GT INTERAGENTES

BRAZILIAN CORPORATE GOVERNANCE CODE

LISTED COMPANIES

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The GT Interagentes (Interagents Working Group) is coordinated by the Instituto Brasileiro de Governança Corporativa (IBGC - Brazilian Institute of Corporate Governance) and comprised of 11 of the most important agencies related to the capital markets.

The purpose of the GT Interagentes is to propose discussions and actions to increase Brazil's competitiveness improving the regulated environment, promoting incentives to increase long-term financing sources, and attracting resources that can ensure appropriate conditions for economic expansion and development of the country.

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FOREWORD

On the afternoon of March 8, 2013, leaders of some of the most relevant institutions of the Brazilian capital markets met to discuss the creation of a positive corporate governance agenda. Even if there was no alignment regarding priority actions, the common understanding was that Brazil needed to promote progress in its governance rules. There was the impression that the leading position that Brazil had boasted up to the middle of the last decade had been lost, while other markets showed significant developments; and the worsening economic crisis demanded a response from the market agents for the benefit of investment attractiveness.

The Grupo de Trabalho Interagentes (Interagentes Working Group) is a product of this perception and consists of a coalition formed by representatives of eleven entities related to the capital markets. The *Brazilian Corporate Governance Code – Listed Companies* can be deemed as its most relevant contribution to the Brazilian markets so far.

The adoption of good corporate governance practices is critical for investment decision and, therefore, for attraction of capital. In this context, it is possible to a identify an important link between higher-quality protection of shareholders and the size of the capital markets of a given country, defined based on the number of companies that go public and the market value of listed companies. On the other hand, a weak corporate governance system, with low levels of shareholder protection, is associated with higher capital costs for companies and the market in general. Thus, to attract the resources necessary for the country's growth, it is vital for the development of the Brazilian capital market to be accompanied by the strengthening of corporate governance practices.

Observation of the international trend of regulating corporate governance practices through the approach known as "apply or explain" or "practice or explain" (and its variations, such as "comply or explain", "if not, why not") was what led the GT Interagentes to form a subgroup, in May 2014, with the mission of discussing the convergence of guidelines for adoption of a similar approach in Brazil.

This document is the result of extensive work conducted by such subgroup, under the coordination of Marta Viegas, a member of IBGC's board of directors. This effort took over two years and at least 1550 man-hours of work, taking into consideration only in-person meetings and conference calls held by the subgroup, not to mention the time expended on individual reviews, internal activities within each entity, search for alignment among the participants, and the actual process of writing and reviewing.

The original purpose of the subgroup was simpler: to propose a minimum set of corporate governance principles that the eleven entities would unanimously classify as vital for Brazil. However, when looking into the matter, the subgroup identified 56 markets that had adopted "national" corporate governance codes, which was the title given to the codes used as references in their respective jurisdictions. Of these, at least 45 indicated use of the "apply or explain" approach, complying with legal, regulatory, and stock exchange requirements, or other self-regulation standards.

These findings convinced the member entities of the GT Interagentes of the importance of conceiving a code specifically for Brazilian listed companies. After all, in times of global investments, it is necessary for Brazil to resume its leading position in the field of corporate governance and to give investors clarity about the rules that are followed by companies raising funds in the capital market. For this, it was necessary to review the current level of corporate governance practices in the country, considering that codes of other markets had already surpassed them and that Brazil, as a signatory of the Principles of Corporate Governance of the G20/OECD, aims to achieve, at least, the internationally recognized standard.

For the structure of the *Brazilian Corporate Governance Code – Listed Companies*, the "apply or explain" approach of the *ABRASCA Code for Self-Regulation and Good Practices of Listed Companies* was used, due to the experience and knowledge accumulated by the entity in the supervision and enforcement of its own code. As basis for the content, the GT Interagentes selected the IBGC's *Best Governance Practices Code*, since it has a recognized high requirement level and as it is updated – the latest revision of IBGC's Code was completed in November 2015. Thus, the final document reflects a constructive convergence between the two codes.

In addition to the references to IBCG's Code and ABRASCA's Code, in order to establish the desired level of governance in the GT Interagentes document, research was conducted in national codes of eighteen markets selected, among other criteria, based on relevance and capital market size and competitiveness with Brazil in investment attractiveness. Included in this review were Germany, South Africa, Argentina, Australia, Chile, Colombia, Spain, France, Hong Kong, Japan, Malaysia, Mexico, Peru, United Kingdom, Russia, Sweden, Singapore, and Thailand, as well as the G20/OECD Code.

INTRODUCTION

This Brazilian Corporate Governance Code (Code) was prepared by the Grupo de Trabalho Interagentes (GT Interagentes), coordinated by the Brazilian Corporate Governance Institute (*Instituto Brasileiro de Governança Corporativa* - IBGC) and comprised of 11 of the most important entities related to the capital market.

The purpose of the GT Interagentes is to propose discussions and actions to increase Brazil's competitiveness improving the regulated environment, promoting incentives to increase long-term financing sources, and attracting resources that can ensure appropriate conditions for economic expansion and development of the country.

Comply or Explain

In line with the world's main corporate governance codes, the Code's model uses the approach known as "comply or explain".

The "comply or explain" model is widely accepted and recognized internationally as the best suited to corporate governance practices codes. This system recognizes that the practice of corporate governance is a journey and should not be translated into a strict rule model applicable equally to all companies. On the contrary, it is principle-based and flexible, giving companies the freedom to explain any instances where a given practice is not adopted.

The purpose of the "comply or explain" model is to allow the market to decide whether the practices adopted by a certain company are appropriate in light of the Code's governance standards, of the company's development stage, and of the explanations provided.

The Code is divided into “Principles”, “Reasoning”, and “Recommended Practices”. The Principles establish conducts that translate the essence of the corporate governance values reflected in the Code. Reasoning grounds and explains the Principles. The Recommended Practices are the rules of conduct that derive from the Principles.

Companies should apply the Principles and Recommended Practices and report to the market the manner in which this was done. When a company decides not to apply any of the Principles and Recommended Practices it must explain what motivated such decision.

Descriptions and explanations should be written in plain language and in a clear, complete, objective and precise manner, so that shareholders, investors and other stakeholders can judiciously form their assessment regarding the company.

When describing or providing an explanation regarding a given Principle or Recommended Practice, companies should reflect on the following aspects, among others: (i) consistency between the practices actually adopted by the company and the Principal and Reasoning that give rise to the Code’s Recommended Practice; (ii) circumstances and reasons for the practices actually adopted by the company; (iii) any and all mitigating actions and safeguards adopted to address any risks arising from non-adherence to the Principle or Recommended Practice; (iv) the analyzes carried out by the board of directors to support the decision not to adopt; and (v) the company’s intention of, in the future, applying the Principle or Recommended Practice, with an explanation regarding the time expectation, if applicable.

Descriptions and explanations should be provided as instructed in specific rules published by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários* – CVM).

For clarification purposes, this Code provides “Guidelines”, which are exemplifying indications (non-exhaustive) of the expected content of explanations in the event of deviation from the provisions of the Code.

