

# **Alpargatas Anticorruption and Best Practices Manual**

**ALPARGATAS**

# Contents

- 1** What is the "Alpargatas Anticorruption and Best Practices Manual"?
- 2** Who should abide by the manual?
- 3** Understanding the vocabulary of the manual
- 4** Which are the acts of corruption according to the Anticorruption Law?
- 5** Examples in the form of questions and answers
- 6** Penalties



# What is the "Alpargatas Anticorruption and Best Practices Manual"?

Alpargatas and its employees are committed to conducting business and relationships according to the principles of ethics, of honesty, of integrity and of compliance with the laws.

The "Alpargatas Anticorruption and Best Practices Manual" is a didactic guidebook designed to provide guidance on conducts in line with the above principles and containing an overview of the laws created to combat corruption in Brazil and worldwide. When we talk about corruption, we are talking about interactions with governments and public sector companies.

The manual is exemplificative. It is not able to address all the possible situations, but it offers behavioral guidelines for most of them. If you have any queries after reading the manual, ask your manager for clarifications, or contact the Ethics Committee of Alpargatas via email [comitedeetica@alpargas.com.br](mailto:comitedeetica@alpargas.com.br). This channel is responsible for providing you with assistance and advice in this topic.

It is important for us all to be aware of compliance with anticorruption laws, as negligence in this regard could result in serious penalties for Alpargatas and its employees, inclusive criminal liability for the people involved in acts categorized as corruption.

This manual is available on the company's website (<http://www.alpargatas.com.br>) so it can be accessed from any location. You can also become acquainted with the details of the Brazilian Anticorruption Law by following the link: [http://www.planalto.gov.br/CCIVIL\\_03/\\_Ato20112014/2013/Lei](http://www.planalto.gov.br/CCIVIL_03/_Ato20112014/2013/Lei)

# Who should abide by the manual?

The manual is based on the internal policies of Alpargatas and on Brazilian and international anticorruption laws.

It should be complied with by all the people who have a professional relationship with Alpargatas, i.e., by its employees, directors, CEO, members of the Board of Directors and Audit Committee, and any third party acting on behalf of the company, in Brazil or abroad.

As a third party, we should also include consultants, service providers, business partners, suppliers etc. They also need to be informed of this manual and will be able to access it via Alpargatas' website.

| Anticorruption Manual

# Understanding the vocabulary of the manual

See below the meaning of some words that will appear frequently and will be addressed in the Question and Answer section of this manual. Your understanding is very important for us to measure the scope of the Anticorruption Law.

**CORRUPTION:** meaning to offer, grant or promise an inappropriate advantage to a civil servant or intermediary, to encourage them to practice, omit or delay an official act. In addition, the funding, costing, sponsorship or incentive of the above cases are also considered acts of corruption.

**BRIBERY:** bribery is one of the most common forms of corruption, but not the only one, as we saw in the previous definition. Bribery consists of the delivery, promise or offering of a valuable item in return for more favorable treatment of a company by an official authority or civil servant. The Anticorruption Law punishes not only the individual who pays the bribe, but also the individual who:

- Approves the payment of a bribe;
- Provides or accepts false invoices;
- Retransmits instructions for payment of bribes;
- Covers up the payment of bribes;
- Cooperates consciously with the payment of bribes.

**CIVIL SERVANT:** meaning all those employees of public sector companies, controlled by the government, of government agencies and bodies, political bodies and members of all the branches (Legislative, Executive and Judiciary), even if in positions of trust and commissioned. Interpretation for the purposes of this manual should be as comprehensive as possible, including every type of job, including those that work in other countries and also all people directly related to them.

**RELATED PERSONS:** are those with some family or non-family tie with civil servants (spouses, relatives, godchildren and others).

**LOBBY:** this word is widely used in the political field. It represents an activity of strong or discrete pressure exerted by an organized group to interfere in or influence the decisions of the government in favor of its interests.

**DEFRAUD:** means to commit an illegal act or act of bad faith to cause a false impression of something, and to thus obtain personal gains or advantages. Fraud can be carried out with the assistance of counterfeit items.

**INTERMEDIARY:** meaning the person who acts together with the civil servant on behalf of a collaborator of Alpargatas, so that the latter does not appear in the transaction.

**ANTITRUST:** legislation that protects free competition, through the control of the concentrations of companies that tend to reduce/break down competition and to control the consumer market, and through the punishment of restrictive practices by people, companies (both public sector and private), trade associations and trade unions that may lead to price increases and losses for consumers.

