HEDGE POLICY

JULY 10, 2020

Summary

1. DEFINITIONS

The terms and expressions listed below, when used in this Policy, in the singular or in the plural shall have the following meaning:

- "Leverage" - is the use of external resources, instruments and opportunities to multiply the results.

- "*Call*"-"*Call*"- Call option, a transaction that gives the holder the contractual right to purchase an asset, at a future date, at a pre-determined (strike) price, which provides him/her with protection equivalent to insurance for increases in the price of the target asset as compared to the strike price.

- "Margin Call" - is the requirement to provide more guarantees when the equity in account - total capital added or deducted for profits/losses - falls below its margin requirement for outstanding derivative transactions.

"Employees" - All employees, members of the Board of Directors, members of committees (statutory or not), members of the Supervisory Board, Statutory Officers (CEOs and Vice-Presidents), Non-statutory Officers, apprentices and interns of the Company, irrespective of their position or role.

- "Company" or "M. DIAS BRANCO" - M. Dias Branco S/A Indústria e Comércio de Alimentos and its subsidiaries.

- "Commodity" - Any goods in a raw state, of agricultural or livestock origin or from mineral or vegetable extraction, produced on a large global scale and with homogeneous physical characteristics, whatever their origin, destined for foreign trade.

- "Internal Controls" - Policies, rules, procedures, activities and mechanisms developed with the purpose of (i) ensuring effective risk management; (ii) ensure the efficiency and effectiveness of operations and the quality and integrity in transaction records; (iii) provide reliability in the preparation of financial statements; and (iv) disseminate and ensure compliance with laws and regulations.

- "Derivatives" - Derivatives are financial agreements entered into with zero or very low initial investment (as compared to the size of the agreement), and their amount is derived from the price, rate or index of a given asset (target). Derivative instruments are the most used in hedge transactions.

- "EFP (Exchange of Futures for Physical) / AA (Against Actual)"- It is a privately traded transaction between two counterparties and involves the simultaneous exchange of a future position for an economically equivalent position in an agreement between the parties, whether financial, cash or over the counter.

- "Fixing" - Price fixing is an agreement between two parties to define a fixed price on a given volume of a product to be bought/sold.

- "Forecast" - is the adjusted budget, where the purpose of its preparation is to ensure the updating of forecasts set in the initial budget. The budget outlines the estimate of sales, costs and expenses of a company for a certain period of time, usually one year, and can be reviewed on a monthly basis if necessary.

- "Future" and "Forward" - "Future" and "Forward" agreements are derivatives representing the commitment to buy or sell a certain amount of a certain asset at a date ahead and at a pre-defined price. "Future" agreements are adjusted on a daily basis and are generally standardized and traded on structured markets (stock exchanges), while the "Forward" agreements are settled at maturity and traded bilaterally or on the stock exchange.

- "Hedge"- Hedging strategy for the risks of any transaction, which mitigates the exposure of long or short positions aiming at reducing the impact of fluctuations in prices, rates, among other financial risk factors, on the target of protection.

- "Hedge Accounting"- Hedge accounting is an optional accounting strategy used by companies that wish to eliminate or reduce the volatility in results or net equity resulting from hedge operations.

- "NDF (Non-Delivery Forward)"- It is a forward agreement for future settlement and without physical delivery, i.e., for settlement exclusively at the amount of the difference between the future contractual price and the market closing reference price.

- "Option (insurance)" - Agreement that grants the right (and not the obligation) to those who acquire it, upon payment of a premium, to make a purchase or sale of an asset, at a future date, at a contractually pre-defined price.

Such pre-defined price is the Strike Price. The purchase options are called “calls” and selling option are called “puts”. The counterparty that assigns (sells/launches) an option receives a premium and has an obligation to buy, in case of “call”, or sell, if “put”, when the option is exercised by the holder.

- "Policy" - Commodity Hedge Policy of M. Dias Branco S/A.

- "Put" - Put Option, a transaction that gives the holder the contractual right to make the sale of an asset, at a future date, at a pre-determined (strike) price, which provides him/her with protection equivalent to insurance for decreases in the price of the target asset as compared to the strike price.

- "Risk" - The possibility that the achievement of the Company's strategic and operational objectives is negatively influenced by uncertain events, whether internal or external. Risk shall not be confused with the absence or non-execution of an Internal Control.

- "Spread”- Spread is the differential of prices or rates, applied in hedge transactions/agreements and other financial operations.

- “Third Parties” - Any individual or legal entity that is not a Company’s Employee or that is hired to assist in the performance of its activities, such as partners, consortium members, representatives, suppliers, service providers in general, consultants, outsourced agents or intermediaries acting on behalf of the Company.

