



# PREVI CODE

OF BEST PRACTICES FOR  
CORPORATE GOVERNANCE



Elaborated by the Pension Fund of the Participation Board  
of Employees at Banco do Brasil - Previ

## PREFACE

Previ is a largely relevant institutional investor in the Brazilian stock market. Aware of our responsibility, we published in 2004 our Corporate Governance Best Practices Code, in its 3rd edition today.

Throughout this period, we could identify a huge evolution in the market's maturity regarding the issues of corporate governance, sustainability and integrity.

This growth helped us create a governance rating, which will subsidize, along with other traditional factors, the decision-making processes of our investments in variable income.

Throughout the debates for the creation of the rating analysis bases, we have identified the need to carry out a new review of the Corporate Governance Best Practices Code of Previ, that will provide clarifications to the market on which expectations the Entity has regarding the companies in which it will allocate its resources.

The document revision process was based on a comparison with the original text, with the recommendations contained in the Brazilian Corporate Governance Code for Publicly-Held Companies, as well as consultations to the updates of standards and regulations. Besides, we have included or deepened our knowledge on topics that we consider relevant and that represent advances in the practices of governance defended by Previ.

The pillars on which the Code would be built were object of debates in the Previ's Forum of Corporate Governance, carried out by Previ on 05.09.2018, with the presence of a diverse audience, made up of representatives of all Previ's Boards, resource managers, investment banks, lawyers, market institutions and pension funds.

Based on the results of the debates, we have written a preliminary minute that, as well as the revision of the 2012 Code, has undergone a Hearing process, where we received opinions of institutions and people who have been played an important role in topics related to Corporate Governance.

The audience consulted during the Hearing was made up of representatives of several entities related to Previ (including market and academic institutions), besides the council members elected with the institutional support of the Entity in the governance bodies of the companies in which it participates.

We thank each one of these representatives, who have contributed to the creation of the Code, making its content even more relevant and rich.

We wish this new edition of the Previ Code of Best Practices in Corporate Governance can contribute even more to the debate and the use of these best practices by all members of the Brazilian stock market.

**Renato Proença Lopes**

Director of Participations

# INTRODUCTION

Corporate Governance is constantly evolving, following the cyclic improvement of the capital market and the regulatory environment.

This second revision of the Previ Code of Best Practices in Corporate Governance and Sustainability aims at deepening the knowledge on topics that represent advances in the governance practices, in consonance with the constant recommendations in relevant legislation, in the Brazilian Code of Corporative Governance for Publicly-Held Companies<sup>1</sup> and in the Previ Guide of Best Practices of Corporate Governance for Council Members.

The Code will be used by Previ as a basis for its analysis on the maturity level of the practices used by the companies in which it invests, with the purpose of classifying them on a rating that will become one of the inputs for investment decisions.

The new version will be based on five great pillars: Transparency, Sustainability, Integrity, Shareholders' Rights and Governance Bodies.

Transparency is understood as the starting point for a good governance, because it is the guideline that must orient management process of the whole company. The quality and the comprehensiveness of the information disclosed are an indication of how the companies relate to the financial community and other stakeholders.

We continuously highlight the concept of Sustainability, which now gains an increment of the rules related to the Integrity and the consolidation of an ethical culture. These are two aspects that Previ deems indispensable for the solidity and continuity of the businesses in which it invests.

Currently, the struggle against corruption and the improvement of corporate governance practices are becoming more and more relevant as the society and the market appreciate companies which are committed to Integrity, through which they achieve competitive advantage and different criteria for obtaining investments, credits or funding.

All economic agents, according to their legitimate purposes, must

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<sup>1</sup> Inter-Agent Work Group; coordination of the Brazilian Institute of Corporate Governance. São Paulo, SP: IBGC, 2016

seek better social outcomes and smaller environmental impacts in their activities. The way businesses are conducted must consider an innovative performance, combining the economic-financial feasibility of investments with the principles of social-environmental accountability, resulting in business longevity.

