

BACKGROUND NOTE ON ACTION PLANS

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption¹ and implementation² of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

Use of Information

Please refer to the [Disclaimer](#) published on the Compliance Program website.

ACTION PLAN

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|-----------------------------------|---|
| IFAC Members: | Federal Council of Accounting (CFC) / Brazilian Institute of Independent Auditors (IBRACON) |
| Approved by Agency: | Committee of the Convergence Management in Brazil |
| Original Publication Date: | July 2010 |
| Last Updated: | June 2019 |
| Next Update: | June 2022 |

***** Please note that the Action Plan update focuses on Ongoing and New Actions to fulfill SMO commitments (pp.3-24). An Appendix of Implemented Actions from the first iteration is included (pp.25-37). *****

¹ *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

² *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

Glossary

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|----------------|---|
| BCB | Central Bank of Brazil |
| CFC | Federal Council of Accounting |
| CNA | IBRACON Auditing IBRACON Auditing Standards Committee |
| CNNT | IBRACON National Technical Standards Commission |
| CPC | Accounting Statements Committee |
| CRC | Regional Council of Accounting |
| CRE | Managing of Quality External Review Program Committee |
| CVM | Security Exchange Commission |
| GEs | Study Group |
| GTs | Work Groups |
| IAASB | International Auditing and Assurance Standards Board |
| IASB | International Accounting Standards Board |
| IBRACON | Brazilian Institute of Independent Auditors |
| IESBA | International Ethics Standards Board for Accountants |
| IES | International Education Standards |
| IFAC | International Federation of Accountants |
| IFRS | International Financial Reporting Standards |
| IPSAS | International Public Sector Accounting Standards |
| IPSASB | International Public Sector Accounting Standards Board |
| ISA | International Standards on Auditing |
| ISAES | International Standards on Assurance Engagements |
| ISQC | International Standard on Quality Control |
| ISRE | International Standards on Review Engagements |
| MEC | Ministry of Education |
| NBC | Brazilian Accounting Standards |
| NBC P | Brazilian Professional Accounting Standards for the Independent Auditor |
| NBC TSP | Brazilian Technical Accounting Standards Applied to the Public Sector |
| NPO | Standards and Statements from Other Assurance Services |
| STN | National Secretariat of the Treasury |
| SUSEP | Private Insurance Superintendence |

ONGOING ACTIONS

Subject of the Action Plan: Overall Information on the Action Plan for Brazil

Objective of the Action Plan: Establishment of Structures and Mechanisms to implement the Action Plan in the country for convergence of International Standards.

| <u>Item</u> | <u>Start</u> | <u>Actions</u> | <u>Term</u> | <u>Responsible</u> | <u>Resources</u> |
|---|--------------|--|-------------|--|--|
| <p><i>Background:</i></p> <p>Since 2005, CFC and IBRACON have been working together on a plan for convergence of International Standards, known as the Convergence Plan in Brazil, which is comprised of CFC and IBRACON members aiming at seeking convergence between the Brazilian Standards to IFRSs, ISAs, ISAEs, ISREs, and IPSASs. Currently, the majority of the convergence actions have been implemented, including full harmonization of Accountants Code of Ethics with the International Code of Ethics, remaining only specific procedures, such as IPSASs implementation and training. The Brazilian Accounting Standards are in conformity with the IFRSs after issuance of standards by the CPC and approval by the major regulatory agencies (CFC, CVM, SUSEP, BCB (partially). Auditing, Assurance, Review, and Correlated Services are also equivalent to the ISAs since the issuance of, by the CFC, the corresponding Brazilian Accounting Standards (NBCs). The convergence of the IPSAS will be done gradually for the sector public entities through implementation of the Brazilian Accounting Standards for the Public Sector – NBC TSP, which are aligned to the IPSASs. CFC and IBRACON have been reinforcing actions concerning professionals’ capacity-building for adoption of IFRSs for SMEs which had its amendments translated and adopted in 2016. Considering the large number of firms in Brazil and the number of accounting professionals who are affected by such standard, trainings are necessary to improve professionals’ competences in this subject. Regional Councils of Accounting (CRCs) are promoting a lot of panel, seminars and trainings in order to disseminate the standards.</p> <p>Auditors are regulated by CFC. In addition, auditors serving entities regulated by certain market regulators are also subject to their regulation as well, including listed companies and mutual funds (CVM), financial institutions</p> | | | | | |
| <p><i>Convergence – Action Plan Project</i></p> | | | | | |
| 1. | 8/31/2007 | Review of the Action Plan defined herein. | Ongoing | Convergence Coordinating Team | Own Resources, with 4 representatives from CFC and IBRACON |
| 2. | 8/31/2007 | Convergence Review and approval by the Managing Committee in Brazil. | Ongoing | Convergence Coordinating Team and Managing Committee | Own Resources, with 3 representatives from CFC and IBRACON |

Subject of the Action Plan: SMO 1 - Quality Assurance

Objective of the Action Plan: Improvement of the quality review

Note: Completed actions are presented at the end of this SMO Action Plan

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|-------------------|--|------------------------|--------------------------|----------------------------------|
| <p><i>Background:</i></p> <p>In 1997, the CVM issued Instruction No. 308 to regulate the Independent Auditor's profession in the capital market, including among other requirements, an external review assurance system. Brazil became, consequently, the first Latin American country to set up an external quality assurance system (QA), introduced in 2001 as a peer review system. The system is managed by the External Quality Review Managing Committee Program (CRE), comprised by representatives from CFC and IBRACON, with CVM as an observer. The system is based on the National Auditing Standards, issued by CFC, which is aligned with international standards. Since its establishment, CFC and IBRACON have reviewed the program periodically, including analysis of its conformity with SMO 1. This external quality control system is applied to auditing firms working in the capital markets, finance market, and in insurance companies. The review is carried out by other firms, in conformity with the requirements and standards set up by the CRE, which include the description of scope and the design of the quality assurance program and related procedures, followed by undertaken evaluations. The objectives of these external evaluations are targeted to get a reasonable assurance that the firm's audit work under review is in accordance with the Brazilian Auditing Standards. The Peer Review Program already in place requires reviews every 4 years. Significant numbers of auditors or audit firms are in a cycle shorter than 4 years already, since reviews with qualified reports are automatically rescheduled for the following year. It is important to highlight that CVM required rotation of audit firms for the Brazilian listed companies in 2012. The rotation cycle is of five years, except if the company establishes an auditing committee in its articles of incorporation in accordance with CVM specific requirements, then the rotation term is of ten years. In 2012, CRE with the support of CFC and IBRACON has offered six outreaches throughout the country with the purpose of getting practitioners' contributions on the actual standard and suggestions for the exposure draft on the resolution provided for public comments. In the second semester of 2012, CFC has constituted a working group to review the current resolution on the peer review system aiming to align its structure and operation to the best international practices. The methodology of work of the CRE has been reviewed and revised to ensure the celerity and safeness to procedures. In 2017 there will be a new revision of the program to improve its effectiveness and oversight and is planned to also issue a reviewed standard.</p> | | | | | |
| <p><i>Review Cycle</i></p> | | | | | |
| 1. | 1/01/13 | Carrying out studies and evaluating the impact of change for the next cycle, creating different cycles for audit firms that audit public companies effectively (3 years) and audit firms that do not audit public companies (4 or 6 years). The effective changing depends on the negotiation with other market players, including the regulator of the capital market (CVM). This action is maintained at hold since it requires extensive negotiation with other regulators. | | CFC and CRE Technical VP | Own resources 13 representatives |
| <p><i>Maintenance of the Ongoing Process</i></p> | | | | | |

| # | Start Date | Actions | Completion Date | Responsible | Resources |
|---|-------------------|---|------------------------|--|---|
| 2. | Ongoing | Review of the External Quality Control System (QA) in a continuous basis comparing to the best international practices of the SMO1. This includes plans of re-evaluation and updating the Action Plan, if necessary. In the second semester of 2012, CFC has constituted a working group to review the current resolution on the peer review system aiming to align its structure and operation to the best international practices. In 2017 there will be a new revision of the program to improve its effectiveness and oversight and is planned to also issue a reviewed standard. 2018 is being used to disseminate this version through trainings in multiple cities in country. The new system will be effective in 2019. | Ongoing | CFC/IBRACON Chairmen, with CFC Technical VP and IBRACON Technical Director | Own Resources – 4 representatives |
| <i>Review of CFC & IBRACON's Compliance Information</i> | | | | | |
| 3. | 09/2013 | Perform periodic review of revised SMOs and CFC and IBRACON's SMO Action Plan updating relevant sections when necessary, informing IFAC any changes, permitting IFAC staff to republish updated Action Plan, if applicable. The Convergence Managing Committee shall hold periodic reviews every four months from January/2014. | 02/2017 | Convergence Coordinating Team with the support of the CFC Technical VP and IBRACON Technical Director | Own Resources - 3 CFC and IBRACON representatives |

