

NOTE

The Internal Audit of *BB Tecnologia e Serviços* (BBTS), in compliance with article 20 of Normative Instruction No. 9, of October 9, 2018, of the Federal Comptroller General's Office, publishes this Annual Audit Report (Raint) for the 2020 financial year.

The content of this document was appraised by the Audit Committee on 02/25/2021, approved by the Management Committee on 02/26/2021 and informed to the Company's Supervisory Board on 03/04/2021.

Information considered confidential and personal, under the terms of Article 6, III, of Law No. 12,527, of November 18th, 2011, has been replaced by the expression "[confidential information]", in order to ensure its protection.



Annual Internal Audit Report - RAINT 2020

Internal Audit
February/2021

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Presentation

This Annual Internal Audit Report (RAINT), prepared by the Internal Audit Unit of BB Tecnologia e Serviços (BBTS), includes information on the activities carried out in 2020 and the results of the work carried out.

This practice mainly meets the requirements of Normative Instruction No. 9, of 09/10/2018, issued by the Office of the Comptroller General (CGU). Other regulations issued by the same body also serve as a reference for drawing up the document - Normative Instructions No. 3, of 06/09/2017; No. 7, of 12/06/2017; No. 8, of 12/06/2017; and No. 4, of 06/11/2018.

In 2020, the Internal Audit carried out the 12 process evaluation assignments provided for in the Annual Internal Audit Plan (PAINT), which resulted in 142 recommendations being issued to different organizational areas. In , the Unit completed 15 investigations into irregularities and another 9 specific investigations.

To achieve these results, the Unit relies on the continuous improvement of its staff, through participation in internal and external training, as well as encouraging self-development. In the last financial year, we encouraged remote training due to the coronavirus pandemic.

The activities carried out by BBTS's Internal Audit are aimed at contributing to improving the company's system of governance, risk management and controls and achieving the organizational objectives. The benefits of the area's work can be seen in the corporate actions implemented and the evolution in the maturity level of the processes.

Brasília (DF), February 18, 2021

José Cláudio
Vieira Executive
Manager e.e.

Overview

As established in Normative Instruction No. 9 of October 9, 2018, issued by the Office of the Comptroller General (CGU), this Annual Internal Audit Report (RAINT) includes the following content:

table showing the amount of internal audit work, according to the Annual Internal Audit Plan (PAINT), indicating those carried out, not completed and not carried out;

table showing the amount of internal audit work carried out without provision in the PAINT;

table showing the number of recommendations issued and implemented during the year, as well as those finalized due to the assumption of risks by management, those still pending and those not implemented with an expired deadline on the date of preparation of the RAINTE;

description of the relevant facts that have had a positive or negative impact on the resources and organization of the Internal Audit Unit and on the performance of audits;

table showing the training activities carried out, indicating the number of auditors trained, workload and topics;

consolidated analysis of the level of maturity of the Company's governance, risk management and internal control processes, based on the work carried out;

table showing the financial and non-financial benefits resulting from the work of the Internal Audit Unit during the year by class of benefit;

consolidated analysis of the results of the Quality Management and Improvement Program (PGMQ).

BBTS's internal audit activities, in line with best practices, comprise a range of assessment and consulting actions, structured in an independent and objective manner to add value and improve the company's operations. To this end, a systematic and disciplined approach has been applied to evaluate and improve the effectiveness of governance, risk management and control processes.

The assessment work is fundamentally based on a global and integrated view of the major risks to which the company is exposed and the business processes that are essential to achieving the organizational results. This work includes an evaluation scale, applied at the end of each job, to define the maturity of the workflows in relation to the governance, risk management and control system.

The Internal Audit also carries out consultancy activities. This type of work has been carried out mainly through participation in meetings of collegiate bodies advising senior management. BBTS's audit department also works on investigating irregularities, which, among other benefits, helps to identify the causes that lead to or enable behavioral deviations, failures and illicit acts.

The body of work also includes demands arising from regulatory obligations or from the initiative of higher education bodies. The execution of this type of activity follows its own methodological approach, which, depending on its objectives, differs from that of business process evaluation and assessment.

The process evaluation methodology includes monitoring, which involves following up on the actions taken by the organizational areas to comply with audit recommendations. When implemented, and as a prerequisite for discharge, the Audit department verifies the sufficiency of the actions taken, the resolution of the weakness identified and the improvement of risk management and control mechanisms.

The benefits derived from internal auditing activities can be financial or non-financial. This report seeks to demonstrate, by quantifying the activities carried out in different fronts and the qualification of improvements in business processes, the contributions of the audit area to adding value and improving the Company's operations.