**CARTEL:** meaning an agreement between companies intended mainly for the setting of prices and production volumes, division of customers or of markets. An example of this is the determination of set prices between the products of different companies. In this way, they eliminate competition between themselves, which is detrimental to consumers who are no longer able to find competitive prices. Without competition between companies there is no lowest price.

# Which are the acts of corruption according to the Anticorruption Law?

Brazilian recently adopted a new Anticorruption Law, establishing the accountability of companies for various acts. Besides corruption itself, this law prohibits the following conducts:

- Promise, offer or grant, directly or indirectly, an inappropriate advantage to a government agent or a third party related thereto;
- Fund, cost, sponsor or subsidize the practice of acts of corruption;
- Make use of an individual or corporate intermediary to conceal or dissimulate their real interests, or the identity of the beneficiaries of the acts practiced;
- Hinder or defraud public tenders, contracts with the government – including by means of an arrangement/agreement with third parties (advancing or adjusting prices and margins, establishing rotation, coverage proposal etc.) - and/or an attempt to drive off bidders by offering advantages of any kind;
- Obtain improper advantages because of modifications or extensions of contracts with the government by fraudulent means;
- Deliver products or services of inferior quality to the Government, or outside the agreed timeframes without a justification.

Anticorruption legislation overseas is provided for in several countries where we operate. We will not address any specific international law, yet this manual will cover useful recommendations for any country where we are present.

# Examples in the form of questions and answers

We present below a group of useful questions and answers for us to understand the limits of our actions in the presence of civil servants.

## **MEALS**

### **Q: CAN I PAY FOR MEALS FOR GOVERNMENT EMPLOYEES ON AN OFFICIAL VISIT TO THE OFFICE OR PLANT OF ALPARGATAS?**

A: Yes, provided that the price does not exceed the amount established in our Expenditures Policy of the Matrix Budget System, and that this is an exception. Higher amounts or the frequent payment of meals can be considered bribery. This rule applies to all types of government authorities, employees of public sector companies and related persons. When in doubt, please contact the Ethics Committee of Alpargatas.

### **Q: WHAT IF THE EMPLOYEE IS FROM A FOREIGN GOVERNMENT?**

A: The rule is the same.

### **Q: IS THE CONSUMPTION OF ALCOHOLIC BEVERAGES ALLOWED DURING MEALS WITH CIVIL SERVANTS?**

A: No, after all the consumption of alcoholic beverage may impair the judgment and perception of the civil servant in relation to our acts and intentions.

## TRAVEL

### **Q: CAN I OFFER TO PAY THE TRAVEL EXPENSES OF CIVIL SERVANTS?**

A: The payment of expenses such as plane tickets, taxi fares and hotel accommodation of civil servants will only be permitted within the limits of the Policy on Travel Expenses and with the authorization of the Ethics Committee of Alpargatas. This may be a sign of improper activity with the hidden intention of influencing them positively. Therefore, such payments should be avoided.

### **Q: IF A TRAVEL EXPENSE OF A CIVIL SERVANT IS AUTHORIZED BY THE COMPANY, WILL COST ALLOWANCES ASSOCIATED WITH THIS TRIP ALSO BE AUTHORIZED?**

A: Other cost allowances should not be paid to civil servants for any reason. Only transport and accommodation will be evaluated for possible approval. As regards meals, see the previous item.

## **FREEBIES AND GIFTS**

### **Q: CAN I OFFER COMPANY FREEBIES TO CIVIL SERVANTS OR GOVERNMENT AUTHORITIES VISITING THE OFFICE OR THE PLANT OF ALPARGATAS?**

A: Freebies can be offered provided they are of a promotional nature, have no commercial value and are duly identified with the trademark of Alpargatas. If you have any queries about these criteria, it is preferable not to offer the freebie. The giving of gifts, including tickets and invitations to musical, artistic and sporting events, is not allowed. Do not act impulsively. If there is a planned visit by government authorities to the company, organize yourself in advance and consult your managers about how to proceed.

### **Q: CAN PRODUCTS MARKETED BY ALPARGATAS –SUCH AS TRAINERS, SANDALS, AND KEYRINGS – BE GIVEN AS A FREEBIE TO A CIVIL SERVANT?**

A: The general rule is that they cannot. Exceptions should be evaluated for low cost goods with the authorization of the Ethics Committee of Alpargatas. When in doubt, talk to your Manager.

### **Q: AND WHAT IF THE VISIT IS FOR INSPECTION PURPOSES, CAN I OFFER FREEBIES OR GIFTS TO THE INSPECTOR?**

A: You cannot.

**Q: AND WHAT ABOUT CHRISTMAS/NEW YEAR FREEBIES OR GIFTS?**

A: Freebies can only be offered if they are of a promotional nature, have no commercial value, and are identified with the Alpargatas trademark, or are products traded by Alpargatas and having little value, as established in the previous questions. When in doubt, talk to your manager.

