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Reference: Request for Information – Third Agenda Consultation

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)[1] welcomes the opportunity to respond to the Request for Information – Third Agenda Consultation.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,

Rogério Lopes Mota
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)

[1]The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), B3 (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).

Question 1—Strategic direction and balance of the Board's activities

The Board's main activities include:
- *developing new IFRS Standards and major amendments to IFRS Standards;*
- *maintaining IFRS Standards and supporting their consistent application;*
- *developing and maintaining the IFRS for SMEs Standard;*
- *supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;*
- *improving the understandability and accessibility of the Standards; and*
- *engaging with stakeholders.*

Paragraphs 14–18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.
(a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.
(b) Should the Board undertake any other activities within the current scope of its work?

CPC's response:

In relation to letter (a), CPC agrees to leave unchanged the level of focus for **supporting digital financial reporting by developing and maintaining the IFRS Taxonomy**.

Considering the current development of the IFRS for SMEs, due to the ongoing comprehensive review, the CPC believes that is necessary to increase the level of focus in the activity of **developing and maintaining the IFRS for SMEs Standard**. Accordingly, we suggest to the Board to further increase the provision of educational material such as webinars, webcasts and articles. However, the Board should consider decreasing the issuance of agenda decisions which are currently being used to change accounting practices through a simplified due process and without transitional requirements.

The CPC also believes that an increase in the level of focus in the activity of **improving the understandability and accessibility of the Standards** and in activity of **engaging with stakeholders** is necessary to achieve greater acceptance of IFRS and, consequently, an improvement in the quality of accounting information around the world, with an increase in comparability.

To meet this demand for increased focus on these two activities, CPC suggests a reduction in the level of focus in **developing new IFRS Standards and major amendments to IFRS Standards** and in **maintaining IFRS Standards and supporting their consistent application**. Perhaps a better balance between these two activities is appropriate.

Regarding to the letter (b), CPC does not believe it is necessary to include another activity within the scope of the IASB.

Question 2—Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.
(a) Do you think the Board has identified the right criteria to use? Why or why not?
(b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?.

CPC's response:

Regarding the letter (a) CPC believes that the IASB has identified the right criteria to use, and regarding the letter (b) CPC suggests including:

- consistent application of standards, especially in view of economic developments that impact operations and that are naturally not provided in accounting (in detriment of necessarily applying new requirements and laws);
- alignment of the needs of the main users and the information disclosed (already being addressed in other projects);
- cost-benefit analysis in applying standards.

Question 3—Financial reporting issues that could be added to the Board's work plan

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board's work plan.
(a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.
(b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
(i) the nature of the issue; and
(ii) why you think the issue is important.

CPC's response:

In relation to the letter (a) The CPC suggests the following priorities for the IASB's work plan:

- **Cryptocurrencies and related transactions:** due to the growing use of these assets, as well as a market demand for a definition of accounting treatment due to the lack of current regulation on these operations;

- **Climate-related risks and pollutant pricing mechanisms:** these two projects would perhaps be better treated together and are a priority due to the strong demand for market information on the financial effect of entities on climate-related risks;
- **Foreign currencies, Inflation, Discount rates, Negative interest rates and Variable and contingent considerations:** if these projects were conducted simultaneously, as part of a single large project, perhaps it would produce better accounting practices. Its priority is high, especially in countries with high economic volatility. Based on practical experience in our jurisdiction we noted that in certain situations, such as lease modification, the requirement to adopt a revised interest rate would distort the figures in balance sheets and in the statement operations, considering that the revised rate would take into consideration only market conditions and not the actual intention or capacity of the Entity to enter into a contract that the interest rate is prohibitive. Unfortunately, although local companies were correctly applying current accounting requirements, under IFRS-16, such practice lead them to reassess its financial liabilities considering rates ranging from 15% to 22% per year, although, management would never sign a contract considering those levels of rates;
- **Intangible assets:** the growing use of intangible resources by entities demands a comprehensive review of the current standard, mainly in order to make accounting information more relevant; and
- **Other Comprehensive Income:** the use of Other Comprehensive income should be reviewed for all IFRS Standards so as to assure consistency with the principles set out in the Conceptual Framework.