Fulfilling the institutional responsibilities of the Internal Audit has only been possible because of its appropriate organizational structure, the availability of resources compatible with its needs and the constant training of its staff. With this in mind, the information in this document presents the general panorama and the results of the audit activities.

Works

Evaluation and consultancy are the two typical aspects of the internal audit activity. Both complement each other to achieve the goal of adding value to the company. Although it does not qualify as a typical internal audit function, the activity of investigating irregularities plays an important role in this context, along with these others, by providing effective responses to irregular occurrences verified within the scope of the disciplinary control process, identifying causes, making recommendations to curb new occurrences and thus contributing to improving processes.

Evaluation

Assessment work consists of obtaining and analyzing information in order to provide conclusions on a given audit object. The methodological approach used by BBTS Audit for this type of work is based on evaluating the system of governance, risk management and controls associated with business processes, which are considered essential for achieving organizational results.

This system involves assessing all the company's processes over a three-year period. The processes and sub-processes, based on the application of a risk matrix, are classified into three groups according to their criticality: high (A), medium (B) and low (C). This classification results in the emphasis of the assessment, which can be annual, biannual and triannual respectively.

The assessment activities carried out in 2020 are part of the third year of the 2018-2020 three-year audit cycle. For this reason, we have prepared the closing report for this cycle, which includes an overview of the Organization and each of the business processes that make up the auditable universe.

In 2020, the Internal Audit carried out the 12 audits set out in the Annual Internal Audit Plan (PAINT). This included 10 different business processes, 24 sub-processes and 31 activities. It also included the work to close the cycle.

[confidential information]

Consulting

The consultancy work consists of analyzing documents and providing objective, independent advice to senior management, with the aim of supporting business operations and strengthening the company's governance, risk management and internal controls.

The Internal Audit carried out this type of work by participating in meetings of the Board of Executive Officers (DIREX) and its advisory committees, such as the Risk Committee (CORIS) and the Administrative-Operational Committee (CAOPE). He also took part in meetings of the Disciplinary Committees, the Audit Committee (COAUD), the Board of Directors (CONAD) and the Fiscal Council (COFIS).

Investigating irregularities

The investigation of irregularities consists of carrying out procedures with the aim of investigating acts and facts associated with behavioral deviations, service failures or illicit practices by company employees. The investigation carried out by the Internal Audit is part of the company's disciplinary process, which also includes the actions of other agents.

This type of work makes it possible to identify the potential causes or enablers of fraud and errors and contributes, along with other types of work, to improving the quality of the company's processes, services and systems.

In 2020, the 6 investigations that remained pending completion at the end of 2019 were concluded, in addition to 1 that was closed in the preliminary analysis. The deadlines for the investigation were impacted during the year by Provisional Measure 928, of 23/03/2020, which suspended the procedural acts that depended on the defendants' manifestation.

[confidential information]

Also in 2020, 12 investigations into irregularities were started. Of these, 9 were completed and 3 were in progress at the end of the period.

[confidential information]

Other jobs

Other work - specific demands not covered by the application of methodologies for evaluating business processes or investigating irregularities - is listed. As a rule, this type of work is the result of a regulatory obligation or a demand from higher authorities.

In 2020, the 2 remaining jobs from 2019 were completed.

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In 2020, 10 projects of this nature were started. Of these, 7 were completed, 1 had its completion jeopardized (due to inclusion in a process evaluation) and 2 were in progress at the end of the period. Of the jobs listed below, only the first 2 were scheduled to be carried out in PAINT 2020.

[confidential information]

Recommendations issued

Audit activities include the monitoring of recommendations, which concerns the follow-up of actions taken by organizational areas to improve the system of governance, risk management and controls. When implemented, the Audit verifies, as a prerequisite for dismissal, the sufficiency of the actions taken, the resolution of the weakness identified and the minimization of the associated risks.

In 2020, the Internal Audit issued 142 recommendations to various Company units. Considering the stock of recommendations from previous years, the implementation of 152 actions. There were no recommendations finalized due to management's assumption of risk. At the end of the year, the stock of recommendations totaled 123 actions.

The Audit also monitors compliance with the determinations of the external control bodies and the external audit and, when requested, also monitors recommendations from the Board of Directors (CONAD) and the Supervisory Board (COFIS).

[confidential information]

Maturing business processes

The Internal Audit adopts a five-level scale for assessing the maturity of business processes in terms of the system of governance, risk management and controls. Each audit report uses this system to classify activities, sub-processes and processes.

The work carried out in 2020 allows us to conclude that the sub-processes assessed are mostly at the third level of maturity of this model (table below). Compared to the previous year, this panorama shows progress in the implementation of risk mitigation mechanisms and controls. In , it can be concluded that the organizational dynamic has made progress in terms of management instruments, although there are still weaknesses whose impacts could be significant for the company's results.