Main Requirements of SMO 1

| Requirements | Y | N | Partially | Comments |
|--|----------|----------|------------------|-----------------|
| Scope of the System | | | | |
| 1. At a minimum, mandatory QA reviews are required for all audits of financial statements. | Y | | | |
| Quality Control Standards and Other Quality Control Guidance | Y | | | |

| Requirements | Y | N | Partially | Comments |
|--|---|---|-----------|--|
| 2. Firms are required to implement a system of quality control in accordance with the quality control standards. | | | | |
| 3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards. | Y | | | |
| 4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control. | Y | | | |
| Review Cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used. | Y | | | As established in NBC PA 11 if there are specific problems reported by the Reviewer in the last review, the CRE may decide to determine shorter periods for review in the Revised work. The External Quality Review Committee may also as a result of specific problems that may be identified in the Reviewer, the CRE may decide to include it in the review program of the same or the following year, or to determine shorter periods for your review. |
| 6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities). | Y | | | |
| QA Review Team 7. Independence of the QA Team is assessed and documented. | Y | | | The Review is made by another audit firm. |
| 8. QA Team possesses appropriate levels of expertise. | Y | | | |
| Reporting 9. Documentation of evidence supporting the quality control review report is required. | Y | | | |

| Requirements | Y | N | Partially | Comments |
|--|---|---|-----------|----------|
| 10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed. | Y | | | |
| Corrective and Disciplinary Actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report. | Y | | | |
| 12. QA review system is linked to the Investigation and Discipline system. | Y | | | |
| Consideration of Public Oversight 13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed. | Y | | | |
| Regular Review of Implementation and Effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed. | Y | | | |

Subject of the Action Plan: SMO 2 - International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB

Objective of the Action Plan: Concordance with the IESs

Note: Completed actions are presented at the end of this SMO Action Plan

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|-------------------|--|------------------------|---|---------------------------------------|
| <p>In Brazil, having an university degree is the primary requirement to access the accounting profession, which takes place by means registration in the Regional Councils of Accounting after being approved in a sufficiency exam. Professionals who work as Independent Auditors are subject to fulfill the requirements of the CFC standard related to Continuous Professional Development. The Ministry of Education regulates the contents of curricula of undergraduate courses in Accounting Sciences. In Brazil, it is the competence of the Ministry of Education to regularize education in the country. Approval of Bill 12,249/10, which changed some clauses of the law governing CFC (Decree-Law 9,295/46), brought, in addition to recognize the profession, the mandatory Sufficiency Exam to exercise the accounting profession in Brazil. Accounting professionals in Brazil will be able to be an accountant after (I) regular completion of the Bachelor's Degree in Accounting Sciences, in an institution recognized by the Ministry of Education, (II) being approved in Sufficiency Exam, and (III) registration in the Regional Council of Accounting, whose jurisdiction he is subject. IBRACON, CFC, other Accounting Institutions and the Brazilian Universities developed one of the Latin Americas most advanced continued education project. The CFC participates in the process of authorization, recognition of authorization, recognition and renewal of course recognition in the accounting area, issuing an opinion that subsidizes the MEC in the course recognition process.</p> <p>To accounting professionals work as Independent Auditors in the capital, financial and insurance markets, they need to pass the Technical Qualification Exam (EQT), and, since 2002, they also must fulfill a minimum continued education requirements. The time spent in education activities is converted into credits that are yearly informed to CRC/CFC. One current challenge is implementing educational requirements not only for auditors, but to professionals who prepare accounting statements as well, in order reinforce the convergence process and the quality communication process. The initial proposal is to implement initially this requirement to accounting professionals (preparers) who work in regulated entities. CFC issued a regulation in 2015 and since 2016 accountants of public interest entities are subject to the fulfillment of minimum CPD credits. CFC is planning to spread gradually those requirements to other professional accountants.</p> <p>The International Standard of Education (IES) No. 5 requires that prior to registration of an accountant it is required practical experience. Given the current educational system in Brazil and the respective legal framework, there is a legal impediment for CFC to set this requirement. In this regard, we clarify that the pedagogical project of the undergraduate courses in Accounting Sciences in Brazil, in its majority, has the supervised internship (part-time work with legal provision determining the maximum hours of work) which provides practical experience to the students. In addition, the majority of the students enters into the working market even before the end of the undergraduate coursework is finished.</p> | | | | | |
| <i>Development of approximation plan to Academic Entities</i> | | | | | |
| 1. | February 2008 | Communication activities targeted to disseminate the Convergence Plan in the academic environment. | Ongoing | CFC and Managing Committee Professional Development Chairman and VP | Own Resources - 4 CFC representatives |

| # | Start Date | Actions | Completion Date | Responsible | Resources |
|---|------------|--|-----------------|--|---------------|
| <p><i>Maintenance of the Ongoing Process</i> Please clarify is there in any timeline to adopt IES 8. If yes, please consider include an specific action The actions foreseen in IES 8 go beyond the regulatory competence of the CFC. The Ministry of Education has establish the rules related to education in the country. However, the CFC has sought to align actions with the competent Ministry to enable the adoption of IES 8</p> | | | | | |
| 2. | 7/13/2009 | To follow up issued International Educational Standards and ensuring their dissemination in Brazilian academic environment and working for its adoption by educational institutions. | Ongoing | CFC Professional Development VP | Own Resources |
| 3. | 01/11/2011 | <p>To undertake studies, through establishment of own commission, aiming at expanding the requirements for all accountants, supported by change in the governing legislation that took effect in 2010, initially and gradually considering accountants working in regulated entities. The discussions were initiated in the second semester of 2012 in the Brazilian accounting system by CFC with conclusions of those studies estimated to the end of 2014. A new professional standard that extends the mandatory continuing education program for accountants who act as prepares of the financial statements or that oversee the preparation of financial statements for public interest entities (listed companies, mutual funds, financial institution, insurance companies and large entities as defined by relevant law) was placed in a public audience in September 2014 and was issued in 2015, subjecting accountants of public interest entities to fulfill a minimum CPD credits. CFC is planning to spread gradually those requirements to other professional accountants. Our advice would be to make more emphasis on this activity, establishing a timeline and activities</p> <p>CFC has every year included in the scope of Continuing Education several segments of the Brazilian accounting class. Public accountants will be included in the program gradually. Currently, the independent auditors working in the markets regulated by the CVM, BCB, Susep and Previc, as well as the professionals responsible for the preparation of the financial statements of the companies considered large (according to Law 11.638 / 07) are required to comply with continuing education. From 2018 on, it is intended to include the technical heads of the accounting organizations within the scope of NBC PG 12.</p> | Ongoing | CFC Technical VP and Professional Development VP | Own Resources |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|--------------------------|--|-------------------------------|---|---|
| 4. | 07/13/2009 | Periodic review of the standards and continuous debate to ensure that new and reviewed Standards in auditing, accounting, and ethics has been incorporated in the educational and training requirements in Brazil. | Ongoing | CFC Professional Development VP | Own Resources |
| <i>Review of CFC and IBRACON's Compliance Information</i> | | | | | |
| 5. | 09/2013 | Perform periodic review of revised SMOs and CFC and IBRACON's SMO Action Plan updating relevant sections when necessary, informing IFAC any changes permitting IFAC staff to republish updated Action Plan. The Convergence Managing Committee shall hold periodic reviews every four months from January/2014. | 02/2017 | Convergence Coordinating Team with the support of the CFC Technical VP and IBRACON Technical Director | Own Resources - 3 CFC and IBRACON representatives |

