

B3 Workshop

*Políticas de
Indicação,
Remuneração e
Transação com Partes
Relacionadas*

17 de maio de 2018

Políticas de Indicação

Políticas de Indicação

Discussão

- FRC Nomination Committee Code (UK)
- UK Corporate Governance Code
- Example (UK): Nomination criteria/ considerations
- Select views on board composition (US & UK)

FRC – Nomination Committee Code - Code supporting principles

Recommends

- ‘the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.’
- ‘that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board.’
- Clarifying the role and responsibilities of the nomination committee, and raising its profile, are key factors in promoting the importance of succession planning.
- A properly functioning nomination committee with clearly defined roles for the Chairman, Senior Independent Director and the Chief Executive Officer should be evident from disclosure and reality.

FRC – Nomination Committee Code - Code supporting principles

Recommends

- ‘the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.’
- ‘that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board.’
- Clarifying the role and responsibilities of the nomination committee, and raising its profile, are key factors in promoting the importance of succession planning.
- A properly functioning nomination committee with clearly defined roles for the Chairman, Senior Independent Director and the Chief Executive Officer should be evident from disclosure and reality.

UK Corporate Governance Code

B.2: Appointments to the Board Main Principle

There should be ***a formal, rigorous and transparent procedure*** for the appointment of new directors to the board.

Supporting Principles

The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.

The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board.

UK Corporate Governance Code

B.2: Appointments to the Board Main Principle

There should be ***a formal, rigorous and transparent procedure*** for the appointment of new directors to the board.

Supporting Principles

The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.

The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board.

UK Corporate Governance Code

B.2.1: Appointments to the Board Main Principle

Code Provisions

B.2.1. - There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

B.2.2. - The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

UK Corporate Governance Code

B.2.1: Appointments to the Board Main Principle

Code Provisions

B.2.1. - There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

B.2.2. - The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

UK Corporate Governance Code

B.2.1: Appointments to the Board Main Principle

Code Provisions

B.2.3. - Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.

B.2.4. - A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.

UK Corporate Governance Code




B.2.1: Appointments to the Board Main Principle

Code Provisions





B.2.3. - Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.

B.2.4. - A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.

Example (UK): Nomination criteria/ considerations

	Director considerations	Investor considerations
Director attributes 	<ul style="list-style-type: none"> ✓ How do we evaluate nominating a director with deep expertise in one specific area (e.g. IT) versus using external advisors? ✓ Are we sufficiently considering the company's evolving strategy when thinking about the skills we need on the board? ✓ Are we comfortable with our disclosures related to director skills, expertise, and other attributes? 	<ul style="list-style-type: none"> ✓ What types of director expertise and back grounds are required for effective board oversight? ✓ Are we satisfied with the rationale the company provides about the value each individual director brings?
Diversity 	<ul style="list-style-type: none"> ✓ How important do we believe diversity is as a director attribute? ✓ Impediments to having a more diverse board, and if so, how are we addressing them? ✓ Are we using new channels to identify diverse director nominees? ✓ Are we providing sufficient disclosure around board diversity? 	<ul style="list-style-type: none"> ✓ To what extent does board diversity influence our investing decisions? ✓ Is there alignment between our investment and voting decisions as they relate to the diversity of our investee company boards? ✓ Are we supportive of shareholder proposals requesting greater board diversity? ✓ What is our perspective on potential regulatory quotas for board diversity?
Board tenure and age 	<ul style="list-style-type: none"> ✓ What mechanisms do we have in place to drive board succession planning (term limits, mandatory retirement, etc.)? ✓ How does the tenure and age of our directors impact board succession planning? ✓ Do we understand the governance policies of our investors and proxy advisory firms around board tenure and age? 	<ul style="list-style-type: none"> ✓ How do board tenure and age impact our proxy voting decisions in director elections? ✓ To what extent do we feel that mandatory retirement ages and term limits are appropriate governance mechanisms? ✓ Do we believe a director's tenure or age affects their independence or oversight ability?