Finally, we should note the importance of the basic pillars of good corporate governance, which are behind the Principles, Reasoning, and Recommended Practices of this Code and for regulated companies.

The basic pillars form the foundation on which to develop good governance. They permeate, to a greater or lesser extent, all practices of the Code and proper adoption thereof results in an environment of trust both internally and in relationships with third parties. They are:

Transparency: Consists of the desire to provide to stakeholders any information that may be of interest and not only information imposed by legal or regulatory provisions. It should not be restricted to economic and financial performance and should contemplate other factors (including intangible factors) that guide managerial action and that lead to preservation and optimization of the company's value.

Fairness: It is characterized by fair and isonomic treatment of all shareholders and other stakeholders, taking into consideration their rights, duties, needs, interests, and expectations.

Accountability: The governance agents should account for their actions in a clear, concise, comprehensible, and timely manner, taking full responsibility for the consequences of their acts and omissions and acting with diligence and responsibility within their roles.

Corporate Responsibility: Governance agents should ensure the economic viability of the companies, reduce negative externalities of its business and operations and increase the positive factors, taking into account in its business model the various resources (financial, manufactured, intellectual, human, social, environmental, reputational, etc.) in the short, medium and long term.

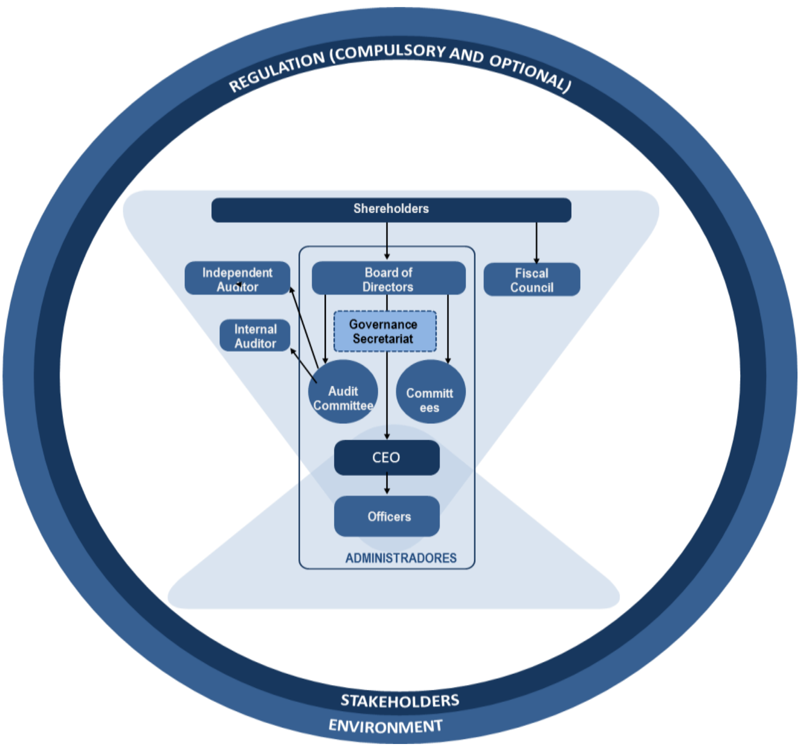
Code Structure

The content of this Code is distributed into five chapters: 1. Shareholders; 2. Board of Directors; 3. Executive management; 4. Supervisory and Control Bodies; and 5. Ethics and Conflict of Interests.

The first four chapters set forth reasoning and practices for bodies that are part of the governance system of the organizations (Figure 1), while the fifth addresses standards of conduct and behavior applicable to one or more agents.

This chapter also proposes policies and practices that seek, among other purposes, to prevent and manage conflicts of interest and misuse of assets and information related to the organization.

Figure 1. Context and structure of the corporate governance system



* The professional of the governance department is not a member of management, despite being included with the other bodies that comprise the management level

Corporate Documents

The Code recommends that companies adopt the following documents to formalize the Recommended Practices:

- Code of Conduct (see 5.1 and 5.1.2)
- Policy for Procurement of Extra-Audit Services (see 4.3.1)
- Profit Allocation Policy (see 1.7)
- Risk Management Policy (see 4.5.1)
- Policy for Appointment and Occupancy of Board of Directors Positions (see 2.2.2)
- Securities Trading Policy (see 5.4.1)
- Compensation Policy (see 3.4.1)
- Related-Party Transactions Policy (see 5.3)
- Contributions and Donations Policy (see 5.5.1)
- CEO Succession Plan (see 2.5.1)
- Charter of the Board of Directors (see 2.8.1)
- Charter of the Fiscal Council (see 4.2.1)
- Charter of the Executive Management (see 3.1.2)

All these documents should be approved by the board of directors (or fiscal council, specifically as regards its charter). In addition, with the exception of the CEO Succession Plan, the documents should be made available in the Empresas.NET system and companies' websites for market knowledge.

Although the corporate policies are listed individually, all or part of them may be set forth in a single document, such as an Integrated Corporate Governance Policy.

SHAREHOLDERS 1

1.1 SHAREHOLDING STRUCTURE

Principle

Each share shall grant the right to one vote.

Reasoning

Shareholding structures that adhere to the “one share, one vote” principle promote the alignment of the interests among all shareholders by making the political power, which is represented by the voting rights, proportional to the economic rights attributed to the shares.

Recommended Practice

1.1.1 The share capital should be comprised only of common shares.

Guidelines

In the event the “one share, one vote” principle is not adopted, or in the event more than one type or class of shares is issued, the executive officers should explain, in a transparent manner, the reasons that led the company to adopt other shareholding structures, including, for instance:

a) description of the current shareholding structure and political and economic rights of each type or class of shares;

b) the manner in which control is exercised; and

c) possible mechanisms that mitigate the asymmetry between political and economic rights.

1.2 SHAREHOLDERS' AGREEMENTS

Principle

Shareholders' agreements should not transfer to the signatory shareholders decisions with regard to matters for which the board of directors, executive management or fiscal council is responsible.

Reasoning

Transfer to shareholders of decisions in matters for which the board of directors, executive management or fiscal council is responsible, especially by means of preliminary meetings or similar mechanisms, where the signatories of the agreement issue voting instructions to such bodies, may reduce the role of such bodies as discussion and resolution forums.

Recommended Practice

1.2.1 Shareholders' agreements should not bind the exercise of voting rights of any members of management or supervisory and control bodies.

Guideline

In the event this principle or the recommended practice are not adopted, the executive management members should request and provide explanations to the signatory shareholders regarding the reasons that led them to transfer to themselves decisions on matters for which the board of directors, executive management or fiscal council is responsible, addressing, for instance, the specific characteristics of the company's control structure (such as shared, minority or management control) that could justify such practice and the existence of any mitigating mechanisms.

1.3 SHAREHOLDERS' MEETING

Principle

Management should seek to engage the shareholders, favor attendance at shareholders' meetings, and proper understanding of the matters to be discussed, as well as to facilitate the nomination and election of candidates to the board of directors and fiscal council.

Reasoning

The shareholders' meeting is an important moment of accountability and exercise of transparency by management, and a valuable opportunity for the shareholders to contribute to the company, presenting ideas and opinions.