The weaknesses identified are recorded in the respective audit reports. The actions required to remedy the deficiencies and mitigate the associated risks were the subject of specific recommendations. The level of maturity of the processes and sub-processes assessed is detailed in Annex 1.

[confidential information]

Actions from training

Training activities for Internal Audit staff are segmented into three areas of knowledge: auditing and risk management; company, processes and business; management, work and career. The participation of employees in internal and external events is based on the identification of individual and Unit needs and the most optimized allocation of resources.

The selection of training courses is in line with the multidisciplinary nature of auditing activities. In addition, we adopted the premise of providing at least 40 hours of training for each employee in the Unit. Training in the year ended totaled 1,401 hours, with all employees meeting the established target. Courses can be provided institutionally (via the UniBBTS Corporate University) or contracted on the market. They can take place either during working hours, according to company rules, or outside working hours on the initiative of employees.

Course	Area			Workload	Number of employees	Total hours
	Audit and risk management	Company, processes and business	Management, work and career			
Information technology auditing	X			30	1	30
Prevention and detection of cartels	X			30	1	30
Risk-based auditing	X			25	1	25

Course	Area			Workload	Number of employees	Total hours
	Audit and risk management	Company, processes and business	Management, work and career			
Security and auditing	X			25	1	25
Audit and control	X			20	1	20
Bidding		X		120	1	120
Labor law		X		86	1	86
People management		X		60	1	60
Strategic planning		X		60	1	60
People management		X		50	1	50
Tax law		X		40	1	40
Strategic management		X		40	1	40
Consumer law		X		40	1	40
Customer satisfaction		X		40	1	40
Administrative law		X		35	1	35
Procedural labor law		X		30	1	30
Bidding notions		X		30	1	30
General Data Protection Law (LGPD)		X		20	1	20
Labor protection law		X		16	1	16
Others	x	X	X		14	604
Total hours						1.401

Relevant facts concerning resources, structure and work

In planning and carrying out its work, the Internal Audit uses a methodological approach developed from best practices, conceptual frameworks published by supervisory and control bodies, specialized literature and guidelines established by the controlling Banco do Brasil. The benchmark adopted is based on the principles of meeting the needs of stakeholders, comprehensive coverage of the company, the application of a single model for evaluating business processes and the evaluation of different components of business flows.

In 2020, the Audit Unit was fully concentrated in Brasília, following the physical relocation of the area then located in Rio de Janeiro. Following the Company's new organizational *design*, the Unit was structured with 2 divisional managers.

The Unit has 15 employees - 1 general auditor (in the role of executive manager), 2 division managers and 12 auditors - divided into Master, Senior, Full and Junior levels. The employees were brought into line with the job plan then in place by the company through a selection process involving all the Unit's employees. The remaining vacancies were filled through a selection process open to all company employees. The auditor-general has resigned, with effect from 27/11/2020.

Last year, the coronavirus pandemic required the company to adopt alternatives that could minimize the adverse impacts on workers' health. In line with the company's guidelines, the Internal Audit Unit adopted teleworking solutions and started using collaborative tools more intensively, including remote training. Face-to-face work, when used, took into account the distance between employees

and the adoption of recommended protective measures.

