

PREVI CODE

of Best Corporate Governance Practices

Prepared by the Investments Board of the
Employees Pension Fund of Banco do Brasil - PREVI



FOREWORD TO THE 2ND EDITION

In 2004, to celebrate its 100th anniversary, PREVI published its Best Practice for Corporate Governance Code.

The Code was based on research of the most modern trends in corporate governance practice, and was a pioneering initiative by PREVI, which incorporated its own experience and maturity, acquired while managing its own shareholder participation. It also raised issues which, until then, were not frequently discussed within the Brazilian investment Market.

At the time, PREVI had R\$ 34,3 billion invested in securities and shares in over 170 leading Brazilian companies.

PREVI has expanded over these past eight years since its Best Practice for Corporate Governance Code was published. Currently, with over R\$ 150 billion worth of securities, R\$ 95 billion of which invested in the main Brazilian corporate groups, PREVI confirms the outstanding development of our capital market. Many of the improvements suggested in the original Code have since been incorporated into the companies' practices, either brought on by their awareness of investors' concerns, or through the initiative of the regulatory entities.



This 2nd Edition of the Code is intended as an update on the current Corporate Governance issues for the new millennium. With this aim in mind, aside from analyzing the legislation and regulations currently in force, we researched specialized literature and held discussions with capital market participants. We also conducted a Restricted Survey where we consulted several market and academic institutions, Corporate Governance specialists and board directors appointed by PREVI to the companies in which we invest.

PREVI believes that improving the governance practice is an on-going process involving several market players: companies, investors, regulatory entities and board directors. PREVI is an institutional investor that in some instances is the controlling shareholder, while in others is the minority shareholder. Therefore, PREVI is aware of its own role in Brazilian social and economic development, and its leadership in improving Brazilian corporate governance practices.

While revising the PREVI Best Practice for Corporate Governance Code, we included new themes and took a more in-depth approach to others deemed relevant, based on the experience acquired through PREVI's endeavor with corporations to implement the best practices. We trust this Code will help reinvigorate the Corporate Governance debate among Brazilian company stakeholders.

Enjoy the read,

Marco Geovanne Tobias da Silva
Executive Director - Holdings

CONTENTS

CHAPTER 1 - GUIDELINES

1.1. Transparency, Disclosure and Responsibility _____	08
1.2. Shareholders' Equitable Treatment _____	09
1.3. Shareholders' Rights _____	09
1.4. Sustainability _____	10

CHAPTER 2 - SHAREHOLDERS

2.1. Shareholder Agreements _____	12
2.2. Pyramid Structure _____	12
2.3. Restrictions on the Acquisition of Control - "Poison Pills" _____	13
2.4. Companies with Diluted Ownership _____	14
2.5. Shareholders' Conflicts Resolution _____	15
2.6. Shareholders' Meetings _____	16



CHAPTER 3 - COMPANY

3.1. Bylaws _____	18
3.2. Related-Party Transactions _____	18
3.3. Shareholding Structure _____	19
3.4. Periodical Information _____	20
3.5. Company Policies _____	21

CHAPTER 4 - GOVERNANCE BODIES

4.1. Board of Directors _____	28
4.2. Executive Board _____	36
4.3. Fiscal Council _____	39
4.4. Committees _____	43
4.5. Independent Audit _____	46

INTRODUCTION

The revision of PREVI's Best Corporate Governance Practices was inspired by the evolution of the capital market and the regulatory environment in Brazil since its launch in 2004. This revision seeks to elaborate on subjects which represent advances in governance practices. In developing the text, care was taken not to repeat legal material.

Sustainability has been highlighted in line with the vision that all economic agents – according to their legitimate purposes – should seek better social results and the minimum environmental impacts of their activities, combining the search for financial returns with the principles of Social and Environmental Responsibility, and thus resulting in business longevity.

One of the relevant points of this edition is the conviction of the importance of the Fiscal Council not just as a monitoring body, but also in its potential to contribute to the correct functioning of the company's risk management. The coexistence of the Fiscal Council and Audit Committee in companies is also relevant in this context.

Another question to be highlighted is that regarding the relatively-new phenomenon in the Brazilian capital market: companies with diluted control. Traditionally structured based on the figure of the controlling shareholder, the Brazilian corporate framework does not provide a response to all of the questions emerging from the governance of companies with diluted ownership. PREVI recognizes the adequate representation of investors as an important challenge in the management of this kind of company, along with the periodical renewal of the members of its boards.

Highlighted in various recommendations contained in this document is the importance of the Board of Directors in orienting the company's policies and strategy and in monitoring their effective execution.

Our expectation is that this document will serve as a consulting tool for investors, executives, board directors and other market agents, stimulating debate on its themes and contributing to the improvement of corporate governance practices in companies across Brazil.

CHAPTER 1 - GUIDELINES

1.1 TRANSPARENCY, DISCLOSURE AND RESPONSIBILITY

Corporate Governance bodies should pay close attention to the principle of transparency, encouraging the timely, clear and precise disclosure of financial and non-financial information, so that stakeholders can follow and understand the company's principles, its economic foundations, the risks it is exposed to and its performance.

The Corporate Governance framework and its functioning should be transparent to the market, both in companies subject to primary shareholder control and in those with diluted ownership.

Disclosure should include the company's initiatives and practices regarding sustainability and socio-environmental responsibility and should be guided by the Global Reporting Initiative -GRI principles and guidelines and by other similar initiatives.

Due to the importance of information disclosure, PREVI believes that it should be monitored by the Board of Directors, which should assess its quality and scope. Therefore, the Board of Directors

¹ The Global Reporting Initiative – GRI – is an independent institution with global credibility and reach, supported by an extensive network of civil society organizations. Its mission is to develop and disseminate the global application of Sustainability Reporting Guidelines for voluntary use by organizations to report the economic, environmental and social issues of their activities. For further information please see www.globalreporting.org.

should ensure that internal controls are effective to guarantee the reliability of the information and reports produced.

1.2. SHAREHOLDERS' EQUITABLE TREATMENT

The Corporate Governance framework should ensure equitable treatment is afforded to all shareholders as to meeting their needs, disclosing information and forwarding their requests. This framework should also ensure that matters which affect specific rights associated with a certain type of share are voted on separately at Meetings.