Example (UK): Nomination criteria/ considerations

Shareholder activism 	<ul style="list-style-type: none"> ✓ Have we examined how board composition could be a potential vulnerability in an activist campaign? 	<ul style="list-style-type: none"> ✓ Have we considered supporting an activist investor who has identified board composition as an issue at one of our investee companies?
Director recruitment 	<ul style="list-style-type: none"> ✓ Have we considered alternative avenues for finding new director candidates such as looking below the C-suite or outside of the corporate world? (retired military, academia, non-profit, investor recommendations, etc.) ✓ Have we considered adopting a proxy access bylaw to allow investors to have more input into board composition? 	<ul style="list-style-type: none"> ✓ Have we recommended potential director candidates and/or new ways of identifying directors? ✓ Have we encouraged our investee companies to seek a broader, more diverse group of directors? ✓ Do we support shareholder proposals for proxy access?
Board succession planning 	<ul style="list-style-type: none"> ✓ Does our director succession plan take into account diversity, new approaches to director recruitment and changes in corporate strategy? ✓ Do we map planned director retirements to needed skills and attributes of board members on an ongoing basis? 	<ul style="list-style-type: none"> ✓ Are we confident that the company has a robust board succession plan?
Board assessments 	<ul style="list-style-type: none"> ✓ Are we taking concrete actions as a result of our board self-evaluations? ✓ Do we have the right board leadership in place to handle any difficult conversations that might result from the self-assessment process? 	<ul style="list-style-type: none"> ✓ To what extent does the board use its self-evaluations to inform its director nomination decisions? ✓ Does the company's proxy provide sufficient disclosure around how the board approaches its self-evaluations?

Select views on board composition (US)

What are investors saying about board composition and refreshment?

	Select views on board composition
BlackRock	<p>Encourages boards to routinely refresh their membership to ensure the relevance of the skills, experience, and attributes of each director to the work of the board. Regular reviews of board performance should be carried out and assessments made of gaps in skills or experience amongst the members.</p> <p>May vote against one or more directors if the company lacks board diversity, evidence exists of “board entrenchment,” and/or the company fails to “promote adequate board succession planning over time in line with the company’s stated strategic direction.”</p>
California Public Employees’ Retirement System (CalPERS)	<p>Believes there should be routine discussions around director refreshment to ensure boards maintain the necessary mix of skills and experience to meet strategic objectives.</p> <p>Recommends that the board facilitate a process that ensures a thorough understanding of the diverse characteristics necessary to effectively oversee management’s execution of a long-term business strategy.</p> <p>Regarding director nominations, encourages the board to consider competence, independence, continuing director tenure, and board diversity.</p> <p>Recommends that the board proactively lead and be accountable for the development, implementation, and continual review of a director succession plan.</p>
State Street Global Advisors	<p>Expects the chairman of the nominating and governance committee to periodically review the skills and expertise on the board in the context of the company’s long-term strategy and to plan for an orderly director retirement/succession process.</p> <p>Will encourage boards to consider diversity when it will strengthen the board’s ability to lead and oversee the company.</p> <p>Will screen companies on three criteria: average board tenure, preponderance of very long-tenured non-executive directors, and classified board structures. If the company’s or director’s average is longer than the average market tenure, or if there are other governance deficiencies, they could vote against certain board members.</p>

Select views on board composition (UK)

What are investors saying about board composition and refreshment?

Stakeholder	Influence/position
Institutional Shareholder Services (ISS)	<ul style="list-style-type: none">- Reviews remuneration policies using rigid scoring criteria- Bases voting policy on PLSA's principles in the UK and Ireland as well as IA and GC100 guidance- Key area of influence is UK pension funds and overseas investors, particularly in the US
The Investment Association (IA) Previously the Association of British Insurers (ABI)	<ul style="list-style-type: none">- Publish Principles of Remuneration- In favour of simplicity, shareholding requirements, holding periods, clawback/malus, and comprehensive disclosure- Indicates views through colour-topping shareholder circulars
Pension and Lifetime Savings Association (PLSA) Previously the National Association of Pension Funds (NAPF)	<ul style="list-style-type: none">- Publishes Corporate Governance and Voting Policy, including 5 Principles of Remuneration- Does not argue for a specific remuneration structure, instead offering general principles which it feels companies should work towards- Influences UK pension funds, also influences via impact on ISS guidelines
Pensions Investment Research Consultants (PIRC)	<ul style="list-style-type: none">- Independent research and advisory consultancy- Influences Local Authority pension funds- Publishes voting guidelines for shareholders- Views LTIs as complex and unnecessary, focus on current levels of executive pay as "excessive"
Other shareholders	Various other shareholders publish their own voting policies including: <ul style="list-style-type: none">- Aviva, Bailie Gifford, Fidelity, Legal & General, Scottish Widows