Compliance with legal call and information formalities may not be sufficient for informed exercise of shareholders' voting rights. It is important for the company to be open so that there may be a better understanding of more complex matters.

The nomination of candidates and voting in the election of members of the board of directors and fiscal council is one of the most important political rights of the shareholders. Ensuring the effectiveness thereof means not only complying with the law, but also ensuring that candidatures are duly disclosed so that each shareholder may be informed when voting.

Recommended Practices

1.3.1 The executive management should use the shareholders' meeting to communicate how the company's business is being conducted, for which reason management should publish a handbook with the purpose of facilitating and stimulating participation at shareholders' meetings.

1.3.2 Minutes should enable full understanding of the discussions occurred during the meetings, even if they are recorded in summary form, and identify the votes cast by the shareholders.

Guidelines

As the main leader of the company's management, it is recommended that the chairman of the board of directors should chair the shareholders' meetings. In the event of any conflict of interest between the chairman and the company regarding the matters contained in the agenda, in which case, pursuant to applicable law, the chairman shall disqualify him/herself due to conflict, it is recommended that another non-conflicted member of the board of directors should chair the shareholders' meeting.

It is recommended that the chief executive officer (CEO) and the investor relations officer, as well as other members of the corporate bodies (board of directors, executive management, fiscal council, and audit committee, etc.) should be present at the ordinary shareholders' meeting to give a presentation on the conduct of the company's business and, if applicable, provide clarifications.

1.4 ANTI-TAKEOVER MECHANISMS

Principle

Anti-takeover mechanisms, if adopted by the company, should seek to prevent opportunistic acquisitions of significant portions of the company's share capital during unfavorable market times, preserving the liquidity or maximizing the value of the shares, for the benefit of all shareholders.

Reasoning

In companies with dispersed shareholder base, a relevant interest in the voting capital, in some cases even less than 30%, tends to be enough for the holder to exercise control. Suitably structured anti-takeover mechanisms, that follow the principle and the practices recommended below, are useful instruments to preserve liquidity, promote share dispersion, and ensure equitable treatment of all shareholders.

By preventing significant acquisitions during unfavorable market times, these measures tend to allow management to be able to act in the company's best interest and in the search for better terms for all shareholders.

Recommended Practices

1.4.1 The board of directors should conduct a critical analysis of the advantages and disadvantages of the anti-takeover mechanism and its characteristics, and especially of the triggers and price parameters, if applicable, providing the related explanations.

1.4.2 Provisions that prevent removal of the measure from the bylaws, the so-called "entrenched clauses", should not be used.

1.4.3 If the bylaws determine that a tender offer should be carried out, whenever a shareholder or group of shareholders directly or indirectly achieves significant participation in the voting capital, the rule for determination of the offer price should not impose addition of premiums substantially greater than the economic value or market value of the shares.

Guidelines

In relation to item 1.4.1, the company should point out the analysis carried out by the board of directors and, in the absence thereof, explain the reasons why such practice was not adopted.

As regards item 1.4.3, in the event the bylaws contains provisions for addition of premiums above the economic value or market value of the shares, the company should present its arguments and explain the reasons that led it to understand that such addition is not substantial.

1.5 CHANGE OF CONTROL

Principle

Regardless of the legal form and of the terms and conditions negotiated for the transaction that results in change of control, all shareholders of the company involved in the transaction should be treated fairly and equitably.

Reasoning

Transactions that result in change in shareholding control tend to be complex and can involve corporate restructuring, capital increases, transfer or acquisition of control within or outside the controlling group, and other scenarios, provided that mere compliance with applicable law does not necessarily ensure that all shareholders of the relevant company will be treated fairly and equitably in all possible scenarios.

Management has an important role in these transactions, as part of its fiduciary duties, even if the law or bylaws impose limits to management's ability to intervene in all transactions, many of which result from the shareholders' right to freely negotiate its shares.

Recommended Practice

1.5.1 The company's bylaws should provide that:

(i) transactions where there is direct or indirect transfer of control should be followed by a tender offer directed to all shareholders, for the same price and in the same conditions obtained by the selling shareholder;

(ii) management should issue an opinion on the terms and conditions of corporate reorganizations, capital increases, and other transactions that result in change of control, and state whether they ensure fair and equitable treatment to the company's shareholders.

1.6 MANAGEMENT OPINION IN TENDER OFFERS

Principle

The board of directors should advise the shareholders regarding the tender offers addressed to them.

Reasoning

The board of directors has a privileged view on the aspects that are relevant for decision making regarding acceptance of a tender offer by the shareholders. Thus, manifestation of the board of directors in any tender offer related to shares and securities convertible into or exchangeable for shares of the company is extremely useful and gives effect to the fulfillment of the fiduciary duty of the members of the board of directors to the company and all its shareholders.

Recommended Practice

1.6.1 The bylaws should provide that the board of directors should issue an opinion in relation to any tender offer related to shares and securities convertible into or exchangeable for shares of the company, which shall contain, among other relevant information, opinion of the board of directors on the acceptance of the tender offer and on the company's economic value.

Guideline

In the event the recommended practice is not adopted, the company should explain the reasons for the absence of a provision in the bylaws stating that the board of directors should express its opinion in relation to any tender offer.

1.7 PROFIT ALLOCATION POLICY

Principle

The company's profit allocation policy should respect the economic and financial conditions of the business – cash generation and investment needs – and be known by all stakeholders, shareholders, and investors.

Reasoning

The existence and disclosure of a profit allocation policy that respects the economic and financial characteristics of the business allows shareholders, investors, and other stakeholders to better assess the company, for the purpose of making investment decisions and other transactions with the company, contributing to the creation of value and reducing the company's cost of funding.

The company's capital structure, as well as its profit allocation policy should provide for distribution of the highest amount possible to shareholders without compromising the investments necessary for proper pursuit of the corporate purpose.

Recommended Practice

1.7.1 The company should prepare and disclose a profit allocation policy established by the board of directors. Among other aspects, such policy should provide the frequency of payments and the reference parameter to be used for definition of the related amount (percentage of the adjusted net profit and of the free cash flow, among others).

1.8 MIXED-CAPITAL COMPANIES

Principle

Guidance of the company's activities by the controlling shareholder, in order to serve the public interest that justified the creation of the mixed capital company, must be reconciled with the interests of other shareholders and investors in securities of the company.

Reasoning

The allowance contained in article 238 of Law 6404/76, for the controlling shareholder to guide the activities of the company to meet the public interest that justified the creation of the mixed-capital company, does not exempt the controlling shareholder and the company's management from their responsibilities and fiduciary duties, among which to not act in conflict of interest and avoid abuse of power of control.

Recommended Practices

1.8.1 The bylaws should clearly and precisely identify the public interest that justified the creation of the mixed-capital company, in a specific chapter.

1.8.2 The board of directors should monitor the company's activities and establish policies, mechanisms, and internal controls for verification of any costs of serving the public interest and any refunds to the company or other shareholders and investors by the controlling shareholders.