Transactions involving the company and shareholders, which entail potential conflict of interests, should be disclosed bringing additional information to those stipulated in the norms and regulations, to guarantee transparency and so that no privilege is granted in dealing with the shareholders in question.

To guarantee equitable disclosure of information, the establishment of a Communications Policy is required to define the core of relevant information and to ensure widespread disclosure to all shareholders.

1.3. SHAREHOLDERS' RIGHTS

The Corporate Governance framework, in compliance with the company's interests should uphold and respect the rights and interests of all shareholders and its alignment with the rights of clients, employees, suppliers, the government, society and other stakeholders.

The participation of directors appointed by minority shareholders in the governance bodies should be encouraged, regardless of whether a legal quorum exists for appointing and electing them. The shareholders' equity required for election can be adapted so as to guarantee that the minority shareholders in attendance at the Meeting may submit appointments.

Bylaw provisions restricting voting rights should not be adopted.

1.4. SUSTAINABILITY

In tandem with the trends and concerns of the society in which it partakes, PREVI upholds the idea that all economic agents – their legitimate purposes being taken into consideration – should make every effort to ensure that their business activities achieve the best social results and the minimum environmental impact. PREVI also believes that it is not only possible, but necessary, to combine the pursuit of financial returns with Socio-environmental Responsibility (RSA) principles resulting in business longevity.

Due to this vision, companies should adopt practices which may offer economic, social and environmental returns compatible with the expectations of their different stakeholders.

Companies should base their relations with their different stakeholders on the RSA principles, among which we highlight the following:

- Application and promotion of the best Corporate Governance principles;
- Combat of practices entailing discrimination, harassment, corruption or extortion;
- Ethical conduct;
- Eradication of forced and child labor;
- Responsible waste generation and disposal;
- Improvement in working conditions;
- Promotion of equality;
- Protection of human rights;
- Respect for diversity;
- Respect for the workers' representation;
- Contribution to the generation of knowledge;
- Sustainable use of natural resources.

Companies should establish transparent and lasting relations with their stakeholders, developing permanent communication channels and establishing tools for assessing quality and client satisfaction as to products and services offered to them.

PREVI encourages companies to join the sustainability indexes compiled by national and international stock exchanges and to participate in initiatives or programs related to the subject, especially those related to their own industrial sectors.

We recommend that companies offer the contracting of supplementary social security plans to their employees, also implementing financial and social security education programs.

CHAPTER 2 – SHAREHOLDERS

2.1. SHAREHOLDER AGREEMENTS

To facilitate an accurate assessment of the political rights in the relations between company shareholders, it should be widely disclosed to the market, shareholders and other stakeholders all existing agreements between shareholders involving the company as well as those in which they are intervening parties.

2.2. PYRAMID STRUCTURE

Corporate Pyramids are structures of holding and sub-holding companies which allow the shareholder holding a small fraction of capital of one of the group's companies to exercise controlling power.

It is PREVI's opinion that corporate structures should ideally be uncomplicated, revealing the existing relations between shareholders and the distribution of the power of influence.

Corporate structures should be transparently disclosed, as should existing agreements between shareholders, which should be filed at the corporate headquarters and at the Brazilian Securities Commission - CVM - and posted online for easy viewing by stakeholders.

The parent company' financial statements should also disclose financial relations between companies belonging to the corporate structure and related parties, as well as the degree of dependence between them.

2.3. RESTRICTIONS ON THE ACQUISITION OF CONTROL – “POISON PILLS”

“Poison pills” are statutory clauses used by publicly-traded companies to avoid hostile takeovers.

Poison pills' essential function should be to ensure equal treatment of shareholders in case of a hostile takeover offer.

In Brazil, poison pills normally entail the provision of a Public Share Offering - OPA when one shareholder, group of shareholders or third party attains a material stake in the company's capital. These clauses establish that the public offering should be made at a certain price, usually higher than the market price, allowing shareholders to withdraw if they do not wish to remain in the company after the share control changes hands.

Parameters for price defining under a public offering should not prevent operations in the shareholders' interests from going ahead.

PREVI suggests that these clauses be effective for a maximum of 5 years, when the company shall convene an Extraordinary General Meeting to discuss the revalidation, modification or revoking of these clauses in order to allow shareholders to reassess the formerly established parameters at regular intervals in light of emerging market conditions.

It is therefore paramount that company bylaws do not contain clauses punitive to shareholders that, in these occasions, vote in favor of modifying or revoking poison pill clauses.

2.4. COMPANIES WITH DILUTED OWNERSHIP

On the very condition of highly dispersed share ownership and of the extent of the shareholder base, in companies with diluted ownership, shareholders' influence over the composition of the Directors and Executive Board is downscaled. This situation may drive a wedge between the company's strategic directions and its shareholders' aspirations.

In these companies, the Chairman of the Board of Directors' leadership and his interaction with investors and the Executive Board becomes more necessary and important, contributing to a better dynamics of the information flow.

The company's governing bodies – the Executive Board, Board of Directors and Fiscal Council – should seek permanent connection with shareholders and stakeholders, also informing them of strategies adopted.

The Board of Directors should monitor the work of the other existing governing bodies, ideally with at least 1 member of the Board of Directors serving on the company's main Committees.

The process of electing members to the Board of Directors and to the Fiscal Council should guarantee the shareholders are properly represented, with a view to awarding greater plurality to these bodies and democratizing access to them as a means of reflecting the diversity of the shareholders' perspectives.

Shareholders should participate in Meetings with the aim of contributing to management. The company should therefore promote and facilitate such participation. In order to increase the

possibility of shareholders nominating directors to the Board of Directors, PREVI recommends that in companies with diluted ownership, in which no shareholder individually holds more than 5% of the capital, conditions should be created for the exercise of multiple voting with the necessary information for the adoption of the procedure by shareholders being made available in advance.

The systematic reelection of directors should be avoided, with periodic, even if partial, renewal of boards promoted instead.

The Bylaws for publicly-traded companies should be altered so as to guarantee the permanent functioning of the Fiscal Council.

The actions of the Fiscal Council guarantee the shareholders' right to oversee business management. Its independent supervise oversight is reinforced by its members individual role, as provisioned by law.

In existing wholly-owned subsidiaries, the need for convening the Fiscal Council in them should be assessed, as its presence in the holding company may be sufficient to achieve the body's purpose.