2. REFERENCES

This Policy was prepared taking into account the following references:

2.1. Company’s Supply Policy;

2.2. Company's Risk Management Policy and Methodology;

2.3. Company's Anti-Corruption Policy;

2.4. Company’s Code of Ethics;

2.5. CPC (Accounting Pronouncements Committee) 48/IFRS 9;

2.6. International Organization for Standardization ISO 10962 (Classification of Financial Instruments).

2.7. Company's Strategic Supply Planning.

3. PURPOSE AND SCOPE

3.1. This Policy aims to establish general rules, guidelines, instructions and responsibilities to be complied with by all the Company's Employees and Third Parties in the process of pricing in and monitoring of commodities and foreign currencies, as well as in the management of exchange rate effects related to the Company's operations, in order to ensure that:

3.1.1. Risks arising from exposure to changes in commodity prices and capturing opportunities through the purchase of futures, contracting insurance or other financial tools, are identified, assessed and mitigated to an acceptable level;

3.1.2. The Company's foreign exchange exposure is monitored and controlled on a conservative basis, according to the achievement of its budgetary and strategic objectives;

3.1.3. The governance and Internal Controls structure is continually reviewed, considering the risks identified, minimizing the costs associated with uncontrolled risks and/or unnecessary control activities;

3.1.4. Transactions with potential conflicts of interest are identified and the associated risks are minimized by implementing measures to segregate functions and/or monitor activities;

3.1.5. All Employees involved in the process clearly understand the purposes of this Policy and the roles, functions and responsibilities assigned to the different levels of the Company;

3.1.6. The Company is in compliance with the applicable regulatory framework.

3.2. This Policy's mission is to ensure that the Company's business objectives and strategies are met, identifying and communicating in a timely manner the need to adapt operating procedures and the level of exposure to the inherent risks of exchange variation and commodity transactions. This Policy aims to protect and optimize the Company's results due to changes in currency and commodity prices through the contracting of financial instruments in the futures, forward, options and swap markets.

3.3. The provisions of this Policy shall be read together and supplement the conduct guidelines established in the Code of Ethics and other related internal policies and procedures.

4. HEDGE COMMITTEE

4.1. **Composition and operation of the Hedge Committee**

4.1.1. The Hedge Committee (Committee) shall be comprised by the holders of the following positions in the Company: (i) CEO; (ii) Industrial Vice President - Mills; (iii) Vice President of Investments and Controllership; (iv) Executive Supply Officer; (v) Commodity Manager, (vi) Investment Manager. In cases of vacancy or organizational review, any changes in this composition shall be determined by the Appointment and Compensation Committee, an advisory body to the Company's Board of Directors.

4.1.2. The Committee’s secretary shall be the Company's Risk Manager, who will not have discretionary powers. Committee members may request, at their discretion, operational and advisory support from any Employee or Third Party, as well as invite them to participate in its meetings.

4.1.3. The Committee shall hold regular monthly and extraordinary meetings whenever necessary, and will establish a basic agenda for its planning and annual schedule.

4.1.4. The minimum quorum for holding the meetings shall be 4 (four) members, with virtual participation allowed through tele or video conference tools.

4.1.5. All discussions and resolutions of ordinary and extraordinary meetings shall be recorded in minutes, sent electronically within 3 (three) business days after the meeting, for review and comments by members. The approval and signature (physical or electronic) of each minute shall take place before the next regular meeting.

4.1.6. It is the responsibility of the members of the Hedge Committee to agree upon and validate the strategies in compliance with this policy, preferably by consensus. The Company’s CEO has the prerogative of final validation or disapproval of the proposal as a decisive vote in cases where such consensus is not reached.

4.2. The horizon of the topics discussed will be short-, mid- and long-term, according to the definition of the budget for each commodity and its respective Strategic Pricing Planning - PEP (see item 7), which can reach up to 36 months.

5. ROLES AND RESPONSIBILITIES

5.1. **Hedge Committee**

5.1.1. Approve, at least on an yearly basis, or at each relevant amendment to the Strategic Pricing Plan (PEP) for each applicable input.

5.1.2. Approve the Risk Appetite in relation to the protection of foreign exchange and commodity transactions suggested in PEP.

5.1.3. Approve and review the Hedge Policy.

5.1.4. Ensure that there is no conflict of interest between those involved in the process, in which the risk department does not act in treasury transactions and commodity purchases.

5.1.5. Define guidelines, parameters, methodologies, responsibilities, processes and controls for the development and application of foreign exchange and market risk management via commodity pricing with hedge tools, insurance, derivatives, or other financial tools.

