

Corporate governance

The #nocaminhocerto (#ontherightpath) campaign commemorated the evolution of the Ethical Compliance Program, which ensured even greater management transparency

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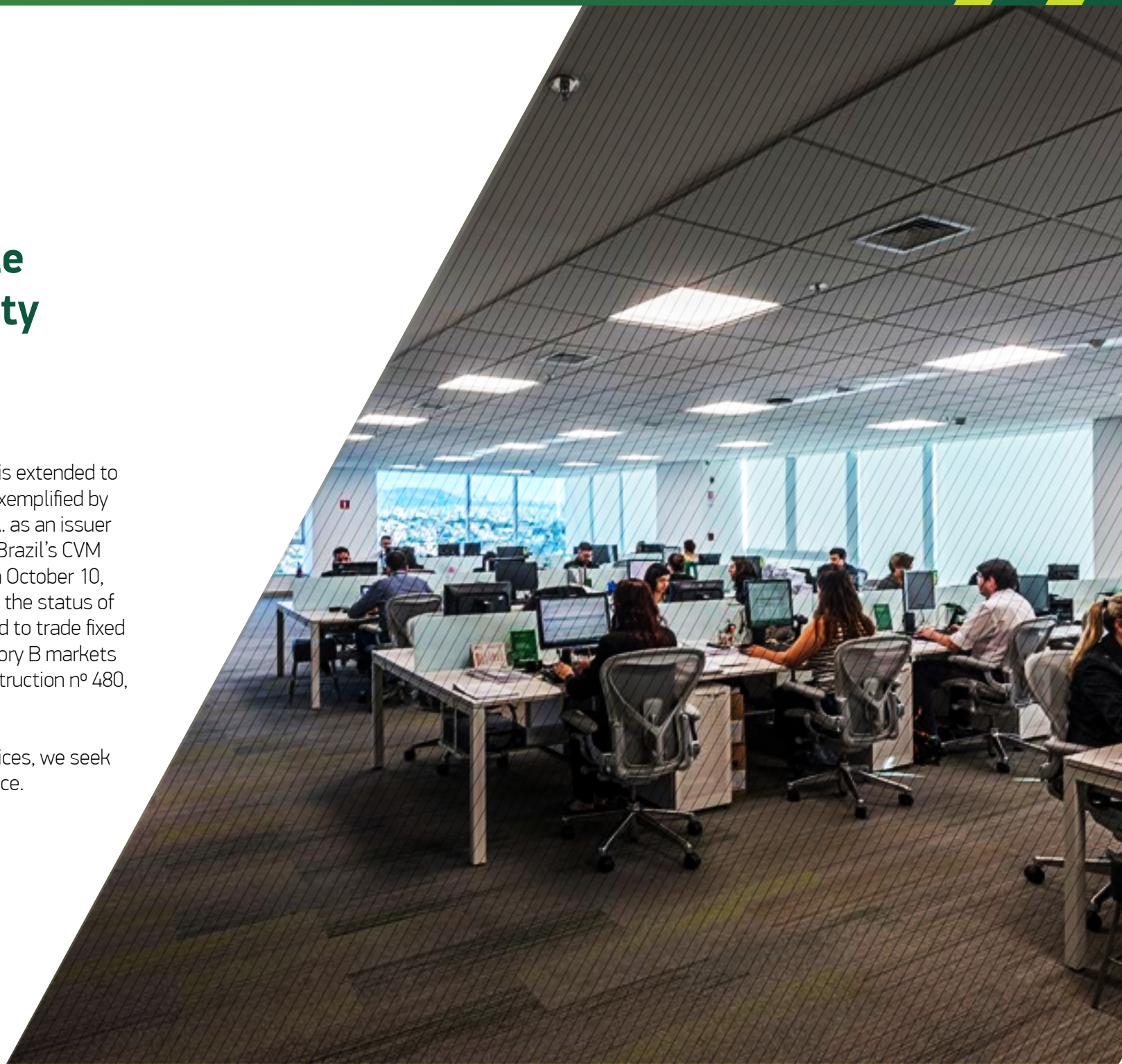


With a business model considered to be a benchmark, Localiza values conduct characterized by transparency, equitable treatment, compliance and accountability to all its stakeholder groups.

