

## **SLC AGRÍCOLA S.A.**

### **POLICY ON RELATED PARTY TRANSACTIONS AND MANAGEMENT OF CONFLICTS OF INTEREST**

#### **1. Objective and Scope**

1.1. This Policy on Related Party Transactions and Management of Conflicts of Interest ("Policy") establishes the rules that must be observed in all commercial transactions of SLC Agrícola S.A. ("Company") involving its Related Parties (as defined below), as well as for managing other situations involving possible conflicts of interest.

1.2. The objective of this Policy is to provide guidance to the conduct of the Company's managers and its controlled companies, as understood by the members of the Board of Directors, the Board of Officers (statutory and non-statutory), to ensure that all Related Party Transactions (as defined in this Policy) and other situations involving potential conflicts of interest are carried out (i) in accordance with the interests of the Company; (ii) under strictly commutative conditions or with adequate compensatory payment; and (iii) transparently to shareholders and the market in general.

1.3. This Policy covers and regulates: (i) the procedures and those responsible for the identification of Related Parties and the classification of operations as a Related Party Transaction; (ii) the criteria that must be observed for carrying out a Related Party Transaction; (iii) the procedures to assist in the identification of individual situations that may involve conflicts of interest; and (iv) the instances of approval of a Related Party Transaction, depending on the amount involved or the transaction being carried out inside or outside the normal course of business.

1.4. This Policy is subject to the SLC Agrícola Bylaws, Brazilian Law no. 6.404, of December 15, 1976, as amended ("Business Corporation Act"), regulations issued by the Brazilian Securities and Exchange Commission ("CVM") on this subject, Pronouncement

Technician of the Accounting Pronouncements Committee no. 05 (R1) ("CPC 05") on transactions between Related Parties and the pertinent rules for listing on Novo Mercado.

## **2. Definitions**

### **2.1. Related Party**

2.1.1. For the purposes of this Policy, a "Related Party" is considered any individual or legal entity, or any other entity that:

- (a) directly or indirectly, through one or more intermediaries:
  - (i) controls the Company, even if in a shared manner, or is under common control with the Company; or (ii) holds an interest that allows it to exercise significant influence over the Company;
- (b) (i) is a director, officer or holds any position, statutory or otherwise, that grants him/her authority or responsibility for the planning, direction and control of the Company's activities; or (ii) for any reason exerts significant influence over the Company;
- (c) is a close relative of the individuals described in items (a) and (b) above;
- (d) is an entity directly or indirectly controlled by the Company or any of the individuals described in items (a), (b) and (c) above;
- (e) is an affiliate of the Company or any of the individuals described in items (a), (b) and (c) above; or
- (f) maintain a post-employment benefit plan whose beneficiaries are the Company's employees.

2.1.2. For the purposes of this Policy:

- (a) the terms "control", "affiliate" and "significant influence" will be interpreted in accordance with the definitions contained in Brazilian Technical Pronouncements CPC 36 and CPC 18 and, in addition, by the applicable provisions of the Business Corporation Act; and
- (b) "Close family members" means those family members who can be expected to exert influence or are influenced by the person in business with the Company, including, but not limited to, (i) their spouse or

partner, and children; (ii) children of his/her spouse and his/her partner; and (iii) his/her dependents and those of his/her spouse or partner.

## **2.2. Related Party Transactions:**

2.2.1. For the purposes of this Policy, a "Related Party Transaction" is a transaction in which a Related Party enters into a contract with the Company and/or any of its controlled companies.

2.2.2. For the purposes of the provisions herein, the term "contract" refers to transactions in which there is a transfer of resources, services or obligations between a Related Party and the Company and/or any of its controlled companies, regardless of whether or not the parties have assigned an amount or price to the transaction or have formalized the transaction through a written contract.

2.2.3. CPC 05 defines Related Party Transactions as "*transfers of resources, services or obligations between a reporting entity and a Related Party, regardless of whether a price is charged in return*". Examples of the most common transactions are:

- ✓ Purchase or sale of products and services;
- ✓ Loan or advance payment agreements (loans);
- ✓ Agency or licensing agreements;
- ✓ Accommodations, suretyships and any other forms of guarantees;
- ✓ Transfers of intellectual property, research and technology;
- ✓ Sharing infrastructure or structure; and
- ✓ Sponsorships and donations.