Políticas de Remuneração

Políticas de Remuneração

Discussão

- Estudo PwC/ FGV: Remuneração executiva e geração de valor 4ª edição, 2018
- Example (UK): Directors' Remuneration Policy
- Investor/ activist positions (UK)

Políticas de Remuneração

Modelos de governança corporativa precisam aprimorar o tratamento da remuneração executiva

O uso de comitês de remuneração e sua composição são exemplos de aspectos a serem melhorados nos modelos de governança.

Definição das Políticas e Critérios dos Comitês de Remuneração é o primeiro passo.

Remuneração executiva e geração de valor 4ª edição, 2018

Práticas e Resultados das Empresas do Índice IGC

(Índice de Governança Corporativa) da B3

*João Lins – Prof. EAESP | Depto ADM; Oscar Malvessi – Prof.
EAESP | Depto CFC; Roberto Martins – Diretor | PwC Brasil*

Principais conclusões

2.5.1 Modelos de governança corporativa precisam aprimorar o tratamento da remuneração executiva

57%

das empresas que geram valor possuem comitê de remuneração

50%

contra 50% das empresas que não geram valor

- O uso de comitês de remuneração e sua composição são exemplos de aspectos a serem melhorados nos modelos de governança.
- A criação do comitê de remuneração vinculado ao conselho de administração é um dos mecanismos mais efetivos para possibilitar as melhores práticas de Governança Corporativa, para tratar a remuneração executiva.

Principais conclusões

2.5.2 Modelos de governança corporativa e a composição dos Comitês de Remuneração

Composição dos comitês de remuneração

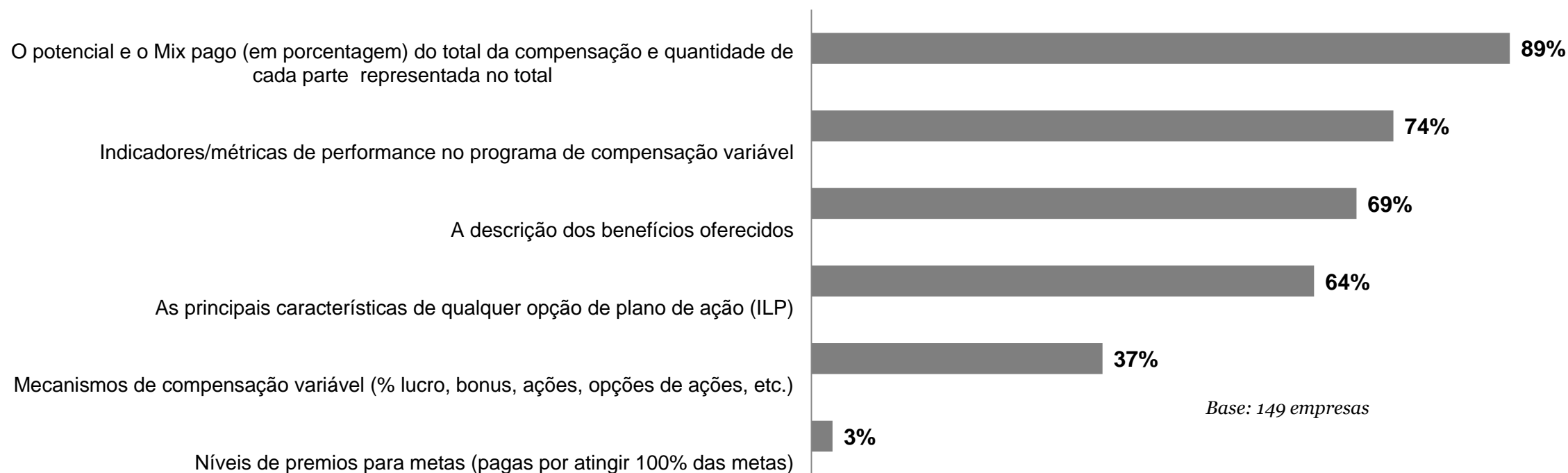
	Empresas que geram valor (%)	Empresas que não geram valor (%)
Conselho de Administração	25%	13%
Conselho de Administração e Conselheiros Independentes	21%	17%
Somente Conselheiros Independentes	7%	2%
Conselho de Administração e Diretoria	4%	6%
O comitê existe, porém sua composição não é específica	4%	7%
Diretoria	0%	2%
Conselheiros Independentes e Diretoria	0%	2%