Regarding the letter (b), CPC suggests that IASB should add a project for developing the Statement of Added Value (SAV) in the work plan for 2022 to 2026. Considering the strong demand for ESG information from investors, plus the fact that the SAV is an accounting statement that provides relevant information on social aspects, it would be opportune for the Board to include this statement as part of the complete set of financial statements. The SAV is mandatory in Brazil for public companies and the CPC issued a statement to determine the guidelines in its preparation and disclosure process. We attach to this letter an English version of the CPC 09 standard that deals with the SAV.

Question 4—Other comments

Do you have any other comments on the Board's activities and work plan?

Appendix A provides a summary of the Board's current work plan.

CPC's response:

CPC does not have other comments.

Appendix

The Brazilian Accounting Pronouncements Committee - CPC
Technical Pronouncement CPC 09
Value Added Statement (VAS)

Objective

1. The purpose of this Technical Pronouncement is to establish criteria for the preparation and presentation of the Value Added Statement (VAS), which represents one of the components of the Social Balance Sheet and aims to highlight the wealth created by the entity and its distribution for a certain period.

2. Its preparation shall consider the Basic Conceptual Pronouncement of the CPC (Brazilian Accounting Pronouncements Committee) entitled Basic Conceptual Structure for the Preparation and Presentation of the Accounting Statements, and their data, for the most part, are obtained mainly from the Income Statement.

Scope and Presentation

3. The entity shall draw up the VAS and present it as an integral part of its financial statements disclosed at the end of each fiscal year.

4. The preparation of the consolidated VAS shall be based on the consolidated statements and highlight the participation of non-controlling partners according to the attached template.

5. The VAS shall provide users of the financial statements with information relating to the to the wealth created by the entity for a certain period and the way in which such wealth have been distributed.

6. The distribution of the wealth created shall be detailed no less than as it follows:

(a) personnel and charges;
(b) taxes, fees and contributions;
(c) interest and rents;
(d) interest on equity and dividends;
(e) retained profits/losses for the fiscal year.

7. Market entities (commercial and industrial) and service providers shall use the Template I, applicable to companies in general, whereas for specific activities, such as financial intermediation activities (banking financial institutions) and insurance, it shall be used the specific templates (II and III) included in this Pronouncement.
8. The minimum items of the template for market entities (companies in general) are presented in sequence, and the template itself is at the end of this Pronouncement.

Definitions

9. The terms below are used in this Pronouncement with the following meanings:
Value Added represents the wealth created by the company, generally measured by the difference between the value of sales and the inputs purchased from third parties. It also includes the value added received in transfer, i.e. produced by third parties and transferred to the entity.
Revenue from the sale of goods, products and services represents the recognized accounting values based on accrual basis of accounting and included in the income statement of the period.
Other revenues represent the figures that are mainly due to write-downs per disposal of non-current assets, such as income in the sale of fixed assets, investments, and other transactions included in the income statement for the reporting period that do not constitute transfer recognition to the wealth entity created by other entities. Unlike accounting criteria, they also include amounts that are not included in the income statement, such as those relating to the construction of assets for the entity's own use (according to item 19) and the interest paid or credited that have been incorporated into the values of long-term assets (usually fixed assets).
In the case of long-maturing inventories, interest incorporated into them should be highlighted as distribution of wealth at the time when the respective inventories are written-off; thus, this value should not be regarded as other revenues.
Purchase of third parties represents the amounts related to purchases of raw materials, goods, equipment, energy, services, etc. that have been transformed into expenditure for the period. As long as they remain on inventories, they do not make up the formation of wealth created and distributed.
Depreciation, amortization and depletion represent the amounts recognized in the reporting period and commonly used to reconcile the cash flow of operating activities and net income for the period.
Value Added received in transfer represents wealth that has not been created by the entity itself, but by third parties, and which is transferred to it, such as financial income, equity, dividend, rent, royalties, etc. It needs to be highlighted, not least to avoid double counting in certain aggregations.