2.5. SHAREHOLDERS' CONFLICTS RESOLUTION

The resolution of shareholders' conflicts should safeguard company interests. Therefore those involved should strive for cooperation and for using facilitating tools to settle differences.

Attempts to settle conflicts may include mediation or arbitration, alternatively to courts of law, in order to reach a solution. In reference to arbitration, the company's bylaws should provision its use to resolve corporate conflicts.

2.6. SHAREHOLDERS' MEETINGS

Meetings provide a legitimate forum for shareholders expressing their opinions on the companies' fundamental decisions.

Meetings should preferably be chaired by the Chairman of the Board of Directors, or, in his absence, by another Board member.

Companies should disclose procedures for shareholders who jointly own at least 3% of the company's capital to include matters of corporate interest on the Meeting's agenda, accompanied by any necessary informative material, thereby facilitating shareholders' participation.

The procedures to be adopted by shareholders to nominate candidates to the Board of Directors and to the Fiscal Council should be posted on the company website at least 60 days prior to the date of the Meeting.

Companies should prepare a Shareholder's Meeting Manual comprising:

- Disclosure, by means of the company's and of the Investor Relations' websites, of the agenda and documentation required so that shareholders may inform themselves about the decisions to be taken, at least 30 days prior to the date of the Meeting;
- Procedures required for shareholder voting and representation at the Meetings, supporting initiatives for increasing participation at these events, applying, where appropriate, the legislation in force on proxy voting;
- Possibility of requesting information directly from the representatives in attendance from the Executive Board, Board of Directors, Fiscal Council, Audit Committee, and Independent Audit;

Companies should provide a channel for addressing shareholders' queries on matters related to the Meetings' agendas on the company website, allowing all stakeholders to follow up on and contribute to discussions.

The material referring to each item on the Meeting agendas should be carefully prepared in order to provide shareholders with detailed information and to facilitate their decisions regarding resolutions. The legal, financial and regulatory implications should be analyzed, in addition to other issues deemed relevant.

At the start of the Annual General Shareholders' Meeting, a presentation of the company's annual results should be made based on the model of traditional meetings with investors, thereby enhancing dialogue between shareholders and the company.

The following information should be provided to all shareholders:

- Shareholders in attendance at the Meetings and their share ownership ;
- The shareholders who voted in favor of and against the proposals for each item on the Meeting agenda, as well as the abstentions;
- Occurrence of separate votes.

CHAPTER 3 - COMPANY

3.1 BYLAWS

The Bylaws should clearly and unequivocally specify the corporate purpose, shareholders' rights and to reflect the Corporate Governance practices and the policies adopted by the company.

3.2. RELATED-PARTY TRANSACTIONS

Related-party transactions should be transparent and always performed under market conditions, by means of formal contracts and approved by the Board of Directors.

Such matters, according to their relevance, should be reviewed by an advisory committee to the Board of Directors.

These transactions should be disclosed according to the legislation in force, stating at least the parties involved, the nature of the transaction, the existing conditions, and the values of the transactions undertaken, outstanding balances at the reporting date and a report on the movement of funds.

The company should have clear rules regarding transactions which entail potential conflicts between the shareholders' interests and its own interests.

Companies should not make loan agreements with their controlling shareholders or in their benefit.

3.3. SHAREHOLDING STRUCTURE

PREVI encourages companies to adopt a share structure composed solely of common shares.

3.3.1. INFORMATION ABOUT SHAREHOLDERS

Shareholders' right to view the company's books and documents should be promptly complied with when requested in accordance with the applicable legal standards.

Information about the company's share structure and the rights pertaining to each class of share should be accurately and adequately disclosed in due course, covering:

- Share ownership by shareholders with a minimum participation of 1% of each class of share and of executives;
- Voting rights;
- Shareholders' agreements;
- The free float not bound by shareholders' agreement;
- Any other convertible security or bond existing in the company.

3.3.2. FREE FLOAT

The company should adopt procedures to encourage share dispersal and liquidity for the trading of its shares.

In cases of public offer, the company should guarantee access to all prospective investors, or award priority by reserving at least 20% of the total to be distributed to individuals and non-institutional investors.

On the occasion of share reservation in the public offer, transparent distribution criteria should be established, guaranteeing financial settlement of a minimum batch. The form of the apportionment should also be established, in case the demand outstrips supply.

3.4. PERIODICAL INFORMATION

3.4.1 ANNUAL MANAGEMENT REPORT

According to the Global Reporting Initiative (GRI) template or other similar initiatives, the management report should comprise the company's economic-financial data and sustainability practices.

The factors that predominantly influenced earnings should be analyzed: macroeconomic issues, competition effects, the investments policy, debt policy and other transactions not stated in the balance sheet, along with information on non-recurring effects. The report should also contain:

- Company plans for the years ahead, highlighting the main issues which might affect its performance;
- Information about the Corporate Governance practices adopted; and
- The result of systematic risk management, highlighting the most critical factors for the company and the improvement measures taken.

Along with annual disclosure of the sustainability practices adopted, performance indicators for corporate socio-environmental responsibility should also be explained, according to the GRI model and to other similar initiatives, along with a comparison made against indicators for its operating sector.

3.5. COMPANY POLICIES

The main policies should be formally documented and disclosed on the company website, even though disclosed in the manner required by the regulatory authority.

Policies should be approved by the Board of Directors and any proposal to amend or revise its terms should be submitted in advance to this board. The Board of Directors should ensure its enforcement.

Internal Regulations should be drawn up for the Board of Directors, Executive Board, Committees and other Technical and Consulting Bodies and made available to members of these bodies upon their taking office. These documents should be disclosed on the company website.

Companies should formally document the policies described below, covering at least the matters highlighted, in addition to those set out in the legislation.

3.5.1. COMMUNICATIONS POLICY

To communicate important facts, including those of an extraordinary nature, the company should maintain an appropriate organizational structure of communication with its shareholders and stakeholders.

An individual should be designated as responsible by the alignment of the information to be disclosed, in order to ensure there are no contradictions in the statements made by the company's various departments.

Among other things, this policy should cover:

- Disclosure of the annual calendar of corporate events to be held the next year until the closing of the current financial year;
- The holding of a quarterly public presentation with capital market professionals in the main cities in which the company's securities are traded and with prospective institutional investors;
- Intensive use of the Investor Relations section on the company website;
- Circulation of informative material in Portuguese and English;
- Holding of telephone and video conferences.

