, Innovation and Enterprise Solutions Subcommittee, Risk Subcommittee, and Disciplinary Subcommittee.

Further details on KPMG in Brazil Governance structure refer to our KPMG Sustainability Report 2021.

EXCOM – Executive Committee



Charles Kriek
Chairman



Carlos Pires
Head of audit



Marcus Vinícius
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 Partner
Management



Frank Meylan
Head of technology,
Digital Transformation
and Innovation



Dr. Rodrigo Camargo
OGC leader, with guest
party at ExCom meetings



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Throughout this document, “KPMG in 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, “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 2022 KPMG International Transparency Report.

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