Characteristics of VAS information

10. The VAS is based on macroeconomic concepts and seeks to present the share of contribution that the entity has in the formation of gross domestic product (GDP), minus double counted values. This statement presents how much the entity adds value to the inputs purchased from third parties and which are sold or consumed during a certain period.
11. However, there are time differences between the accounting and economic models in the calculation of the value added. Economic science is based on production, while accounting uses the accounting concept of revenue realization to calculate GDP, i.e., it is based on accrual basis of accounting. As the moments of the realization of production and sales are usually different, the values calculated for GDP through the concepts derived from economics and those from accounting are naturally different in

each period. When the differences between the initial and final inventories for the period considered are less significant, those differences will be as well. In other words, assuming the lack of initial and final inventories, the values found with the use of economic and accounting concepts will converge.

12. For investors and other users, this statement provides the knowledge of information of an economic and social nature and offers the possibility of better evaluation of the entity's activities within the society in which it operates. The decision of receipt by a community (City, State or Federation) of investment may have in this statement an extremely useful instrument and with information that, for example, the income statement alone is not capable of offer.

13. The VAS prepared by segment (type of customers, activities, products, geographical area and others) may represent even more valuable information in aiding the formulation of predictions and, as long as there is no specific CPC pronouncement on segments, its dissemination is encouraged.

Wealth formation

Wealth created by the entity itself

14. The VAS, in its first part, must present in detail the wealth created by the entity. The main components of the wealth created are presented below in the following items:

Incomes

Sale of goods, products and services - includes the amounts of taxes on these revenues (e.g. ICMS, IPI, PIS and COFINS), i.e. it corresponds to the gross revenue, even when in the income statement such taxes are outside the calculation of these incomes.

Other revenues - Same as the previous item, includes taxes on these revenues.

Expected credit loss - Constitution/Reversal - includes the amounts related to the constitution and reversal of this provision.

Inputs purchased from third parties

Cost of goods, goods and services sold - includes the values of the raw materials purchased from third parties and contained in the cost of the product sold, goods and services sold from third parties; does not include own personnel expenses.

Materials, energy, third-party services and others - includes amounts related to expenditure from the use of these goods, utilities and services acquired from third parties.

In the cost values of the products and goods sold, materials, services, energy, etc. consumed, the taxes shall be included at the time of the purchase (e.g. ICMS, IPI, PIS and COFINS), recoverable or not. This procedure is different from the practices used in the income statement.

Loss and recovery of asset values - includes values related to adjustments per valuation to market value of inventories, fixed assets, investments, etc. It should also be included the values recognized in the net income of the period, both in the constitution and in the reversal of provision for losses due to devaluation of assets, according to the application of the CPC
01 - Reduction to recoverable value of assets (if the net value is positive in the period, it should be summed).

Depreciation, amortization and depletion - includes the expense or cost recorded in the period.

Value Added received on transfer

Profit or loss of associates and joint ventures accounted for using the equity method - the result of the equity may represent income or expense; if it is expense, it should be considered as a reduction or negative value.

Financial income - includes all financial revenues, including exchange variations regardless of their origin.

Other income - includes dividends related to investments valued at cost, rents, franchise rights, etc.

Distribution of wealth

15. The second part of the VAS should present in detail how the wealth obtained by the entity has been distributed. The main components of this distribution are presented to follow:

Personnel - values appropriated to the cost and net income of the period in the form of:

- *Direct remuneration* - represented by the amounts related to salaries, 13th salary, management fees (including stock-based payments), vacations, vacations, commissions, overtime, profit participation, etc.
- *Benefits* - represented by the figures relating to medical care, food, transportation, retirement plans, etc.
- *FGTS* - represented by the amounts deposited in the employees' linked account.

Taxes, fees and contributions - amounts related to income tax, social contribution on profit, contributions to the INSS (included here the amounts of the Accident Insurance of work) that are the employer's burden, as well as other taxes and contributions that are applicable to the company. For compensable taxes, such as ICMS, IPI, PIS and cofins, only amounts due or already collected should be considered, and represent the difference between taxes and contributions on revenues and respective incident values on the items considered as "acquired inputs from third parties."