3.5.2. POLICY FOR THE DISCLOSURE OF MATERIAL FACTS

The Board of Directors should be responsible for ensuring compliance with the Policy for the Disclosure of Material Facts, guaranteeing fairness and simultaneity in releasing information to the market. The disclosure of the information required by legislation in the countries in which the company's securities are traded should be the same for all investors.

3.5.3 SECURITIES TRADING POLICY

For the sake of transparency, companies should disclose the policy and procedures adopted regarding the trading of its securities.

The policy should clearly define the situations which constitute a lock-up situation, the responsibility for the monitoring and implementation of the policy and situations where trading involving the company's securities have to be reported to the regulatory authorities and to the market.

3.5.4. SUSTAINABILITY POLICY

The concept of sustainability focuses the company's capacity to maintain and develop its strategies, business and mission over time, concerning itself with the pursuit of the best social

results and the minimum environmental impacts of its activities in order to uphold expectations of longevity and the enhancement of the business itself.

Given the importance of sustainability to the goals of preserving value, PREVI believes it is fundamental that companies implement a Sustainability Policy. The document should clearly establish the company's commitments to the sustainability agenda, serving as guidance for its other policies and for its activities as a whole.

PREVI believes that the existence of a policy is the first step towards ensuring that the concept of sustainability permeates the entire organization.

3.5.5 DIVIDEND DISTRIBUTION POLICY

The policy, as defined by the Board of Directors, should establish its relations with the investments policy and the capital structure and contain the company's vision regarding the frequency of payments, parameters for defining amounts, factors affecting distribution, projected payments of interim dividends, the possibility of paying interest on equity and the forecast for extraordinary dividends.

3.5.6. COMPENSATION POLICY

Given the matter's importance, an advisory committee to the Board of Directors should be created to direct related discussions, with at least one board director among its members.

Compensation levels should be structured to attract, retain and motivate the best executives and employees, in line with market practices.

In light of the best Corporate Governance practices and aligned with the principle of transparency, the earnings of publicly traded companies' executives should be disclosed on an individual basis, as well as the compensation policy.

Any compensation paid by subsidiaries, controlled companies or direct or indirect controlling shareholders, should be disclosed according to the legislation and especially for General Meetings.

Short-term and long-term variable compensation programs should be used as a means of retaining executives.

It is, however, necessary to ensure alignment between executives' and shareholders' interests for the sake of the company, promoting sustainable practices for business goals and avoiding situations in which the Compensation Policy might encourage conduct that changes the company's risk profile.

Attainable, measurable and also challenging targets should be set, defined in advance and associated with the characteristics of the companies' business. Performance models should also be adopted, considering the company's earnings, those of the business unit or of the operating area, in addition of individual contribution to the results.

If variable share-based compensation is adopted, the program should be disclosed in detail so as to facilitate its proper comprehension. Such plans should prohibit executives from using derivatives or other financial instruments which could compromise the goal of aligning executives' with the company's long-term interests.

3.5.7. CONTRIBUTIONS AND DONATIONS POLICY

Companies should prepare a policy on contributions and donations and widely disclose the related expenditures, with the Board of Directors being in charge of approving the policy.

The policy should make clear that any promotion and financing of charitable, cultural, social and environmental projects should be connected with the organization's strategy.

3.5.8. ETHICAL AND CORPORATE CONDUCT PRINCIPLES

As ethical conduct is one of the principles of its Socio-environmental Responsibility Policy, PREVI recommends the preparation and disclosure of a Code of Conduct which reflects the values, principles and standards of conduct undertaken by the company and its employees in internal and external relationships, adopting a position of integrity within society.

An initiative collecting employee suggestions and proposals should be undertaken on the occasion of the Code of Conduct's publication and its subsequent revisions.

A Conduct Commission should also be created to support company management when it comes to implementing, disclosing and managing the Code's guidelines.

Communication Channels should be implemented to receive internal and external complaints, ensuring total secrecy and confidentiality to the informer. The issues raised should be analyzed by the Internal Audit, which should report directly to the Board of Directors.

3.5.9. RISK MANAGEMENT POLICY AND FINANCIAL POLICY

The complexity of the business environment has demonstrated the need for companies to be aware of the main risks to which they are exposed. This perception affects the very concept of sustainability, as a lack of tools to deal with the uncertainty could compromise survival. PREVI therefore highlights the importance of companies detecting the main risks to which they are exposed, estimating the probability of their occurrence and having in place an effective planning for dealing with this set of risks, in case they materialize.

It is the Board of Directors' responsibility to define the company's risk management policy in line with the organization's strategic guidelines. This policy should guide the financial policy, which at the company's discretion, may be independently formalized. Regarding the financial policy, it is important to pay particular attention to the use of derivatives and similar instruments.

The Board of Directors shall also monitor the effectiveness of the risk management models and tools employed, guaranteeing the segregation of duties and ensuring the dissemination of the risk culture, with the establishment of an advisory committee being recommended.

Companies should have a department dedicated to monitoring the risks associated with political and regulatory issues, connected with other company departments, including the legal department. This department should measure the possible impact of regulations being created or altered. Relations with legislative and regulatory authorities and professional associations, in addition to monitoring issues, should be of a propositional nature. Monitoring reports should be issued for the Board of Directors, becoming a permanent issue on the board's agenda. The Investor Relations department should assist in assessing the impact on securities prices and to ensure the quality of information released to the market.

Companies should improve the disclosure of information so that investors may assess the risk management practiced, describing the organizational structures, existing procedures and mechanisms which guarantee the segregation of duties and detailing risks to which they are exposed and the actions adopted to mitigate the risks detected.

CHAPTER 4 - GOVERNANCE BODIES

The structuring of governance bodies should be based on the separation of the companies' ownership and management. Shareholders must assume a position regarding the strategic directions to be taken by the companies they partly own, by appointing directors to the governance bodies, and aiming the company's sustainability.

Company shareholders should analyze and monitor the effectiveness of the governance bodies' performance and their members' degree of professionalism and experience.

The Board of Directors plays the important role of establishing and monitoring the implementation of the business strategy, ensuring alignment between executive management and the shareholders, always upholding the company's best interests.

The Executive Board, led by the CEO is responsible for implementing the strategic plans prepared by the Board of Directors, as well as the day to day management of the companies. They should

be appropriately compensated according to the responsibilities involved in carrying out this task, aiming to add value for shareholders and other stakeholders.