A joint-stock company (S.A.) on the B3 exchange since 2005, Localiza shares (RENT3) are traded on the Novo Mercado, the highest level of corporate governance in the Brazilian capital market. Additionally, the company adopts the ABRASCA Code (Self_Regulation and Good Practices for Publicly Traded Companies) and is aligned with the recommendations of the Brazilian Corporate Governance Code - Publicly Traded Companies, established by the business governance body IBGC (Instituto Brasileiro de Governança Corporativa). **GRI 102-5**

This transparent governance model is extended to the company's subsidiaries. This is exemplified by the registration of Localiza Fleet S.A. as an issuer of category B securities, granted by Brazil's CVM (Comissão de Valores Mobiliários) on October 10, 2019 (CVM). This gives the operation the status of a publicly traded company authorized to trade fixed income securities in regulated category B markets in Brazil, in accordance with CVM Instruction nº 480, dated December 7, 2009. **GRI 102-10**

Even though aligned with best practices, we seek to constantly evolve in our governance.



GOVERNANCE STRUCTURE

GRI 102-18, 102-25

Our governance structure consists of a Board of Directors, a Board of Executive Officers and five advisory committees which support and provide grounds for company decisions. Two of these committees are directly subordinated to the Board: The People Committee and the Audit, Risk Management and Compliance Committee. The Sustainability and Ethics committees are operationally subordinated to the CEO, reporting to the Board of Directors. The Disclosure committee reports to the Executive Board.

Currently there is no Fiscal Council in place, given that the functions normally executed by this body are the responsibility of the Audit, Risk Management and Compliance Committee in Localiza. The Fiscal Council was installed only in 2018 and deactivated by the Ordinary General Meeting on April 29, 2019.

The nomination of Members of the Board, the Board of Executive Officers and the Board Advisory Committees is oriented by a **Nomination Policy**. Moreover, the selection of candidates is supported by an external consultancy which assesses and weighs the competencies of the candidates, taking into account aspects related to diversity, independence, experience and qualifications, including knowledge of technological innovations, urban mobility and new business models.

The company bylaws, which may be downloaded from the Localiza Investor Relations website, set forth the details of the governance structure, including the functions of the main hierarchical levels.



BOARD OF DIRECTORS

With its own **Internal Regulations** (reviewed in March 2020 and available on the IR website), the Board of Directors is responsible for establishing the guidelines, values, goals and general policies of the business. It is also responsible for determining, supervising and monitoring the activities of the executive officers, for selecting the independent auditors and for setting up committees, among other activities. The regulations set forth the attitudes and conduct expected of the members and establish the attributions of the Chairman and the Secretary of the Board of Directors. The company bylaws establish the competencies of the Board of Directors, which include approving strategic planning, the target plan and the company’s risk management policy, which takes into account impacts on society and the environment. **GRI 102-19, 102-20, 102-26**

The Board of Directors is composed of at least six and at most eight members, who are confirmed by election in the Shareholders’ Meeting. The members are elected for a unified term of two years, with re-election permitted. The Shareholders Meeting is open to all shareholders, who also may participate remotely via absentee ballot.

GRI 102-24

At the end of 2018, one of the company’s founders withdrew from the Board of Directors. In 2019, the Board underwent further significant changes with the withdrawal of another two founders of the company. At this moment, two independent members were elected to the Board. Accordingly, only one of the current seven Board members has executive responsibilities in running Localiza. With six external members, five of whom are independent, Localiza exceeded the requirement of a minimum of two or 20%, whichever is higher, independent members set forth in the bylaws. These alterations also increase diversity of gender and age on the Board, as well as professional experience.