Regarding the Governance Bodies, Previ understands the importance of the Supervisory Board, even in companies with an Audit Committee. Not only because it is a supervisory authority, but also because of its power of contribution to the appropriate work of the company from the standpoint of risk management and supervision of the entire internal control system.

It is worth highlighting that these bodies are not confused or overlapped, because they have different and complementary functions in the company's corporate governance system, especially because the Audit Committee is subordinated to the Administration Council, while the Supervisory Board has total independence regarding the other governance bodies in the company.

In turn, the Administration Council is the central body of the corporate governance system. It must guard the principles, values, corporate object and, especially, the policies and strategies of the company, promoting the constant follow-up of their execution.

Previ hopes that this Code, updated after an intensive debate with the main market agents and administration and supervisory council members of Brazilian companies, contributes to the development of the capital market and for the continuous improvement of the corporate governance practices.

## CHAPTER 1 – TRANSPARENCY

The Corporate Governance bodies must pay special attention to the principle of Transparency, motivating the comprehensive, strong, clear and accurate disclosure of financial and non-financial information, to allow its stakeholders to follow and understand the company's principles, economic fundamentals, the risks to which it is exposed and its performance.

Transparency must not be restricted to the economic-financial performance, it must also contemplate other factors that guide the work of managers, preserving and optimizing the company's value.

Thus, the company shall disclose, transparently for the whole market, regardless of having or not defined control, the following items:

- its Corporate Governance structure and its performance;
- its list of the controlled companies (companies that belong totally or partially to a main company or are controlled by a main company, for its financial assets to be completely accounted for in the consolidated balance of the group) and their participation in each one of them.

In this sense, besides the legal and statutory competences, the Administration Council is responsible for:

- the definition and disclosure of the annual calendar of activities;
- the assessment of the quality, comprehensiveness, symmetry and timeliness of the information and the guarantee that the internal controls are effective to ensure the reliability of the information and reports produced;
- the deliberation on the quarterly financial demonstrations and the Reference Form;
- the approval and follow-up of the implementation of the Relevant Fact Disclosure Policy, which defines the essence of what is relevant information, which equalizes for all investors and other stakeholders the disclosure of information required in the legislation of countries in which the real estate values are negotiated, in order to assure the wide disclosure to all audiences and guarantee equity and simultaneity of the disclosure of information to the market;
- the approval and follow-up of the implementation of the Communication Policy, which defines the rules regarding the relationship between the company and the press and the external audience, assigning the ones in charge of aligning the information to be disclosed, to avoid contradictions in declarations of the several areas of the company;

- the approval and follow-up on the implementation of the Transaction Policy with Stakeholders, with parameters of the conditions for the performance, competence and power for the analysis and approval of such operations, with the purpose of establishing their own procedural control;
- the comments on the report issued by the board, the financial demonstrations and the destination proposal for the outcomes of the financial year;

The Annual Administration Report shall be based on the principles and guidelines of the Global Reporting Initiative (GRI)<sup>2</sup> and other similar initiatives, such as the Integrated Report<sup>3</sup>, which tries to unite the integrated thought and the creation of continuous value, and it shall contain:

- the analysis of the factors that may have significantly influenced the outcome, such as the macroeconomic aspects, competition effects, exchange variation, investment policy, debt policy and other non-constant transactions in the financial statements, besides information on the non-recurring effects;
- the strategic architecture of the company for the next few years, highlighting the main issues that may affect its performance;
- the information on the Corporate Governance practices used;
- social businesses and the main administrative facts occurred during the financial year;
- the results of the systematic risk management, avoiding the most critical factors for the company and the improvement me-

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2 GRI is an independent institution with worldwide comprehensiveness and credibility, supported by the wide network of organizations that belong to the civil society. Its mission is to develop and disseminate the global application of the Sustainability Guidelines Report, designed for voluntary use by organizations, to report the economic, environmental and social dimension of its activities. Find more information at [www.globalreporting.org](http://www.globalreporting.org).

