

March 12, 2010

Mr. Timothy P. Flynn
Chairman
KPMG LLP and KPMG International
345 Park Avenue
New York, NY 10154-0102

Re: KPMG's Business in Iran

Dear Mr. Flynn:

As you may be aware, United Against Nuclear Iran ("UANI") has listed KPMG on its Iran Business Registry ("IBR") for the work that KPMG does in Iran and with companies doing business in Iran. The purpose of this letter is to clarify those dealings.

KPMG extensively touts its work in Iran on KPMG's website. KPMG lists its Tehran office as:

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Since at least October 29, 2009, KPMG has listed Iran as a key country in KPMG's Middle East/South Asia Region (MESA) while touting the advantages of its business in the MESA region and its countries, including Iran. Since at least October 3, 2009, KPMG has been seeking employees for its Iran practice. "To keep up with this growth, we need to recruit experienced professionals from abroad, particularly in Advisory, and ideally at Senior Manager level and above." KPMG's Iran based recruiter is listed as Hossein Rahbari with an Iran based domain email address, kpmg-br@parsonline.net.

In 2008, KPMG published its report on tax issues in Iran entitled *Iran: Taxation of International Executives*.

The New York Times on March 7, 2010 ran a front page story that detailed companies that do business in Iran. KPMG was one of the companies featured. Importantly, as noted by that article, “Bayat Rayan, a subsidiary of KPMG, has been operating in Iran since 1955. They are the number one international accounting firm in Iran, according to the company. KPMG also provides accounting and auditing services to the United States federal government.” The article also reported that while KPMG continued its business in Iran, it was the recipient of \$1.2 billion in U.S. federal contracts and grants between 2000 and March 2010.

Moreover, your website states that KPMG is “the leading provider of financial audits to the cabinet-level agencies in the Federal Government.” Your firm provides key services to the U.S. Federal Government, but at the same time conducts and enables business in Iran.

On June 30, 2009, UANI called on Congress to introduce legislation to ensure that U.S. taxpayer dollars are not paid to companies doing business with Iran. We said then that Congress should “guarantee every American that his or her tax dollars are not paid to companies that do business with Iran. Taxpayer support of such companies directly strengthens a regime that is developing nuclear weapons and that has brutally repressed its own people.” As we said then and strongly believe now: “No company doing business with the United States should be doing business with Iran.” This legislation was introduced in the U.S. House of Representatives by Representatives Klein and Mica in October as the *Accountability for Business Choices in Iran Act* (ABC Iran Act). It was also added as a provision to the *Iran Refined Petroleum Sanctions Act*, which passed the House in December.

UANI and its supporters believe that KPMG’s decision to do business in Iran is wrong. Companies doing business in the U.S. and for the U.S. Federal Government should not be doing business in Iran.

KPMG calls its Global Code of Conduct “Performance with Integrity.” According to KPMG’s Global Code of Conduct, KPMG is committed to “acting lawfully and ethically, and encouraging this behavior in the marketplace.” (*KPMG Global Code of Conduct*, pg. 5). KPMG is committed to “acting as a responsible corporate citizen and following high standards of ethical conduct around the world.” (*KPMG Global Code of Conduct*, pg. 5). Conducting business in Iran is certainly a violation of this creed, and KPMG’s actions in Iran are inconsistent with the company’s Global Code of Conduct.

Iran defies the international community by secretly developing illegal nuclear weapons. It is the world’s leading state sponsor of terrorism – supporting groups such as Hamas and Hezbollah. Iran has supported the Iraqi insurgency, resulting in the deaths of heroic American soldiers. The human rights violations that the Iranian regime perpetrated against its own people in the wake of last year’s fraudulent Iranian election were appalling. Just last week President Ahmadinejad referred to 9/11 as a “big lie.”

Yet, KPMG very comfortably does business in Iran. By doing business in Iran, KPMG is supporting this brutal regime and its illegal actions. “KPMG’s reputation for integrity impacts everyone, and it can be damaged by anyone.” (*KPMG Global Code of Conduct*, pg. 6). KPMG should lead by example and stop doing business in Iran. “It is of particular importance that those

with management responsibilities lead by example and act with integrity, making ethical behavior a cornerstone of conduct at KPMG.” (*KPMG Global Code of Conduct*, pg. 7).

Among others, UANI’s Iran Business Registry lists Daimler, Honda, HSBC, Petrobras and Sinopec as companies with current business operations in Iran. KPMG provides auditing, accounting and/or tax services for these businesses that operate in Iran, according to their 10-Ks. To the extent KPMG provides its critical services to businesses operating in Iran, KPMG is aiding and abetting their ability to perform Iran-based business. Doing business in Iran becomes far more problematic for these companies when they no longer have a Big Four auditing firm legitimizing their Iran-based business. KPMG must stop servicing its clients’ businesses in Iran.