BOARD OF DIRECTORS GRI 102-8, 102-22

| | | |
|---------------|--------------------------------|---|
| Chairman | Oscar de Paula Bernardes Neto | Member for seven terms, his second as chairman |
| Vice chairman | José Galló | In his sixth term, the first as vice chairman |
| Member | Eugênio Pacelli Mattar | Founder and CEO, in his tenth term |
| Member | Maria Letícia de Freitas Costa | In her sixth term |
| Member | Paulo Antunes Veras | In his second term |
| Member | Pedro de Godoy Bueno | In his first term |
| Member | Roberto Antônio Mendes | He was an executive in the company and is in his first term |



SUMMARY OF MEMBERS’ EXPERIENCE AND QUALIFICATIONS GRI 102-27

| Experience | Oscar Bernardes | José Galló | Eugênio Mattar | Roberto Antônio Mendes | Maria Letícia Costa | Paulo Antunes Veras | Pedro Bueno |
|--|-----------------|------------|----------------|------------------------|---------------------|---------------------|-------------|
| Experience | | | | | | | |
| Experience as CEO/Chairman of the Board of Directors | | | | | | | |
| International experience | | | | | | | |
| Organizational and Cultural Transformation | | | | | | | |
| New Business Models/Innovation | | | | | | | |
| Business to Consumer | | | | | | | |
| Sectors of activity | | | | | | | |
| Automotive | | | | | | | |
| Finance | | | | | | | |
| Mobility | | | | | | | |
| Retail | | | | | | | |
| Technology | | | | | | | |
| Consumer goods | | | | | | | |
| Healthcare | | | | | | | |

SUMMARY OF MEMBERS’ EXPERIENCE AND QUALIFICATIONS [GRI 102-27](#)

| Experience | Oscar Bernardes | José Galló | Eugênio Mattar | Roberto Antônio Mendes | Maria Letícia Costa | Paulo Antunes Veras | Pedro Bueno |
|---------------------------------------|-----------------|------------|----------------|------------------------|---------------------|---------------------|-------------|
| Functional qualifications | | | | | | | |
| Strategy | | | | | | | |
| Finance and Accounting | | | | | | | |
| Risk Management | | | | | | | |
| Corporate Governance | | | | | | | |
| Marketing and Communication | | | | | | | |
| Operations | | | | | | | |
| Sustainability | | | | | | | |
| Talent Management | | | | | | | |
| IT | | | | | | | |
| Innovation and Digital Transformation | | | | | | | |

Evaluation – The Board of Directors and its members are evaluated annually by an independent external consultancy contracted for this purpose. The evaluation covers the joint performance of the group, taking into account aspects such as quality, quantity and variety of information received about strategic questions; the activities of the committees; and the formulation of long-term strategy. There is also an individual evaluation of the members, which considers factors such as attendance, knowledge of the business, participation in discussions and presentation of topics for meetings, among others. [GRI 102-28](#)

STATUTORY BOARD

Responsible for running the Localiza businesses as set forth in its **Internal Regulations**, the statutory Board reports directly to the Board of Directors. The board is composed of at least four and at most 12 directors, all of whom must be resident in Brazil and who are elected by the Board. The terms of office are unified, with a term of one year and re-election permitted. Of the directors, one shall receive the designation of Chief Executive Officer (CEO), another will receive the designation of Chief Financial and Investor Relations Officer, one may receive the designation of Executive Vice President, while the others will be considered Executive Directors.

At the end of 2019, the Statutory Board had nine members (two more than the previous year). One was the Chief Executive Officer (CEO), one was the Chief Financial and Investor Relations Officer; there were seven Executive Directors; there was no Executive Vice President during the year.

STATUTORY BOARD¹

GRI 102-22

Chief Executive Officer (CEO)

Eugênio Pacelli Mattar

Chief Financial Officer and Investor Relations Officer (CFO)

Maurício Fernandes Teixeira

Chief Operating Officer (COO)

Bruno Sebastian Lasansky

Car Rental Director

Elvio Lupo Neto

Legal Director

Suzana Fagundes Ribeiro de Oliveira

People Director

Daniel Guerra Linhares

Seminovos Director

Heros di Jorge

Procurement and Logistics Director

João Hilário de Ávila Valgas Filho

Technology Director

André Luiz Lopes Petenussi

¹ The list refers to the statutory directors of Localiza Rent a Car. In Localiza Fleet, João Alberto Mazoni Andrade is also a Statutory Director.