3 The Integrated Report is an Evolution of the corporate report with focus on the concision, strategic relevance and future orientation. Besides improving the quality of the information contained in the final report, it makes the reporting process more productive, resulting in tangible benefits. It conducts integrated thinking, allowing a better understanding of the factors that materially affect the capacity of an organization of creating value throughout time. This may lead to behavioral alterations and performance improvements of the whole organization. Find more information at <http://www.relatointegrado-brasil.com.br>.

asures used;

- sustainability and social-environmental accountability initiatives implemented by the company;
- performance indicators related to the social-environmental responsibility, including the comparison with indicators of its work sector, which allow a better assessment of the company's value generation capacity for the interested parties and for the whole society;
- social indicators, such as quantity and statistics of gender and race of the employees at the end of the financial year; segmentation of the workforce according to the geographic location; educational level of the employees; total investments in trainings and professional development of its employees; higher and lower remuneration;
- financial demonstrations, to show the relationships between the companies that belong to its corporate structure and the degree of dependence among them;
- the composition of the company's corporate structure, showing the relationships between the companies which are part of it and the interdependence degree among them;
- the investments made in controlled and affiliated companies and their intended goals;
- a descriptive analysis of the transactions involving the company and its shareholders, or companies and entities related to the control groups, showing potential conflict of interests, aiming at guaranteeing transparency and preventing the occurrence of undue benefits in the treatment of the shareholders involved.

Previ incentivizes corporate structures to be simple, with the purpose of displaying more clearly the existing relationships among the shareholders and the distribution of influence power. Thus, the information on the shareholding structure of the company and the rights of each class must be disclosed, including:

- the shareholding position of shareholders with minimum representative participation of 1% from each class and administrators, considering, however, the requirements of CVM on the disclosure of the shareholding participation in open companies;



- agreements among shareholders signed at the company, to have a perfect assessment of the political rights in the relationships among partners;
- the quantity of shares in circulation, which not linked to shareholders' agreements;
- any security or other company bonds that may be converted into shares;
- the shareholding structures above partners, in case there are holdings that do not allow the identification of the controlling shareholders.

Regarding the General Assemblies, besides what is provided for in legislation, they must make available to all shareholders the following items:

- an Assembly Manual that contains the official channel of the company to contact the shareholders who wish to have clarification of doubts related to the subjects on the Assembly agenda;
- a specific communication channel to answer questions of the shareholders on subjects and demands regarding their participation in General Assemblies, centralizing suggestions for future improvements.
- material that supports the position of shareholders in the Assembly, in order to provide specially detailed information on the legal, financial and regulatory implications of each one of the topics on the agenda, including the remuneration values practiced for the administrators of publicly-held companies, as well as their Remuneration Policy, aiming at clearly and objectively disclosing the metrics used to calculate the remunerations, with details of applied methodology;
- the procedures of the General Assembly, followed informational material which may be occasionally necessary, so that any shareholder (or group of shareholders) may include in the Assembly's agenda topics of social interest and suggest names for the Advisory Board and Administration Council;
- minute of General Assembly containing the names of shareholders who attended the Assembly face-to-face or online, their respective shareholding positions and the vote positions of each item on the agenda, including the existence of occasional

dissident votes, when required.

Regarding online voting, the company must incentivize the participation of shareholders, aiming at:

- simplifying and decreasing resources on the process of document submission;
- authorizing the submission of the necessary documentation for the mostly electronic shareholders' voting;
- softening the rules regarding the minimum shareholding quorum for the appointments of shareholders and the inclusion of subjects of social interest on the Online Voting Bulletin.