Benefits of Internal Auditing

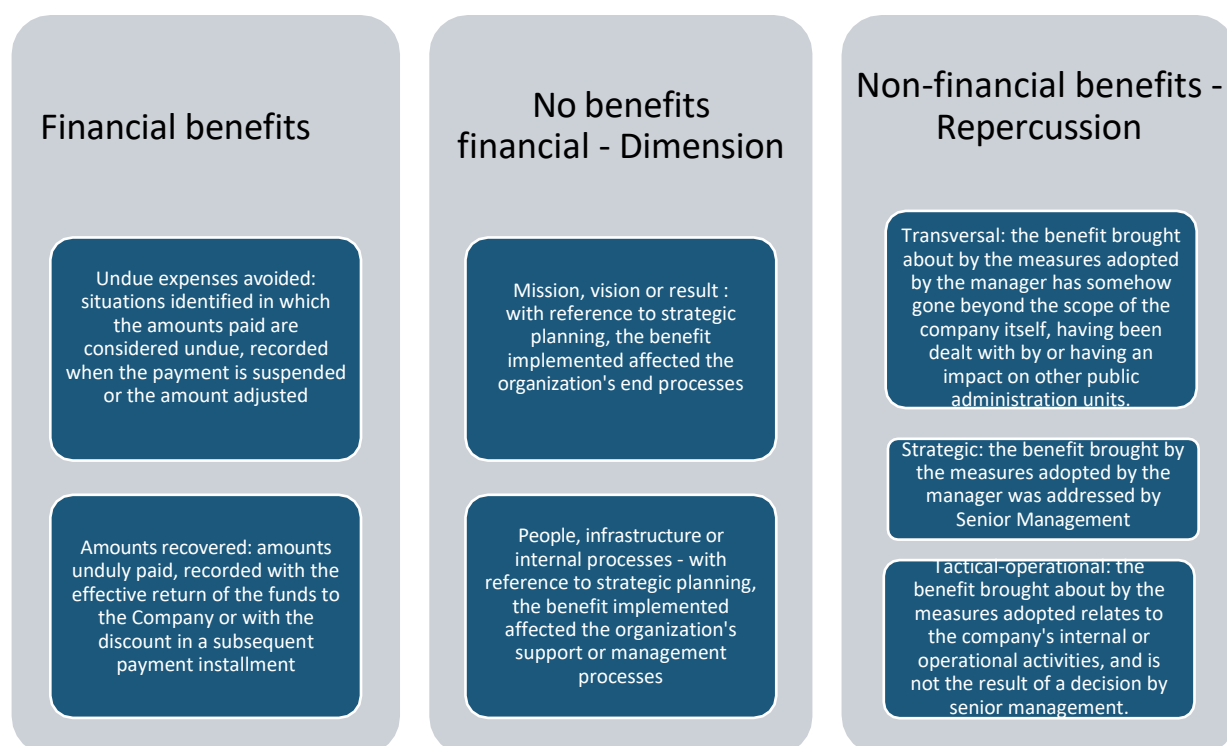
The Internal Audit's work aims to help the company improve its operations. To this end, the Unit uses a systematic and disciplined approach to evaluate and make the system of governance, risk management and control more effective.

According to the concepts established by Normative Instruction No. 4, of June 11, 2018, issued by the Office of the Comptroller General (CGU), the benefits resulting from internal auditing activities can be financial or non-financial:

Financial benefit: benefit represented in monetary terms and demonstrated by supporting documents, preferably provided by the manager, including those resulting from the recovery of losses.

Non-financial benefit: a benefit that, although it cannot be represented in monetary terms, demonstrates a positive impact on management in a structural way, such as management improvement, improvement in internal controls and improvement of regulations and processes, and should whenever possible be quantified in a unit other than monetary terms.

According to the aforementioned regulation, these benefits are classified into the classes listed below.



In view of these premises, the audit work contributed, through the reports and recommendations issued, to improving business processes. We list below the main actions implemented in 2020 by the different areas of the company that produced non-financial benefits. No financial benefits were recorded during the year.

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In addition to these results, the consequences of the investigation of irregularities indicated in this document are also considered non-financial benefits for the purposes of Normative Instruction No. 4. The work completed in 2020 falls within the "People, infrastructure or internal processes" and "Mission, vision or result" dimensions, with "Strategic" and "Tactical-operational" repercussions.

The main benefits linked to investigations relate to the immediate inhibition of inappropriate procedures, the repositioning of actions and raising awareness among staff of the extent of their responsibilities and the importance of conducting activities correctly, as well as improving processes. Also in this context, the timely handling of incidents makes it possible for employees to perceive the importance of disciplinary matters in the company, which also translates into benefits from the point of view of the organizational culture.

Quality program

The Internal Audit Unit's quality program seeks to cover essential aspects of the activity carried out in the Company and the impacts of its work. To this end, the approach includes evaluations applied systematically and from different sources. The results of the evaluations point to positive aspects to be maintained and areas for improvement.

In 2020, the evaluations carried out lead us to conclude that the audit work and activities adhere to the established standards and objectives. The practices adopted comply with the applicable professional standards and rules of conduct. The system used has contributed to improving risk management, control and governance processes.

The self-assessment carried out by the auditors after completing their work indicates that the teams seek alignment with the benchmarks defined for meeting performance standards, ethical conduct and professional posture. In , the procedures for planning, executing and communicating results contribute to achieving the objectives.

The evaluation carried out with the managers of the audited areas, after the audit work was completed, indicates satisfactory results with regard to the audit process, the report produced and the professional conduct of the auditors. The opinions expressed show agreement with the procedures for opening, developing and closing the work.

In the evaluation of the activity, carried out by the Unit itself, the compliance of the performance with the established normative and operational standards is verified. The wide-ranging perception survey carried out at the end of the year with the company's senior management indicates a positive perception of the unit's performance and the added value provided by the internal audit activity.

Based on these results, the maturity level of the activities carried out by the Internal Audit at BBTS is considered to be managed - final score of 4.65 - considering a scale that goes from level 1 (initial) to level 5 (optimized). At this level, the activities present an effective control environment, with frequent and documented evaluation and continuous monitoring to resolve any weaknesses detected.

Annex 1 - Business processes: criticality and maturity

[confidential information]