São Paulo, 2nd of August 2024

Re.: Novo Mercado Evolution – Public Consultation No. 01/2024 – DIE

Dear B3's Novo Mercado Team,

At abrdn, our purpose is to enable our clients to be better investors. We have been integrating environmental, social and governance (ESG) considerations into our investment process since the 1990s, and we believe investing responsibly is not only the right thing to do, but it also helps us to identify opportunities and manage risks. As such, we are strong supporters of various groups advocating for companies to adopt best practices when it comes to their businesses policies and practices, which alongside with timely, consistent and high-quality disclosure will enable asset managers like us to make better assessments of how our investments could positively or negatively impact the progress towards our shared goals, like mitigating climate change and upholding strong human rights practices. Therefore, we compliment B3 on the creation, implementation, and consequent improvements of the Novo Mercado listing segment, which has become a cornerstone for aligning Brazilian companies with international best practices in corporate governance.

Going beyond the points proposed by B3 in this public consultation, we have some comments at the end of this letter regarding the importance of improving the rules for exiting the Novo Mercado segment, a relevant discussion we believe could be incorporated in this revision process.

Please find below our contribution regarding the key reform topics presented by B3 on this Novo Mercado public consultation.

I - Novo Mercado Seal "Under Review"

Question 1: Should B3 exclude or add any other hypothesis to place the Seal under review in relation to Novo Mercado Listed companies? Furthermore, in the event of an accounting error disclosed by the company through a material fact, should B3 establish minimum presumed materiality metrics, such as 3% of EBIT and 1% of Net Revenues? Therefore, if the company reaches these percentages and, even so, does not qualify the accounting failure as material, it should justify its position.

While we acknowledge the value of the initiative and its significance for investors and the broader market, and believe it is valuable for B3 to maintain mechanisms for timely responses to detrimental company practices, regarding the hypothesis listed in the proposal, we would recommend including only the most severe events, namely hypothesis (i) through (iv). Additionally, hypothesis that weren't brought forward in the proposal, such as cases of fraud or conviction of the company or its administrators in cases of bribery, corruption or money laundering should be added to the listed hypothesis that would prompt the Novo Mercado seal to be put "under review". Furthermore, regarding the hypothesis of material accounting errors, we believe that B3 should not establish minimum presumed materiality metrics, because an accounting error by itself is presumed to impact investors.

Another important observation is that B3 should be able to act on these cases even if the company does not disclose a material fact, prompted by an audit or from other sources of public information not disclosed by the company, as we believe an unintended consequence of a connection between B3's actions and the company's own disclosure could be the compromising of information transparency. Our suggestion is to avoid mandating this connection.

We encourage B3 to consider making this voting item independent from other topics as to not impact the advancement of other improvements in this proposal.

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II – Board of Directors

Overboarding

Question 2: The proposal to limit the number of boards is restricted to publicly held companies. However, considering that the boards of private companies can take as much or more time from directors, B3 is particularly interested in collecting input on the scope of this rule.

We believe the quantitative limitation of number of boards is valid so that each board member can adequately dedicate their time to the company, therefore we support the initiative as the proposed concept is aligned with ISS Proxy Voting Guidelines, however we believe the limitation should not be restricted to listed companies but include private companies as well. On the specific limitation for chairperson, statutory directors and CEO, we support the proposal as it is aligned with the aforementioned ISS guidelines.

We understand that sectors that have board members active in both the holding company and its subsidiaries could be subject to eventual flexibility, allowing better alignment within the same group.

Independence

Regarding the tenure limit for directors to be considered independent, we support the 10 consecutive years limit, and would be open to extending it to 12 years which is aligned with the abrdn's Listed Companies ESG & Voting Policies. However, we do not believe the 2-year gap proposed for the director to regain its independent status is enough and would be keen for the proposed interval to be 5 years.

Finally, regarding the minimum independence in the board of directors, we understand the 30% minimum to be not ambitious enough and would be keen, in principle, for the minimum to be in line with abrdn's Voting Policy, which recommend companies' board of directors to have at least 50% of independent directors. Nonetheless, recognizing the reality of the local market, we would suggest the percentage of independent representation on the board of directors to be at least 30% or majority independent for companies that have over 50% of free-float.

III – Reliability of Financial Statements

Question 3: Should the statement also be provided by other directors? Furthermore, B3 is interested in receiving comments on the assurance report and its extension. Would it be necessary to edit specific audit rules to require independent auditors to review management's assessment? Should this assessment address, besides the effectiveness of internal controls, operational aspects, financial reports, compliance, and cybersecurity? Lastly international practices state that developing companies with revenues below USD 1 billion might have the option of obtaining the auditors' assurance report after five years or from the moment their revenues reach USD 1 billion. Given this, should B3 grant additional time to small and medium companies listed on Novo Mercado - under the terms of Law 6,404/76 – to submit such a report?