The Fiscal Council member plays the role of main agent in overseeing management acts and the reliability of the financial statements, with full independence given by law.

Advisory committees to the Board of Directors should be created in the companies' Corporate Governance frameworks. The Committees shall discuss specific topics in detail in order to advise the Board of Directors.

In order to form company boards, PREVI supports the nominations of professionals selected by a system which contemplates academic qualifications, professional experience, experience in collegiate bodies and specific expertise, in order to reflect the range of skills required so that directors can perform their duties.

4.1. BOARD OF DIRECTORS

The Board of Directors is a collegiate decision-making body, which aims to define the strategic plans, to set policies, to protect the company assets, to ensure alignment with the corporate purpose, in addition to guiding the Executive Board in the preservation and optimization of the company's value by means of an efficient and sustainable business management.

The Board of Directors is one of the main pillars of the Governance system and should ensure observance to the company's values, principles and standards of conduct, always upholding the company's best interests in its analyses, decisions and votes.

The roles of Chairman of the Board of Directors and CEO should not be held by the same person.

The Board should be composed so as to emphasize diversity, in order to gather a wealth of knowledge, experience and perspectives.

The Board of Directors should establish the CEO's and the Executive Board's short and long-term performance targets at the start of the year and should conduct formal assessments of these professionals annually.

The Board of Directors should analyze the result of the Executive Board's assessment carried out by the CEO, as well as the program for professional development presented.

4.1.1 RESPONSIBILITIES AND DUTIES:

The main duties of the Board of Directors, besides those defined by law, grouped according to the type of activity, are listed below:

Regarding strategy:

- Setting the business strategy and general direction of the company, its subsidiaries and holdings with a multi-annual view;
- Deciding on the company's institutional policies, particularly: Communication, Policy for the Disclosure of Material Facts, Trading of Securities, Sustainability, Distribution of Dividends, Compensation, Contributions and Donations and Risk Management and Financial Policy
- Deciding on the general policy of the company's human resources.

Regarding management:

- Efficiently understanding and tracking the company's operations, regularly inviting officers and other company staff to present topics to the Board;
- Approving annual budgets, monitoring their implementation and overseeing company performance and operation;
- Approving multi-annual plans and monitoring their implementation;
- Deciding on contracting, in the name of and at the expenses of the company, independent professionals, if necessary, to assess matters when required;
- Setting targets and assessing the Directors' performance, both individually and as a group;

- Setting and revising the main executives' compensation, assisted by the advisory committee, being advisable to make use of market studies for determining values;
- Acknowledging the minutes of the Executive Board meetings, both formally and individually;
- Acknowledging the minutes of the Fiscal Council meetings, both formally and individually;
- Ensuring that the company has a Succession Plan for the CEO and for key managers.

Regarding risk:

- Approving the structuring of the Internal Audit as subordinated to the Board of Directors, as well as monitoring its implementation and performance;
- Ensuring a suitable organizational structure exists, checking whether internal control processes and segregation of duties are sufficient to detect and monitor risks, protect assets, promote operational efficiency and guarantee the accuracy and quality of information submitted by the Executive Board;
- Ensuring the company detects in advance the main risks to which the organization is exposed, measures them and calculates the consolidated financial exposure to these risks, taking into consideration the probability of their occurrence, the potential financial impact and intangible aspects, as well as adopting the necessary measures and procedures for preventing or mitigating such risks.

Regarding governance:

- Guiding the process for the disclosure of material acts and facts and other information, including those required by law;
- Approving the hiring of the Independent Audit and overseeing the selection process;
- Monitoring the work carried out by the Independent Audit;
- Deciding on the creation of advisory committees to the Board and working with them in further investigating and discussing material issues;
- Assessing the Corporate Governance practices adopted and proposing alternatives whenever necessary;
- Deciding on the policy for nominating people to governance bodies of companies, foundations and other entities in which the company has a direct or indirect participation;
- Ensuring that company business is not affected by any conflicts of interests between company stakeholders.

- Approving the company's Code of Conduct and promoting mechanisms which ensure awareness and compliance by all those involved, particularly executives and employees;
- Accepting requests from the Fiscal Council to contract specific studies;
- Ensuring that a representative from the Board of Directors, the Fiscal Council, the Executive Board and the Independent Audit attend Shareholder Meetings;
- Ensuring that the company adopts mechanisms which facilitate shareholder participation at Meetings;
- Ensuring that the Meeting Manual contains detailed information about the items on the agenda in order to facilitate analysis by all shareholders;
- Inviting Fiscal Council members to attend meetings resolving matters they are required to express their opinions on, as well as other material matters;
- Ensuring that a copy of meeting minutes is provided to the Fiscal Council, within a maximum of 10 days of the meeting;
- Guaranteeing that the Fiscal Council receives copies of the monthly trial balances, other financial statements and the budget execution report within 15 days of the closing of the month under analyses and assessment.

4.1.1.1 CIVIL LIABILITY INSURANCE FOR EXECUTIVES

It is recommended that the company contracts civil liability insurance for its executives in order to cover any costs deriving from their defense in the event their regular managing acts are contested in administrative or law courts. The Board of Directors should regularly monitor contractual conditions and the occurrence of facts which should be reported to insurers in order to guarantee the effectiveness of the policy contracted.

4.1.2 PROFILE

It is fundamental to strive for diversity in the composition of the Board, which should have professionals who collectively hold the following characteristics:

- Availability of time to perform their duties properly;

- General business vision;
- Knowledge of the company's business;
- Executive experience and business skills;
- Experience in analyzing management, accounting and financial reports;
- No conflicts of interest;
- Alignment with company values;
- Knowledge of the best Corporate Governance practices;
- Knowledge of corporate law and capital market law.

4.1.3 OPERATION

The Board should adopt regulations establishing its responsibilities, duties and the frequency of its meetings. Provision should be made for attending meetings remotely.

The Board of Directors should meet monthly, with the possibility of convening and holding extraordinary meetings. The attendance of all directors at meetings should be encouraged and facilitated to guarantee comprehensive representation when decisions are taken.

The Board should adopt the practice of setting aside part of the meeting for discussing matters within its remit, without the presence of company executives.

Important matters with substantial impact should be addressed in depth over the course of more than one meeting, before a final resolution is reached.