- *Federal* - includes taxes due to the Federation, including those that are passed on in whole or part of the states, provinces, municipalities, etc., such as: IRPJ, CSSL, IPI, CIDE, PIS, COFINS. It also includes the employer's trade union contribution.
- *State* - includes taxes due to states, including those that are passed on in whole or in part to provinces, municipalities, etc., such as ICMS and IPVA.
- *Municipal* - includes taxes due to municipalities, including those that are passed on in whole or in part to the Local Authorities, or any other entities, such as ISS and IPTU.

Remuneration of third-party capital - amounts paid or credited to external capital funders.

- *Interest* - includes financial expenses, including exchange loss, related to any type of loans and financing with financial institutions or other forms of obtaining resources. It includes amounts that have been capitalized in the period.
- *Rents* - includes rents (including operating lease expenses) paid or credited to third parties, including those added to the assets.

- *Other* - includes other remunerations that constitute a transfer of wealth to third parties, even if they were originated in intellectual capital, such as royalties, franking, copyright, etc.

Remuneration of equity - amounts related to the remuneration attributed to the partners and shareholders.

- *Interest on equity and dividends* - includes amounts paid or credited to shareholders as result of the net income of the period. Only those distributed values based on the net income of the period shall be included, disregarding the dividends distributed based on accumulated profits from previous years, since they have already been treated as "retained profit" in the year in which they were generated.
- *Retained profits and losses for the period* - includes the amounts related to the year's profit for reserves, including interests on equity when they have such treatment; in case of loss this value shall be included with a negative sign.
- *Amounts allocated to partners and shareholders in the form of Interest on Equity* – regardless of whether interests on equity are registered as liabilities (interest on equity payable) or as a profit reserve, they shall have the same treatment given to dividends in the financial year to which they are to be imputed.

Particular cases - some examples

Depreciation of items revaluated or valued at fair value.

16. The revaluation of assets and the valuation of assets at their fair value cause changes in the company's asset structure and therefore typically require the accounting record of their tax effects.

17. The company's results are affected whenever the respective assets revalued or valued at fair value is disposed of. When the derecognition of a given asset occur by the normal depreciation process, consequently, the VAS is also affected. Therefore, at the time of the revaluation or valuation at fair value, it shall be included this value as "other revenues" in the VAS, as well as their respective taxes in their own line of taxes, fees and contributions.

Adjustments from previous years

18. Adjustments from previous years arising from effects caused by an error attributable to previous year or the change in accounting criteria that had been used by the entity should be adapted in the VAS for the period presented for comparison purposes, as well as the other comparable values presented, as if the new accounting practice was always in use or the error was corrected.

Assets built by the company for own use

19. The construction of assets within the company itself for its own use is a common procedure. In this construction several production factors are used, including the contracting of external resources (e.g. materials and outsourced labor) and the use of internal factors such as labor, with the consequent costs that this contracting and use causes. For the elaboration of the VAS, this construction is equivalent to production sold to the company itself, and therefore its accounting value needs to be considered as an income. The company's own workforce is considered as the distribution of this wealth created, and any interest and taxes also receive this same treatment. Expenses with third-party services and materials are appropriate as inputs.

20. As such assets go into operation, the income generation of those assets receives the same treatment to the income generation by any other asset purchased from third parties. Therefore, their depreciation should also receive equal treatment.
21. In order to avoid the break-up of depreciation expenses in the preparation of the VAS, the components that served as the basis for the respective record of the internally built asset (miscellaneous materials, labor, taxes, rents and interest), the amounts expended on this construction should be treated as *Revenues related to the construction of own assets* during the construction period. Similarly, the components of its cost should be allocated in the VAS following their respective natures.
22. That procedure for the recognition of the amounts spent in the period as other revenues, in addition to approaching the economic concept of value added, avoids additional complex controls which can be costly throughout the economic useful life of the asset.