Under the umbrella of Best Practices of Corporate Governance and, in compliance with the principle of Transparency, the company must elaborate and disclose their Remuneration Policy for administrators (Directors and advisors), predicting:

- that the board remuneration is made up of short and long-term installments, to guarantee the alignment between the administrators and the company's objectives, as well as talent retention;
- extraordinary remunerations or remunerations which are not related to the results of the company are forbidden;
- values of the lowest, the highest and the annual average remuneration (both fixed and variable) of the last financial year must be disclosed;
- the data disclosed on the remunerations practiced must be useful, objective and as detailed as possible, including the remuneration by subsidiaries and controlled companies, their governance and controls;
- variable remuneration for executives based on shares, if any, shall be disclosed thoroughly to allow its perfect understanding;
- the executives are forbidden to use derivatives or other market mechanisms that may jeopardize the alignment objective between the executives and the long-term goals of the company.

## CHAPTER 2 - SUSTAINABILITY

The concept of sustainability focuses on the company's capacity to keep and develop its strategies, business and mission throughout time, searching for better social outcomes and smaller environmental impacts of its activities, to support the perspectives of longevity and business improvement.

Besides, the companies must promote innovation and invest on digital and technological transformations, to keep up with the news paths of the industry and not to lose competitiveness regarding the new business perspectives. Aiming at achieving this goal, it is desirable that the company:

- discloses the environmental and social risks to which it is exposed in its annual reports, in a measurable way, and the initiatives used to manage those risks;
- implements and practices a Sustainability Policy that clearly establishes the company's commitments with the sustainability agenda, serving as an indicator for other policies and its set of activities, including its relationship with suppliers and service providers;
- formally and clearly expresses the concept of sustainability in its mission and future vision;
- develops and implements training programs that stimulate the management's modernization, efficiency improvement, work satisfaction and innovation;
- elaborates an analysis and engagement schedule for issues related to Sustainability;
- invests on research and development, with the intention of fostering innovation and incentivizing the collaboration of its employees with ideas that may improve its processes, solve challenges, launch new products and/or services, and assist with the accomplishment of its strategic goals;
- uses practices that can offer economic, social and environmental returns which are compatible with the expectations of its different target audiences, basing its relationship on the RSA principles;
- uses and publishes indicators that allow quantifying and spe-

- cifying the effective practice of the sustainability dimensions contained in its strategies and operational processes;
- displays actions that search for efficiency and rationality in the use of natural resources in its end operations, including water, energy and other resources found in the ecosystem;
  - carries out measurable social-environmental accountability actions, allowing a better assessment of investment risks and their practices by the investors;
  - perform the follow-up on sustainability indicators, as frequent as the monitoring of financial indicators;
  - has an institutional contingency program for environmental and/or social issues, including a communication plan of these issues to its several relationship audiences;
  - combats practices of discrimination, harassment, corruption and extortion;
  - implements effective measures of mechanisms against corruption, complying with Federal Law 12.846/13 – Anticorruption Act;
  - uses and/or supports initiatives to inhibit the practice of forced work and/or slave work, according to the terms of Convention no. 29 of the International Labor Organization (ILO); and childhood labor, according to the terms of Convention no. 182 of the ILO;
  - uses measures to promote human rights, equality and respect to diversity;
  - uses natural resources sustainably and discharges waste responsibly;
  - fills out the necessary requirements for its inclusion in sustainability indexes of national and international Stock Exchanges;
  - promotes diversity in the workplace, in terms of origin, ethnicity, gender, sexual orientation, religion and traditions, guaranteeing equal conditions of remuneration and access to management and executive positions;
  - offers healthcare plans and complementary pension plans to its employees, implementing additional programs of financial

and pension education;

- adopts long-term goals as one of the pillars of the remuneration program for its executives, including the impacts – either positive or negative – of social-environmental issues;
- Establishes remuneration standards for the relationship between the remuneration of the CEO, the executives and the average employee, valuing collective work;
- keeps permanent communication channels with its several target audiences (including virtual platforms and social media), and develops mechanisms of permanent verification and assessment for these channels;
- promotes an inclusive workplace, which is welcoming and cooperative, prioritizing the improvement of the organizational climate, and periodically measurement and disclosure of the employees' satisfaction indicators;
- Uses mechanisms to verify the degrees of quality and satisfaction regarding the products and services offered.