Subject of the Action Plan: SMO 3 - International Standards and Other Pronouncements Issued by the IAASB

Objective of the Action Plan: To ensure Ongoing Convergence to ISAs and other IAASB Statements

Note: Completed actions are presented at the end of this SMO Action Plan

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|-------------------|--|------------------------|---|---|
| <p><i>Background:</i> CFC and IBRACON agreed in 2007 to converge Brazilian Auditing Standards to the international standards for auditing, assurance, and other related standards issued by the IAASB. This decision is also aligned to BCB's view that accounting statements from financial institutions should be prepared, in 2010, in accordance with the IFRS and audited according to the ISAs. This convergence was applicable first for audits of public interest entities with periods ended from January 1, 2010. Small and medium size audits implemented the converged Auditing Standards for audits in periods initiated in or after January 1, 2012, with early adoption permitted. The translations of the standards issued recently by IAASB, such as ISA 701 and amendments of 700, 705, 706 and other standards related to the new auditor's report was made. Currently, all audits are performed under current version of ISAs. The Brazilian Auditing Standards effective in Brazil are those included in the 2016-2017 handbook.</p> | | | | | |
| <p><i>Implementation of ISAs for SMPs</i></p> | | | | | |
| 1. | Ongoing | Provide training sessions for Small and Medium Size firms auditing professionals. | Ongoing | CFC/IBRACON Professional Development VP | Own Resources |
| <p><i>Maintenance of the Ongoing Process</i></p> | | | | | |
| 2. | Ongoing | Follow up and review of statements according to IAASB work program, and updating of the Action Plan for future activities, whenever necessary. | Ongoing | IBRACON and CFC Technical VP | Own Resources 12 IBRACON and CFC members |
| 3. | 2016 | Translations of the standards issued recently by IAASB, such as ISA 701 and amendments of 700, 705, 706 and other standards related to the new auditor's report | 09/2016 | IBRACON and CFC | Own Resources |
| 4. | 2016 | <p>Provided 40 training sessions related to the new auditor's report It would be beneficial to include some examples of training by providing links or technical notes (articles) of the events</p> <p>As for the Continuing Vocational Education Program, it follows the link with the courses / events promoted by IBRACON during the period</p> <p>As well as all courses and events promoted by the CFC approved training companies.</p> | 2016/2017 | IBRACON and CFC | Own Resources |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|--------------------------|--|-------------------------------|---|-------------------------|
| | | See below the list of training events provided by authorized organizations/companies. | | | |
| 5. | 2016 | Promoted or participated in 10 panels, conferences, workshop to regulators, investor, market in general, presenting the new auditor's report, the main changes, benefits, people affected, necessary action, interaction, communication, etc. | 2016/2017 | IBRACON and CFC | Own Resources |
| <i>Review of CFC and IBRACON's Compliance Information</i> | | | | | |
| 6. | 09/2013 | Perform a periodic review of revised SMOs and CFC and IBRACON's SMO Action Plan updating relevant sections when necessary and informing IFAC any changes permitting IFAC staff to republish the updated Action Plan. The Convergence Managing Committee shall hold periodic reviews every four months from January/2014. | 02/2017 | Convergence Coordinating Team with the support of the CFC Technical VP and IBRACON Technical Director | Own Resources 2 people |

Subject of the Action Plan: SMO 4 - IESBA Code of Ethics for Professional Accountants

Objective of the Action Plan: Convergence and Implementation of IFAC Code of Ethics

Note: Completed actions are presented at the end of this SMO Action Plan

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|--|-------------------|---|------------------------|---|---|
| <i>Background:</i> | | | | | |
| <p>Convergence Managing Committee activities throughout 2010 were concentrated in education and in communication of IESBA revised Code of Ethics, carrying out a comparison between codes, targeting dissemination of the IESBA Code among Brazilian professionals. The goal was full convergence in Brazil and implementing the IESBA revised Code in 2012, having set a sound educational basis during 2010 and 2011. With the objective of converging the Brazilian Technical and Professional Auditing Standards to the international standards for auditing, assurance, and other related standards, in 2010, the Brazilian Standard on independence was compared to the IESBA Code – Section 8, updated in 2009 to eliminate identified gaps. During 2013 and 2014, CFC and IBRACON completed the convergence project of the IESBA Code, adopting a Code of Ethic completed aligned to that on March 25, 2104.</p> | | | | | |
| <i>Incorporation of IESBA Code of Ethics</i> | | | | | |
| 1. | November 2010 | Complete final analysis of converged Code of Ethics. | 12/31/12 | CFC Plenary and IBRACON members | Own Resources |
| 2. | 12/31/12 | CFC issued the sessions 100, 200 and 300 of the Code of Ethics, and Professional Standards in Accounting March 25, 2014. | 03/25/14 | CFC Plenary | Own Resources - 27 CFC Plenary representatives |
| 3. | Ongoing | <p>Development of a plan for education, training, promotion and dissemination of the revised Brazilian Code of Ethics. This plan will include detailed activities to be implemented, such as communication to all Brazilian accountants, the inclusion in every accounting event agenda, communication with regulating agencies, etc.</p> <p>It would be beneficial to include some examples of training by providing links or technical notes (articles) of the events</p> <p>As for the Continuing Vocational Education Program, it follows all courses and events promoted by the CFC approved training companies.</p> | 2015 and 2016 | CFC Technical VP and IBRACON Technical Director | Own Resources – CFC and IBRACON representatives |
| <i>Maintenance of the Ongoing Process</i> | | | | | |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|----------|--------------------------|---|-------------------------------|---|-------------------------|
| 4. | Ongoing | Monitor changes in IESBA Code of Ethics in order to translate those, debate, review and subsequently approve those changes issuing new sections of the Brazilian Code of Ethics or amending those existent when necessary. Follow up on IESBA work and update the Action Plan, if necessary. | Ongoing | CFC Technical VP and IBRACON Technical Director | Own Resources |
| 5. | 10/2016 | <p>Translation and analyze of the new edition of the IESBA Code including a new Sections 225 and 360 addressing professional accountants' responsibilities when they become aware of non-compliance or suspected non-compliance with laws and regulations (NOCLAR) committed by a client or employer and consequential and conforming changes made to Sections 100, 140, 150, 210, and 270 of the Code. Please clarify this following comment included in the DBR. CFC and IBRACON plan to finish this analyze in the first semester of 2017, so those changes would be effective on July 15, 2017.</p> <p>The CFC and Ibracon are making efforts to change Brazilian legislation so that it is possible to adopt the noclar in Brazil. This point has already been the subject of a letter sent to IFAC, issued by Ibracon.</p> <p>Another challenge for this change and the regulation relationship adopted by the Financial Activities Control Council (Coaf), especially in the aspects related to money laundering</p> <p>The activities that the CFC has maintained in the interactions with other regulators and with members of the Legislative power, aiming at this regulation that seeks, above all, to improve relations between the public administration and the private sector, thus serving the public interest</p> | 11/2016 | Convergence Coordinating Team with the support of the CFC Technical VP and IBRACON Technical Director | Own Resources |
| 6. | 11/2016 | Promoted an outreach of NOCLAR together with the IESBA that included multiple stakeholders in Brasilia and São Paulo. | | Convergence Coordinating Team with the support of the CFC Technical VP and IBRACON Technical Director | Own Resources |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|--------------------------|--|-------------------------------|---|-------------------------|
| <i>Review of CFC and IBRACON's Compliance Information</i> | | | | | |
| 7. | 09/2013 | Perform a periodic review of revised SMOs and CFC and IBRACON's SMO Action Plan updating relevant sections when necessary and informing IFAC any changes permitting IFAC staff to republish the updated Action Plan. The Convergence Managing Committee shall hold periodic reviews every four months from January/2014. | 02/2017 | Convergence Coordinating Team with the support of the CFC Technical VP and IBRACON Technical Director | Own Resources |

Subject of the Action Plan: SMO 5 - International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB

Objective of the Action Plan: Promoting use of IPSASs in the Public Sector

Note: Completed actions are presented at the end of this SMO Action Plan

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|--|------------------------|--|-----------------------------|--|------------------|
| <i>Background:</i> | | | | | |
| <p>The attribution of the Convergence Managing Committee is to guide the Brazilian convergence process the International Public Sector Accounting Standards (IPSAS) applied to the Public Sector issued by the IPSASB. This decision was made with deep involvement of Brazilian government representative to ensure this important commitment for the country. Implementation will be carried out gradually for federal, state and municipalities after the consolidation of the Brazilian accounting standards for the public sector – NBCT SP, which are aligned to the IPSAS.</p> <p>Convergence is being made gradually. The NBC TSP edited by the CFC is based on IPSAS. 10 standards and the Framework have already been edited. The remainder should be released by 2021. The STN publishes the MCASP in which are summarized the procedures that should be adopted gradually based on the NBC TSP and the PCASP which is the plan that the entire public sector should apply in Accounting (federal, state governments, municipal and public bodies The convergence is being made in phases and all standards will be adopted in 2021 to be fully adopted in 2024. Currently five IPSAS standards are adopted in 2019.</p> <p>The Committee is also responsible for the dissemination of the knowledge, research, manuals, mailing, internet and other publications and training as well.</p> | | | | | |
| <i>Dissemination and training of IPSAS to Accounting Professionals working in the Brazilian Public Sector</i> | | | | | |
| 1. | 6/30/2012 Completed | Availability of IPSAS, in digital and print (book) formats. In June/2012 the digital version was made available. In August/2012, the free distribution of the printed version was initiated. | Concluded in August/2012 | CFC Technical VP | Own Resources |
| 2. | Ongoing | To undertake IPSAS training sessions for accountants from state and government entities we use the most recent versions of the standards. The working group in charge of it has reviewed the planning for the undertaking IPSAS training sessions, initially prioritizing their dissemination by the free distribution of their translation to the stakeholders. | Ongoing | CFC Professional Development VP and Technical VP | Own Resources |
| <i>Enforcement of Brazilian Accounting Standards Applied to the Public Sector (NBC TSPs) Converged to the International Standards (IPSASs)</i> | | | | | |
| 3. | 12/30/2016 | The framework and 5 IPSASs were translated in 2016 being effective from 2017. | Concluded | CFC | Own Resources |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|-------------------|---|------------------------|--------------------|------------------|
| | | <p>By December 2017 the CFC has already achieved the convergence of the conceptual framework and a further 10 IPSAS, as described below</p> <p>NBC TSP EC - Conceptual Framework</p> <p>NBC TSP 01 Receita de Transação sem Contraprestação – IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)</p> <p>NBC TSP 02 Receita de Transação com Contraprestação – IPSAS 09 Revenue from Exchange Transactions</p> <p>NBC TSP 03 Provisões, Passivos Contingentes e Ativos Contingentes – IPSAS 19 Provisions, Contingent Liabilities, Contingent Assets</p> <p>NBC TSP 04 Estoques – iPSAS 12 Inventories</p> <p>NBC TSP 05 Contratos de Concessão de Serviços Públicos: Concendente – iPSAS 32 Service Concession Arrangements: Grantor</p> <p>NBC TSP 06 Propriedades para Investimento – iPSAS 16 Investment Property</p> <p>NBC TSP 07 Ativo Imobilizado – IPSAS 17 Property, Plant and Equipment</p> <p>NBC TSP 08 Ativo Intangível – IPSAS 31 Intangible Assets</p> <p>NBC TSP 09 Redução ao Valor Recuperável de Ativo Não- Gerador de Caixa – IPSAS 21 Impairment of Non-Cash-Generating Assets</p> <p>NBC TSP 10 Redução ao Valor Recuperável de Ativo Gerador de Caixa – IPSAS 26 Impairment of Cash-Generating Assets</p> | | | |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|--------------------------|--|-------------------------------|--|-------------------------|
| <i>Maintenance of the Ongoing Process</i> | | | | | |
| 4. | Ongoing | <p>During 2017 and 2018, 15 IPSASs will be translated, being effective from 2019.</p> <p>Another 22 IPSASs will be translated from 2019 to 2021 and will have 2022 as its effective date.</p> <p>New IPSASs issued by IFAC since 2016 will be translated and adopted after 2022.</p> <p>Amendments to the standards already adopted will be translated during the year of issuance, being effective in the following year.</p> | Ongoing | CFC Technical VP | Own Resources |
| 5. | Ongoing | Continuing to identify opportunities to define the best strategy for the effective IPSAS implementation in Brazil. This includes reviewing existing activities and preparation of the Action Plan for future activities, whenever necessary. | Ongoing | CFC Technical VP | Own Resources |
| <i>Review of CFC and IBRACON's Compliance Information</i> | | | | | |
| 6. | 09/2013 | Perform a periodic review of revised SMOs and CFC and IBRACON's SMO Action Plan updating relevant sections when necessary and informing IFAC any changes permitting IFAC staff to republish the updated Action Plan. The Convergence Managing Committee shall hold periodic reviews every four months from January/2014. | 02/2017 | Convergence Coordinating Team with the support of the CFC Technical VP | Own Resources |

Subject of the Action Plan: SMO 6 - Investigation and Discipline

Objective of the Action Plan: Inclusion of non-accountants in the Discipline Court

Note: Completed actions are presented at the end of this SMO Action Plan

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|-------------------|--|------------------------|--|------------------|
| <i>Background:</i> | | | | | |
| <p>CFC is the regulatory agency of the profession in Brazil, and has legal authority to take disciplinary action. Additionally, Brazilian regulators have the authority for discipline inquiries and actions in their respective regulated markets or industries. In this context, CFC received recommendation from IFAC to implement SMO 6 requirement to include non-accountants in the Ethics and Discipline Court. Since CFC competence derives from the Brazilian legislation, there is today a legal impediment for such recommendation to be introduced in the professional legal system in as much as, in accordance with the legislation in force, the Superior Ethics and Discipline Court (TSED) is part of the CFC and, therefore, can be comprised only by regularly registered accounting professionals. It is highlighted that the Accounting Councils, established by the Decree-law 9,295/46, aims at the Inspection of the Professional Exercise. Thus, the work developed by the Federal and Regional Councils aim at ensuring ethics and discipline of Accounting professionals and to works as a protection factor for Society. Based on the mandatories set forth in Article 12 of the Governing Law (Decree Law 9,295/46, updated by the Law 12,249/10), the Accounting Councils are comprised solely by regular professionals and with technical-professional competence to analyze documents submitted to ethical-disciplinary processes.</p> <p>We understand that the CVM I&D is not part of this plan; however we can state that they have an effective I&D program.</p> <p>Ibracon is an Institute is not in charge of I&D. Represent the political aspects of the auditors, however has no regulatory authorities</p> | | | | | |
| 1. | 2012 | CFC goals include reinforcement of technical competence of CFC and CRCs disciplinary committees in order to achieve better results in inspecting registered professionals. | Ongoing | CFC President | Own Resources |
| <i>Maintenance of the Ongoing Process</i> | | | | | |
| 2. | Ongoing | Continuing to identify opportunities to define the best strategy for the effective implementation of SMO 6 requirements in Brazil. This includes reviewing existing activities and preparation of the Action Plan for future activities, whenever necessary. | Ongoing | CFC Technical VP | Own Resources |
| <i>Review of CFC and IBRACON's Compliance Information</i> | | | | | |
| 3. | 09/2013 | Perform a periodic review of revised SMOs and CFC and IBRACON's SMO Action Plan updating relevant sections when necessary and informing IFAC any changes permitting IFAC staff to republish the updated Action Plan. The Convergence Managing | 02/2017 | Convergence Coordinating Team with the support of the CFC Technical VP and | Own Resources |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|----------|--------------------------|--|-------------------------------|----------------------------|-------------------------|
| | | Committee shall hold periodic reviews every four months from January/2014. | | IBRACON Technical Director | |