In situations involving a conflict of interest, the relevant director should declare him/herself unable to participate in discussions and resolutions.

Topics like "general affairs" should not be included on the agenda. The practice of addressing items not previously included in the agenda and of decisions taken ad referendum by the Board of Directors should be avoided.

Minutes should be clearly compiled, recording all the decisions taken and should be formally read and approved. They should also be signed, preferably as soon as the meeting ends. If this is not possible, the formal registration of a dissenting vote should be guaranteed.

4.1.4 TERM

The members of the Board of Directors shall be elected at General Meetings for a maximum term of 2 years, with reelection being allowed.

The reelection of board members should entail a formal assessment of individual contributions, Board performance, number of consecutive terms and the periodic renewal of its members. Proposals for a board member's reelection should take into account absences from meetings.

4.1.5 SIZE AND COMPOSITION

The Board of Directors should be composed of a minimum of 5 and a maximum of 11 non-executive members, and this number must be odd.

4.1.6. COUNCIL CHAIR

The Chairman of the Board of Directors should exercise leadership of the body adopting the necessary provisions so that the Board fully achieves its objectives. The Chairman should therefore ensure that:

- A working schedule is established;
- The annual schedule for board meetings is compiled;
- The information necessary for Board meetings is timely received.

The agenda for the meetings should be proposed by the Chairman of the Board, identifying which matters will be subject to resolution and those which will be acknowledged.

4.1.7 GOVERNANCE OFFICE

In order to facilitate its work, the Board of Directors and the Fiscal Council should be supported by a Governance Office, coordinated by a professional who is not a member of either body, and who should assist the Chairman and other members of these bodies in the following matters:

- Forwarding the agenda and supporting material for Board meetings sufficiently in advance and in accordance with its complexity, so that the material may be examined;
- Ensuring that the material supporting the decision-making process contains a chronology, technical analysis, an opinion from the relevant department and a declaration and proposal from the Executive Board;
- Supporting the Board Committees;
- Preparing, registering and publishing the minutes from the meetings held by the Board of Directors, Fiscal Council and General Meetings;
- Other activities supporting the work of the Board and its Committees and also of the Fiscal Council.

4.1.8. GOVERNANCE SITE

In order to make the information disclosed to company directors more transparent and timely, we recommend a Corporate Governance Site be created. Access should be restricted to directors and executives currently in office.

It should include at least the following content:

- Summons and material supporting the decision making process and presentations given at board meetings;
- Minutes from the Board of Directors meetings;

- Managerial information;
- Annual corporate events schedule;
- Schedule of board meetings;
- Minutes and recommendations of the advisory committees’ meetings.
- Minutes from Executive Board and Fiscal Council meetings
- Shareholders’ Agreement;
- Bylaws;
- Code of Conduct;
- Company Policies;
- Governance bodies’ internal regulations;
- Organizational chart and economic group the company is a part of;
- List of the members of the Board of Directors, Committees, Fiscal Council and Executive Board, stating their respective positions, addresses, telephone numbers, email addresses, date of election, length of term and other information about the organization’s shareholders;
- Brief profile of governance bodies members;
- Shareholding Structure
- Data on the controlling shareholders when there is a controlling stake (corporate name, address, telephone number, email);
- Reports of financial analysts monitoring the company;
- Information disclosed by the company to the market.

4.1.9. BOARD PERFORMANCE

The Board of Directors should establish formal performance assessment methods allowing analysis of the performance of the Board as a whole, as well as individual contributions from its members, on an annual basis.

The assessment of the Board, as a collegiate body, should be coordinated by the Chairman of the Board and the findings should serve as a basis for improving its performance.

PREVI recommends the following criteria be used when assessing board members:

- Frequency of attendance;
- Effective contribution to Board debates;
- Knowledge of the company and up-to-date knowledge of the key variables in its operating segment;
- Contribution to the definition of the company's strategic guidelines based on their vision of the company and respective business environment;
- Contribution to enhancing the company's risk management;
- Contribution to maintaining a good relationship between Board members and other departments of the company.

4.1.10 COMPENSATION

The Board members' overall compensation shall be set at the General Meeting where they are elected and should not be less, for each serving member, than 10% of that allocated to the company CEO, not including the executive's benefits, representation costs and profit shares.

The compensation of the Chairman of the Board might be different from the other members of the Board according to reasonable criteria if he performs a relevant institutional role in the organization regarding the external public and in line with his degree of involvement. The basis for adopting this practice should be outlined in the information about executive compensation.

4.2. EXECUTIVE BOARD

The Executive Board represents the company, undertakes everyday managerial acts, and should strive to ensure that other bodies receive complete, reliable, well-founded and timely information, always aiming to serve the company's legitimate interests.

4.2.1 RESPONSIBILITIES AND DUTIES

The company Bylaws should clearly outline the Executive Board’s responsibilities and duties.

The Executive Board is responsible for implementing the guidelines defined by the Board of Directors and General Shareholders’ Meetings, in line with the bylaws.

The Executive Board should ensure that decision-making processes are appropriately supported, recorded in the minutes, containing the chronology, technical analysis, declaration and proposal from the department responsible for the matter.

4.2.2 PROFILE

The members of the Executive Board should preferably have experience in the company’s sector and, more importantly, in the area where they will perform.

4.2.3 TERM

Terms should be established in the Bylaws and not exceed 3 years, with reelection being allowed. Companies should have a clearly-defined succession plan.

4.2.4 COMPANY CEO

The company CEO is responsible for implementing the guidelines set by the Board of Directors. He is accountable for the company’s performance, for the operation and the coordination of the activities of the other Executive Officers, as well as for representation before the external public.

It is the CEO's role to appoint Executive officers and to propose their respective compensation packages for approval by the Board of Directors.

4.2.5 EXECUTIVE BOARD PERFORMANCE

The setting of targets by the Board of Directors with the aim of creating value for shareholders and promoting sustainability offers a means of analyzing the work of the Executive Board as a whole and each of its members.

Assessments should be carried out by the Board of Directors and discussed with the Executive Board at least once a year.

4.2.6 MEETINGS

The Executive Board should meet as a collegiate body at least once a week and extraordinarily, whenever necessary.

The minutes from the Executive Board's meetings should record the processes and analyses upon which board decisions were based and should be forwarded to the Board of Directors and to the Fiscal Council within 15 days of the meeting.