Base: 149 empresas

Principais conclusões

2.5.3 A transparência é um aspecto importante para garantir a aplicação de boas práticas de governança corporativa na gestão da remuneração dos executivos

Itens divulgados nos formulários de referência - frequência de informações fornecidas pelas empresas



Principais conclusões

2.5.4 A preocupação com a “Remuneração Justa” e os critérios distributivos tem se tornado uma preocupação global

Fatores que impulsionam esta tendência:

Crise de Confiança nas Empresas:

Existe uma crescente **falta de confiança** em corporações, governos e ONGs.

Ambiente político e distribuição de renda nos países:

A remuneração de executivos é **economicamente justificada** porém **politicamente inaceitável**.

Comprometimento da força de trabalho e resultados empresariais:

Existe um crescente reconhecimento que o **bom tratamento de funcionários** resulta em melhor desempenho a longo prazo.

Desafio da atração e retenção de talentos no Século XXI:

A Geração Y é atraída por marcas que eles **admiram como consumidores**.

Importância dos valores e da cultura:

86% da geração Y **consideraria deixar um empregador** cujos valores não atendessem mais suas expectativas.

Example (UK): Directors' Remuneration Policy (1 of 2)

Area of regulations	Key requirements
Policy Table	<ul style="list-style-type: none">• A description of each of the elements comprised in the remuneration package for directors• Description of how it operates and the framework to assess performance• Notes to the policy table to include an explanation for the reasons for choosing the performance conditions, how targets set and differences between directors and employees• If any incentive is not subject to performance, an explanation• Any changes to the policy since the last approved policy and why• A separate table for NEDs setting out fees and other remuneration
Approach to recruitment remuneration	<ul style="list-style-type: none">• Remuneration for incoming executive directors• Maximum level of variable remuneration• Buy-outs of awards forfeited from previous employment
Service contracts	<ul style="list-style-type: none">• Provisions in the directors' service contracts and letters of appointment• Disclosure of all provisions implying an obligation of the company on loss of office in directors' service contracts and not disclosed anywhere else in the report.• Where service contracts (and letters of appointment) not available for inspection at Company's registered office, must state where they are kept/available on website

Example (UK): Directors' Remuneration Policy (2 of 2)

Area of regulations	Key requirements
Illustrations of application of remuneration policy	<ul style="list-style-type: none">• Bar charts showing the total amount of remuneration and the proportion of pay made up by fixed, annual variable and multi-year variable pay for three scenarios: minimum; in line with company expectations; and maximum;• Assumptions used
Policy on payment for loss of office	<ul style="list-style-type: none">• Set out principles of policy including:<ul style="list-style-type: none">• An indication of how loss of office payments will be calculated;• Whether circumstances of loss of office and director's performance are relevant to any exercise of discretion
Statement of consideration of employment conditions elsewhere in the company	<ul style="list-style-type: none">• Include a statement of how pay and employment conditions of employees within the company were taken into account when setting remuneration and metrics;• Whether, and if so, how the company consulted employees when drawing up this policy.
Statement of consideration of shareholder views	<ul style="list-style-type: none">• Whether, and if so, how any views of shareholders were taken into account in the formation of the policy.