## **2.3. Conflicts of Interest**

2.3.1. A conflict of interest is understood as the event or circumstance in which a Related Party is involved in a certain decision-making process, business or potential transaction, in which it has the power to influence or manipulate the result of this process and, thus, ensure a benefit for itself or for a close family member, harming the best interest of the Company

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and/or its controlled companies.

#### **2.4. Related Party Transactions in the regular course of business**

2.4.1. It means any Related Party Transaction that is made in the regular course of business of the Company and/or its controlled companies.

#### **2.5. Market Conditions**

2.5.1. For the purposes of this Policy, "Market Conditions" means those conditions for which the principles of competitiveness (prices and conditions of services compatible with those practiced in the market) were observed during the negotiation; compliance (adherence of the services provided to the contractual terms and responsibilities practiced by the Company, as well as to the appropriate information security controls); and transparency (adequate reporting of the conditions agreed upon with the proper application, as well as their reflections in the Company's financial statements).

#### **2.6. Relevant Amount**

2.6.1. For the purposes of this Policy, "Relevant Amount" means the total transaction amount or set of Related Transactions (as defined below), which exceeds the lower of the following amounts:

- (a) R\$5,000,000.00 (five million reais), or
- (b) 0.1% (one percent) of the Company's total assets, calculated based on the latest consolidated financial statements disclosed by the Company.

#### **2.7. Correlated Transactions**

2.7.1. For the purposes of this Policy, "Correlated Transactions" means the set of similar transactions that have a logical relationship with each other by virtue of their object and parts, such as:

(a) subsequent transactions arising from the first transaction already made, provided that it has established its main conditions, including the amounts involved; and

(b) transactions of continuous duration that include periodic payments, provided that the amounts involved are already known.

### **3. Procedures and Approvals of Related Party Transactions**

#### **3.1. Related Parties identification and classification**

3.1.1. Each of the administrators must inform the Company's Compliance Department any planned transaction of which it becomes aware that may be qualified as a Related Party Transaction.

3.1.2. The non-statutory officers of the Company and its controlled companies will be instructed by the Company's officers and instructed to inform the Company's Compliance Department of any Transaction with potential/anticipated Related Parties of which they become aware prior to its signature and/or implementation, so that they can make the proper analysis and assessment of such transaction.

3.1.3. Each reported potential Related Party Transaction will be reviewed by Compliance to determine whether it actually constitutes a Related Party Transaction subject to the procedures of this Policy. Compliance will classify Related Party Transactions considering (i) the amount involved; and (ii) whether they relate to an operation within the normal course of business or not, to determine the competent bodies responsible for their assessment and analysis and, if applicable, their approval in accordance with this Policy. Compliance may previously consult with the Chairman of the Statutory Audit Committee regarding the classification of Related Party Transactions under this Policy.

3.1.4. If the analysis leads to the conclusion that the Related Party Transaction must be reported to the Statutory Audit Committee and/or the Board of Directors, Compliance Department will notify to the Statutory Audit Committee and the Board of Directors, in advance, all relevant information that enable the Statutory Audit Committee and then the Board of Directors to analyze the Related Party Transaction in accordance with the guidelines set forth in clause 3.5 below.

### **3.2. Formalization**

3.2.1. The Related Party Transaction will be concluded in writing, specifying its main terms and conditions, such as: consideration under the terms of the agreement, duration and conditions for termination, representations and indemnities, warranties, liability, among others.

### **3.3. Authorities and approvals of Related Party Transactions**

3.3.1. Prior to entering into any Related Party Transaction, unless the Related Party Transaction is approved by the shareholders at a general meeting held in accordance with the law, the procedure described below will be followed.

3.3.2. All Related Party Transactions to be entered into in the course of business and that do not involve Relevant Amounts, must be previously approved by the Company's Compliance Department with reporting to the Statutory Audit Committee after signing the Related Party Transaction.