Main Requirements of SMO 6

| Requirements | Y | N | Partially | Comments |
|--|----------|----------|------------------|---|
| Scope of the System | | | | |
| 1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational. | y | | | |
| 2. Information about the types of misconduct which may bring about investigative actions is publicly available. | Y | | | We provide statistical information through the Transparency Portal of each Regional Accounting Council |
| Initiation of Proceedings | | | | |
| 3. Both a “complaints-based” and an “information-based” approach are adopted. | Y | | | |
| 4. Link with the results of QA reviews has been established. | Y | | | |
| Investigative Process | | | | |
| 5. A committee or similar body exists for performing investigations. | Y | | | |
| 6. Members of a committee are independent of the subject of the investigation and other related parties. | Y | | | |
| Disciplinary Process | | | | |
| 7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee. | Y | | | All inspection actions that involve the opening of an ethico-disciplinary process are appreciated by a collegiate body that seeks to preserve the legislation of the accounting profession. |

| Requirements | Y | N | Partially | Comments |
|---|----------|----------|-----------|---|
| 8. Members of the committee/entity include professional accountants as well as non-accountants. | | N | | |
| 9. The tribunal exhibits independence of the subject of the investigation and other related parties. | Y | | | |
| Sanctions 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership. | Y | | | |
| Rights of Representation and Appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee. | Y | | | |
| Administrative Processes 12. Timeframe targets for disposal of all cases are set. | Y | | | All administrative proceedings are regulated by CFC Resolution No. 1,309 / 10 which follows the principles of Administrative Law with a term of 15 days for presentation of defense and in case of application of penalty plus 15 days to appeal to higher instance in this case is the CFC |
| 13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established. | Y | | | |
| 14. Records of investigations and disciplinary processes are established. | Y | | | |
| Public Interest Considerations | Y | | | The ethical-disciplinary administrative processes occur in a reserved manner in relation to the Law that regulates the accounting profession in Brazil (DL 9.295 / 46.) |

| Requirements | Y | N | Partially | Comments |
|---|---|---|-----------|--|
| 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction. | | | | According to art. 51 of CFC Resolution 1.309 / 10, the trial sessions against accounting professionals occur in reserved sessions. "Art. 51 The meetings of the Regional Courts and the Chambers of Ethics and Discipline shall take place in reserved sessions." |
| 16. A process for the independent review of complaints on which there was no follow-up established. | Y | | | |
| 17. The results of the investigative and disciplinary proceedings are made available to the public. | | N | | |
| Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences. | Y | | | |
| Regular Review of Implementation and Effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented. | Y | | | |

Subject of the Action Plan: SMO 7 - International Financial Reporting Standards and Other Pronouncements issued by the IASB

Objective of the Action Plan: Continued Improvement of the Convergence Process

Note: Completed actions are presented at the end of this SMO Action Plan

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|-------------------|--|------------------------|--|------------------------------------|
| <p><i>Background:</i></p> <p>Several regulators have worked, since 2006, to promote convergence of the Brazilian Standards to IFRS with full support from the Brazilian profession due to unquestionable benefits for the sustainable development of the Brazilian economy. The establishment of CPC and later changes in Corporate legislation in 2007 are clear examples of such decisions. CPC, in 2005, was set through CFC Resolution No. 1,055, and it has as its members: Abrasca (Brazilian Association of Listed Companies), APIMEC (Association of Capital Market Investment Analysts and Professionals), BM & FBOVESPA (Sao Paulo Stock Exchange), CFC, FIPECAFI, and IBRACON. This accounting body works on the convergence of accounting Standards issued by IASB. After issuance by the CPC, the technical statements have to be approved by regulators, such as BCB, CFC, CVM, and SUSEP to be in force for respective jurisdiction. The first major set of Converged Brazilian Standards was issued in 2008. A set of 30 standards was approved throughout 2009 and implemented in 2010. Therefore, the convergence to IFRS was achieved in 2010, including for SME. Brazil keeps adopting all revision and edition of the standards issued by IASB and actively participates on public comments processes. It's worth noting the importance of the creation of GLASS - Group of Latin American Accounting Standard Setters and the role it has been developing with IASB representing the opinion of the accountants of the Latin America region. Brazil was in the presidency of this group until July/2013, maintaining after then, a seat as Director member.</p> | | | | | |
| <p><i>Convergence of Corporate Accounting</i></p> <p>The CFC through the CFC / CRC System promotes refresher courses in SMEs and also to large companies, which are scored for verification purposes in the Continuing Professional Education Program.</p> | | | | | |
| 1. | 2005 | Continued support of entities in the work and agenda of the Accounting Statements Committee (CPC). Highlighting that CFC and IBRACON are active funders of the CPC. In addition, CFC supports a working group with the objective of commenting all exposure drafts issued by IASB/IFRIC for public comments. | Ongoing | CFC / IBRACON | Own Resources 4 representatives |
| 2. | Ongoing | Follow up of eventual divergences between NBCs and Provisions for Sectors Regulators (ANS, etc.), aiming at implementing actions toward convergence. | Ongoing | CFC/IBRACON | Own Resources |
| 3. | Ongoing | Preparation and Review of "business cases" for Convergence. | Ongoing | Convergence Coordinating Committee with CFC/IBRACON Presidency | Own Resources |
| 4. | Ongoing | Individual discussions with regulators. | Ongoing | TG with CFC/IBRACON Presidency | Own Resources |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsible</u> | <u>Resources</u> |
|---|--------------------------|---|-------------------------------|--|--|
| <i>Training</i> | | | | | |
| 5. | Ongoing | Development of training program to be given by the CFC/CRCs System with IBRACON support, including IFRS for SME. | Ongoing | Areas of Professional Development in CFC/IBRACON | Own resources |
| 6. | Ongoing | Presentation and implementation of the Training Program. | Ongoing | Areas of Professional Development in CFC/IBRACON | Own Resources |
| <i>Maintenance of the Ongoing Process</i> | | | | | |
| 7. | Ongoing | Continuing to undertake the best efforts to identify new opportunities for advanced application of IFRS in Brazil. This includes reviewing existing activities and updating the Action Plan for future activities, whenever necessary. The Brazilian standard setter Board has deliberated not permitting early adoption of all standards issued by IASB. | Ongoing | Convergence Coordinating Team | Own Resources – 10 CFC and IBRACON representatives |
| <i>Review of CFC and IBRACON's Compliance Information</i> | | | | | |
| 8. | 09/2013 | Perform a periodic review of revised SMOs and CFC and IBRACON's SMO Action Plan updating relevant sections when necessary and informing IFAC any changes permitting IFAC staff to republish an updated Action Plan. The Convergence Managing Committee shall hold periodic reviews every four months from January/2014. | 02/2017 | Convergence Coordinating Team with the support of the CFC Technical VP and IBRACON Technical Board | Own Resources – 3 CFC and IBRACON representatives |

APPENDIX: IMPLEMENTED ACTIONS

Action Plan Subject: General Information on the Action Plan for Brazil
Action Plan Objective: Establishment of Structures and Mechanisms for Country Convergence Plan

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|---|-------------------|--|------------------------|--|--|
| <i>Political Integration of the Management Committee of Convergence in Brazil</i> | | | | | |
| 1. | 8/31/2007 | Presentation, for review and approval, of the Action Plan for Brazil by CFC. | Done 8/31/2007 | Plenary of CFC | Own resources with 27 effective members of the plenary of CFC |
| 2. | 9/30/2007 | Meeting with the CVM and BCB about the Country Convergence Project. | Done 9/30/2007 | Presidents of CFC and IBRACON | Own resources 6 representatives from CFC, IBRACON, CVM and Central Bank |
| 3. | 5/30/2008 | Meeting with the Economy Minister and Secretary of Treasury about the Country Convergence Plan. | Done 5/30/2008 | President of CFC | Own resources 5 representatives from CFC, Economy Minister and Secretary of Treasury |
| 4. | 7/15/2009 | Meeting with SUSEP about Country Convergence Plan. | Done 7/15/2009 | President of CFC and Ibracon | Own resources 5 representatives from CFC and SUSEP |
| 5. | 4/30/2009 | Meeting with the Federal Audit Court about the Country Convergence Plan. | Done 4/30/2009 | President of CFC and Ibracon | Own resources 5 representatives from CFC and Federal audit. Court |
| 6. | 6/30/2009 | Issue of the CFC Ordinance nº 37/2008 including all representatives of the entities that support the convergence plan. | Done 4/07/2008 | President of CFC | Own resources |
| <i>General Review of NBCs as the basis for the convergence of Accounting and Auditing Standards</i> | | | | | |
| 6. | 5/30/2007 | Review of structure and style of NBCs considering the requirements of IFAC and the IASB to accept local standards as corresponding to international standards. | Done 10/11/2007 | Legal and Technical Vice President (VP) of CFC/ Technical Director (DT) of IBRACON | Own resources: 10 representatives from CFC, IBRACON, CVM and BCB |
| 7. | 02/28/2008 | Meeting with the WGs to explain the objectives of the project, and support and commitment required from presidencies of CFCs and IBRACON. | Done 02/28/2008 | Convergence Coordination Team | Own resources: 6 representatives from CFC and IBRACON |