Directors' Remuneration Policy –Investor/ activist positions (UK)

<i>Proposals / Comments</i>	<i>Details</i>
Investment Association (“IA”) Principles of Remuneration	<ul style="list-style-type: none"> The IA’s proxy voting service (“IVIS”) proposes to "amber top" any company's policy that does not provide for a five year overall period for vesting of long-term incentives (3 year performance period + 2 year holding period)
Investment Association	<ul style="list-style-type: none"> IVIS will “red top” any company that does not provide full disclosure of all performance targets for annual bonus or does not make a commitment to disclose within two years.
Hermes Investment Management	<ul style="list-style-type: none"> Hermes is proposing disclosure of an overall cap on remuneration
Legal & General Investment Management (“LGIM”)	<ul style="list-style-type: none"> Remuneration Committees should disclose all exercises of discretion in the past five years; KPIs should be based on reported figures (ie not adjusted) Bonuses should be no more than 2 x salary
LGIM, Hermes, Investment Association	<ul style="list-style-type: none"> LGIM, Hermes and the IA support disclosure of a CEO x Median employee pay ratio; IA proposes disclosure of a CEO x Median Executive Committee member pay ratio.
Blackrock Executive Remuneration Guidelines	<ul style="list-style-type: none"> Pension benefits for executive directors should be aligned with those for the workforce and adjustments should be made in new executive directors’ packages At least 60% of any incentive should be based on quantitative financial metrics Executive Directors should not be sheltered from currency fluctuations
IA Executive Remuneration Working Group (“ERWG”)	<ul style="list-style-type: none"> Recommends that maximum remuneration (i.e. scenario disclosure required in Policy) should be explained and justified in terms of external and internal comparators If restricted stock plan implemented to replace conventional LTIP, there should be a reduction in quantum of approximate 50% of face value of LTIP

Políticas de Transação com Partes Relacionadas

Políticas de Transação com Partes Relacionadas

Discussão

- Definition
- Company's vs Auditor's approach
- Example (SEC): Related Party Transaction Approval Policy

Preparing a related-party policy begins with identifying them.

Does the Board have adequate oversight over the most consequential transactions and relationships involving the listed company?

- Conselho Federal de Contabilidade (CFC NBC TSP 20) ‘Divulgação sobre Partes Relacionadas’
- Comitê de Pronunciamentos Contábeis (CPC 5) “Divulgação sobre Partes Relacionadas”
- International Financial Reporting Standards (IAS 24) **require companies to report material transactions with related parties**
- US Public Company Accounting Oversight Board (PCAOB) rules (AS 18) **require auditors to determine whether related party transactions have been properly identified.**

Scope of AS-18 covers relationships and transactions with related parties, plus:

- Significant transactions that are outside the normal course of business, or that otherwise appear to be unusual due to their timing, size, or nature, and
- Financial relationships and transactions with executive officers.

Preparing a related-party policy begins with identifying them.

Does the Board have adequate oversight over the most consequential transactions and relationships involving the listed company?

- Conselho Federal de Contabilidade (CFC NBC TSP 20) ‘Divulgação sobre Partes Relacionadas’
- Comitê de Pronunciamentos Contábeis (CPC 5) “Divulgação sobre Partes Relacionadas”
- International Financial Reporting Standards (IAS 24) **require companies to report material transactions with related parties**
- US Public Company Accounting Oversight Board (PCAOB) rules (AS 18) **require auditors to determine whether related party transactions have been properly identified.**

Scope of AS-18 covers relationships and transactions with related parties, plus:

- Significant transactions that are outside the normal course of business, or that otherwise appear to be unusual due to their timing, size, or nature, and
- Financial relationships and transactions with executive officers.

Essentially an *accounting* definition

The definition in AS-18 under US GAAP includes, in summary:

- Affiliates of the entity;
- Equity accounting investments;
- Trusts for the benefit of employees;
- Principal owners of the entity and members of their immediate families;
- Management of the entity and members of their immediate families;
- Other parties with influence

The Company's approach

All relationships and transactions with related parties and executive officers, as well as significant unusual transactions.