5.1.6. Ensure the correct use of financial instruments to protect and optimize the Company's results due to changes in currency and commodities prices (non-speculative purposes);

5.1.7. Ensure that all transactions are restricted to commodities, inputs, products and equipment related to the Company's production chain and operation.

5.1.8. Manage the Company's total net exposure, considering exports, investments, capex, etc.

5.1.9. Align market prospects and the resulting impacts on the Company's annual and multi-annual budget, forecasts, and strategic planning.

5.1.10. Assure and supervise adherence to the Hedge Policy.

5.1.11. Approve performance indicators to be used in market risk management.

5.1.12. Sponsor and disseminate the culture of market risk management in the Company.

5.2. **Supply Department**

5.2.1. Through the Supply Policy, establish which categories of inputs will be analyzed by the Hedge Committee.

5.2.2. Define the Strategic Pricing Planning - PEP for each input or group of related inputs, monitoring the expected vs. achieved results, and monitoring the discipline in executing any action plans.

5.2.3. Setting of Risk Appetite in relation to the protection of commodity transactions.

5.2.4. Execute (contract) Commodity transactions directly with a supplier, in Brazilian reais or foreign currency, in compliance with the guidelines approved by the Hedge Committee.

5.2.5. Advising the Board of Directors and other Company Committees on matters related to market risk management.

5.2.6. Adjust operations (positions) according to the risk limits set.

5.2.7. Participate in the identification and assessment of risks in its area of expertise.

5.2.8. Define and implement improvement plans within its area of expertise.

5.2.9. Ensure the execution of planned and approved actions for the management of market risks (hedge).

5.2.10. Check out the options of eligible hedge instruments with the best cost/benefit.

5.2.11. Inform departments as to exposures, market trends or any material fact that may impact the business.

5.2.12. Review the risk management models used to monitor exposures to market risks and propose changes, when applicable.

5.2.13. Assess hedge alternatives in compliance with this policy.

5.2.14. Assess stress scenarios to be applied in commodity market transactions (fundamentals).

5.2.15. Document the operational process for negotiating Commodity transactions.

5.2.16. Prepare, execute, and formalize PEPs Internal Controls, negotiations with suppliers, and the Company's total exposure in Commodities.

5.2.17. Formalize and provide information required by other Company's areas (eg Investments, Audit, Controllership, Risk Management, etc.), in order to ensure the proper accounting process for the financial instruments used (Hedge Accounting) for Commodity transactions.

5.3. **Investment Management**

5.3.1. Execute (contract) Hedge transactions (Foreign Currency/Commodities), in compliance with the guidelines approved by the Hedge Committee.

5.3.2. Document the operational process for negotiating transactions.

5.3.3. Support in the preparation of PEP with respect to exchange rate matters, suggesting:

5.3.4. Definition of Risk Appetite in relation to the risks of foreign exchange transactions.

5.3.5. Inform departments as to exposures, market trends or any material fact that may impact the business.

5.3.6. Assess stress scenarios to be applied in foreign currency market transactions (fundamentals).

5.3.7. Assist the Hedge Committee with analysis and technical support for matters related to market risk management.

5.3.8. Prepare, execute, formalize, retain and report Internal Controls for the foreign exchange market topic.

5.3.9. Formalize and provide information required by other Company's areas (e.g. Audit, Controllership, Risk Management, Supply etc.), in order to ensure the proper accounting process for the financial instruments used (Hedge Accounting) for foreign currency transactions.

5.4. **Risk Management**

5.4.1. Supervise the Market Risk management process, reporting any deviations and exceptions to the Hedge Policy to the Hedge Committee.

5.4.2. Advising the Hedge Committee, in the position of secretary and being responsible for meeting records, formalizing decisions, and monitoring their proper compliance.

5.4.3. Monitor the Company's risks and total exposure.

5.4.4. Support the Company in disseminating the culture of market risk management.

Table I - Summary of Roles and Responsibilities Chart

Hedge Committee	• Approve, validate and review the Hedge Policy • Define and validate PEP - Strategic Pricing Planning • Define and validate risks tolerated in connection of Foreign Currency and Commodities transactions • Define and approve performance indicators to be used in market risk management • Sponsor and disseminate the culture of market risk management in the Company
Supply	• Through the Supply Policy, establish which categories of inputs will be analyzed by the Hedge Committee • Prepare and recommend PEP to each category of input under the Committee analysis • Suggest levels of risk tolerance in connection with commodity transactions • Document the operational process for negotiating Commodity transactions • Prepare, execute, and formalize PEPs Internal Controls, negotiations with suppliers, and the Company's total exposure in Commodities • Execute (contract) Commodity transactions directly with a supplier, in Brazilian reais or foreign currency, in compliance with the guidelines approved by the Hedge Committee
Investments	• Execute (contract) Hedge transactions (Foreign Currency/Commodities), in compliance with the guidelines approved by the Hedge Committee • Support in the preparation of PEP with respect to exchange rate matters • Adjust operations (positions) according to the risk limits set • Prepare, execute and formalize Internal Controls in foreign currency transactions, derivatives and the company's total exposure
Risks	• Supervise the Market Risk management process, reporting any deviations and exceptions to the Hedge Policy to the Hedge Committee • Advising the Hedge Committee, in the position of secretary and being responsible for meeting records, formalizing decisions, and monitoring their proper compliance • Support the Company in disseminating the culture of market risk management