## CHAPTER 3 – INTEGRITY

The struggle against corruption and the improvement of corporate governance practices are becoming more and more relevant. The society and the market have recognized a bigger value in companies committed to integrity, obtaining competitive advantage and different criteria to obtain investments, credit or funding.

To effectively manage integrity, the definition of standards, procedures and rules must consider the specificities and the risks for the organization, to establish controls for the mitigation of the risks identified.

The companies must promote the role of leaders in the construction of the ethical climate (tone from the top), preventing the administrators from using their position to avoid internal processes, especially the controls (management override).

Also, they must create and implement an Integrity Program that encompasses recommendations and rules related to: prevention of fraud and money laundering; struggle against terrorism, conducts that

may impact the company's image and reputation; information safety; among other topics that might be relevant for the activities and the conduct of employees, administrators and advisors. The Program must be approved by the company's Administration Council.

The deployment of an effective Integrity Program assumes that the company:

- knows the areas in charge of processes that are prone to fraud and occurrences of corruption practices, periodically assessing the level of exposure to these risks;
- uses procedures of risk mapping and analysis related to the corruption to which it is exposed, applying measures for the mitigation of such risks;
- uses permanent monitoring measures with the purpose of preventing, detecting and responding appropriately to an occasional indication of inappropriate conduct in the actions developed by the company, their business partners, service providers and third parties that work for and/or on its behalf;
- implements a consequence policy, where it formalizes the disciplinary measures and sanctions to be applied in case of noncompliance with the conduct standards established;
- observes, in the analysis of operations with business partners, some factors, such as: the parties involved, values, types of development, instruments used, or any other aspect that, due to the potential lack of economic or legal fundament, may indicate or be related to money laundering, funding of terrorism and/or corruption practices;
- establishes a comprehensive and effective communication on values, rules, policies and integrity procedures in its goals and orientations, which, especially, demonstrates the commitment of top management with the topic, in the sense of facilitating an effective application of an Integrity Program and reinforcing an ethical culture inside the organization;
- disseminates the Program internally, through its Executive Board and the area of compliance (or similar department), to demonstrate its commitment.

- provides knowledge about the Integrity Program to the compliance and business areas of its suppliers and service providers. We recommend that these activities are submitted to the area of compliance (or similar department) and the business areas involved (such as the procurement department);
- organizes a continuous training program and maintains discussion fora on the topic, so everyone in the organization, including members of the board and other administrators, understands the principles and practices contained in the Integrity Program and applies them in the company's daily activities;
- defines the area in charge of the development and the coordination of efforts for the implementation of the Program, ensuring the necessary autonomy and resources;
- has a formal independent structure that receives complaints, with anonymity ensured to the complainants and treatment flow approved by the Administration Council.

Searching for better subsidies for its decisions and aiming at guaranteeing the Integrity in the execution of all businesses in the company, the Administrative Board must:

- approve and implement an Integrity policy for the company through the definition of standards and rules that consider the organization's specificities, to establish controls to mitigate the risks identified and discuss compensation and/or reparation measures for the company in case it is used by its administrators and/or shareholders for illegal practices;
- approve the elaboration and disclosure of a Code of Conduct, reflecting the values, principles and behavioral standards implemented by the company and its employees in internal and external relationships, including the application of disciplinary measures in case of noncompliance with the standards, taking an upright stance in society;
- approve and implement Channels of Communication with the purpose of receiving internal and external complaints, including anonymously, with the guarantee of non-retaliation of any nature, ensuring total secrecy and confidentiality for the complainant and the proper analysis and occasional punishment;