INTERNAL COMMITTEES

GRI 102-22

The five Localiza advisory committees also have their own **Internal Regulations**, in addition to following specific mandates delegated by their supervisors with the objective of generating the best possible economic, social, environmental and governance results for the company.

SUBORDINATED TO THE BOARD OF DIRECTORS

People Committee – This committee is responsible for proposing remuneration and performance appraisal policies, profit share and share purchase option programs, as well as general personnel management policies. It comprises three members: two independent members (one of whom is a coordinator) and an external human resources specialist.

- > Coordinator: José Galló
- > Member: Pedro de Godoy Bueno
- > Specialist: Maria Susana de Souza
- > Secretary: Daniel Guerra Linhares

Audit, Risk Management and Compliance Committee

– The committee has three members, all from the Board of Directors, one being the coordinator and the other two members. Two of the members are independent, including the coordinator. The committee is charged with assessing the quality of financial opinions and reports, the accounting principles adopted and the effectiveness and sufficiency of the internal controls structure.

- > Coordinator: Maria Letícia de Freitas Costa
- > Member: Roberto Antônio Mendes
- > Member: Paulo Antunes Veras
- > Secretary: Alehandra Castro Brant

SUBORDINATED TO THE CEO,
REPORTING TO THE BOARD OF DIRECTORS

Ethics Committee – The committee is responsible for determining the company’s ethical principles and values and ensuring rigorous compliance with them. It takes decisions on ethical dilemmas with the company’s best interests in view, regardless of specific questions. It comprises five members, one external, none of whom are independent.

- > Coordinator: Suzana Fagundes Ribeiro de Oliveira (Executive Director)
- > Eugenia Maria Rafael de Oliveira (external member)
- > João Hilário de Ávila Valgas Filho (Executive Director)
- > Daniel Guerra Linhares (Executive Director)
- > Fabrício dos Santos de Oliveira (Internal Audit Manager)
- > Secretary: Juliana Cordoval (Compliance and Ethics Coordinator)

Sustainability Committee – The committee is charged with identifying, discussing, monitoring and addressing sustainability-related issues that pose risks or could have a significant impact on business activities, long-term results, relations with customers and employees and corporate image. The committee consists of seven non-independent members, operationally subordinated to the CEO, reporting to the Board of Directors.

- > Coordinator: Daniel Guerra Linhares (Executive Director)
- > Maurício Fernandes Teixeira (Executive Director)
- > Suzana Fagundes Ribeiro de Oliveira (Executive Director)
- > Fabrício dos Santos de Oliveira (Internal Audit Manager)
- > Kelly Dauanny (Sustainability Analyst)
- > Ilane Saraiva (Communication Manager)
- > Secretary: Emerson Ferreira Gomes (Branch Legalization Manager)

SUBORDINATED TO THE
BOARD OF EXECUTIVE OFFICERS

Disclosure Committee – This body is responsible for reviewing drafts of economic and financial documents and information that must be filed with the CVM (Securities Exchange Commission) to ensure that the financial information disclosed to the market by the company is timely, correct and complete. It consists of up to 15 non-independent members.

- > Coordinator: Maurício Fernandes Teixeira (CFO and DIR)
- > Antônio Hiroyuki Hyodo (Functional Director)
- > Myrian Buenos Aires Moutinho (Functional Director)
- > Heros Di Jorge (Executive Director)
- > João Alberto Mazoni Andrade (Executive Director)
- > Bruno Sebastian Lasansky (COO)
- > Alehandra Castro Brant (Market Information Manager)
- > Secretary: Nora Mascarenhas Lanari (Functional Director)

ETHICS AND TRANSPARENCY

GRI 103-1, 103-2, 103-3

Ethics and transparency are principles that underpin our culture and conduct, generating value and strengthening the company's integrity and reputation.