6. HEDGE CONTRACTING PROCESS

6.1. Assumptions for contracting financial instruments (future, forward, options, and other derivatives)

6.1.1. The execution of strategies aiming at protecting commodity price may be performed through (i) setting in national currency (price of the commodity and exchange value done simultaneously); (ii) setting the commodity price solely in foreign currency; or (iii) just setting the exchange rate of the financial volume in national currency.

6.1.2. Foreign exchange transactions shall aim to protect and optimize the Company's results due to changes in currency and commodity prices (non-speculative purposes).

6.1.3. Foreign exchange transactions shall be based on the Company's total net exposure, considering exports. Investments and CAPEX shall also be included in the guideline for total net exposure.

6.1.4. Hedge and derivative transaction contracting shall be restricted to commodities, inputs, products and equipment related to the Company's production chain and operation.

6.1.5. Hedge and derivative transactions, both commodity and foreign exchange, shall be based on budget forecasts, intermediary forecasts, multi-annual strategic planning and historical statistics on consumption, production and sales. For building up the target price curve, historical prices, market forecasts and budgets from previous years shall be considered.

6.1.6. Exceptions and contracting of transactions out of the scope of the Hedge Policy shall be submitted for approval by the Hedge Committee before being performed.

7. STRATEGIC PRICING PLANNING (PEP)

7.1. The Strategic Pricing Planning (PEP) is the methodology adopted by the Company for making input pricing decisions, either in the commodity price vector, in the exchange rate vector, or both. Each PEP shall include:

7.1.1. Analysis and market intelligence, defining guidelines to guide the setting of the budget or target price to be pursued and strategies to be executed. It shall be based, minimally, but not exhaustively, on (i) market fundamentals (supply and demand); (ii) price seasonality; (iii) percentile analysis; (iv) premiums and spreads; (v) funds position; (vi) macroeconomic analysis; and (vii) trend view.

7.1.2. Consumption estimates, considering forecasts of inventories, sales and purchase volumes in the period under analysis.

7.1.3. Quantitative assessment containing quotations, contracting conditions, study of the supply chain, clarification of the pricing modality and setting of the target cost for the period under analysis.

7.1.4. The definition of strategies for purchasing futures and contracting insurance to be used in each period from 1 to 12 months, from 13 to 24 months and from 25 to 36 months.

7.1.5. Matrix setting and schedule in compliance with the limits set in item 7.

7.1.6. Approval of costs and funds required to carry out the strategy.

8. OPERATION OF HEDGE INSTRUMENTS

8.1. The hedge instruments authorized by this Policy shall be contracted in structured markets or with first-tier financial institutions that comply with the Company's policies, notably the Supply and Investment Policy and the Compliance Program policies.

8.2. The execution of orders with financial institutions, as well as the analysis and validation of funds for margin calls and other transactions shall be under the responsibility of the Investments area, according to the approval levels already set in other Company’s policies.

8.3. The foreign exchange pricing instruments directly included into the agreement with suppliers shall be discussed and approved by the Hedge Committee.

9. HEDGE ACCOUNTING

9.1. The Company may adopt hedge accounting for contracted derivative instruments, in compliance with the rules established by CPC (Accounting Pronouncements Committee) 48/IFRS 9.

10. POLICY VIOLATION

10.1. Failure to comply with this Policy shall subject the breaching party to disciplinary penalties, in compliance with the Company's internal rules (e.g. Company’s Code of Ethics), without prejudice to the applicable administrative, civil and criminal penalties, enforceable by the competent authorities.

11. EFFECTIVE TERM AND AMENDMENTS

11.1. This Policy comes into force at the date indicated below, after approval by the Company's Board of Directors and any amendments or reviews shall be submitted to the Board of Directors.

11.2. The rules established in this Policy apply to the Company and to all its Employees.

Review	Date	Amendments
01	07/10/2020	Initial Release

This policy is in force as from July 10, 2020.

Fortaleza, July 10, 2020.