

RESPONSE LETTER TO ISS

To: Institutional Shareholder Services – ISS

Attn.: Mrs. Ana Luiza Farias
br-research@issgovernance.com

Ref.: Comment on the Analysis and Voting Recommendation by Institutional Shareholder Services – ISS (“ISS”), released on March 31 and supplemented on April 5, 2025

Dear ISS Representative,

We thank you for the careful analysis of our Management Proposal and Participation Manual for the Annual and Extraordinary General Meeting of Sendas Distribuidora S.A. (“Company”) to be held on April 25, 2025 (“2025 AGOE” and “2025 AGOE Proposal”), presented in the recommendation report released on March 31 and supplemented on April 5, 2025.

I. Regarding the points raised in the voting recommendation for item 4 of the Annual General Meeting, within the scope of the 2025 AGOE (Approve Remuneration of Company's Management and Fiscal Council), we make the following considerations:

I.1. Regarding the proposal for the annual global limit of management compensation not including amounts allocated to the Executive Partner Program:

- a) As stated in the Management Proposal and Participation Manual for the 2024 AGOE, the Executive Partner Program was proposed and already approved by shareholders as a unique and extraordinary long-term program. Therefore, this is not a new proposal to be submitted to the 2025 AGOE.
- b) At the 2024 AGOE, in addition to approving the Executive Partner Program, shareholders also approved the complementary global limit of management compensation of the Company exclusively allocated to expenses related to the Executive Partner Program for the entire vesting period (i.e., the 7-year period between May 1, 2024 and May 1, 2031), since the program consists of a **single grant**.
- c) Therefore, since the total compensation of the Executive Partner Program was already approved at the 2024 AGOE, the Company has sought to ensure transparency and clarify that **the expenses arising from the Executive Partner Program for 2025 are not included in the annual global compensation limit for the fiscal year ending December 31, 2025**, as proposed for the 2025 AGM.
- d) Nevertheless, considering the Company's concern with transparency and enabling shareholders to monitor the program's evolution, the Company included clarifications in the 2025 AGOE Proposal stating that:
 - (i) the estimated provision for the fiscal year ending December 31, 2025 arising from the Executive Partner Program is R\$17,096,143.00; and
 - (ii) the sum of the proposed limit for the annual global compensation of management for the fiscal year ending December 31, 2025 and the estimated provision for the same fiscal year

exclusively arising from the Executive Partner Program, already previously approved at the 2024 AGOE, is R\$75,990,750.00.

- e) Additionally, information on the Executive Partner Program and the estimated provision for the fiscal year ending December 31, 2025 within the scope of the said program were highlighted and presented in accordance with item 8 of Annex C of CVM Resolution 80, as set forth in Annex V of the 2025 AGOE Proposal.

I.2. Regarding the segregation of the Executive Partner Program compensation from the resolution of the annual global management compensation limit materially reducing shareholders' ability to hold the board accountable for such compensation in the context of the Company's global compensation practices and not being consistent with existing market practices in Brazil:

- a) As mentioned in item II.1 above, the Executive Partner Program was previously approved at the 2024 AGOE in a resolution separate from the annual global management compensation, aiming to provide full transparency of the program and allow shareholders to contribute to the decision-making process, as it was an extraordinary compensation program. Furthermore, the complementary global limit exclusively allocated to expenses related to the Executive Partner Program for the 7-year period from May 1, 2024 to May 1, 2031 was also approved. Therefore, the Company reinforces that this matter was already analyzed and approved by shareholders at the 2024 AGOE. Hence, this is not a new compensation proposal to be submitted to the 2025 AGOE, and this breakdown of the provisions presented reflects our commitment to ensuring broad and continuous transparency in the execution of the program each year until its conclusion in 2031.
- b) Furthermore, the Company understands that there is no reduction in shareholders' ability to monitor the execution of the Executive Partner Program approved by shareholders, because:
 - (i) The Board of Directors is responsible for the Executive Partner Program within the context of the Company's general compensation practices. It is important to note that the plan is objective, auditable, measurable, transparent, and allows no discretionary action by the Board; and
 - (ii) **Since the program has already been approved by shareholders**, the Board of Directors does not exercise any influence over the accounting of expenses, as these must comply with the complementary global limit for the entire 7-year vesting period (from May 1, 2024 to May 1, 2031), also previously approved by shareholders at the 2024 AGOE, and exclusively allocated to expenses related to the program and accounted for in accordance with its rules
- c) Based on the above, as all expenses have already been approved, there is no additional amount to be included in the proposal for the annual global management compensation for the 2025 fiscal year.