The broad, in-depth dissemination of these two principles throughout the Localiza operations is aimed at discouraging anti-ethical mindsets and conduct, as well as promoting long-term relationships based on trust.

We believe that every employee plays an important role in consolidating this culture, promoting Localiza's good name and reputation.

This is the reason the company has a Compliance and Ethics area, that is responsible for coordinating the program that bears the same name. The purpose of the Compliance and Ethics Program is to oversee compliance in general, including anti-corruption and bribery.





CODES AND COMMITMENTS

Code of Ethics and Conduct – Reviewed in November 2018, the code demonstrates the company’s commitment in this area. The code applies to all employees, members of the Board of Directors and advisory committees, as well as franchisees, suppliers and service providers in Brazil and overseas. The document sets forth the personal and professional posture expected within the company in a clear and objective manner, covering the prevention and combat against corruption, as well as questions such as conflicts of interest, discrimination, harassment, customer relations and sustainability. In 2019, the company organized online communication and training sessions related to the document that were disseminated to all Localiza staff.

GRI 102-16

- > The company has an **Anti-corruption Policy** approved by the Board of Directors which establishes guidelines to ensure compliance with the anti-corruption laws in force, including but not limited to law n. 12.846/2013 (Brazilian Anti-corruption law) and the decree regulating it, n. 8.420/2015.
- > Also approved by the Board, the **Policy on Reporting and Non-Retaliation** protects anyone making a report in good faith and the witnesses involved in investigations of reports against any type of retaliation.

In 2020, Localiza will conduct training on ethical behavior, with particular reference to the Anti-corruption Policy, and will enhance the program in relation to the activities conducted in 2019.

Business Pact for Integrity and Against Corruption – We have been part of this initiative organized by the Instituto Ethos in partnership with the United Nations Development Program (UNDP), the World Economic Forum, the Global Compact Network Brazil and Patri Government Relations & Public Policies. By means of the program, which is aimed at promoting integrity and ethics in the marketplace, Localiza undertook a commitment to disseminate the guidelines of Brazil’s anti-corruption law among its work force aimed at ensuring knowledge of and compliance with the legislation. We also undertook to combat all kinds of bribery and corruption and to prioritize information transparency. Localiza is also committed to verifying if individuals or companies engaged in our production chain are on any public authority blacklists. Through the UN Global Compact, to which we are signatories, we are also committed to combating all forms of corruption, including extortion and bribery.

GRI 102-12

TRAINING AND DUE DILIGENCE

GRI 103-1, 103-2, 103-3, 205-1, 205-2, 206

Our new Compliance and Ethics Program was renamed in 2019 in a campaign using the hashtag #nocaminhocerto (#ontherightpath). The different communications transmitted the key principles of the program, as well as the contacts for the reporting or whistleblower channel (email, website, 0800 hotline).

An evolution of the Integrity Program, the Compliance and Ethics Program implements monitoring on three fronts, all overseen by the Audit, Risk Management and Compliance Committee:

- 1. Training:** monitoring to verify that training was effectively undertaken and whether the employees and third-parties convened actually attended;
- 2. Due diligence:** evaluation of the risks related to contracting third-parties and intermediaries, the volume of procedures conducted, among others;

3. Reporting or whistleblower channel: monitoring of investigation deadlines, diverse internal statistics relative to market averages, the main locations involved in reported violations and the main types of incidents and situations reported.

As a result, in its last update the procedure for evaluating risks of fraud and corruption in the company – undertaken periodically – identified two main risks: bribery or unwarranted advantages for public authorities to ensure, maintain or to influence decisions and collusion between competitors to frustrate or fraud tender processes. This led to the detailing of potential corruption incidents and schemes, which were used to establish control processes aimed at mitigating and eliminating such risks.