**Q: I DO NOT WANT TO OFFER A FREEBIE, BUT I HAVE AN INSTITUTIONAL RELATIONSHIP WITH GOVERNMENT EMPLOYEES, AND WOULD LIKE TO SEND A PRINTED CHRISTMAS CARD OR AN ELECTRONIC MESSAGE. IS THIS ALLOWED?**

A: Before sending Christmas, New Year's, birthday, wedding anniversary or thank you cards etc. to an employee with whom you have an institutional relationship as a representative of Alpargatas, consult your superior or the Ethics Committee of Alpargatas. Institutional messages, when permitted, should be standardized and centralized in the company's Communication Department.

**Q: CAN I OFFER PAYMENT OR GIFTS TO A CIVIL SERVANT TO SPEED UP THE RENEWAL OF A CERTIFICATE OR LICENSE? I WILL NOT ASK HIM TO DO ANYTHING WRONG, JUST HIS JOB.**

A: It is not permitted to offer civil servants any type of payment, gift or advantage in exchange for expediting of any decision or conduct, even if it is overdue. The actions of civil servants should be carried out independently of any external incentive.

## **MEDIA**

### **Q: IS IT PERMITTED TO LINK THE COMPANY'S NAME TO PERSONAL POSTS ON SOCIAL NETWORKS?**

A: It is not permitted to link the company's name to personal posts, such as Facebook, Instagram and others. Only the communication and marketing team is qualified to promote Alpargatas through different channels and via the company's official channels. Read the Policy on Use of Social Networks when you have any queries about the subject. The same applies to manifestations in the media of widespread circulation.

### **Q: CAN I ANSWER QUESTIONS FROM THE PRESS ABOUT THE COMPANY CONCERNING MY AREA OF ACTIVITY DIRECTLY?**

A: No. Even if the questions refer to your specific area of activity, it is not permitted to respond to them before the press.

Alpargatas has sought to maintain an open relationship with the press since it was founded. For this relationship to be kept this way, any questions referring to the company should be addressed to its press relations department, which will decide on the best way to answer them. In this way, the veracity and consistency of the information transmitted can be guaranteed.

The general rule is that only Senior Management can speak on behalf of Alpargatas, except when a person is elected by Senior Management to handle a specific topic.

**Q: HOW SHOULD I DEAL WITH THE INCISIVE POSTURE OF JORNALISTS WHO WANT TO KNOW THE COMPANY'S VIEW OF A PARTICULAR TOPIC?**

A: Even in cases of incisive or insistent approaches, instruct the journalist/reporter to contact the press relations department of Alpargatas directly, as they are responsible for any and all corporate public pronouncements.

**Q: CAN I SHARE INFORMATION ABOUT ALPARGATAS THAT HAS NOT YET BEEN, BUT WILL BE, ANNOUNCED IN THE MEDIA WITH FRIENDS AND FAMILY?**

A: The employees of Alpargatas and its subsidiaries are not allowed to pass on internal information of a classified nature, even if this confidentiality is temporary. All employees should act with maximum discretion when dealing with classified company information and documents. When you have a query, read the Policy on Disclosure of Material Facts and Negotiation of Actions, available in our network, or ask the Ethics Committee of Alpargatas.

## **DOCUMENTS**

### **Q: HOW SHOULD I PROCEED IN RELATION TO THE COMPANY'S DOCUMENTS?**

A: All files, whether physical or electronic, containing information related to Alpargatas, are considered documents and should be treated with care, both in their production and in their storage.

It is also necessary to take special precautions when dealing with these documents to prevent classified information of Alpargatas from reaching competitors and unauthorized third parties.

## **INSPECTION**

### **Q: CAN I RECEIVE AN INSPECTOR ON MY OWN?**

A: No. All conversations with inspectors should take place with the participation of at least two Alpargatas employees, in an appropriate room for the activity. Every start of inspection should be immediately reported to Legal Department, which will provide instructions on how to proceed.

### **Q: HOW SHOULD I ACT IN THE PRESENCE OF INSPECTORS AT THE COMPANY? SHOULD I FLATTER THEM TO CAUSE A GOOD IMPRESSION FOR ALPARGATAS?**

A: In the presence of inspectors, everyone should adopt a collaborative attitude, helping them obtain all the documents required for the inspection and assessment of the company, and always immediately informing the Legal Department. Documents should not be hidden or destroyed.