Guideline

In addition to clearly and precisely identifying the public interest that justified the creation of the mixed-capital company, in a specific chapter of the bylaws, the executive management should also clearly explain the manner and frequency in which the board of directors monitors the company's activities, describe the policies, mechanisms and internal controls for verification of any costs of serving the public interest and any refunds to the company or other shareholders and investors by the controlling shareholders, as well as report, on an annual basis, the historical evolution of reimbursed costs and values in each fiscal year.

2

BOARD OF DIRECTORS

2.1 ATTRIBUTIONS

Principle

The board of directors should exercise its attributions taking into consideration the long-term interests of the company, the impacts resulting from its activities on society and the environment, and the fiduciary duties of its members, acting as guardian of the company's principles, values, corporate purpose, and governance system.

Reasoning

The board of directors is the central body of the corporate governance system and is responsible for exercising the role of guardian of the company's principles, of the values, of the corporate purpose, and of the governance system, preventing and managing conflicts of interest, and seeking that each stakeholder receives benefits that are appropriate and proportionate to the relationship it has with the company and the risk to which it is exposed.

Recommended Practice

2.1.1 The board of directors, without prejudice to other legal or statutory attributions and to other practices foreseen in this Code, should:

(i) define business strategies, taking into consideration the impacts of the company's activities on society and the environment, seeking the company's continuity and long-term value creation;

(ii) periodically assess the company's risk exposure and effectiveness of the risk management systems, internal controls, and of the integrity/compliance system, and approve a risk management policy compatible with the business strategies (see chapter 4)

(iii) define the company's values and ethical principles and ensure the company's transparency maintaining the relationship with all stakeholders (see chapter 5);

(iv) annually review the corporate governance system and seek improvement thereof.

Guidelines

For compliance with the practice recommended in item 2.1.1, the company should describe, in detail, the performance of the board of directors for each of the above items.

In relation to subitem (i) of item 2.1.1, in the event the board of directors does not take into consideration, in defining the business strategy, the impacts of the company's activities on society and the environment, it shall justify such conduct.

Without prejudice to the explanation on the performance of the board of directors, the company should, in relation to the practices recommended in sub-items (ii) and (iii) of item 2.1.1, concisely describe whether or not they were adopted, when providing the explanation on each of the principles or recommended practices contained in chapters 4 and 5.

As regards the practice recommended in sub-item (iv) of item 2.1.1, the company should describe the procedures implemented and the bodies involved for revision and enhancement of the corporate governance system.

2.2 COMPOSITION OF THE BOARD OF DIRECTORS

Principle

The board of directors should have members with a diversified profile, an appropriate number of independent members, and a size that enables creation of committees, effective debate of ideas and making of technical decisions that are exempt and grounded.

Reasoning

Diversity of profiles in the board of directors enables the company to benefit from multiple arguments and a decision-making process with higher quality and safety.

The number of members of the board of directors depends on the industry of operation, size, complexity of the activities, stage of the company's existence cycle, and need for creation of committees, enabling effective debate of ideas.

An excessive number of members of the board of directors can, in addition to resulting in significant cost for the company, hinder timely and effective decision-making, in light of the fact that all members should express their opinion. On the other hand, a board of directors with very few members may hinder suitable review from various points of view and make it difficult to form advisory committees.

The existence of an appropriate number of independent members allows the board of directors to better prevent and manage conflicts of interest, so that such body can act in an unbiased and impartial manner, seeking creation and preservation of value for the company as a whole.

Recommended Practices

2.2.1 The bylaws should provide that:

(i) the board of directors should be composed of a majority of external members, where at least one third shall be independent members;

(ii) the board of directors should assess and disclose annually who the independent members are, as well as indicate and justify any circumstances that could compromise their independence. The following, among others, are considered circumstances that could compromise the independence of a member of the board of directors:

a) having acted as a member of management or employee of the company, a shareholder with relevant interest or of the controlling group, of the independent auditor that audits or has audited the company, or, also, of nonprofit entities that receive significant funds from the company or from its related parties;

b) having acted, whether as stockholder, member of the board of directors or executive officer, in one of the company's relevant business partners;

c) having close family ties or significant personal relationships with shareholders, members of the board of directors or executive management of the company; or

d) having completed an excessive number of terms as member of the company's board of directors.

2.2.2 The board of directors should approve an appointment policy establishing:

(i) the procedure for appointment of the members of the board of directors, including indication of participation in other corporate bodies of the company in such proceeding;

(ii) that the board of directors should be composed taking into consideration the time availability of its members for exercise of their duties and diversity of knowledge, experiences, conducts, cultural aspects, age, and gender.

Guidelines

When, in relation to application of the one third proportion set forth in item 2.2.1(i), such application results in a fraction, the relevant number shall be rounded to the next whole number: (i) immediately higher, when the fraction is equal to or greater than 0.5 (five tenths); or (ii) immediately lower, when the fraction is lower than 0.5 (five tenths).

In relation to the practice recommended in item 2.2.1(ii), the board of directors as a whole is responsible for assessing whether a given board member may or may not be considered independent. To support this assessment, this document sets forth an illustrative list of events that could compromise the independence of a board member

When assessing whether a given member of the board is independent, the company should not be restricted to the criteria established in this document. Thus, the board of directors may consider that a member is independent, despite such member being included in one of the scenarios set forth above, and, in such case, the company should justify such decision. Likewise, it is possible for a member to not be considered independent as a result of a scenario not foreseen above, and, in this case, the company should disclose the related reason.

The practice recommended in item 2.2.2 sets forth that the requirements and criteria for appointment of members of the board of directors should be formalized in a company policy.

In the event such requirements are not formalized in an appointment policy, the company should explain the reasons for not doing so.

It is also possible for the company to establish the criteria mentioned above in the bylaws or in another document, and, in this case, the company should explain the other means by which the recommended practice is implemented.

In relation to sub-items (i) and (ii), all must, as a rule, be set forth in the appointment policy, since they must be observed upon appointment of members of the board of directors. In this context, in the event the relevant policy does not set forth the content related to one of such sub-items, it should clarify why it has not done so.

Also in relation to item 2.2.2, the company should explain how the appointment policy is effectively implemented day-to-day, describing how the process for appointment of members of the board of directors occurs and indicating participation of other corporate bodies of the company, including the appointment or nomination committee.

2.3 CHAIRMAN OF THE BOARD

Principle

The chairmain of the board of directors should coordinate the board's activities seeking effectiveness and good performance of the board as a whole and of each of its members, serving as a link between the board of directors and the CEO.

Reasoning

The chairman of the board is responsible for seeking effectiveness and good performance of the board as a whole and of each of its members. The chairperson's coordination, ensuring that the board members receive complete and timely information for the exercise of their duties, combined with his/her relationship with the CEO and diversification in the board composition, continuous training and periodic evaluation is a tool that can contribute to an aggregating dynamic for the board of directors.

Considering the roles of chairperson of the board and CEO, a single person accumulating both positions could promote concentration of authority, hindering compliance with the board of directors' duty to monitor the performance of the executive management.

Recommended Practice

2.3.1 The CEO should not accumulate the position of chairman of the board of directors.

Guidelines

Coordination of the activities of the board of directors is the main attribution of the chairmain of the board, and compliance with the above-established principle, a priori, exempts the need for any explanation in addition to the information requested in the CVM rules, except in the event of deviation.