Distribution of profits for previous years

23. The Value Added Statement is structured to be prepared from the Income Statement for the financial year. Thus, there is a link between these two demonstrations and this link should serve to support the consistency between them. But it also has an interface with the Statement of Changes in Equity in the part where movements in this account relate to the distribution of the net income of the period calculated in the own statement.
24. The entity is free within legal limits to distribute its accumulated profits, whether they are from the financial year itself or from previous ones. However, by the linking referred in the previous item, the dividends that make up the wealth distributed by the entity shall be restricted exclusively to the share related to the net income of the period itself. Distributed dividends relating to profits from previous periods are not considered, as they already were considered profits retained in those respective periods.

Tax substitution

25. Brazilian legislation, by means of its own legal provisions, allows the transfer of tax responsibility to a third party, provided that it is linked to the triggering event of the tax. This transfer of responsibility, which may be in whole or in part and is intended to the guarantee of the collection of the tax, is carried out in two ways: progressive and regressive.
26. Progressive tax substitution occurs with the anticipation of the payment of the tax that will only be due in the next operation. From the point of view of the tax substitute (usually manufacturer or importer), the amount of "advance tax" should be included in the gross turnover and then present it as a deduction of that turnover to get to the gross income.
27. In the case of regressive tax substitution, for example, when the trader carries out an operation with a rural producer and is responsible for the collection of the tax, it may occur two situations: in case of the trader is entitled to the claim the credit in the following transaction, when the amount of the collected tax must be treated as taxes to be recovered, in the DVA the value of taxes on sales should be considered at the total amount, once it was collected by the trader himself; if the trader does not claim the tax credit, the collected amount should be treated as cost of inventories.

Financial intermediation activity (banking)

Wealth formation

28. The main components in the formation of wealth in this activity are presented as it follows:

Financial intermediation revenues - includes the revenues from credit operations, leasing, exchange results, securities, and others.
Revenue from the provision of services - includes revenue from the collection of fees for provision of services.
Expected credit loss - includes the amounts of constitution and write-off of the provision.
Other revenues - includes part of the earned amounts of equity valuation adjustments, values relating to the construction of assets in the entity itself, etc. It also includes values outside the principal activities of the entity, such as: gains and losses in the write-off of assets, investments, etc.
29. In banking activity, it is assumed that intermediation expenses should be part of the net formation of wealth and not of its distribution.
Financial intermediation expenses - includes expenses with funding operations, loans, transfers, leases and others.
Inputs purchased from third parties
Materials, energy and others - includes amounts relating to expenses arising from acquisitions and payments to third parties.
Third-party services - includes outsourcing labor expenses.
Loss and Recovery of asset values - includes values related to adjustments to the value of investment market (if in the period the net value is positive, it must be summed).
Depreciation, amortization and depletion - includes the expense recorded in the period.
Value added received on transfer
Profit or loss of associates and joint ventures accounted for using the equity method - the result of the profit or loss of associates and joint ventures may represent revenue or expenditure, the expenditure should be considered as a reduction or negative value.
Other revenues - includes dividends related to investments valued at cost, rents, franchise rights, etc.
Distribution of wealth
30. The second part of the DVA should present in detail how the wealth obtained by the entity has been distributed. The main components of this distribution are presented to follow:
Personnel - values appropriated to the cost and net income of the period in the form of:

- _Direct remuneration_ - amounts related to salaries, 13th salary, board fees, commissions, overtime, profit participation, etc.
- _Benefits_ - values relating to medical care, food, transportation, health plans, retirement, etc.
- _FGTS_ - amounts due to employees and deposited into a linked account.

Taxes, fees and contributions - amounts related to income tax, social contribution on profit, contributions to the INSS (included the amounts of the Work Accident Insurance) that are charged from employers, as well as other taxes and contributions that the entity is subject to.

- _Federal_ - includes taxes due to the federation, including those that are transferred to states, provinces, municipalities, etc., such as: IRPJ, CSSL, etc. It also includes the employer's trade union contribution.

- *State* - includes taxes due to states, including those that are transferred in whole or in part to provinces, municipalities, etc., such as IPVA.
- *Municipal* - includes taxes due to municipalities, including those that are transferred in whole or in part to local authorities or any other entities, such as ISS and IPTU.