3.3.3. Related Party Transactions signed into outside the normal course of business, and as long as they do not involve Relevant Amounts, must be formally and previously approved by Compliance Department based on a prior opinion prepared by the Statutory Audit Committee.

3.3.4. Related Party Transactions involving Relevant Amounts, whether entered into in the normal course of business or not, must be formally and previously approved by the Company's Board of Directors based on

a prior opinion prepared by the Statutory Audit Committee.

3.3.5. The Board of Directors and the Statutory Audit Committee will

(i) have access to all relevant and necessary documentation with respect to specific transactions or guidelines for contracting transactions; and (ii) request the Board of Officers analyzes market alternatives to the Related Party Transaction in question, adjusted to the risk factors involved.

3.3.6. The Board of Directors or the Compliance Department, as the case may be, may approve a Related Party Transaction if it finds, in good faith, that the transaction is made under Market Conditions or with adequate compensatory payment and in the interest of the Company and/or its controlled companies.

3.3.7. The Board of Directors or the Compliance Department, at its discretion, may establish as a condition for the approval of a Related Party Transaction any modification it deems necessary for the transaction to be concluded on an equitable basis and in the interest of the Company and/or its controlled companies.

#### **3.4. Conflict of interest situation**

3.4.1. In situations where any Transaction with Related Parties requires prior approval under this Policy, the person involved in the approval process, who is in a personal situation of conflict of interest, must inform the Compliance Department and, if relevant, the Board of Directors and the Statutory Audit Committee, responsible for the analysis and/or approval and must explain their involvement in the transaction and, upon request, provide details and explanations about the terms and conditions of the transaction and its situation.

3.4.2. If necessary, the person who is in a personal situation of conflict may partially participate in the discussion about the Related Party Transaction, exclusively aiming to provide more information about the operation and the parties involved. However, such persons will not exercise any influence on the approval of the Related Party Transaction.

3.4.3. Pursuant to article 156 of the Business Corporation Act, the managers of the Company and its controlled companies that are in a situation of conflicting personal interest must inform the other members of the Board of Directors or the Board of Officers of their impediment and make the nature and extent of their impediment recorded in the record of the Board of Directors or the Board of Officers meeting.

3.4.4. If any administrator, who may have a conflicting personal interest, does not express his/her conflict of interest, any other member of the governance body to which he/she belongs and who is aware of the situation must do so.

3.4.5. The non-voluntary manifestation of the administrator is considered a violation of this Policy, being taken to Compliance and the Statutory Audit Committee for assessment and being subject to the proposal of any corrective action by the Board of Directors.

3.4.6. Regardless of the voluntary manifestation, the Legal Department will send an e-mail by the end of April of each year so that the administrators of the Company and its controlled companies update the information to be made available by the Company under the terms of this Policy.

### **3.5. Approval criteria for Related Party Transactions**

3.5.1. In the analysis of Related Party Transactions and in providing its decision or its opinion on the merits of the Related Party Transaction, as applicable, Compliance, the Statutory Audit Committee and the Board of Directors, if relevant, will consider the criteria they deem relevant to the analysis of the transaction, in particular:

- (a) if there are justifiable reasons, from the commercial point of view of the Company and/or its controlled companies for the conclusion of the Related Party Transaction;
- (b) if the transaction is negotiated under Market Conditions;
- (c) whether there are market alternatives to the Related Party Transaction in question, adjusted for the risk factors involved;



- (d) if there was a checking pricing procedure, competitive process or attempt in any other way to carry out that transaction with third parties and for its outcome;
- (e) the assessment methodology used and other possible approaches to assess the transaction;
- (f) possible provisions or limitations imposed on the Company and/or its controlled companies resulting from the execution of the transaction or if the transaction includes any potential risk to the Company and/or its controlled companies (including reputational risk); and
- (g) extent of the Related Party's participation in the transaction, taking into account the amount involved in the transaction, the general financial situation of the Related Party, the direct or indirect nature of the Related Party's participation in the transaction and the continuous or non-continuous nature of the transaction, among other aspects that it considers relevant.