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|----------|-------------------|---|---|---|--|
| 8. | 6/25/2008 | Review of the structure of NBC - CFC Resolution No. 751 The new resolution establishes the structure of the standards published by CFC which include professional and technical standards, standards on accounting (for private and public sector), independent auditing, internal auditing and accounting witness. | Done 02/13/2009 (Res. CFC n.º 1.156/09) | Technical VP of CFCs with the support of DT IBRACON | Own resources 6 <i>representatives from CFC and IBRACON</i> |
| 9. | 6/25/2008 | Review existing NBCs to determine necessary updates. A special working group was created for this purpose. | Done 3/22/2011 (Res. CFC n.º 1.328/11) | Technical VP of CFC | Own resources 20 <i>representatives from CFC</i> |

Action Plan Subject: SMO 1 – “Quality Assurance”
Action Plan Objective: Further Improvement of the Quality Assurance Review Program

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|--|-------------------|--|------------------------|-----------------------|---|
| <i>Implementation of ISQC 1 and ISA 220 as part of convergence to ISAs</i> | | | | | |
| <i>Adoption of ISQC 01</i> | | | | | |
| 1. | 01/15/2008 | Formation of the Auditing Working Group, for elaboration and revision of NBC P1- Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements which will reflect current clarified IFAC ISQC 1. | Done 01/15/2008 | CFC/IBRACON | Own resources 3 <i>representatives from CFC and IBRACON</i> |
| 2. | 01/30/2009 | Review of NBC PA 11 – Peer review to identify opportunities of improvements and better alignment with SMO 1. | Done 01/30/2009 | CRE | Own resources 8 <i>representatives from CFC and IBRACON with CVM as observer</i> |
| 3. | 01/30/2009 | Elaboration of NBC PA 01 according to clarified ISQC 1. | Done 07/06/2009 | Working Group | Own resources 18 <i>representatives from CFC and IBRACON</i> |
| 4. | 6/10/2009 | Final revisions. | Done 6/27/2009 | Working Group | Own resources 3 <i>representatives from CFC and IBRACON</i> |

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|-------------------------------|-------------------|---|------------------------|---|--|
| 5. | 6/30/2009 | Public Exposure by CFC/IBRACON. All public exposure processes are conducted jointly by CFC and IBRACON for the period of 30 days. The objective of this process is to confirm adequacy of the translation performed. | Done 7/30/2009 | Technical VP of CFC/DT of IBRACON | Own resources |
| 6. | 11/27/2009 | Issuance by CFC. | Done 11/27/2009 | Technical VP of CFC/Plenary | Own resources: 27 effective representatives of Plenary of CFC |
| <i>Implementation Support</i> | | | | | |
| 7. | 9/01/2009 | Presentation at the first National Seminar for Independent auditors. This event is being done annually. | Done 9/01/2009 | CFC and IBRACON | Own resources: 15 speakers from CFC and IBRACON |
| 8. | 6/30/2011 | Translation and availability in electronic format of the second edition of the Guide to Using ISAs in the Audits of Small and Medium-Sized Entities | Done 6/30/2012 | CFC and IBRACON | Own resources |
| <i>Review Cycle</i> | | | | | |
| 9. | 1/30/2009 | The possibility to reduce from 4 to 3 years the cycle of peer reviews was evaluated. The conclusion is that a significant number of auditors or audit firms are already in a cycle lower than 4 years, since reviews with non-clean conclusions are automatically rescheduled for the following year. Consequently, no change would be introduced for the time being. Additional consideration to this recommendation will be given in the context of a revision of the Supervision system in Brazil. | Ongoing | Technical VP of CFC and CRE | Own resources 4 representatives from CFC and 4 representatives from IBRACON |

Action Plan Subject: SMO 2 – “International Education Standards”
Action Plan Objective: Compliance with IESs

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|---|-------------------|----------------|------------------------|-----------------------|-----------------|
| <i>Development of plan for approximation with academic entities</i> | | | | | |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|----------|--------------------------|--|-------------------------------|---|--|
| 1. | 6/30/ 2008 | Contact with MEC (Ministry of Education) to promote the update of the academic curriculum in Brazil. | Done 6/30/2008 | President and VP of professional Development of CFC | Own resources 2 representatives from CFC |
| 2. | 8/28/2009 | Assessment of the basic curriculum of the accounting degree as authorized by MEC and signature of an agreement of technical collaboration to ensure participation of CFC in the approval processes to recognize and renewal of new accounting courses at universities. | Done 8/28/2009 | President and VP of professional Development of CFC | Own resources 2 representatives from CFC |
| 3. | 10/21/2010 | CFC constituted a working group composed by teachers, doctors in accountancy in charge of evaluating academic and pedagogical projects elaborated by the Entities of Under graduation Courses, aiming to issue a technical opinion to be sent to MEC regarding approval, accreditation and authorization of the Bachelor's Courses in Accounting Sciences. | Done 10/21/2010 | VP of professional Development of CFC | Own resources |

Action Plan Subject: SMO 3 – “International Auditing and Assurance Standards”
Action Plan Objective: Ensuring Ongoing Convergence with ISAs and other IAASB Pronouncements

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|--|--------------------------|---|-------------------------------|--|---|
| <i>Review of the translation of the glossary of the Handbook of International Auditing, Assurance, and Ethics Pronouncements</i> | | | | | |
| 1. | February 2007 | Complete the review of the translation of the glossary with the CNA/IBRACON. | Done 08/10/2007 | CNA/IBRACON - final review Coordinator of CNNT and DT of IBRACON | Own resources Group of professionals of C.N.A. (10 members) |
| <i>Translation of the IFAC Standards for International Auditing, Assurance, and Ethics Pronouncements</i> | | | | | |
| 2. | October 2007 | Proposal of an action plan for translations considering the priorities of the IAASB revision program of Clarity Project (Project Timetable). Currently, all auditing standards are adopted in Brazil. | Done 12/31/2007 | CNA Coordinator/Technical Director of IBRACON/CFC | Own resources 3 people |
| 3. | December 2007 | Approval of timetable. | Done 12/31/2007 | Convergence Coordination Team | Own resources 3 members |