If the company does not adopt the practice recommended in item 2.3.1, it should clarify why it does not do so, describing any alternative practices that prevent the concentration of the powers of chairman of the board and CEO from hindering monitoring of the executive management's performance by the board of directors.

2.4 EVALUATION OF THE BOARD OF DIRECTORS AND BOARD MEMBERS

Principle

The board of directors should establish mechanisms for periodic performance evaluation that contribute to its effectiveness and improvement of the company's governance.

Reasoning

Evaluation of the board of directors and board members contributes to the effectiveness of the board of directors and improvement of the company's governance. By means of effective evaluation of the performance of the board and its members, it is possible to identify the board's strong points and points that need improvement, as a collegiate body, and of each member individually.

Recommended Practice

2.4.1 The company should implement an annual performance evaluation process for the board of directors and its committees, for the board members, considered individually, and of the governance department, if any.

Guidelines

In relation to the extent of the evaluation, if it occurs but does not encompass some of the parties listed in item 2.4.1, the company should clarify why it does not perform a specific evaluation process for such parties.

To enable verification of the adoption of the principle and recommended practice, the executive management should supplement the information required regarding evaluation of the board of directors, and justify, if applicable, the inexistence of evaluation processes, the existence of processes conducted at intervals of more than one year, or alternative practices adopted to comply with the principle.

The information should specify whether the process takes into consideration assiduity in the review and debate of matters discussed, active contribution in the decision-making process, and commitment to the exercise of the relevant roles, as well as the key points identified for improvement of the corporate body, and corrective actions implemented.

Finally, the company should clarify whether external experts participate in the evaluation process and the frequency thereof.

2.5 SUCCESSION PLANNING

Principle

The board of directors should ensure the continuity of the company's management, preventing the succession of its key leaders from affecting the company's performance and resulting in destruction of value.

Reasoning

The purpose of preparing a succession plan is to ensure that, in the event of replacement of the CEO, management has at its disposal professionals to be hired or promoted, whose experience and abilities contribute to performance and towards preserving the company's value.

Recommended Practice

2.5.1 The board of directors should approve and continuously update a succession plan for the CEO, preparation of which should be coordinated by the chairman of the board of directors.

Guidelines

To enable verification of the adoption of the principle and recommended practice, the executive management should disclose the required information regarding implementation of a succession plan and justify, if applicable, the reasons for the inexistence of a succession plan or why the chairman of the board of directors does not coordinate preparation of such plan.

2.6 INTEGRATION OF NEW BOARD MEMBERS

Principle

In order to adequately perform its duties, the member of the board of directors should understand the company's business.

Reasoning

Integration programs help board members become familiar more quickly with the culture, people, and business environment and model of the company, contributing to the effectiveness of discussions.

Recommended Practice

2.6.1 The company should have an integration program for new members of the board of directors, structured in advance, so that such members are introduced to the company's key people and facilities, and which addresses issues that are key for understanding the company's business.

Guidelines

Notwithstanding the fact that introduction of the members of the board of directors through introduction to the company's key people and presentation of the key issues can be common, the company should concern itself with structuring and formalizing this procedure. To enable verification of the adoption of the principle and recommended practice, the executive management should describe the integration program for new members of the board of directors. Thus, if the company does not previously structure such program, it should describe the relevant reason and clarify what alternative procedures, if any, are adopted internally.

2.7 COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS

Principle

Compensation of the members of the board of directors should be in line with the company's strategic goals, focusing on its continuity and creation of long-term value.

Reasoning

Adequate compensation of the members of the board of directors favors the alignment of goals. Compensation based on short term goals encourages conflicts of interest.

Given its central role in setting the strategic goals of the company, which will be implemented by the executive management, the compensation of its members must be distinguished from the compensation of the executive officers in relation to incentives, metrics and deadlines.

Recommended Practice

2.7.1 The compensation of the members of the board of directors should be proportional to the attributions, responsibilities and time demands. There should be no compensation based on meeting attendance and the variable compensation of the members of the board, if any, should not be tied to short-term results.

Guidelines

Notwithstanding the fact that the information regime related to compensation of the members of the board of directors is widely addressed by applicable law, to enable verification of adoption of the principle and recommended practice, the executive management should supplement the information required under the Reference Form, providing other relevant information that may be necessary. Any company that does not adopt the corporate governance practice described herein in all its respects should justify such omission.

In this context, in relation to the practice described in item 2.7.1, if the compensation of one of the members of the board of directors differs from the compensation of the other members for any reason not foreseen in this document, the company should disclose the relevant reason. In addition, if compensation of the members of the board of directors is based on participation in meetings or linked to short-term results, the company shall clarify the reasons for adopting such practice.

2.8 CHARTER OF THE BOARD OF DIRECTORS

Principle

The performance of the board of directors must be guided by a document containing rules that regulate its structure and form of operation.

Reasoning

Formalization of the operating processes of the internal corporate bodies affords a performance that is in line with the precepts defined by the bylaws, contributing towards strengthening of governance practices. Likewise, establishing internal procedures, by formalizing internal communication, avoids asymmetry of information and distancing of other members of management, especially of the chairperson of the board and of the CEO, from certain discussions.

In addition, formalization of the structure and the form of operation of the board of directors allow the company's other internal corporate bodies, shareholders, and other stakeholders to monitor the performance of the board of directors and, thus, identify any performance that does not comply with the rules set forth internally.

Recommended Practice

2.8.1 The board of directors should have a charter that sets forth its responsibilities, attributions, and rules of operation, including:

(i) the attributions of the chairman of the board of directors (see 2.3);

(ii) the rules for replacement of the chairman of the board of directors in the event of absence or vacancy;

(iii) the measures to be adopted in the event of conflicts of interest; and

(iv) definition of a suitable advance term for receipt of the material for discussion at meetings, in appropriate detail.

Guidelines

In the event the company does not adopt a charter for its board of directors, it should disclose why it does not do so, indicating, as applicable, if there is any other internal document that sets forth the procedures for operation of the board of directors. Likewise, the company should indicate and justify, if the charter does not do so, what measures should be taken in the event of scenarios involving conflicts of interest.

In relation to sub-items (i) to (iv) of item 2.8.1, if the charter does not foresee the minimum content described above, the company should justify why it does not do so.

2.9 MEETINGS OF THE BOARD OF DIRECTORS

Principle

The board of directors should adopt a set of actions that provides efficiency to its meetings, facilitates the performance of external members, and gives transparency to its performance.

Reasoning

The effectiveness of the meetings of the board of directors depends on a set of actions intended to favor effective participation of its members, elevate the level of the discussions and contribute to a more suitable and effective decision-making process, such as appropriate frequency for meetings and prior definition and disclosure of a calendar, agendas and materials for preparation of the meetings.

Performance of external members, especially that of independent members, is improved if there is the possibility of articulation between them, away from the influences of the company's internal board members, in exclusive meetings.

Disclosure of minutes recorded in a clear manner allows shareholders and other stakeholders to follow key management decisions and the positions of the elected members of management, providing elements for future decision-making related to reelection.

Recommended Practices

2.9.1 The board of directors should establish an annual calendar with the dates of the ordinary meetings, which should not be less than six and more than twelve, in addition to calling extraordinary meetings, whenever necessary.