- create internal discussion fora for subjects considered by the administration of difficult consensus or great relevance, to share responsibilities and guarantee that the decision-making process is, in these complex situations, as democratic as possible;
- follow the demands received through the company's Communication Channels, which shall be analyzed by the Internal Ombudsman and, depending on their criticality, especially if they are considered a complaint against the company's administrator, they shall be directly reported to the Administrative Board;
- follow the results of the activities performed by Integrity Program, validating and ensuring the implementation of the actions defined;
- monitor the effectiveness of the company's compliance structure and internal controls.

## CHAPTER 4 – SHAREHOLDERS' RIGHTS

The evolution of corporate governance goes through the protection of its companies and shareholders, especially the minority ones, aiming at approaching its strategic orientation to the aspirations of the capital owners.

The participation of the council members nominated by the non-controlling shareholders in governance bodies must be incentivized, regardless of a legal quorum for appointment and election.

The shareholders and the company, in case of any conflict, must seek solutions through cooperation and the use of facilitating mechanisms to solve divergences, always aiming at the best interest of the company.

The companies will be in charge of:

- trying to simplify their shareholding structure;
- clearly showing the existing relationships between the shareholders and influence power;
- guaranteeing that its Social Statute does not contain provisions that limit the voting rights of its shareholders;
- ensuring equal treatment to all shareholders regarding the



fulfillment of requests, the disclosure of information and separate voting (in Assemblies) on issues that affect the specific rights associated with a certain action class;

- ensuring that the election process of members for the Administrative Board and the Advisory Board has democratic access, to reflect the diversity of the shareholders' perspectives and the complementarity of experiences and competences for a diligent and effective management;
- creating conditions for the right to multiple voting, including the Online Voting Bulletin, and making available, beforehand, the necessary information for the use of this procedure by the shareholders;
- including in its Social Statute the permanent work of the Advisory Board, guaranteeing the right of shareholders to inspect the management of businesses through its independent advisory function, reinforced by the individual work of the advisors, provided by law.

Regarding the protection clauses of minority shareholders in case of acquisition of relevant participation and/or transfer of control, Previ suggests that:

- the company establishes that the buyer is obliged to make the public acquisition offer effective, having as a goal the shares of other minority shareholders, considering the highest price paid by the buyer in the last 12 months;
- the Extraordinary General Assembly is summoned to deliberate on its revalidation, modification or suppression, enabling the shareholders to reassess in regular intervals the Previously established parameters, in the light of the new market conditions displayed;
- the companies' Social Statutes must not contain punishing clauses for shareholders who vote in favor of the modification or suppression of clauses.
- the possibility to suspend the clauses of shareholding dispersion protection in concrete situations where the concentration of shareholding control may bring benefits to the shareholders or to the company, leaving the final decision to the General Assembly on the obligation or suspension of the Public Acquisition

Offer of shares issues by the company ("OPA").

- the protection clauses predict a minimum proportional trigger of 30% – in line with the international references – which are appropriate for the control structure and reflect a percentage that, in fact, allows the buyer to influence in a determining manner the company's direction.

## CHAPTER 5 – GOVERNANCE BODIES

The Administration, Advisory and Executive Boards are the major players in corporate governance. Their absolute responsibility is to create and foster the culture of best practices of corporate governance and it must be considered in the decision-making processes.

Likewise, the companies also have the responsibility of fostering best governance practices, through the provision of the best conditions for the work of members of the governance bodies, which must happen through:

- the creation of a Governance Portal with access restricted to the council members and executives in their current term;
- the hiring of a civil liability insurance in favor of its administrators, with the purpose of covering occasional costs derived from its defense, in the assumption that the regular management acts are questioned administratively or legally;
- guarantees that the election process of members for the boards will be democratic, to reflect the diversity of the shareholders' perspectives;
- statutory prediction that the chairman position of the Administrative Board must not be accumulated by any executive of the company (statutory directors and/or executive chairman). It is desirable that the executives do not take part in the boards;
- statutory prediction of permanent work of the Advisory Board, guaranteeing the shareholders' right to supervise business management.
- transparency on the activities of the boards, presence of the council members in the meetings of respective bodies and realignment between the profile of each advisor with their strategy;

- fostering of diversity, including gender equity, and the complementarity of competences, experiences and skills of the advisors in the composition of its Governance Bodies.