- Do we thoroughly understand and utilize the relevant US GAAP definition of related party?
- Do we have adequate controls to identify, account for, and disclosure relationships and transactions with related parties and executive officers, as well as significant-unusual transactions?
- Do we incorporate the risks of related parties and unusual transactions, including fraud considerations, into our risk assessment?
- Have all relationships and transactions with related parties and executive officers, as well as significant unusual transactions been identified and adequately disclosed?

The Company's approach

All relationships and transactions with related parties and executive officers, as well as significant unusual transactions.

- Do we thoroughly understand and utilize the relevant US GAAP definition of related party?
- Do we have adequate controls to identify, account for, and disclosure relationships and transactions with related parties and executive officers, as well as significant-unusual transactions?
- Do we incorporate the risks of related parties and unusual transactions, including fraud considerations, into our risk assessment?
- Have all relationships and transactions with related parties and executive officers, as well as significant unusual transactions been identified and adequately disclosed?

The Auditor's approach

The Auditor's objective is to obtain sufficient appropriate audit evidence to conclude if all significant relationships and transactions with related parties and executive officers, as well as unusual transactions, have been properly identified, accounted for, and disclosed in the audited financial statements.

- What constitutes sufficient appropriate audit evidence as required by the standards?
- Have all significant relationships and transactions with related parties and executive officers, as well as unusual transactions, been identified and adequately disclosed?
- Did we conduct adequate audit procedures and are they sufficiently documented?

The Auditor's approach

The Auditor's objective is to obtain sufficient appropriate audit evidence to conclude if all significant relationships and transactions with related parties and executive officers, as well as unusual transactions, have been properly identified, accounted for, and disclosed in the audited financial statements.

- What constitutes sufficient appropriate audit evidence as required by the standards?
- Have all significant relationships and transactions with related parties and executive officers, as well as unusual transactions, been identified and adequately disclosed?
- Did we conduct adequate audit procedures and are they sufficiently documented?

Example (SEC): Related Party Transaction Approval Policy

1. Policy

Under the Company's Code of Business Conduct and Ethics, all directors and executive officers of the Company have a duty to report to the Corporate Secretary, the Corporate Governance and Business Ethics Committee and/or the Enterprise Business Ethics Officer any activity that would create, or appear to create, a potential or actual conflict of interest with respect to their ability to make decisions and/or act regarding Prudential's business.

Accordingly, it shall be the policy of the Board of Directors that all Related Party Transactions (as that term is defined in this Policy) shall be subject to approval or ratification in accordance with the procedures set forth below. Nothing in this Policy shall be deemed to supersede the requirements of the Company's Code of Business Conduct and Ethics. To the extent applicable, each Related Party subject to this Policy shall also comply with the Company's Code of Business Conduct and Ethics.

Example (SEC): Related Party Transaction Approval Policy

1. Policy

Under the Company's Code of Business Conduct and Ethics, all directors and executive officers of the Company have a duty to report to the Corporate Secretary, the Corporate Governance and Business Ethics Committee and/or the Enterprise Business Ethics Officer any activity that would create, or appear to create, a potential or actual conflict of interest with respect to their ability to make decisions and/or act regarding Prudential's business.

Accordingly, it shall be the policy of the Board of Directors that all Related Party Transactions (as that term is defined in this Policy) shall be subject to approval or ratification in accordance with the procedures set forth below. Nothing in this Policy shall be deemed to supersede the requirements of the Company's Code of Business Conduct and Ethics. To the extent applicable, each Related Party subject to this Policy shall also comply with the Company's Code of Business Conduct and Ethics.

Example (SEC): Related Party Transaction Approval Policy

2. Definitions

A “Related Party Transaction” is any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness), or any series of similar transactions, arrangements or relationships, in which (a) the aggregate amount involved will or may be expected to exceed \$120,000 in any fiscal year, (b) the Company or a subsidiary is a participant, **and** (c) any Related Person has or will have a direct or indirect material interest (other than solely as a result of being a director or trustee or any similar position or a less than 10 percent beneficial owner of another entity).