2.9.2 The meetings of the board of directors should foresee regular exclusive sessions for external board members, without the presence of the executive management members and other guests, for alignment of the external board members and discussion of topics that could lead to any awkwardness.

2.9.3 The minutes of the meetings of the board of directors should be written in clear language, record the resolutions taken, the persons in attendance, the split votes, and any abstentions.

Guidelines

The company should provide justification in the event its board of directors does not have an annual calendar or an annual agenda of issues for its meetings. If the calendar exists but does not establish a number of meetings greater than six and lower than twelve, the company should indicate its reasons.

The proposed calendar should indicate the dates of discussion of the key matters; in the absence of such indication, the relevant justification shall be provided, clarifying whether this is a recurring practice or an exceptional event influenced by a specific context.

The company should disclose and provide justification in the event no exclusive meetings among the external board members are scheduled. Likewise, it should disclose and provide justification in the event such meetings, if scheduled, do not take place.

For purposes of compliance with the practices set forth in item 2.9.3, the executive management should disclose whether the charter of the board of directors provides for adoption of these practices. In the event of deviation, the executive management shall justify why the practices are not adopted.

EXECUTIVE MANAGEMENT

3

3.1 ATTRIBUTIONS

Principle

The executive management shall manage the company's business, subject to the risk limits and guidelines approved by the board of directors.

Reasoning

As the body responsible for managing the business, the executive management plays a central role in the functioning of the corporate governance system, to the extent that it is responsible for, among other things, implementing the strategy set by the board of directors, as well as the mechanisms, processes, programs, controls and systems that seek to ensure compliance with the risk limits and guidelines approved by the board of directors.

Recommended Practices

3.1.1 The executive management, without prejudice to its other attributions provided by law, the bylaws and other practices set forth in this Code, shall:

(i) implement the risk management policy and, when necessary, propose to the board of directors any necessary revision of such policy, as a result of changes in the risks to which the company is exposed (see 2.1.1(ii) and chapter 4); and

(ii) implement and maintain effective procedures and programs for monitoring and disclosure of the financial and operating performance and of the impacts of the company's activities on society and the environment (see chapter 5).

3.1.2 The executive management should have an exclusive charter that establishes its structure, operation and its roles and responsibilities.

Guidelines

If the risk limits and guidelines approved by the board of directors have not been observed or the strategies defined thereby have not been implemented, the company should provide the reasons why.

As regards the recommend practice set forth in item 3.1.2, if the executive management has no specific charter, or if the charter does not fully meet the recommended practice, the company should explain why such practice is not adopted or is only partially adopted.

3.2 APPOINTMENT OF EXECUTIVE MANAGEMENT MEMBERS

Principle

The process of appointing and filling positions in the executive management and managerial positions should seek to form a group aligned with the principals and ethical values of the company, taking into consideration diversity, including gender diversity, seeking occupation of such positions by people with complementary abilities and qualified to face the challenges of the company.

Reasoning

A suitable process for appointment of executive management members is key to success in managing the business and implementing the company's strategy.

Recommended Practice

3.2.1 There should be no reservation of executive positions or managerial positions for direct appointment by shareholders.

Guidelines

For purposes of the practice recommended in item 3.2.1, in the event of reservation of positions in the executive management and managerial positions for direct appointment by shareholders, pursuant to a shareholders' agreement, the company should request and provide the relevant explanations from the signatory shareholders regarding the reasons that led them to adopt a non-recommended practice, addressing, for example, the specific characteristics of the company's control structure (such as shared, minority or managerial control) that could justify such practice, as well as the existence of any mitigating mechanisms, such as existence of requirements to be met by the appointed parties.

In the event the reservation of executive management or managerial positions for direct appointment by shareholders results from applicable law or the bylaws, such as in the case of some mixed-capital companies, the company should also justify the alternative practice adopted, as well as any existing mitigating mechanisms.

3.3 EVALUATION OF THE CEO AND EXECUTIVE MANAGEMENT

Principle

The CEO and the executive management should be evaluated based on performance, financial and non-financial goals (including environmental, social and governance aspects), in line with the company's values and ethical principles.

Reasoning

A systematic and structured evaluation process of the CEO and executive management contributes to the achievement of strategic objectives and towards promoting better and more consistent performance by the company.

Regular evaluation of the CEO and other officers and leaders of the company enables recognition of talents and efforts, rewarding the persons responsible for the results obtained, and correction of any flaws and deficiencies identified.

Recommended Practices

3.3.1 The CEO should be evaluated, on an annual basis, in a formal process conducted by the board of directors, based on achievement of financial and non-financial performance goals established by the board of directors for the company.

3.3.2 The results of the evaluation of the other officers, including the CEO's propositions regarding the goals to be agreed and the permanence, promotion or dismissal of the executives in relation to their respective positions, should be submitted to, reviewed, discussed and approved by the board of directors.

Guidelines

To enable verification of the adoption of the principle and recommended practice, the executive management should supplement the information required in the Reference Form regarding evaluation processes, indicating the period in which the evaluation of the CEO and other officers was conducted, as well as the dates of the meetings of the board of directors in which the CEO was evaluated and the results of the evaluation of the other officers were submitted, reviewed, discussed and approved.

3.4 EXECUTIVE MANAGEMENT COMPENSATION

Principle

Compensation of the executive management members should be in line with the company's strategic goals, focusing on its continuity and long-term value creation.

Reasoning

The executive management's compensation is an effective tool to attract, motivate and retain executive officers. If structured fairly and consistently with the functions and risks inherent to each position, it provides alignment of their interests with the long-term interests of the company.

Recommended Practices

3.4.1 The executive management's compensation should be established by means of a compensation policy approved by the board of directors through a formal and transparent process that takes into consideration the costs and risks involved.

3.4.2 The executive management´s compensation should be tied to results, with medium and long-term goals clearly and objectively related to creation of long-term economic value for the company.

3.4.3 The incentive structure should be in line with the risk limits established by the board of directors and should prohibit a single person from controlling the decision making process and its respective inspection. Nobody should decide his or her own compensation.

Guideline

To enable verification of the adoption of the principle and recommended practice, the executive management should supplement the information required in the Reference Form regarding compensation policies and practices, providing other relevant information that may be necessary, including justification in the event of non-adoption of the principle or of a given practice.

SUPERVISORY AND CONTROL BODIES

4

4.1 AUDIT COMMITTEE

Principle

The company should have an independent and qualified audit committee, foreseen in the bylaws.

Reasoning

The audit committee is an important advisory body to the board of directors, to assist it in monitoring and controlling the quality of the financial statements, internal controls, risk management and compliance, seeking reliability and integrity of information and protection of the company and all its stakeholders. The requirement that the audit committee be created by the bylaws, confers to the members of this body the legal duties and responsibilities of directors and officers, which are consistent with the importance of their roles.

Recommended Practice

4.1.1. As regards the audit committee:

(i) its attributions shall include assisting the board of directors in monitoring and controlling the quality of the financial statements, internal controls, risk management and compliance;

(ii) it shall be formed mostly of independent members and be coordinated by an independent member of the board;

(iii) at least one of its independent members shall have proven experience in the accounting – corporate field[1], in internal controls, finance, and audit, cumulatively; and

(iv) it shall have a dedicated budget for procurement of advisors for accounting, legal or other matters, when the opinion of an external expert is necessary.