Our understanding is that such statement is not necessary, as in Brazil the responsibility over the Financial Statement of a company is already defined by law, which renders this proposed additional statement redundant, while it may also create additional burden and costs to the companies.

IV – Sanctions

Question 4: The application of the disqualification sanction might cover all company areas responsible for complying with supervision and control rules. B3 is particularly interested in receiving comments on the need to limit the directors potentially subject to this penalty.

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Question 5: Considering that penalties applied based on the RNM have pre-defined ranges for each type of infringement, B3 would like to receive comments on the convenience of adopting some other limitation criteria regarding their application.

Regarding the disqualification penalty possibility at the end of a sanction process, we would suggest B3 to provide details on the specific conditions under which this penalty would be applied, focusing solely on extremely relevant and severe cases.

On the adjustments made to fine amounts, we consider the proposal put forth by B3 to be appropriate.

V – Arbitration

Regarding the proposal of accrediting other Chambers for arbitration involving Novo Mercado companies, we support the initiative as long as B3 stablishes objective and restrictive criteria for accreditation in order to maintain the quality of the chambers and allow greater coordination in their actions. However, we emphasize that the historical dissatisfaction with the arbitration institute relates to the lack of greater transparency due to the confidentiality of the proceedings. Our understanding is that, considering the public nature of listed companies, the general rule should be transparency, with widespread information disclosure.

VI – Statutory Audit Committee

We support the adoption of a Statutory Audit Committee, but we note that since the committee includes external experts, it would be appropriate to delineate their responsibilities and align them more closely with requirements applicable to administrators. Additionally, it would be expected for this committee to have an independent majority.

V - Complaint Channels, Anonymity, and Data Disclosure

We support the proposal brough forward by B3 regarding the complaint channels, the confidentiality of complaints, and especially regarding the disclosure of complaints, which we believe help provide investors with valuable information regarding the effectiveness of the companies' whistleblower channel and management of complaints.

VI – Directors' Remuneration

Question 6: In your opinion, should B3 demand that companies listed on Novo Mercado include in their remuneration policies, minimum rules for deferral and recovery of remuneration by the company? In case of clawback, should such rules be restricted to directors who could be directly linked to the facts that led to the recovery of remuneration or once applied, should the rules cover all directors? From a labor perspective, are there any concerns that you would like to emphasize?

It is our understanding that the proposed addition of clawback rules and malus clause is a clear institutional advancement, providing international alignment and indicating greater rigor in situations where the responsibility of administrators is evident, which is also aligned with abrdn's Listed Companies ESG & Voting Policies. Our view is that the rules should be restricted to the individuals directly involved in the incident that caused the remuneration to be recovered.

VII – Integrity

Question 7: In your opinion, should B3 require companies listed on Novo Mercado to have an integrity policy? If so, what are the main points that need to be considered? Should it be extended to suppliers? If not, should the code of conduct address any specific aspect contained in integrity policies?

We do not believe the requirement of an integrity policy to be necessary as it may be redundant to other policies companies already adopt without necessarily yielding to best governance practices. We understand that a greater advancement in this topic

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would be the need for the companies' Code of Conduct to comprehend third-parties, suppliers and contractors, as well as for the company to disclose breaches and infringements to the Code of Conduct in one of their statutory reports.

Additional Comments

As flagged in the introduction of this letter, we also believe this is a great opportunity to bring forward topics that were not raised by B3 in this public consultation but are nonetheless important for the advancement of the Novo Mercado segment, namely the Novo Mercado exit rules.

We believe the rules for a company to exit from Novo Mercado should be more restrictive, and while the Novo Mercado regulation provides, as a general rule, that this exit must be preceded by a tender offer (OPA) for the cancellation of the company's registration, with an exception allowing for a waiver of this requirement (if approved in a general assembly), we have been seeing recurring waivers. We would suggest an amendment to existing rules such that only free-float shares should be allowed to vote on this matter, which would help mitigate or minimize the controlling shareholders' bias, protecting minority shareholders rights. Minority shareholders that present conflicts of interest should also be impeded to vote in these occasions, and the exit from the Novo Mercado should be conditioned on the tender offer being accepted by the qualified majority of the voting shares.

Given the opportunity, and linked to the point raised above, we would also encourage B3 to resume the discussions regarding the introduction of a requirement for a Public Tender Offer (OPA) by any shareholder reaching a 30% stake of a company's share capital, or higher, allowing better protection for minority shareholders and increased obligation by reference shareholders.

Lastly, we would like to thank B3 for giving us the opportunity to express or views on this important proposal. We look forward to following the next steps in the process and remain at your disposal should you wish to discuss our comments further.

Yours sincerely,

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