Remuneration of third-party capital - amounts paid or credited to external capital funders.

- *Rents* - rental values (including leasing expenses) paid or credited to third parties, including those added to the assets.
- *Others* - remuneration amounts that constitute a transfer of wealth to third parties, even if they were originated from intellectual capital, such as royalties, franking, intellectual authors, etc.

Remuneration of equity - amounts relating to the remuneration attributed to the partners and shareholders.

- *Interest on equity and dividends* - includes amounts paid or credited to partners and shareholders as result of the net income of the period. Only those distributed values based on the net income of the period shall be included, disregarding the dividends distributed based on accumulated profits from previous years, once they were already treated as "retained earnings" in the year in which they were generated.
- *Retained earnings and losses for the period* - includes the amounts related to the profit reserves for the period, including interest on equity when it has such treatment; in cases of loss this value shall be included with a negative sign.
- Amounts allocated to partners and shareholders in the form of interest on equity, regardless of being registered as liabilities or as a profit reserve, they must receive the same treatment given to dividends regarding the period to which they should be imputed.

Insurance and pension activities

Wealth formation

31. The main components in the formation of wealth in these activities are presented to follow:

Revenue from insurance transactions - includes revenue from the sale of policies and accepted coinsurance operations, net of charges refunded or cancelled, as well as retrocession, revenue from claims recovery operations with salvages and reimbursement.

Income from supplementary pension operations - includes the income from the sale of this type of pension plan.

Other revenues - includes other operating income of any kind. It also includes revenue stemming from activities that are not included in the company's main operation entity.

Expected credit loss - Constitution/Reversal - includes the amounts related to the constitution/write-off of the provision.

Modification in technical provisions in insurance operations - represents the adjustment of charges withheld to accrual basis of accounting according to the validity of each insurance policy.

Modification in technical provisions in pension operations - represents the variation of mathematical provision of open supplementary pension plans registered in the receipt of contributions.

32. In insurance and pension activities, retained claims and expenses with benefits and redemptions, which represent the total net indemnities to be paid to the insured, should be deducted from the revenue.

Claims - amounts of indemnities for the period.

Modification in the provision of incurred claims, but not reported - value of the provision adjustment of claims incurred, but not reported.

Benefits and redemptions expenses - value of benefits granted and redemptions carried out within that period.

Modification in the provision of occurred events, but not reported - value of the provision adjustment of events that occurred, but not reported to the company.

Inputs purchased from third parties

Materials, energy and other - value of materials and energy consumed, overheads and administrative expenses and all those which do not have specific treatment, acquired from third party.

Third-party services, net commissions - amount of resources paid to third parties by provision of services, in addition to the commissions paid to brokers.

Modification in deferred marketing expenses - value of the adjustment of the costs (basically commissions) for the accrual basis in accounting in accordance with the validity of each insurance policy.

Loss and recovery of asset values - includes the values relating to the market value of investments (if in the period the net value is positive, it must be summed).

Depreciation, amortization and depletion - includes the expense recorded in the period.

Value added received/transferred on transfer

Financial income – As result of investments in securities and other financial investments, including exchange gains.

Profit or loss of associates and joint ventures accounted for using the equity method - This result can represent revenue or expense: if expenditure, it must be informed in parentheses.

Result of reinsurance operations transferred - share of the charges that the insurer transfer to reinsurers with the purpose of splitting responsibilities to reduce the risks. It also includes the share of claims that the insurer receives from these reinsurers.

Result of coinsurance operations transferred - share of the charges that the insurer transfers to other insurers with the purpose of splitting responsibilities to decrease the risks. It also includes the share of claims that the insurer receives from these reinsurers.

Other revenues - includes dividends related to investments valued at cost, rents, franchise rights, etc.

Distribution of wealth

33. The second part of the VAS should present in detail how the wealth obtained by the entity has been distributed. The main components of this distribution are presented to follow:

Personnel - values appropriated to the cost and net income of the fiscal year in the form of:

- *Direct remuneration* - amounts related to salaries, 13th salary, board fees, commissions, overtime, profit participation, etc.
- *Benefits* - values relating to medical care, food, transportation, retirement, etc.