Guidelines

Compliance with the independence criteria should be analyzed in light of the definition of independence contained in Chapter 2.

The company should supplement the information required in the Reference Form with a description of how the audit committee operates, in order to demonstrate adoption of the recommended practice. In the event of inexistence of an audit committee established in the bylaws in accordance with the Principle and Recommended Practice above, the company should explain the reasons and the alternative practices that it adopts to monitor and control the quality of the financial statements, internal controls, risk management and compliance.

4.2 FISCAL COUNCIL

Principle

The fiscal council, when in operation, should be provided with the resources and management support required for its members to effectively perform their individual attributions of independent supervision.

Reasoning

The fiscal council is an independent body that supervises the directors and officers and reports to the shareholders, with the purpose of preserving the company's value. The members of the fiscal council have the authority to act individually in certain matters, despite the collegiate nature of the body. The fiscal council does not replace the audit committee. While the latter is

1. As set forth in CVM Rule 308.

an advisory body with attributions delegated by the board of directors, the former is a monitoring instrument elected by the shareholders and, by law, is not subordinated to the board of directors or to the executive management. To enable more effective work, the priorities of the fiscal council should be established by its members, taking into consideration the legal requirements, the expectations of the shareholders, and the company's interests.

Recommended Practices

4.2.1 The fiscal council should have a dedicated charter describing its structure, operation, work program, its roles and responsibilities, without creating obstacles to the individual performance of its members.

4.2.2 The minutes of the meetings of the fiscal council should comply with the same rules of disclosure of minutes applicable to the board of directors.

Guidelines

The company should supplement the information required under the Reference Form with a description of the fiscal council's operation during the relevant period, as well as with clarification of any deviations in relation to the Principle or Recommended Practices.

For purposes of compliance with the practice recommended in item 4.2.2, disclosure of the minutes of the fiscal council should include the opinions and votes of the members of the fiscal council, whether dissenting or not, the voting justifications, and any other documents prepared by the members of the fiscal council.

4.3 INDEPENDENT AUDIT

Principle

The independent auditors should report to the board of directors, which should ensure the independent performance of the independent auditors.

Reasoning

The main attribution of the independent auditor is, subject to applicable standards, to provide an opinion on whether the financial statements prepared by management are, in all material aspects, a fair representation of the company's equity and financial standing. Therefore, it is important for the independence of the independent auditors in relation to the company, management and shareholders not to be compromised.

Recommended Practices

4.3.1 The company should establish a policy for procurement of extra-audit services from its independent auditors, approved by the board of directors that prevents hiring of extra-audit services that could compromise the independence of the auditors. The company should not hire as independent auditor any party that has provided internal audit services to the company in the previous three years.

4.3.2 The independent audit team should report to the board of directors, through the audit committee, if applicable. The audit committee should monitor the effectiveness of the independent auditors' work, as well as their independence. It should also evaluate and discuss the independent auditors' annual work plan and submit it to review by the board of directors.

Guidelines

If there is no policy as described above, the company should explain the respective reasons.

4.4 INTERNAL AUDIT

Principle

The company should structure its internal audit in a manner compatible with the size, the complexity, and the risks of its business, and the board of directors should ensure the qualification and independence of the professionals that are part of the internal audit team in relation to the executive management.

Reasoning

The internal audit team is responsible for monitoring, assessing and making recommendations on the company's internal controls in accordance with the risk management policy and other applicable standards and the procedures established by the board of directors. Companies should have and internal audit role that could be structured directly by the company or outsourced.

Recommended Practices

4.4.1 The company should have an internal audit department tied directly to the board of directors.

4.4.2 In the event such activity is outsourced, the internal audit services should not be performed by the same company that audits the financial statements. The company should not hire as internal auditor anyone that has provided independent auditing services to the company in the previous three years.

Guidelines

The company should describe the operation of its internal audit department. Companies that do not have an internal audit department tied to the board of directors should justify why such practice was not adopted, while others should describe how its internal audit team is structured and how it suits the size and complexity of its activities.

4.5 RISK MANAGEMENT, INTERNAL CONTROLS, AND INTEGRITY/COMPLIANCE

Principle

The company should have a suitable risk management process and maintain internal control and integrity/compliance programs appropriate for the size, risk and complexity of its activities.

Reasoning

Businesses are subject to risks, such as operating, credit, liquidity, financial, regulatory, strategic, technologic, systemic, social and environmental risks, as well as to deviations of conduct and unlawful acts. The risks to which the company is subject should be managed in order to support decision making by management.

Risk management depends on the existence of structures, processes, mechanisms, and internal controls to acknowledge, assess and control such risks, in order to keep them at levels compatible with the established limits.

Adoption of a program and a process for monitoring of integrity/compliance of all of the company's activities tends to mitigate the risk of noncompliance with laws, regulations, internal and external standards, as well as the risk of unlawful acts.

Recommended Practices

4.5.1 The company should adopt a risk management policy, approved by the board of directors, that includes definition of the risks from which it seeks protection, instruments used for such purpose, organizational structure for risk management, assessment of the suitability of the operating structure and internal controls in verifying the effectiveness thereof, as well definition of guidelines for establishment of the acceptable limits for exposure of the company to such risks.

4.5.2 The board of directors is responsible for ensuring that the executive management has mechanisms and internal controls to acknowledge, assess and control the risks, in order to keep them at levels compatible with the established limits, including an integrity/compliance program that seeks compliance with laws, regulations, internal and external standards.

4.5.3 The executive management should assess, at least once per year, the effectiveness of the risk management policies and systems, as well as of the integrity/compliance program, and report such assessment to the board of directors.

Guidelines

The company should supplement the information on risk management policy and internal controls required under the Reference Form with information regarding adoption or not of the Principles and Recommended Practices described above.

If the company does not have a risk management policy approved by the Board of Directors and/or has a policy whose content does not encompass a given recommended practice, it shall provide the reasons for not adopting such practice.

The information on existence of a compliance program and adoption or not of the Recommended Practices shall be provided under the Reference Form, supplementing the information on risk management policy and internal controls.

5

ETHICS AND CONFLICT OF INTEREST

5.1 CODE OF CONDUCT AND REPORTING CHANNEL

Principle

The company should have a code of conduct that promotes is values and ethical principles and reflects the organizational identity and culture, and a reporting channel to receive criticism, questions, complaints and reports.

Reasoning

The main purpose of the code of conduct is to promote ethical values and principles and reflect the organizational identity and culture, based on liability, respect, ethics, and social and environmental considerations.

The reporting channel, foreseen in the company's code of conduct, is a relevant instrument to receive criticism, questions, complaints and reports, contributing to combating fraud and corruption and for effectiveness and transparency in the company's communication and relationship with stakeholders.

Verification of infringements of ethical and conduct standards must be carried out by a committee that is independent and autonomous in relation to the company's management bodies.