II. Regarding the points raised in the voting recommendation for item 2 of the Extraordinary General Meeting agenda, within the scope of the 2025 AGOE (Approve Changes to Company's Bylaws), we would like to make the following considerations:

II.1. Regarding the increase in the percentage of net income to be allocated to the legal reserve and the reduction in the mandatory dividend percentage

- a) With regard to the practice of grouping various low-relevance bylaw amendments into a single agenda item, we inform you that, upon becoming aware of the discomfort and/or concerns of Proxy Advisors in recommending approval of the items jointly, the Company made efforts to re-submit the proposal by separating the items, in an attempt to address such concerns. However, we found legal and regulatory constraints that would not allow the EGM to be held on the same date as the AGM, which would not be in the shareholders' best interest, since it would require them to mobilize and allocate resources to attend two separate meetings
- b) We would like to highlight that the Company previously submitted a proposal grouping various low-relevance bylaw amendments at the Extraordinary General Meeting held on April 27, 2023, and on that occasion, the proposal received a favorable recommendation from ISS. The shareholders approved the grouped proposal with no objections or contrary guidance from ISS. Therefore, the Company understood that grouping such low-relevance and non-shareholder-rights-impacting changes was in line with its previously adopted practices. We will be more attentive to segregating the proposals in future opportunities.
- c) The proposed changes are aligned with best governance practices for companies listed on the Novo Mercado segment of B3 S.A. – Brasil, Bolsa, Balcão. Furthermore, ISS's own recommendation acknowledges that most of the proposed changes are administrative in nature and neutral/positive for shareholders, and are in accordance with the current ISS Proxy Voting Guidelines¹ for Brazilian companies. Of the ten (10) proposed amendments, ISS recommends voting against only one (1), and we will explain below why we believe ISS did not take all relevant elements into account and is mistaken in its contrary recommendation.
- d) It is also worth emphasizing that the Company took special care to submit the bylaw amendment deemed materially relevant (Item 1. Amendment of article 40 Re: Poison Pill) as a separate item, considering its relevance and the fact that it involves a change in shareholder rights. This proposal received a favorable voting recommendation.

II.2. On the proposal to include in the Bylaws a broad indemnification clause without specifying a decision-making process to mitigate concerns related to potential conflicts of interest inherent to such indemnifications, and the perception that the proposal may represent a reduction in shareholder rights (item 2.c – to include in article 8 a provision to the effect that approval of transactions with related parties by shareholders at a general meeting does not cover indemnities to beneficiaries under D&O Insurance and the execution of indemnity agreements)

- a) It is important to clarify that, although the Company's Bylaws do not detail the decision-making process for executing indemnity agreements—especially with regard to mitigating potential conflicts of interest—such procedures are already provided for in the Company's internal policies, which are fully adopted in compliance with applicable laws and regulations.

¹ BRAZIL. Proxy Voting Guidelines. Benchmark Policy Recommendations. Effective for Meetings on or after February 1, 2024. Published early January, 2024 - <https://www.issgovernance.com/file/policy/active/americas/Brazil-Voting-Guidelines.pdf>

b) Regarding **the decision-making process**, it is important to note that:

- (i) The express inclusion of an exception excluding indemnity agreements from related-party transaction approvals aims to resolve any potential interpretative conflict regarding jurisdiction, as these agreements must be approved by the Company's Board of Directors, pursuant to Article 43, Paragraph 4, of the Bylaws. The Indemnity Policy itself provides the cases in which such payments require approval by the General Meeting, as explained below.
- (ii) The Company has an Indemnity Policy, approved by the Board of Directors in a meeting held on May 4, 2023, which aims to govern the procedure for granting indemnification to directors, members of statutory committees, fiscal councilors, and other employees of the Company who perform management functions at the Company and its subsidiaries ("Indemnity Policy"). This policy is publicly available on our website: <https://api.mziq.com/mzfilemanager/v2/d/ec14f0ab-c5d4-4b12-a413-b6cc7475ed98/4a0c717e-10ae-9b3f-9406-cbaf5f235c0d?origin=1>.
- (iii) The Indemnity Policy establishes, as a general rule, that the approval of indemnity agreements and the conditions of indemnification fall under the responsibility of the Board of Directors, as already provided in Article 43, Paragraph 4, of the Bylaws.
- (iv) Within the scope of indemnity agreements, the Indemnity Policy further establishes that the payment of expenses must be approved: (a) by the Company's Board of Directors, by majority vote, with the beneficiary abstaining from participating in meetings or discussions regarding the approval of payments in their favor; or (b) by the General Meeting, by majority vote of those present, in cases where the acts involve: (b.i) more than half of the Company's officers; (b.ii) more than half of the Board members; or (b.iii) if there is a divergence between the majority vote of the Board of Directors and the internal evaluation opinion, in line with CVM Guidance Opinion No. 38, dated September 25, 2018.
- (v) Regarding the internal evaluation opinion, the Indemnity Policy provides that it must be prepared by an Indemnity Committee, which may be assisted by independent third-party advisors, with the purpose of evaluating whether the expenses to be indemnified result from regular management acts.
- (vi) Therefore, we emphasize that the proposed bylaw amendment does not result in any reduction of shareholder rights, in light of the governance practices currently adopted by the Company, which are aligned with market practices and the recommendations of the Brazilian Securities Commission (CVM).
- (vii) Furthermore, the Company's existing governance practices and processes already seek to mitigate potential conflicts of interest, particularly through strict adherence to its internal policies. In this sense, the Company has a Related Party Transactions Policy, as last updated and approved by the Board of Directors in a meeting held on July 11, 2023, which aims to prevent and manage potential conflicts of interest, establishing procedures and mechanisms to ensure such situations are handled transparently and in the best interests of the Company and/or its subsidiaries ("Related Party Transactions Policy"). This policy is publicly <https://api.mziq.com/mzfilemanager/v2/d/ec14f0ab-c5d4-4b12-a413-b6cc7475ed98/16a0a53f-df56-5bef-b427-ed34aad97147?origin=1>.

- (viii) Under the Related Party Transactions Policy, in situations requiring approval under the policy or other conflict-of-interest situations, any person involved who may derive a private benefit or have a conflict of interest must declare themselves conflicted, explain their involvement, and, if necessary and upon request, provide details of the transaction and the parties involved. The conflict must be recorded in the minutes of the deliberative meeting, and the individual must abstain from the discussions and decisions
- (ix) Still under the Related Party Transactions Policy, if requested by the deliberative body, the interested person may participate partially in discussions to explain their involvement and provide additional context, but must withdraw during the final deliberation and voting process, if the individual is a member of the Company's management. If any key decision-maker (e.g., Board members, Fiscal Council members, advisory committee members, or executive officers) fails to declare a conflict of interest, any other member aware of the situation must report it. A failure to voluntarily declare such a conflict may be considered a breach of the policy and will be referred to the Governance, Sustainability and Nomination Committee for assessment of potential corrective measures.
- (x) Lastly, this standard of conduct for Board members in the event of a conflict of interest or private benefit is also reflected in the Internal Rules of the Board of Directors, approved in the meeting held on February 3, 2021, which require Board members to promptly report such conflicts to their peers and abstain from discussions and voting. Should they fail to do so, any other Board member aware of the situation is authorized to report it.

We believe the additional clarifications provided herein demonstrate the special care taken in evaluating the concerns raised by shareholders prior to the disclosure of the proposals and that such concerns have been adequately addressed. We also reiterate our commitment to best corporate governance practices and the protection of shareholders' rights. Accordingly, we reaffirm our belief that the proposals represent important advances for the Company, while upholding the highest standards of transparency and accountability.

We sincerely hope this letter provides valuable additional information for your final voting recommendation and remain at your disposal should you wish to discuss this matter further in a dedicated meeting or by email.

Sincerely,

Sendas Distribuidora S.A.