In this sense, it is desirable that the boards:

- implement internal rules containing their responsibilities, confidentiality clause, duties and periodicity of the meetings, establishing a type of online participation in meetings;
- use an annual work schedule, contemplating the strategic and relevant topics for sustainability and value generation for the company;
- regularly monitor the contract conditions and the occurrence of facts that must be communicated to the insurers, with the purpose of guaranteeing the efficacy of civil accountability insurances hired by the companies in their favor;
- use challenging, feasible and measurable goals, Previously defined and associated to the businesses characteristics of the companies aligned with the long-term management;
- use annual performance assessment models that consider the outcomes of the company, the business unit or the department, besides its individual contribution to the outcomes, always aiming at achieving business sustainability;
- carry out monthly meetings, without hampering the possibility of summoning or performing extraordinary meetings, which must incentivize and facilitate – even through virtual means – the presence of all council members at the meetings, to guarantee representativeness in decisions.

The advisors, besides the orientations published on the Previ Guide of Good Practices of Corporate Governance for Council Members, must:

- have time available to dedicate themselves to their functions with quality and commitment;
- have negotiation skills and knowledge on the company's businesses; and,
- have independence and impartiality, always seeking the best interest of the company.

Lastly, the companies' shareholders are in charge of analyzing and

monitoring the effective work of governmental bodies and the qualification and experience of their members.

## 5.1. ADMINISTRATIVE BOARD:

The Administrative Board has the relevant role of establishing and monitoring the execution of the corporate strategy, guaranteeing the alignment between the executive management and the shareholders, in favor of the company's interests.

Therefore, it shall:

- analyze and monitor the effective work of the company's governance bodies;
- approve and implement the Appointment Policy, that analytically describes the qualification degree and experience of the members of the governance bodies and, also, the criteria for the periodic renovation of management and administration positions;
- elect and/or dismiss the company's executives, implementing a succession plan for the director president, statutory directors and main managers;
- approve the structure of an Internal Audit connected to the Administrative Board, and monitor its implementation and work;
- monitor the company's management, to ensure the effectiveness of its compliance structure and internal controls;
- approve and implement the Policy of Transaction with the Related Parties, that describes such transactions as transparent and always performed in market conditions, through formal contracts, with special focus on transactions where there is potential conflict between its interest and the interest of shareholders;
- define the company's Risk Management Policy, with the expressive nomination of a chief risk officer and in consonance with the strategic orientation of the organization, which must guide the financial policy. At the discretion of the company, it may be formalized independently (when it comes to financial policy, it is important to pay special attention to the use of derivative and

similar instruments);

- approve the Transactions with Related Parties after a favorable analysis by the specific assistance committee;
- establish goals for the Executive Board, focused on value generation for shareholders and sustainability, to allow an analysis of the Board's work and the work of each one of its members;
- perform and debate the assessments of the Executive Board and, also, the work of each one of its members, in periods not longer than 1 year;
- perform the annual self-assessment of the board, considering the performance of the body and the individual performance of each one of its members, having as reference a set of annually approved objectives and goals;
- forming assisting committees and electing their members, bearing in mind the criteria for accumulation and renovation of positions, always aiming at the recycling these bodies;
- starting temporary, non-statutory commissions or work groups for specific demands;
- approving the organizational structure, ensuring the proper segregation of critical functions.