- *FGTS* - amounts due to employees and deposited into a linked account.

Taxes, fees and contributions - amounts related to income tax, social contribution on profit, contributions to the INSS (included the amounts of the Work Accident Insurance) that are charged from employers, as well as other taxes and contributions that the entity is subject to.

- *Federal* - includes taxes due to the Federation, including those that are transferred to states, provinces, municipalities, etc., such as: IRPJ, CSSL, etc. It also includes the employer's trade union contribution.
- *State* - includes taxes due to states, including those that are transferred in whole or in part to provinces, municipalities, etc., such as IPVA.
- *Municipal* - includes taxes due to municipalities, including those that are transferred in whole or in part to local authorities or any other entities, such as ISS and IPTU.

Remuneration of third-party capital - amounts paid or credited to external capital funders.

- Interest - includes financial expenses relating to any type of loan and financing with financial institutions, group companies or other forms of obtaining resources. Includes values that have been activated in the period.
- *Rents* - rental values (including leasing expenses) paid or credited to third parties, including those added to the assets.
- *Others* - remuneration amounts that constitute a transfer of wealth to third parties, even if they were originated from intellectual capital, such as royalties, franking, intellectual authors, etc.

Remuneration of equity - amounts relating to the remuneration attributed to the partners and shareholders.

- *Interest on equity and dividends* - includes amounts paid or credited to partners and shareholders as result of the net income of the period. Only those distributed values based on the net income of the period shall be included, disregarding the dividends distributed based on accumulated profits from previous years, once they were already treated as "retained earnings" in the year in which they were generated.
- *Retained earnings and losses for the year* - includes the amounts related to the profit reserves for the year, including interest on equity when it has such treatment; in case of loss this value shall be included with a negative sign.
- Amounts allocated to partners and shareholders in the form of interest on equity, regardless of being registered as liabilities (interest on equity payable) or as a profit reserve, they must receive the same treatment given to dividends regarding the period to which they should be imputed.

The following templates should be understood as indicatives, and it can be used for further detail and transparency.

TEMPLATES

Template I – Value Added Statement - COMPANIES IN GENERAL

Description	In thousands of reais	In thousands of reais
	20X1	20X0
1 - REVENUES		
1.1) Sales of goods, products and services		
1.2) Other Revenues		
1.3) Revenue from the construction of own assets		
1.4) Expected credit loss		
2 - INPUTS PURCHASED BY THIRD PARTIES (includes taxes - ICMS, IPI, PIS and COFINS)		
2.1) Costs of products, goods and services sold		
2.2) Materials, energy, third-party services and other		
2.3) Loss / Recovery of asset values		
2.4) Other (specify)		
3 - GROSS VALUE ADDED (1-2)		
4 - DEPRECIATION, AMORTIZATION AND DEPLETION		
5 - NET VALUE ADDED PRODUCED BY THE ENTITY (3-4)		
6 - VALUE ADDED RECEIVED ON TRANSFER		
6.1) Profit or loss of associates and joint ventures accounted for using the equity method		
6.2) Financial revenues		
6.3) Other		
7 - TOTAL VALUE ADDED TO BE DISTRIBUTED (5+6)		
8 - DISTRIBUTION OF VALUE ADDED (*)		
8.1) Personnel		
8.1.1 - Direct remuneration		
8.1.2 - Benefits		
8.1.3 - F.G.T.S (Fund for Guaranteed Time of Service)		
8.2) Taxes, fees and contributions		
8.2.1 - Federal		
8.2.2 - State		
8.2.3 - Municipal		
8.3) Remuneration of third-party capital		
8.3.1 - Interest		
8.3.2 - Rentals		
8.3.3 - Other		
8.4) Remuneration of Equity		
8.4.1 - Interest on Equity (equivalent to dividends)		
8.4.2 – Dividends		
8.4.3 - Retained earnings / Loss for the year		
8.4.4 - Participation of non-controlling shareholders in retained earnings (only for consolidation)		

(*) The total of item 8 must be exactly the same as item 7.