**Q: AND WHAT IF THE INSPECTOR SUGGESTS THAT A MORE "COLLABORATIVE" ATTITUDE COULD BENEFIT THE COMPANY?**

A: If the inspector proposes any type of settlement in exchange for a more beneficial treatment for the company, you should not accept. Explain that you are not authorized to conduct negotiations of this kind, as it would go against the internal policies and the Principles of Conduct and Ethics of Alpargatas. Immediately advise the Ethics Committee of Alpargatas of this situation.

It is not permitted to offer, give or promise the inspector any freebies, gifts, meals, travel or entertainment in order to achieve a more beneficial treatment.

**Q: HOW SHOULD I DEAL WITH INSPECTORS WHO REQUEST OUR PRODUCTS?**

A: Tell them you are not authorized to give them any goods in this case, and report the incident to your manager.

## **PROFESSIONAL RECOMMENDATIONS**

**Q: I KNOW A CIVIL SERVANT WHO IS ABOUT TO RETIRE. CAN I TELL HIM I INTEND TO RECOMMEND HIM FOR A POSITION AT ALPARGATAS?**

A: It is not permitted to promise jobs to civil servants, not even in this situation. This could generate conflicts of interest resulting in violation of anticorruption laws. The same rule should be observed for the offer of a job or position as a third party service provider or at companies that are business partners of Alpargatas.

**Q: CAN I RECOMMEND THE RELATIVE OF A CIVIL SERVANT TO A POSITION AT ALPARGATAS OR TO TAKE ON A POSITION AS A THIRD PARTY SERVICE PROVIDER?**

A: No. The same prohibition of promising a job or position to a civil servant is applicable to the persons related thereto (such as a spouse or domestic partner, relatives and other connected to the civil servant).

**Q: WHAT SHOULD I DO IF A CIVIL SERVANT OR GOVERNMENT AUTHORITY APPROACHES ME ASKING FOR A JOB AT THE COMPANY, A RECOMMENDATION OR TO ENGAGE THE SERVICES OF A CONSULTING FIRM?**

A: As it is illegal to ask for money, it is not permitted for a civil servant or authority to request any type of advantage for themselves or for a third person. Never promise anything, even if you do not intend to fulfill the promise and just want to extricate yourself from the situation.

## **BUSINESS OPERATIONS WITH GOVERNMENTS, PUBLIC SECTOR COMPANIES AND RELATED PERSONS**

**Q: MY NEPHEW WORKS AT A GOVERNMENT AGENCY AND IS COORDINATING THE PURCHASES OF THE DEPARTMENT. HE CALLED ME ASKING ME TO INFORMALLY SEND THE LATEST PRICE QUOTES OF SOME PRODUCTS SOLD BY THE COMPANY, FOR PRICE REFERENCE PURPOSES IN THE INVITATION TO BID OF THE AUCTION TO BE HELD. HOW SHOULD I PROCEED?**

A: Explain to your nephew that the company could cooperate in the reference pricing process, yet formally, by means of an official request and with the involvement of the Legal Department.

**Q: CAN I TALK TO CONTACTS OF OTHER COMPANIES IN ORDER TO OBTAIN STRATEGIC INFORMATION FOR ALPARGATAS IN A SALE TO THE GOVERNMENT?**

A: It is not permitted to exchange internal and confidential information with any person who is not part of Alpargatas, particularly not with employees of competitors. Information considered sensitive by the company can only be exchanged with external persons under the guidance of the Legal Department.

**Q: I RECEIVED AN EMAIL FROM THE EMPLOYEE OF A COMPETING COMPANY BY MISTAKE, CONTAINING FACTS AND FIGURES REGARDING PRICES AND COSTS. MY SUPERIORS HAVE BEEN TRYING TO OBTAIN THIS INFORMATION FOR A LONG TIME. CAN I SEND IT TO THE COWORKERS FROM MY DEPARTMENT?**

A: Electronic correspondence containing details of prices or any strategic business information of other companies must not be retransmitted or answered.

If you receive unsolicited emails from competitors, immediately advise the Ethics Committee of Alpargatas and request instructions. The same rule applies to unsolicited strategic information received from third parties.

The mere exchange of sensitive data and contents between competitors, even if these are public, may be interpreted as a violation of antitrust legislation due to the practice of a cartel. Within the sphere of competitive bidding or sales to the government, this behavior can also be considered corruption.

**Q: SHOULD I REMAIN SILENT AT A MEETING IN WHICH COMPETITORS START TO DISCUSS PRICES, BUSINESS TERMS OF CLIENTS OR OTHER CONFIDENTIAL DETAILS?**

A: If you are present at meetings or in situations where competitors start to discuss prices or any other strategic information, express your disagreement and immediately leave the meeting. Contact the Ethics Committee of Alpargatas and request guidance.