#### **4. Prohibited Transactions**

4.1. Transactions between Related Parties are prohibited in the following cases:

- (a) carried out under conditions other than Market Conditions;
- (b) forms of remuneration of advisors, consultants and intermediaries that generate a conflict of interest with the company, managers, shareholders or shareholders classes;
- (c) granting the loans in favor of the controller and the administrators;
- (d) with Related Parties that are not performing activities commonly performed by them; and
- (e) operations or businesses outside the corporate purpose and corporate interests of the Company and/or its controlled companies, such as suretyships, accommodations, endorsements and any guarantee in favor of third parties.

#### **5. Related Party Transactions exempt from the procedures of this Policy**

5.1. The following Related Party Transactions will not be subject to the

procedures set forth in this Policy:

- (a) transactions between the Company and its controlled companies, direct and indirect, except in cases where there is participation in the capital stock of the controlled company by the direct or indirect controlling shareholders of the Company, its managers or persons linked to them;
- (b) transactions between controlled companies, direct and indirect, of the Company, except in cases where there is participation in the capital stock of the controlled company by the direct or indirect controlling shareholders of the Company, its managers or persons linked to them;
- (c) remuneration (including fixed and variable remuneration and possible long-term incentive plans (including in the form of stock option plans and restricted stock plans)) and other benefits (such as the assignment of a cell phone, computer, professional vehicles, guarantees granted by the Company and/or its controlled companies in rental contracts, etc.) of the Company's administrators and/or its controlled companies, provided that they have been approved by the applicable corporate bodies;
- (d) guarantees granted by the Company to controlled companies, provided that the terms and conditions contained in the contracts governing the guarantee granted by the Company comply with those previously approved by the Board of Directors or the Board of Officers, as applicable;
- (e) renewal of Related Party Transactions already approved by Compliance Department or the Board of Directors, as applicable, provided they are under the same pre-existing terms and conditions; and
- (f) refund of travel and training expenses, provided they are duly justified and reasonable in line with the relevant applicable travel and training procedures.

5.2. Related Party Transactions that are benefited by the exemption contained in this clause must be informed to Compliance Department and the Statutory Audit Committee on a regular basis, with the exception of the transactions mentioned in items "a" and "e" above.

## **6. Non-compliance with the provisions of this Policy**

6.1. If any Related Party Transaction has not been submitted to the approval procedures provided for in this Policy prior to its signature and/or implementation, said transaction must be informed to Compliance for review and approval by the Board of Directors or Compliance itself, as applicable. This body will conduct the analysis as provided for in this Policy and will also consider all options available to the Company, including the ratification, amendment or termination of the Relationship with Related Parties.

6.2. The Compliance Department, the Statutory Audit Committee and, as the case may be, the Board of Directors, will also examine the facts and circumstances related to the non-submission of the Related Party Transaction for approval under the terms of this Policy and will perform such acts as they deem appropriate, ensuring the effectiveness of the Policy.

## **7. Disclosure of Related Party Transactions**

7.1. Pursuant to the terms of article 247 of the Business Corporation Act and CVM Regulation no. 642/10, the Company will disclose the Related Party Transactions in its financial statements, providing sufficient detail to identify the Related Parties and all essential terms of these transactions. This information will be disclosed, clearly and precisely, in the notes to the Company's financial statements, in accordance with the applicable accounting rules.

7.2. The Company will also disclose Related Party Transactions in accordance with the applicable CVM Regulations and the B3's Listing Rules.

## **8. Policy Updates**

8.1. The Company's Board of Directors is authorized to update this Policy whenever necessary, including by virtue of any change in applicable law and regulations.

8.2. The Statutory Audit Committee will assess and monitor compliance with this Policy and, if necessary, recommend to the Board of Directors to

make corrections or improvements, pursuant to article 22, IV, c, of the Novo Mercado's Regulation.

## **9. Effectiveness**

9.1. This Policy will enter into force on its approval date and may only be modified by resolution of the Company's Board of Directors.

Porto Alegre, March 13, 2019.

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