Template II – Value Added Statement - Banking Financial Institutions

Description	In thousands of reais	In thousands of reais
	20X1	20X0
1 - REVENUES		
1.1) Financial Intermediation		
1.2) Provision of Services		
1.3) Expected credit loss		
1.4) Other		
2 - FINANCIAL INTERMEDIATION EXPENSES		
3 - INPUTS ACQUIRED FROM THIRD PARTIES		
3.1) Materials, energy and other		
3.2) Third-party services		
3.3) Loss / Recovery of asset values		
3.4) Other (specify)		
4 - GROSS VALUE ADDED (1-2-3)		
5 - DEPRECIATION, AMORTIZATION AND DEPLETION		
6 - NET VALUE ADDED PRODUCED BY THE ENTITY (4-5)		
7 - VALUE ADDED RECEIVED ON TRANSFER		
7.1) Profit or loss of associates and joint ventures accounted for using the equity method		
7.2) Other		
8 - TOTAL VALUE ADDED TO BE DISTRIBUTED (6+7)		
9 - DISTRIBUTION OF VALUE ADDED *		
9.1) Personnel		
9.1.1 - Direct remuneration		
9.1.2 - Benefits		
9.1.3 - F.G.T.S (Fund for Guaranteed Time of Service)		
9.2) Taxes, fees and contributions		
9.2.1 - Federal		
9.2.2 - State		
9.2.3 - Municipal		
9.3) Remuneration of third-party capital		
9.3.1 - Rentals		
9.3.2 - Other		
9.4) Remuneration of Equity		
9.4.1 - Interest on Equity (equivalent to dividends)		
9.4.2 – Dividends		
9.4.3 - Retained earnings / Loss for the year		
9.4.4 - Participation of non-controlling shareholders in retained earnings (only for consolidation)		

The total of item 9 must be exactly the same as item 8.

Template III – Value Added Statement - INSURERS (template suggested by Private Insurance Superintendence - Susep)

Description	In thousands of	In thousands of
	20X1	20X0
1 - REVENUES		
1.1) Revenue from insurance operations		
1.2) Revenue from supplementary pension operations		
1.3) Income with management fees and other fees		
1.4) Other		
1.5) Expected credit loss		
2 - VARIATIONS IN TECHNICAL PROVISIONS		
2.1) Insurance operations		
2.2) Pension operations		
3 - NET OPERATING REVENUE (1+2)		
4 - BENEFITS AND CLAIMS		
4.1) Claims		
4.2) Variation in the provision of claims that occurred but not reported		
4.3) Expenses with benefits and redemptions		
4.4) Variation in the provision of events that occurred, but not reported		
4.5) Other		
5 - INPUTS ACQUIRED FROM THIRD PARTIES		
5.1) Materials, energy and other		
5.2) Third-party services, net commissions		
5.3) Variation in deferred marketing expenses		
5.4) Loss / Recovery of asset values		
6 - GROSS VALUE ADDED (3-4-5)		
7 - DEPRECIATION, AMORTIZATION AND DEPLETION		
8 - NET VALUE ADDED PRODUCED BY THE ENTITY (6-7)		
9 - VALUE ADDED RECEIVED/TRANSFERRED ON TRANSFER		
9.1) Financial revenues		
9.2) Profit or loss of associates and joint ventures accounted for using the equity method		
9.3) Income from reinsurance operations transferred		
9.4) Income from assigned coinsurance operations		
9.5) Other		
10 - TOTAL VALUE ADDED TO BE DISTRIBUTED (8+9)		
11 - DISTRIBUTION OF VALUE ADDED *		
11.1) Personnel		
11.1.1 - Direct remuneration		
11.1.2 - Benefits		
11.1.3 - F.G.T.S (Fund for Guaranteed Time of Service)		
11.2) Taxes, fees and contributions		
11.2.1 - Federal		
11.2.2 - State		
11.2.3 - Municipal		

The total of item 11 must be exactly the same as item 10.