**Q: WHAT IF THIS DISCUSSION TAKES PLACE WITHIN A CIRCLE OF FRIENDS?**

A: Even in a circle of friends, conversations such as these are not permitted and you should explain that you are not authorized by Alpargatas to comment on this type of subject. Ask them to change the subject. If the subject continues, it is recommended that you leave the location.

**Q: WHAT IF THE ABOVE DISCUSSION OCCURS AT AN INDUSTRY ASSOCIATION MEETING?**

A: If an industry association meeting takes place, it is important to note down in minutes that you are withdrawing from the meeting prior to the start of the discussion.

**POLITICS**

**Q: CAN I JOIN POLITICAL PARTIES AND RUN FOR PUBLIC OFFICE?**

A: Freedom of affiliation is guaranteed by the Federal Constitution; therefore, all the employees and collaborators of Alpargatas and its subsidiaries are allowed to join political parties. However, any activities relating to the affiliation process should be carried out in the employee's own name, outside of working hours and the perimeters of the company, and without the use of any resources of Alpargatas.

**Q: AM I ALLOWED TO PROMOTE MY CANDIDATE IN THE WORKPLACE BY DISTRIBUTING PAMPHLETS AND OTHER TYPES OF ADVERTISING?**

A: Alpargatas professionals are guaranteed complete freedom of affiliation and the exercise of their political preferences. However, these cannot be exercised on the work premises. Employees are prohibited from using their superior hierarchical position to influence the political choice of their subordinates.

**Q: IS IT PERMITTED FOR CANDIDATES TO ELECTIVE POSITIONS OF THE EXECUTIVE BRANCH (PRESIDENT, GOVERNOR, MAYORS AND THEIR DEPUTIES) TO PROMOTE THEIR CANDIDATURE WITHIN COMPANY PERIMETERS BY MEANS OF POLITICAL RALLIES?**

A: Yes, provided this is previously authorized by the Ethics Committee of Alpargatas, and takes place at appropriate places and times for such practices. Employees will not be allowed to hold political rallies of candidates to the position of senator, congressman and alderman (Legislative Branch), on the premises of Alpargatas, due to the considerable number of candidates to this type of elective office.

**Q: CAN I MAKE DONATIONS TO THE POLITICAL PARTY TO WHICH I AM AFFILIATED?**

A: It is certainly possible for employees to make donations to the parties to which they are connected; however, these should be made in their own name and should not be made in exchange for any kind of advantage. Do not fail to comply with guidelines, requirements and limits established in the electoral legislation.

**Q: CAN I LOBBY WITH THE GOVERNMENT AUTHORITIES OR HIRE THIRD PARTIES FOR THIS PURPOSE?**

A: No. Although the practice of lobbying is not in itself considered a violation of the current legislation, it must be exercised or contracted with a basis on strict parameters. Activities involving the public authorities should only be carried out by the competent departments.

# Penalties

Failure to comply with the anticorruption laws may result in serious penalties for Alpargatas or its employees, even including criminal liability for the individual involved.

Under Brazilian law, the fine for the company can be as high as 20% of its turnover, or, alternatively, R\$ 60 million.

In addition, there is the possibility of suspension of its activities and public disclosure of the adverse judgment. Individuals responsible could face fines of up to 20% of those imposed on the company.

Imprisonment of up to four years is established for those involved in the practice of cartel and up to 12 years in corruption. These penalties may be increased for repeat offenses or association with other crimes (criminal conspiracy, money laundering etc.)

Under US law, there is the possibility of the levy of a fine of up to USD 25 million on the company and prohibition of the normal pursuit of its activities. US law also provides for prison sentences of more than five years.

In addition to the Brazilian and US legislation, Alpargatas and its employees and third parties are subject to the regulations of the other countries in which they operate. For example, the UK Bribery Act 2011 and others, and may sustain administrative and criminal sanctions.

If you suspect or have heard of the practice of any behavior deemed to be in noncompliance with the guidelines set out here, do not hesitate to contact the Ethics Committee of Alpargatas ([comitedeetica@alpargatas.com.br](mailto:comitedeetica@alpargatas.com.br)). Your name will be kept completely confidential and you will be contributing to the preservation of the company's Principles of Conduct and Ethics.

You can also dial 0800 770 7791 to use Alpa Escuta or, if you prefer, visit [www.alpaescuta.com](http://www.alpaescuta.com) . All and any denunciation will be treated as confidential.

Any kind of retaliation against complaints and denunciations made in good faith regarding possible violations of the provisions of this manual is both prohibited and subject to the application of sanctions.