The Islamic Revolutionary Guard Corps (“IRGC”) is the dominant entity in Iran’s economy. It oversees Iran’s nuclear and missile programs, many of its vast engineering projects and is heavily involved in if not the leader of Iran’s major oil and gas projects, such as those in South Pars.

We hope that KPMG would not provide essential services to corporations that do business knowingly with the IRGC. Regardless, given the closed and secretive nature of the IRGC, KPMG must expect that its work in Iran provides key capacity to the IRGC. Without the ability to credibly account for and to audit its large scale projects undertaken by multi-national companies, the IRGC will be severely limited in its ability to continue to evade international sanctions in its oil, LNG and nuclear industries. Given the importance of KPMG’s accounting and audit services, it is clear that the IRGC is a major beneficiary of KPMG’s services.

Given the important role that KPMG serves as the “number one international accounting firm in Iran,” KPMG has some tough questions that it must answer.

What steps does KPMG take within Iran’s closed society to ensure that its services can, in no way, be used to support Iran’s illegal nuclear program?

Given Iran’s sponsorship of terrorism, its pursuit of illegal nuclear weapons and its gross human rights violations, why would KPMG offer its services in Iran and to companies doing business in Iran even for benign purposes?

Do KPMG’s vows of corporate responsibility not apply to sponsors of terrorism?

Does the convenience of a KPMG foreign subsidiary providing auditing and accounting services somehow allow you a clean conscience to accept the profits of such services?

UANI calls on KPMG to cease doing business in Iran and with companies operating in Iran. By conducting business in Iran, KPMG provides support to the Iranian regime. For Iran, the decision to continue to pursue nuclear weapons comes down to a simple cost-benefit analysis: Do the benefits of having a nuclear capability outweigh the costs of international economic isolation? By ceasing all business dealings connected to Iran, KPMG can send a clear message to Iran that it will not conduct business with a regime that is illegally developing nuclear weapons.

General Electric recently partnered with UANI and signed the Iran Business Declaration, affirming that they will not do business in Iran. The Huntsman Corporation, Caterpillar and Ingersoll Rand also committed to sever their business ties in Iran. Siemens has committed to forego new business in Iran. Attached to this letter is our Iran Business Declaration for your review. We ask that you sign it and we urge KPMG to immediately cease all business dealings in Iran.

Please be advised that UANI, with the support of its tens of thousands of activists, will take any and all action we deem necessary to hold KPMG accountable for its inappropriate business relationships in Iran. In the event KPMG continues its business operations in Iran, UANI will pursue appropriate legal action against KPMG.

KPMG is a great company that employs many Americans in these tough times and neither UANI nor its tens of thousands of activists seek to gratuitously harm KPMG. But KPMG's business in Iran must stop and UANI's activists are prepared to take appropriate and legal steps to ostracize KPMG for its irresponsible actions related to the services it offers in Iran.

Given the urgent nature of this issue please let me hear from you on or before March 26, 2010 with your response.

I look forward to your response.

Very truly yours,



Ambassador Mark D. Wallace

cc: Mary L. Schapiro
Chairwoman, United States Securities Exchange Commission

Adam J. Szubin
Director, Office of Foreign Assets Control, U.S. Department of the Treasury

Wendy M. Payne
Chairwoman and Executive Director, Federal Accounting Standards Advisory Board

United Against Nuclear Iran/Iran Business Declaration

The undersigned [Name], the [Title] of KPMG (the “Company”), does hereby certify on behalf of the Company, and not in the undersigned’s personal capacity, that neither the Company nor any Affiliate¹ of the Company, directly or through an agent, representative or intermediary:

- (1) Is or is currently planning on engaging in any business or in providing any goods or services in Iran or with Iranian-based business anywhere in the world except for the provision of goods or services to relieve human suffering in Iran or as part of news gathering for the dissemination of news and information about Iran worldwide;
- (2) Is or will be a party to any agreement with any Iranian business or other entity or Iranian governmental authority, or the owner of an equity interest in, any Iranian entity, or;
- (3) Owns or operates any plant, property, equipment or other assets located in Iran.

The undersigned hereby authorizes United Against Nuclear Iran to publicly disclose the contents of this Certificate.

Dated this ____ day of ____, 2010.

I declare (or certify, verify, or state) under penalty of perjury that the foregoing is true and correct. Executed on **MM/DD/YYYY**.

Signed by:
(Name)
(Title)
(Company)

¹ “Affiliate” means any individual or entity that directly or indirectly controls, is controlled by, or is under common control with, the Company, including without limitation direct and indirect subsidiaries of the Company