The Executive Board should keep the Board of Directors or its Committees informed about the work carried out, striving for integration between the boards.

4.2.7 COMPENSATION

Compensation should be awarded according to the principles established in the company's compensation policy.

4.3. FISCAL COUNCIL

The Fiscal Council is independent of the Board of Directors and of the Executive Board and convened by the General Meetings to which it should report. It is an integral part of the governance system in Brazilian organizations.

The Fiscal Council's legal duties cannot be assigned to other governance bodies.

The Fiscal Council's activities guarantees the shareholders' right to supervise business management. Its independent supervision function is reinforced by each council members power to act individually as is determined by law.

PREVI realizes that the scope of the Fiscal Council's work should also extend to subsidiaries, associated and controlled companies.

In the case of wholly-owned subsidiaries, the necessity of convening the Fiscal Council in these subsidiaries should be assessed, as its establishment in the holding company may be sufficient to achieve the body's purpose.

The Bylaws should determine its operation on a permanent basis, in order to ensure that minority shareholders can exercise their right to oversee the company without the need for such shareholders to pool the equity interest required by law to convene the council.

The Fiscal Council's duties are determined by law. For Brazilian companies listed on US stock exchanges, the Fiscal Council may fulfill the duties of the Audit Committee as required by the Sarbanes Oxley Act - SOX

PREVI recognizes the activities of the Fiscal Council as provisioned by SOX, but realizes that for the majority of companies the coexistence of the Fiscal Council, as defined by Brazilian legislation, with the Audit Committee is beneficial. The two bodies shall be able to act independently in a complementary and synergistic manner, seeking to avoid an overlapping of duties.

4.3.1 RESPONSIBILITIES AND DUTIES:

Besides those determined by law, the duties of the Fiscal Council are:

- Monitor the use of the company's assets and transactions between related parties;
- Check the existence of and compliance with regulations for assessing, signing and implementing long-term supply contracts which have sizeable value or unusual conditions, placing emphasis on those with a relevant degree of business concentration and those related to affiliated companies and shareholders;
- Analyze and give their opinion on loan agreements of any kind between intra-group companies, with special attention given to those signed between related parties and those signed with controlling shareholders;
- Discuss with independent auditors, internal auditors, accountant and head of the controller's department the result of the assessment of the internal control system, in order to enhance it, verifying that the recommendations given and not contested by the Executive Board are introduced within a maximum period of 180 days;
- Inform the Board of Directors of relevant flaws that could affect the accuracy of the financial statements;
- Conduct an in-depth analysis of the significant variations in accounts related to management benefits;
- Analyze compliance with policies for donations, advertising, hiring of consultancy firms and for awarding commercial discounts and the internal mechanisms which permit their tracking;
- Ensure that the various interactions between alternate members, shareholders, CEOs, other executives, Committees, Board of Directors and audits - are conducted in an effective and transparent manner.

4.3.2 PROFILE

PREVI recommends that Council members have the following characteristics:

- Availability of time;
- Business skills;
- Academic qualifications in accounting/finance;

- Experience in analyzing management, accounting and financial reports;
- No conflicts of interest;
- Knowledge of the best Corporate Governance practices;
- Knowledge of corporate law and capital market law.

4.3.3 OPERATION

The Fiscal Council should adopt regulations establishing its responsibilities and duties, with a focus on interaction with the Independent Audit, the Internal Audit, the Audit Committee and those responsible for internal control. The regulations should preserve the individual performance of each member.

4.3.4 TERM

The Fiscal Council's term is established by law, with reelection being allowed. Periodical renewal of the council should, however, be encouraged.

4.3.5 SIZE AND COMPOSITION

The Fiscal Council should be composed of 3 or 5 serving members and respective alternates, contingent to the number of members nominated by minority shareholders.

The controlling shareholder or controlling group should ensure that at least one member they appoint to the Fiscal Council has recognized knowledge on accounting and finance.

4.3.6 FISCAL COUNCIL PERFORMANCE

At the end of its term, the Fiscal Council should carry out a self-assessment, in which it considers the Council's overall performance and the individual performance of each of its members.

PREVI recommends the following criteria be used when assessing board members:

- Frequency of attendance;
- Effective contribution to Council debates;
- Monitoring of the assessment of the internal control system carried out by the Independent Auditor;
- Knowledge of the company and up-to-date knowledge of the key variables in its operating segment;
- Interest and commitment demonstrated in the interactions with the members of the Board of Directors;
- Effectiveness in interpreting the changes in accounting and tax standards in terms of their possible implications for the company;
- Contribution to enhancing the company's risk management;
- Contribution to enhancing the structure of the company's internal controls;
- Contribution to maintaining a good relationship between Council members and other company entities relevant to the sound operation of the Council.

4.3.7 MEETINGS

We recommend the Fiscal Council to meet monthly. The attendance of all members at meetings should be facilitated and encouraged, in order to guarantee better representation of shareholders and control over the company's operations.

Meeting agendas should be distributed at least 5 working days in advance, and should also be accompanied, when necessary, by informative material on the matters to be addressed.

Minutes should be clearly compiled, recording all the discussions, differences of opinion and decisions taken. We recommend they be signed at the closure of meetings.

4.3.8 COMPENSATION

The levels of compensation should be sufficient to attract, retain and motivate professionals with the skills and experience required by Fiscal Council.

4.4. COMMITTEES

4.4.1 GENERAL CONSIDERATIONS

The Committees are advisory bodies to the Board of Directors, without power of decision, which assist the Board and its members in the performance of their duties and responsibilities.

Considering the Committee's nature and specialization, the participation of at least one member of the Board of Directors, who shall act as coordinator, is recommended, in order to facilitate integration with the Board of Directors.

Committees should have statutory provisions and be regulated by Internal Regulations approved by the Board of Directors which elects its members. The Board may establish temporary, and not statutory, committees or work groups for specific purposes.

Access to meetings for all members of the Board of Directors shall be facilitated.

The multiplicity and diversity of topics requires the creation of specific committees to ensure the necessary depth of analyses and so that the Board may resolve matters with greater access to information.

The Board of Directors may, at any time, substitute the members of committees or dissolve temporary committees.

Executives, Directors, or independent professionals may participate provided they have specific knowledge in the area they will operate in.