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|---|-------------------|--|--|---|---|
| 4. | January 2008 | Collection of 4 budgets and presentation to the Technical VP of CFC. | Done 15/01/2008 | CNA/Superintendent of IBRACON | Own resources Translation costs R\$ 79.990,00 , equivalent to US\$ 35.709,82 Review process estimated at 1400 hours at to US\$ 280.000,00 |
| 5. | January 2008 | Approval by the Presidency of CFC. | Done 01/31/2008 | President of CFC | Own resources one person from CFC |
| 6. | July 2008 | Completing the work of translation. | Done 4/30/2009 | Translators | External resources – Translators as above |
| <i>Approval of the Conceptual Framework on auditing and assurance standards</i> | | | | | |
| 7. | April 2007 | Conclusion of the document by CNA/IBRACON but several wording changes were provided during translation process of ISAs. | Done 08/31/07 Wording changes approved on June 30,2009 | CNA/ IBRACON | Own resources Prepared by CNA coordinator, discussed in meetings of C.N.A. Group(10 members) and final approval by CNNT coordinator |
| 8. | August 2007 | Technical committee/IBRACON review. | Done 01/31/2008 | CNNT/IBRACON | Own resources as above |
| 9. | July 2009 | Review of the final document. | 10/31/2009 | DT do IBRACON and Technical VP of CFC | Own resources 3 representatives from IBRACON and CFC |
| 10. | October 2009 | Public exposure of CFC's Resolution by CFC/IBRACON. | Done November 2009 | Technical VP of CFC/DT of IBRACON | Own resources |
| 11. | 11/27/2009 | Final Approval by CFC Plenary. | Done 11/27/2009 | Plenary of CFC, National Board of IBRACON | Own resources 27 effective members of the plenary of the CFC |
| <i>Review, Approval and Issuance of the new Auditing Standards</i> | | | | | |
| 12. | October 2007 | Formation of the Working Group with participation of partners and senior managers of assurance departments of Auditing Firms with experience in application of ISAs. | Done 01/15/2008 | CFC/IBRACON | Own resources, basically 2 from IBRACON |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|--------------|---|---------------------|---|---|
| 13. | October 2007 | Discussion of the proposed schedule, IAASB schedule and translations: Here the discussion focus on the need to reconcile the translation timetable with the Clarity Project in order to ensure that standards for translation are those approved by IAASB as clarified version. | Done 01/31/2008 | DT, Coordinator CNNT and CNA of IBRACON | Own resources: Subgroup of CNA with Technical Director of IBRACON (3 people) |
| 14. | 01/31/2008 | Schedule Approval. | Done 02/28/2008 | Convergence Coordination Team with CNA/IBRACON of IBRACON | Own resources: 2 members of convergence coordination team and 1 from CNA |
| 15. | 7/15/2008 | Execution of translations, following the schedule. | Done 6/30/2009 | External translators | External resources detailed as above |
| 16. | 7/1/2008 | Distribution for review: For each individual standard a person within the WG took the responsibility to lead the review discussion on the translation. | Done 6/30/2009 | CNA coordinator | Own resources - 1 person |
| 17. | 7/1/2008 | Final reviews This review comprised the following: (i) review by the WG (ii) review by CNA coordinator (iii) review by President of IBRACON and (iv) review by a representative from Technical VP of CFC. | Done 10/01/2009 | WG and Technical VP of CFC/CNNT of IBRACON/DT of IBRACON | Own resources WG with 10 people and more 3 representatives for the final review |
| 18. | 3/01/2009 | Public exposure by CFC/IBRACON. | Done 10/30/ 2009 | Technical VP of CFC | Own resources |
| 19. | 11/27/2009 | Issuance by CFC. | Done 11/27/2009 | Technical VP of CFC/Plenary | Own resources 27 effective members of the plenary of the CFC |
| Standards on Review engagements | | | | | |
| 20. | 10/01/2007 | Formation of the Working Group. | Done 01/15/2008 | CFC/IBRACON | Own resources Same as item 12 above |
| 21. | 7/01/2008 | Translations: as described above. | Done 02/28/2009 | GTA | Same as item 4 above |
| 22. | 7/01/2008 | Distribution for review as described item 16. | Done 02/28/2009 | C.N.A. coordinator | Own resources 2 people from IBRACON |
| 23. | 7/01/2008 | Final reviews as described above item 17. | Done 10/30/2009 | WG and Technical VP of CFC/CNNT of IBRACON/DT of IBRACON | Own resources Same as item 17 above |
| 24. | 3/01/2009 | Public Exposure by CFC/IBRACON. | Done 10/30/2009 | Technical VP of CFC/CNNT | Own resources |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---------------------------------------|---------------|--|-----------------|---|--|
| | | | | IBRACON/DT of IBRACON (Period of 30 days) | |
| 25. | January 2010 | Issuance by CFC. | Done 22/01/2010 | Technical VP of CFC/Plenary | Own resources 27 effective members of the plenary of the CFC |
| Assurance Standards | | | | | |
| 26. | 3/01/2007 | Issue of Standards and Pronouncements of other assurance services (NPO), by IBRACON The issuance of the ISAE 3000 as a Brazilian standard was first introduced by a pronouncement issued by IBRACON in 2007. | Done 07/20/2007 | DT IBRACON/CNNT IBRACON | Own resources CNNT with 12 members |
| 27. | 01/15/2008 | Presentation to Technical VP of CFC as this standard had already been approved by IBRACON, IBRACON Technical Director presented the standard to CFC for their analysis. | Done 01/15/2008 | DT IBRACON | Own resources - 1 representative from IBRACON |
| 28. | January 2009 | Public exposure by CFC and Ibracon. | Done 01/30/2009 | Technical VP of CFC | Own resources |
| 29. | February 2009 | Issue NBC TO 3000 the Portuguese version of ISAE 3000 was approved as Brazilian Assurance Standard. | Done 02/13/2009 | CFC Plenary | Own resources 27 effective members of the plenary of the CFC |
| 30. | 7/15/2011 | Issue NBC TO 3402 | Done 7/15/2011 | CFC Plenary | Own resources 27 effective members of the plenary of the CFC |
| 31. | 6/26/2013 | Issue NBC TO 3420 | Done 6/26/2013 | CFC Plenary | Own resources 27 effective members of the plenary of the CFC |
| Standards for Related Services | | | | | |
| 32. | Before 2007 | Complementing the review by CNNT of IBRACON The review of the standard for agreed-upon procedures is under review by C.N.A. and CNNT Groups since 2007, waiting for the update from IFAC. | Done 6/30/2009 | CNNT of IBRACON | Own resources 3 representatives from IBRACON |
| 33. | October 2009 | Final review by IBRACON and CFC. | Done 6/30/2009 | DT of IBRACON and Technical VP of CFC | Own resources |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|-------------------|---|------------------------|--|--|
| 34. | 12/26/2009 | Public exposure by CFC/IBRACON as above. | Done 1/31/2010 | Technical VP of CFC/DT of IBRACON | Own resources |
| 35. | 02/26/2010 | Final approval by CFC. | Done 02/26/2010 | Plenary of CFC | Own resources 27 effective members of the plenary of the CFC |
| Regulatory Convergence – Auditing | | | | | |
| 36. | 8/01/2009 | Monitor any divergences in the regulatory environment, by comparing the CFC Standards and International Standards and best international regulatory practices, seeking to implement actions to their convergence. | Done 12/31/2009 | Regulatory group of IBRACON and Technical VP of CFC | Own resources mainly 6 members from IBRACON and 2 from CFC |
| 37. | | Elaboration of "business cases" for the convergence of each regulated segment (CVM, BCB, SUSEP, etc.): the objective is to develop the rationale for the changes required for full internal and external convergence. | Done 12/31/2009 | Regulatory group of IBRACON/Technical VP of CFC | Own resources |
| 38. | | Revision of "business cases" as above. | Done 12/31/2009 | Convergence coordination team with CFC/IBRACON presidencies | Own resources |
| 39. | | Individual discussions with the regulators on the main divergences identified and the business case for a change. | Done 12/31/2009 | President of IBRACON with support from Convergence committee and President of CFC | Own resources |
| 40. | | General meeting of presidencies of CFC and IBRACON with the group of regulators aiming at the approval of the convergence. | Done 12/31/2009 | Presidencies of CFC/IBRACON, Convergence coordination team Presidents of CVM, BCB and SUSEP | Own resources 5 members from CFC and IBRACON |
| 41. | | Implementation: Once business cases for internal convergence are agreed with regulators, regulators need to implement this action. | Done 12/31/2009 | CFC/IBRACON and regulators | It will depend on regulators approach |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|------------------------|------------|---|---|--|--|
| Implementation Support | | | | | |
| 42. | 6/30/2009 | Presentation of the whole project to the profession through the 1 st Brazilian Seminar for Independent Auditors, explaining the reasons for the changes, the process, discussing the most important changes and announcing the training program. | Done 1 st of September 2009 | Presidents of CFC and IBRACON and member of the WG | Own resources involving around 10 members of the WG |
| 43. | 5/31/2009 | Develop training program (on distance) to be administered by CFC/CRCs system with IBRACON's support from IBRACON. | Done 3/31/2010 | Professional Development areas of CFC/IBRACON | Own resources - Estimated 400 hours at total of US\$ 80.000,00. |
| 44. | 01/01/2011 | Develop training programs, including the training of multipliers, to be administered by the System CFC / CRCs with support from IBRACON. | Done 12/31/2011 | Professional Development areas of CFC/IBRACON | Own resources - Estimated 400 hours at total of US\$ 80.000,00. |
| 45. | | Introduction and Implementation of Training Program. | Done 12/31/2011 | Professional Development areas of CFC/IBRACON. | Owns resources |
| 46. | 02/28/2010 | Development and presentation of the 2 nd . Brazilian Seminar for Independent Auditors, dealing with the most significant changes in auditing standards. | Done 6/09/2010 | Presidents from CFC and Ibracon, Technical VP, members of CNA. | Owns resources around 10 members at total |
| 47. | | Presentation of the training program. | Done 12/31/2011 | Professional Development areas of CFC/IBRACON. | Own resources to be determined |
| 48. | | The Brazilian Seminar for Independent Auditors has become annual since 2011. | Done annually | IBRACON with CFC's support | Own resources |