At Localiza, all employees are submitted to training on the Code of Ethics and Conduct. Similarly all business partners considered to be third-party

intermediaries undertake training based on the Anti-corruption law. Monitoring of training in the Code of Ethics and Conduct is the responsibility of the People Management area, while training of third-party intermediaries is overseen by the Internal Audit area. Localiza ended 2019 with more than 93% of its work force trained in the Code of Ethics and Conduct.

For example, 100% of the seven members of the Board of Directors received communications and were trained in our anti-corruption policies and procedures in 2017, 2018 and 2019.

More than 93%
of the workforce
was trained in
the Code of Ethics
and Conduct

NEW FORMAT

In 2019, training on the Code of Ethics and Conduct was reformulated to make it more extensive and interactive. In the opening video, for example, the company’s CEO Eugênio Mattar underscores that “Ethics and trust have been part of our DNA since the very beginning”. The training was preceded by a publicity campaign with pieces that asked “Do you know how this story ends?”, showing situations in which the application of the code is necessary, such as: “Carlos receives a watch as a present from a supplier”.

When we launched our new page on LinkedIn, we also disseminated a number of points on the behavior expected of our employees in this social network. On another occasion, the campaign addressed what employees should do to avoid sharing rumors on social networks.

We also prepared engagement measures related to this matter in 2019, such as:

National Ethics Day – To mark the date, May 2, the company created a campaign aimed at valuing and underscoring ethical practices as part of the company’s culture, which included: not jumping queues, not talking loudly on cell phones in public places, not being rude and/or offensive, not discarding trash in inappropriate places.

National Anti-Money Laundering Day – We conducted a campaign on this day, October 28, emphasizing that Localiza is compliant in this area and that everyone in the company is responsible for combating money laundering and corruption.

COMMUNICATION AND TRAINING OF EMPLOYEES ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES, BY REGION IN 2019 GRI 205-2

| Region | Communicated | | Trained | |
|-----------|--------------|------------|---------|------------|
| | Number | Percentage | Number | Percentage |
| Midwest | 541 | 100% | 513 | 94.82% |
| Northeast | 1,377 | 100% | 1,308 | 94.99% |
| North | 383 | 100% | 367 | 95.82% |
| Southeast | 6,911 | 100% | 6,421 | 92.91% |
| South | 1,110 | 100% | 1,052 | 94.77% |
| Total | 10,322 | 100% | 9,661 | 93.59% |

Reporting channel

GRI 102-17, 103-1, 103-2, 103-3

To promote the identification of situations and incidents involving violation of the company’s values, Code of Ethics, internal policies and procedures as well as legislation, Localiza has a confidential channel through which employees, customers, suppliers, franchisees, investors and other stakeholders may report any breaches. The channel, which permits anonymous and identified reports, is operated by a specialized, independent company.

The Confidential Channel may be accessed by telephone, by internet and by email from within or outside Brazil. After a report is made, a case number is generated enabling the person who made the report to track progress in the investigation, as well as to include information complementing that already provided and answer any questions from the team responsible for the investigation. The reports are investigated by the Internal Audit area.

RISK GRI 102-15 MANAGEMENT

The Internal Controls and Corporate Risk Management area is responsible for establishing standards for monitoring and managing the company's corporate and operational risks. This includes mapping and adapting the action plans developed for each corporate risk identified to ensure that effectiveness tests for the controls established may be executed by Internal Audit.

Another work front is aimed at operational risks: the team visits carefully selected branches to observe how risk is managed on the front line of the business.

The area's activities are reported to the Audit, Risk Management and Compliance Committee which, in turn, reports to the Board of Directors.

In 2019, the corporate risk matrix was reviewed with support from a specialized external consultancy. The tool was elaborated based on

a meticulous survey involving the senior management of the company. It took into account risk mitigation controls and classified risks as low, medium, high and very high. The document is monitored constantly, and risks for the company are reviewed on an annual basis.

Approved by the Board of Directors on March 22, 2018, the company's **Risk Management and Internal Controls Policy** is the instrument used to oversee activities related to monitoring and controlling operational and financial processes, aimed at ensuring the adoption of preventive, prospective and proactive measures regarding the control of risks.