Committees should:

- Be coordinated by non-executive members of the Board of Directors;
- Have at least one director in their composition;
- Propose the hiring of external consultancy services as deemed necessary, respecting the

- company's annual and multi-annual budget;
- Be assessed annually by the Board of Directors;
- Compile an annual calendar of their activities.

When selecting committee members, regulations on accumulation and renewal of positions should be observed, always seeking to refresh the company's Governance bodies.

Committees should be composed of a minimum of 3 and a maximum of 5 members.

Committee compensation, where appropriate, shall be established by the Board of Directors.

If committee members are to be compensated, it is recommended that the members of the Board of Directors who belong to more than one committee receive compensation for their performance in only one committee.

Members of the Fiscal Council are not allowed to participate in committees.

Each company's characteristics shall determine the duties of each committee; however the following areas of responsibility of the Board should be subject to further research by the statutory committees:

- Auditing;
- Compensation and Human Resources;
- Corporate Governance and Sustainability;
- Finance;
- Risk management.

4.4.2 AUDIT COMMITTEE

The Audit Committee is in charge of supervising the internal control and risk management processes and the adequacy of the company's financial reports. The Audit Committee should also

carry out a more detailed examination of the works presented by the Internal Audit and monitor relations between the Independent Audit, Internal Audit and the Fiscal Council. It should therefore meet regularly with the auditors and members of the Fiscal Council, without the Executive Board.

It is also the Audit Committee's responsibility to monitor the activity of verifying the compliance of company activities with legislation and applicable regulations.

This Committee should actively participate in the process of selection and assessment of the work of the Independent Audit in order to support the Board of Directors in future procurement procedures.

When there is also a Fiscal Council, the two should act in a complementary manner, independently and synergistically, in order to avoid the overlapping of duties.

The Audit Committee should be composed of members with experience and knowledge in accounting, auditing and finance.

If the company does so wish, it should also meet the stipulations of the Sarbanes-Oxley Act, regulated by the SEC, to which companies listed in US stock exchanges are subject to.

4.4.3 COMPENSATION AND HUMAN RESOURCES COMMITTEE

This committee should contribute to the preparation of the human resources policy adopted by the company. It should also actively participate in the process of selecting, choosing and hiring the main executives, as well as in the definition of the policy for compensation and benefits and the succession program.

4.4.4 CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The committee should contribute to the company's adoption and continual improving of the Corporate Governance practices and to the proper functioning of the governance bodies,

proposing, when necessary, updates to the Bylaws and to the internal regulations for Boards and other governance bodies.

It should contribute to the preparation of the Code of Conduct and encourage its dissemination to all employees. It shall be responsible for issuing opinions on the company's sustainability policy, contributing to the development of the Annual Report with regard to topic-related items.

4.4.5 FINANCE COMMITTEE

The committee should contribute to developing the financial policy and the practices for managing and controlling the company. It should examine and offer opinions in advance on all of the financial transactions submitted to the Board of Directors, as well as monitoring and assessing financial performance.

4.4.6 RISK MANAGEMENT COMMITTEE

The Risk Management Committee should contribute to developing, implementing and complying with the company's risk management policy. It should also monitor the functioning of the risk management system and ensure the dissemination of the risk culture in the company.

4.5. INDEPENDENT AUDIT

The work of the Independent Audit should be monitored by the Audit Committee and by the Fiscal Council.

We recommend that companies avoid hiring consultancy services from their independent auditors.

The Board of Directors should observe the financial magnitude of the contract between the company and the independent audit, so the latter is not economically dependent on the company.

We recommend the rotation of the independent auditors after 5 years, even if the company has an Audit Committee.

4.5.1 SERVICE LIMITATION

The instruments used to preserve independence should be disclosed to the market. Among these, the following stand out:

- Engagement for a maximum period of 5 years;
- Re-engagement subject to a performance assessment;
- Declaration of independence required annually from all members of the independent audit team, observing legislation and regulations in force.

MANAGEMENT

EXECUTIVE BOARD

Dan Conrado
Marcel Juviniano Barros
Marco Geovanne Tobias da Silva
Paulo Assunção de Sousa
Renê Sanda
Vitor Paulo Camargo Gonçalves

CEO
Social Security Division
Holdings Division
Administrative Division
Investment Division
Planning Division

BOARD

Members

Robson Rocha (Chairman)
Alexandre Corrêa Abreu
Ivan de Souza Monteiro
Rafael Zanon Guerra de Araújo
Haroldo do Rosário Vieira
Célia Maria Xavier Larichia

Alternate Members

Carlos Eduardo Leal Neri
Eduardo Cesar Pasa
Carlos Alberto Araújo Netto
José Ulisses de Oliveira
José Souza de Jesus
Luiz Carlos Teixeira

AUDIT COMMITTEE

Members

Fabiano Félix do Nascimento (Chairman)
Odali Dias Cardoso
Aureli Carlos Balestrini
Sandro Kohler Marcondes

Alternate Members

Aldo Bastos Alfano
Diusa Alves de Almeida
Daniel André Stieler
Vagner Lacerda Ribeiro

ADVISORY BOARD OF PLAN 1

Members

Waldenor Moreira Borges Filho
José Branisso (Coordinator)
Mércia Maria Nascimento Pimentel
Marcus Moreira de Almeida
Tarcísio Hubner
Aurea Farias Martins

ADVISORY BOARD OF PREVI FUTURO

Members

Deborah Negrão de Campos
Wagner de Sousa Nascimento (Coordinator)
Ítalo Lazarotto Júnior
Cesar Augusto Jacinto Teixeira
Emmanoel Schmidt Rondon
Felipe Menegaz Lajus

Alternate Members

Luiz Roberto Alarcão
—
—
Eliande de Jesus Santos Lindoso Filho
Celio Cota de Queiroz
João Vagnes de Moura Silva

Alternate Members

Vênica Ângelos de Melo
—
Luciana Vieira Belem
Carlos Alberto Marques Pereira
Inês Maria Saldanha de Matos Neves Lima
Marcelo Gusmão Arnosti

Prepared by the Investments Board of the Employees
Pension Fund of Banco do Brasil - PREVI

Circulation: 300 units
Printed in August 2013



Praia de Botafogo 501 3th e 4th floors
Botafogo Rio de Janeiro/RJ ZIP CODE: 22250-040
55 21 0800 729 0505
www.previ.com.br