Action Plan Subject: SMO 4 – “IESBA Code of Ethics”
Action Plan Objective: Convergence and Implementing the IESBA Code of Ethics

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|---------|-----------------|----------------|----------|
| <i>Incorporation of the IFAC Code of Ethics:</i> | | | | | |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|----------|--------------------------|---|-------------------------------|---|---|
| 1. | 7/01/2009 | Formation of the Working Group for elaboration and revision of NBC P1. under the approved terms for this NBC by CFC. Review of the Brazilian Code of Ethics and Brazilian Professional Standards to determine gaps to be covered by a complement to current Brazilian standards on independence. | Done 7/31/2009 | Convergence Coordination Team Ethics Working Group of IBRACON reporting to Convergence Coordination Team | Own resources: 3 representatives from CFC and IBRACON Own resources 8 representatives from IBRACON |
| 2. | 9/01/2009 | Mapping of existing differences between Brazilian Code of Ethics and existing IFAC Code and discussion with Inspection VP of CFC. | Done 10/30/2010 | Working Group | Own resources 8 representatives from IBRACON |
| 3. | 10/30/2009 | Complementation of existing Independence standard to align with IFAC Code of Ethics by approval and issuance of a Resolution from IFAC. | Done 10/30/2010 | Working Group | Own resources 8 representatives from IBRACON |
| 4. | 11/30/2009 | Translation of the new Code of Ethics. | Done 12/31/2010 | Working Group | Own resources |
| 5. | 01/01/2010 | Preparation of the revised Brazilian Code of Ethics fully converged with IESBA Code. | Done 6/03/2011 | Working Group | Own resources 13 representatives from CFC and IBRACON |
| 6. | 6/30/2010 | Public audience. | Done 9/30/2011 | Technical VP of CFC | Own resources |
| 7. | October/2010 | Issuance by CFC. | Done 11/31/2010 | Plenary of CFC | Own resources - 27 effective members of the plenary of the CFC |
| 8. | November/2010 | Complete the final analysis of the converged Ethics Code | Done 12/31/2012 | Plenary of CFC and IBRACON | Own resources |

Action Plan Subject: SMO 5 – “International Public Sector Accounting Standards”
Action Plan Objective: Promoting Use of IPSASs in the Public Sector

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|---|--------------------------|-----------------------|-------------------------------|------------------------------|------------------------|
| <i>Accounting Convergence for Public Sector</i> | | | | | |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|---|--------------------------|---|-------------------------------|---|--|
| 1. | 06/20/2008 | Formation of Coordinating Group to coordinate the translation of IPSAS and convergence of NBC TSP – Brazilian Accounting Standards for the Public Sector. | Done 06/20/2008 | Technical VP of CFC and Convergence coordination team. | Own resources |
| <i>Translation of IPSAS as published by IFAC</i> | | | | | |
| 2. | 11/1/2008 | Approval by the President of CFC of the process to engage the translator. | Done 11/01/08 | Technical VP of CFC | Own resources |
| 3. | 11/1/2008 | IPSAS Translation for validation at the WGs. | Done 5/15/2009 | Convergence coordination team. | Own resources Translation costs R\$ 7.990,00 equivalent to US\$ 3.566,96 Review process estimated at 768 hours at to US\$ 115,200. |
| 4. | 6/30/2012 | IPSAS available in electronic and printed formats. In June/2012 they were available in electronic format. In August/2012 the free distribution of the printed format was initiated. | Done August/2012 | Technical VP of CFC | Own resources |
| <i>Formation of Working Groups</i> | | | | | |
| 4. | March 2010 | Distribution the IPSAS between the members of the Working Group (CFC/STN/FGV). | Done 02/23/2011 | Coordinating team of Public Sector from Management Committee of Convergence | Own resources |
| 5. | April 2010 | Review by Technical VP of CFC. | Done 11/16/2011 | Technical VP of CFC | Own resources |
| <i>Approval and issuance by CFC of the NBC TSP converged to International Standards</i> | | | | | |
| 6. | August 2009 | Preparation of the Drafts of NBC TSP converged. | Done 6/30/11 | Coordinator of GTCP and coordinating team and Management Committee of Convergence | Own resources - 12 representatives from WG of CFC. |

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|----------|-------------------|--|------------------------|-----------------------|-----------------|
| 7. | November 2010 | Public Audience of exposure draft | Done 10/31/2011 | Technical VP of CFC | Own resources |
| 8. | 2016 | Issuance of the framework and 5 NBC TSP converged with IPSASs. | Done 12/31/2016 | Technical VP of CFC | Own resources |

Action Plan Subject: SMO 7 – “International Financial Reporting Standards”
Action Plan Objective: Further Improvement of the Convergence Process

| <u>#</u> | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|-------------------------------|-------------------|--|------------------------|-------------------------|---|
| <i>Accounting Convergence</i> | | | | | |
| 1. | December 2008 | Translation of full 2008 IFRS to be made available and used by CPC. | Done 10/30/2009 | IBRACON | Translation costs: R\$ 151.706 equivalent to US\$ 62,878 Technical review: estimated at 1,400 hours estimated at some R\$ 627,700 equivalent to US\$ 280,000 |
| 2. | | Issue of the book with IFRS translated into Portuguese. | Done 10/30/2009 | IBRACON | Own resources |
| 3. | May 2007 | Drafting comments on the IASB project for small and medium enterprises (SMEs). | Done 6/09/2007 | CFC/IBRACON | Own resources 5 representatives from CFC and IBRACON |
| 4. | 6/25/2008 | Formation of Working Groups to review NBCs on accounting matters not included in IFRS (like non-for profit organizations, hotels, cooperatives, etc). | Done 8/05/2008 | Technical VP of CFC | Own resources |
| 5. | 6/25/2008 | Review of other NBC T on accounting matters for inclusion in the agenda of Especial Group, eventual revocations and actions aimed at upgrading the set of standards. | Done 3/22/2011 | CFC/IBRACON - CNC Group | Own resources 4 representatives from CFC and Ibracon |
| 6. | Permanent | Permanent follow up of the CPC to ensure the compliance of eliminating the differences until 2010. | Done | CFC/IBRACON | Own resources 4 representatives from CFC |
| 7. | Permanent | Brazil keeps adopting all revision and edition of all standards issued by IASB and actively participates on the public comment processes. | Permanent | CFC/CPC | Own resources |

| # | <u>Start Date</u> | <u>Actions</u> | <u>Completion Date</u> | <u>Responsibility</u> | <u>Resource</u> |
|--|--------------------------|--|-------------------------------|------------------------------|--|
| | Ongoing | Ongoing follow up of CPC to ensure compliance to the objectives of eliminating differences until 2010. | Concluded | CFC/IBRACON | Own Resources - 4 CFC representatives |
| <i>Regulatory convergence - Accounting matters</i> | | | | | |
| 6. | 02/15/2008 | Formation of WG. | Done 02/15/2008 | Technical VP of CFC | Own resources representatives from CFC |

Date May 9, 2019

Name Francisco Maldonado Sant'Anna

Title President

Company Ibracon – Instituto dos Auditores Independentes do Brasil

Address Rua Maestro Cardim, 1170 – Bela Vista – São Paulo – SP – CEP 01323-001

Email diretoria@ibracon.com.br

Dear Mr. Bryson,

Subject: Letter to Confirm Institutional Support for the SMO Action Plan

This letter is to confirm that the leadership of the Ibracon - Instituto dos Auditores Independentes do Brasil has reviewed the information contained in the SMO Action Plan prepared by Ibracon - Instituto dos Auditores Independentes do Brasil as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the Ibracon - Instituto dos Auditores Independentes do Brasil, I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,



PRESIDENT

(Signature of President or Chairman of the Board or equivalent)

(Title)

Ibracon – Instituto dos Auditores Independentes do Brasil
(Name of Organization)

May 9, 2019
(Date)