## 5.2. ASSISTING COMMITTEES

The Committees are assisting bodies of the Administrative Board, without deliberation power, that help the board and its members while deepening the analysis of the matters to be discussed.

Regarding their work:

- We recommend the participation of at least one administration council member, who shall work as a coordinator, to facilitate the integration between the Committee and the Administrative Board;
- it is beneficial to have participation of an external expert on the subject of the Committee;
- members of the Advisory Board cannot take part in commit-

tees;

- we must foresee a minimum agenda related to the Committee's subject.

The specificities of the company will determine the creation and assignments of each committee. However, the following competence topics of the Administrative Board must be further studied by statutory committees:

- Audit;
- People Management and Succession;
- Remuneration;
- Risk Management;
- Integrity and Compliance;
- Innovation and Sustainability; and,
- Transactions with Related Parties.

### 5.3. EXECUTIVE BOARD

The Executive Board, led by the Director President (CEO), has a key role in the work of the corporate governance system and the implementation of strategic plans defined and approved by the Administrative Board, besides administrating the companies' daily work and managing their businesses, aiming at adding value to shareholders and other interested parties.

The Executive Board represents the company and practices the regular management acts. To perform these activities without causing hampering their legal and statutory duties, they must:

- make sure the other bodies receive thorough, reliable, reasonable and timely information, always with the purpose of answering the company's legitimate interests;
- administrate the company in a way that always privileges conducts aligned with the best practices of corporate governance;
- define the performance indicators for the main processes in the company;
- work on the company's best interest and guarantee isonomic

treatment to all shareholders and other stakeholders, taking into consideration their rights, duties, interests and expectations.

We recommend a performance assessment process for the Executive Board, based on the goals defined by the Administrative Board, which must contemplate each one of their members individually, their peers, the Director President and the whole body.

#### **5.4. ADVISORY BOARD**

The Advisory Board has the main role of supervising the administration actions and the reliability of the balance sheets, having work independence granted by law.

Regarding its work:

- the duties of the Advisory Board granted by law may not be allocated to any other body in the company;
- the coexistence of the Advisory Board – as defined by the Brazilian legislation – and the Auditing Committee is beneficial, and both bodies must work with independence, complementarity and synergy, aiming at avoiding the overlapping of functions;
- annually or at the end of its term, the Advisory Board must perform a self-assessment, considering the collective performance and the individual performance of each one of its members.

#### **5.5. SHAREHOLDERS' ASSEMBLY**

The Assembly is the legitimate forum for shareholder communication regarding the key decisions of the companies. It is an annual accountability event, and the companies must incentivize the participation of all shareholders.

The Assembly must be chaired, preferentially, by the chairman of the Administrative Board or, in their absence, by another member of the same board. We recommend that the companies:

- incentivize the participations of directors and administration

council members in General Assemblies, making presentations and stimulating discussions;

- design a formal presentation of the annual results, conducted by the Director President and/or Financial Director, before the voting process of the financial statements;
- create mechanisms dedicated to allowing the inclusion of the proposals formulated by shareholders in the order of the day.

## 5.6. GOVERNANCE DEPARTMENT

The Governance Department collaborates with the creation and maintenance of the dynamics that enables compliance with the principles of transparency, equity and accountability, and promotes the appropriate information flow among the structures dedicated to the management and those dedicated to governance.


To perform these activities, the Secretariat must:

- implement work methods that guarantee that the decisions and assessments of the governance bodies are reliable, free from conflict of interests and well informed;
- guarantee the integrity and legal validity of all corporate documentation;
- observe that the support material for the decision-making process contains a history, technical analysis and a report of the area in charge; and,
- maintain secrecy and guarantee the confidentiality of all strategic affairs for which it is responsible.

We recommend that the professional in charge of the area has experience and/or qualification in strategy, process management, corporate legislation and risks.

In order to guarantee the necessary independence of the Department's work, it must be hierarchically linked to the company's Administrative Board or the Director President.





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