Management is responsible for providing the example as relates to compliance with the code of conduct. The board of directors is the guardian of the company's principles and values. One of its responsibilities is to disseminate and monitor, with support from the executive management and conduct committee, incorporation of the standards of conduct at all levels of the company.

Recommended Practices

5.1.1 The company should have a conduct committee, with independence and autonomy and tied directly to the board of directors, in charge of implementing, disseminating, training, revision, and updating of the conduct of conduct and reporting channel, as well as conducting investigations and proposing corrective measures related to breaches of the code of conduct.

5.1.2 The code of conduct, prepared by the executive management with the conduct committee's support and approved by the board of directors, should:

(i) discipline the company's internal and external relationships, expressing the expected commitment of the company, its directors, officers, shareholders, collaborators, suppliers and stakeholders to adopting suitable standards of conduct;

(ii) manage conflicts of interest and provide for abstention of any member of the board of directors, audit committee and/or conduct committee, if applicable, that, as the case may be, is conflicted.

(iii) clearly define the scope and range of the actions that seek to ascertain the occurrence of events understood as having been carried out with use of privileged information (e.g.: use of privileged information for business purposes of to obtain advantages in trading of securities;

(iv) establish that the ethical principles should underlie any negotiation of agreements, contracts, proposals for amendment of the bylaws, as well as the policies that guide the company as a whole, and establish a maximum value of third party goods and services that the company's management and collaborators can accept free of cost or in a privileged manner.

5.1.3 The reporting channel should be independent, autonomous and impartial, operating under guidelines defined by the executive management and approved by the board of directors. It should be operated independently and impartially and should ensure the anonymity of its users, as well as timely promote the necessary investigations and measures. This service can be outsourced to a third party with known ability.

Guidelines

The company should make the code of conduct available and describe the composition and operation of the conduct committee and reporting channel, or justify why it does not adopt one or more of the Recommended Practices in items 5.1.1 to 5.1.3.

In the event the company does not adopt a structured reporting channel, it shall describe whether it adopts other means to receive criticism, questions, complaints and reports.

5.2 CONFLICT OF INTERESTS

Principle

The company should establish mechanisms to handle situations where there is conflict of interests in the company's management or shareholders' meetings.

Reasoning

Conflicts of interest occur when a member of management, shareholder or other governance agent is not independent in relation to the matter being discussed and can influence or make decisions motivated by private interests or interests different from those of the company, even if such interests converge with the company's interests.

In addition to the legal impediment regarding any vote cast with conflicting interests, or that benefits a member of management or shareholder in the private sphere, such situation represents an economic risk to other shareholders and to the image of the company as a whole.

Recommended Practices

5.2.1 The company's corporate governance rules should ensure separation and clear definition of the duties, roles, and responsibilities related to the mandate of all governance agents. The decision-making limits for each instance should also be established, with the purpose of minimizing possible conflicts of interest.

5.2.2 The company's corporate governance rules should be made public and determine that the person that is not independent in relation to the matter under discussion or deliberation in the company's management or supervisory bodies should state, in a timely manner, its conflict of interest or private interest. If such person fails to do so, the rules should provide that another person state the existence of conflict, if it has knowledge thereof, and that immediately upon verification of the conflict of interest in relation to a specific matter, the person involved should withdraw, including physically, from any discussions and resolutions. The rules should provide that this temporary withdrawal must be recorded in the relevant minutes.

5.2.3 The company should have mechanisms for management of conflicts of interest in matters submitted to approval of the shareholders' meeting, to receive and process allegations of conflict of interest, and to invalidate votes cast in conflict, even if subsequently to the relevant meeting.

Guidelines

In relation to the Recommended Practice contained in item 5.2.3, justification regarding the adoption or non-adoption thereof should be made on an individual basis, describing the existing mechanisms and form of processing.

5.3 RELATED-PARTY TRANSACTIONS

Principle

The company should have governance policies and practices that seek to ensure that any transactions with related parties always be performed in the best interest of the company, with full independence and absolute transparency.

Reasoning

Transactions with related parties involve potential conflict of interest between the company and the other parties, for which reason the board of directors has the duty of establishing practices and policies for such transaction and of monitoring such transactions, with support and supervision of the executive management and other supervision and control bodies.

Recommended Practices

5.3.1 The bylaws should define which related-party transactions should be approved by the board of directors, with the exclusion of any members with potentially conflicting interests.

5.3.2 The board of directors should approve and implement a related-party transactions policy that includes, among other rules:

(i) provision that prior to approval of specific transactions or guidelines for procurement of transactions, the board of directors should request to the executive management market alternatives to the relevant transaction with related parties, adjusted pursuant to the risk factors involved;

(ii) provision that there shall be no forms of compensation to advisors, consultants or intermediaries that give rise to conflicts of interest with the company, management, the shareholders or any class of shareholders;

(iii) provision that loans in favor of the controlling shareholder or members of management shall be prohibited;

(iv) the forms of transactions with related parties that should be supported by independent appraisal reports, prepared without participation of any of the parties involved in the relevant transaction, whether banks, attorneys, specialized consulting companies, among others, based on realistic assumptions and information endorsed by third parties;

(v) provision that corporate reorganization involving related parties should ensure equal treatment of all shareholders.

Guidelines

If the company adopts a related-party transactions policy, it shall describe how it is implemented and how compliance therewith is verified and enforced.

5.4 SECURITIES TRADING POLICY

Principle

Trading of shares or other securities of the company by shareholders, directors, officers, members of the fiscal council, and of other statutory bodies, or any persons with access to information must be based on principles of transparency, fairness and ethics.

Reasoning

The existence of a policy provides guidelines and procedures that should be observed by the company or persons related thereto, for trading of securities of the company or securities referenced thereto.

Recommended Practice

5.4.1 The company should adopt, upon resolution of the board of directors, a securities trading policy that, without prejudice to compliance with rules to be established by CVM regulation, establishes controls that enable monitoring of negotiations performed, as well as verification and punishment of the persons responsible in the event of breach of the policy.

Guidelines

To enable verification of the adoption of the principle and recommended practice, the company should describe the controls implemented to monitor negotiations performed and the form of verification of any breaches.

5.5 POLICY ON CONTRIBUTIONS AND DONATIONS

Principles

Management should ensure that the directors, officers and other collaborators clearly and objectively understand the principles and rules for contribution and donations of amounts or goods to philanthropic, cultural, social or environmental projects and political activities.

Reasoning

Promotion and financing of philanthropic, cultural, social or environmental projects or projects arising out of political activities are allowed if they are explicitly/directly related to the company's business or if they contribute, in an easily identifiable manner, to its value.

Recommended Practices:

5.5.1 In an effort to ensure greater transparency regarding use of company funds, a policy on its voluntary contributions should be prepared, including those related to political activities, to be approved by the board of directors and implemented by the executive management, containing clear and objective principles and rules.

5.5.2 The policy should provide that the board of directors is the corporate body responsible for approving all disbursements related to political activities.

5.5.3 The policy on voluntary contributions of state-owned enterprises, or of companies that have relevant and reiterated business relationships with the State, should prohibit contributions or donations to political parties or persons related thereto, even if they are permitted by law.

GT INTERAGENTES

Member Entities

Observing entities