A “*Related Party*” is any director or executive officer of the Company, any nominee for director, any shareholder owning an excess of 5% of the total equity of the Company and any “Immediate Family Member” of any such person.

An “*Immediate Family Member*” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a person, and any person (other than a tenant or an employee) sharing the household of such person.

Example (SEC): Related Party Transaction Approval Policy

2. Definitions

A “Related Party Transaction” is any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness), or any series of similar transactions, arrangements or relationships, in which (a) the aggregate amount involved will or may be expected to exceed \$120,000 in any fiscal year, (b) the Company or a subsidiary is a participant, **and** (c) any Related Person has or will have a direct or indirect material interest (other than solely as a result of being a director or trustee or any similar position or a less than 10 percent beneficial owner of another entity).

A “*Related Party*” is any director or executive officer of the Company, any nominee for director, any shareholder owning an excess of 5% of the total equity of the Company and any “Immediate Family Member” of any such person.

An “*Immediate Family Member*” means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a person, and any person (other than a tenant or an employee) sharing the household of such person.

Example (SEC): Related Party Transaction Approval Policy

3. Procedures

It is the responsibility of the Corporate Governance and Business Ethics Committee to administer this Policy. Company management will be responsible for determining whether a transaction meets the requirements of a Related Party Transaction requiring review under this Policy, including whether the Related Party has a material interest, based on their review of all facts and circumstances. Upon determination by management that a transaction is a Related Party

Transaction requiring review under this Policy, the material facts regarding the transaction and the Related Party's interest in such transaction shall be disclosed to the Corporate Governance and Ethics Committee.

All Related Party Transactions subject to this Policy must be approved or ratified by the Corporate Governance and Business Ethics Committee. In approving or ratifying any Related Party Transaction, the Committee shall consider all of the relevant facts and circumstances, and approve or ratify those Related Party Transactions that are, in the Committee's judgment, appropriate or desirable under the circumstances.

If the Related Party Transaction involves a Related Party who is a Director or an Immediate Family Member of a Director, such Director may not participate in the deliberations or vote respecting such approval or ratification, provided, however, that such Director may be counted in determining the presence of a quorum at a meeting of the Corporate Governance and Business Ethics Committee which considers such transaction.

Example (SEC): Related Party Transaction Approval Policy

3. Procedures

It is the responsibility of the Corporate Governance and Business Ethics Committee to administer this Policy. Company management will be responsible for determining whether a transaction meets the requirements of a Related Party Transaction requiring review under this Policy, including whether the Related Party has a material interest, based on their review of all facts and circumstances. Upon determination by management that a transaction is a Related Party

Transaction requiring review under this Policy, the material facts regarding the transaction and the Related Party's interest in such transaction shall be disclosed to the Corporate Governance and Ethics Committee.

All Related Party Transactions subject to this Policy must be approved or ratified by the Corporate Governance and Business Ethics Committee. In approving or ratifying any Related Party Transaction, the Committee shall consider all of the relevant facts and circumstances, and approve or ratify those Related Party Transactions that are, in the Committee's judgment, appropriate or desirable under the circumstances.

If the Related Party Transaction involves a Related Party who is a Director or an Immediate Family Member of a Director, such Director may not participate in the deliberations or vote respecting such approval or ratification, provided, however, that such Director may be counted in determining the presence of a quorum at a meeting of the Corporate Governance and Business Ethics Committee which considers such transaction.

Example (SEC): Related Party Transaction Approval Policy

4. Authority to Pre-approve and Ratify

In the event Company management determines it is impractical or undesirable to wait until a meeting of the Corporate Governance and Business Ethics Committee to consummate a Related Party Transaction, the Chair of the Corporate Governance and Business Ethics Committee may review and approve the Related Party Transaction in accordance with the criteria set forth herein. Any such approval must be reported to the Corporate Governance and Business Ethics Committee at the next regularly scheduled Committee meeting.

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the matter shall be reviewed by the Corporate Governance and Business Ethics Committee. The Corporate Governance and Business Ethics Committee shall consider all of the relevant facts and circumstances respecting such transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Corporate Governance and Business Ethics Committee deems appropriate under the circumstances.

Example (SEC): Related Party Transaction Approval Policy

4. Authority to Pre-approve and Ratify

In the event Company management determines it is impractical or undesirable to wait until a meeting of the Corporate Governance and Business Ethics Committee to consummate a Related Party Transaction, the Chair of the Corporate Governance and Business Ethics Committee may review and approve the Related Party Transaction in accordance with the criteria set forth herein. Any such approval must be reported to the Corporate Governance and Business Ethics Committee at the next regularly scheduled Committee meeting.

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the matter shall be reviewed by the Corporate Governance and Business Ethics Committee. The Corporate Governance and Business Ethics Committee shall consider all of the relevant facts and circumstances respecting such transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Corporate Governance and Business Ethics Committee deems appropriate under the circumstances.

Example (SEC): Related Party Transaction Approval Policy

5. Standing Pre-Approval for Certain Transactions

The Corporate Governance and Business Ethics Committee has reviewed the types of Related Party Transactions described below and determined that each of the following Related Party Transactions does not create or involve a direct or indirect material interest on the part of the Related Party and therefore does not require review or approval under this Policy, even if the aggregate amount involved will exceed \$120,000. Company management may submit any such transactions to the Corporate Governance and Business Ethics Committee where management deems appropriate.

a. Employment or compensation of executive officers. Any employment, promotion of compensation with respect to an executive officer, so long as the Compensation Committee has approved (or recommended that the Board approve) such employment, promotion or compensation;

Example (SEC): Related Party Transaction Approval Policy

5. Standing Pre-Approval for Certain Transactions

The Corporate Governance and Business Ethics Committee has reviewed the types of Related Party Transactions described below and determined that each of the following Related Party Transactions does not create or involve a direct or indirect material interest on the part of the Related Party and therefore does not require review or approval under this Policy, even if the aggregate amount involved will exceed \$120,000. Company management may submit any such transactions to the Corporate Governance and Business Ethics Committee where management deems appropriate.

a. Employment or compensation of executive officers. Any employment, promotion of compensation with respect to an executive officer, so long as the Compensation Committee has approved (or recommended that the Board approve) such employment, promotion or compensation;

Example (SEC): Related Party Transaction Approval Policy

- b. **Director compensation.** Any compensation paid to a director for services as a director;
- c. **Certain transactions with other companies.** Any transaction in the ordinary course of business with another company, with which a Related Party's only relationship is as an employee, if the aggregate amount involved does not exceed the greater of \$1,000,000 or 2 percent of that company's total annual revenues;
- d. **Certain Company charitable contributions.** Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university, at which a Related Party's only relationship is as an employee, if the aggregate amount involved does not exceed the lesser of \$1,000,000 or 2 percent of the charitable organization's total annual receipts;
- e. **Transactions where all shareholders receive proportional benefits.** Any transaction here the Related Party's interest arises solely from the ownership of the Company's securities and all holders of the Company's securities receive the same benefit on a pro rata basis (e.g., dividends and interest payments);
- f. **Transactions involving competitive bids.** Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids.

Example (SEC): Related Party Transaction Approval Policy

g. Ordinary course transactions.

- Any sales of financial services or products to a Related Party in the ordinary course of business on terms and conditions generally available in the market place (or at ordinary employee discounts, if applicable) and in accordance with applicable law.
- All business relationships between the Company and a 5% shareholder or a business affiliated with a director, director nominee or Immediate Family Member of a director or director nominee made in the ordinary course of business on terms and conditions generally available in the market place and in accordance with applicable law.

Obrigado!



Neste documento, “PwC” refere-se à PricewaterhouseCoopers Brasil Ltda., firma membro do network da PricewaterhouseCoopers, ou conforme o contexto sugerir, ao próprio network. Cada firma membro da rede PwC constitui uma pessoa jurídica separada e independente. Para mais detalhes acerca do network PwC, acesse: www.pwc.com/structure

© 2018 PricewaterhouseCoopers Brasil Ltda. Todos os direitos reservados.

