How to launch a Brazilian Depositary Receipts (BDRs) program

Guide | 1st edition

pwc

BM&FBOVESPA
The New Exchange

Contents

Introduction

Launching a Brazilian Depositary Receipts (BDRs) program can be a milestone event for an organization. Preparing to become a publicly-listed company on a non-domestic exchange requires a level of understanding and coordination from shareholders and management alike to assure rules and regulations are met and Key Performance Indicators - KPIs and commitments are measured. Options must be evaluated and business models adjusted for cultural differences and business practices. The Brazilian capital markets have successfully raised a growing volume of funding for companies in recent years, with the BM&FBOVESPA showing a proven track record as one of the world's main portals for accessing capital markets. The process of registering the company with the Brazilian regulator and complying with regulatory requirements might at first glance seem daunting – however, as the company will already be listed in its home market it will be well accustomed to life as a public company.

Although foreign issuers of securities can greatly benefit from the liquidity of the Brazilian market by launching a Sponsored BDR program, there are pitfalls which need to be avoided. Understanding the different Programs offered, from the simple and straight-forward Level I which does not require full registration, through to the Level III which upon registration will permit funds to be raised in Brazil, is vital. A company will need to meet supplemental regulatory requirements and continuing obligations as a Brazilian publicly-listed company that may demand new skill sets from management and enhanced governance and controls. Whereas Sponsored Programs put the company in the "driver's seat", in the case of an Unsponsored Program, the company is a mere passenger. Thinking through these requirements in advance and developing an appropriate plan is the key to a successful entry into the Brazilian capital markets and will reduce unnecessary stress on the organization and inspire confidence among investors and other market players.

As the number of foreign companies looking to access Brazilian capital markets continues to grow, we are publishing this first edition of the Guide "How to Launch a Brazilian Depositary Receipts (BDRs) Program".

This Guide discusses the issues a company will need to consider when it debates whether to register its shares in a Sponsored BDR program. The purpose of the Guide is to help companies make informed decisions by addressing factors such as the advantages, disadvantages, costs, timing, and alternatives. It presents the process of registration with the Brazilian market regulator and the listing with the Brazilian stock exchange. The Guide also discusses the registration and information disclosure requirements and summarizes the most important accounting and governance considerations involved in the process. It is not, however, intended to address all aspects of a BDR launch or substitute advice from legal, accounting and banking professionals.

A summarized companion Handbook to this Guide is also available.

We hope you find this Guide a helpful and an easy-to-use reference for planning and executing a registration of a Sponsored BDR Program as you determine the best path for sustaining your company's growth now and into the future.

Sao Paulo, March 2016

Fernando Alves
Senior Partner
PwC Brasil

Ivan Clark
Lead Partner Capital Markets
PwC Brasil

1

The Decision to Launch a BDR Program

What is a BDR?

A Brazilian Depositary Receipt (BDR) is a negotiable instrument that represents an ownership interest in the securities of a non-Brazilian company which must be backed by securities issued by a non-resident publicly traded company, normally already listed in its home or other markets. BDR's are quoted and traded in Brazilian reais, and are settled according to procedures governing the Brazilian market.

A BDR Program provides a mechanism for a foreign company to have its securities traded in the Brazilian capital markets. BDRs are receipts issued by a Brazilian depositary institution representing securities issued by a foreign company which have been deposited with a foreign custodian bank or institution. The securities underlying the BDRs must be deposited with institutions that are in countries which have signed agreements with the Brazilian Securities Commission (*Comissão de Valores Mobiliários* (CVM)) or have signed a memorandum of understanding with the International Organization of Securities Commissions - IOSCO.

Why Brazil?

- Because Brazil is a country with a well-established and regulated investing community.
- Because the Brazilian market has historically been the market with the highest trading and capitalization levels among all Latin American countries.
- Because Brazil has an efficient and sophisticated stock exchange (BM&FBOVESPA) and market regulator (CVM):
    - ...which seeks to provide registrants with a wide array of funding and trading options;
    - ...which attracts a high percentage of foreign investors in IPOs and Follow-ons;
    - ...which is well placed as a regional center for financial and capital market transactions.

What are the BDR Programs on Offer?

The different types and classes of BDRs are as follows:

Level I

Unsponsored BDRs

The depositary institutions that issue Level I BDRs are responsible for disclosing information to the market. Unsponsored programs can be launched without the support of the underlying company. Although the ***program*** is registered with the CVM and listed at BM&FBOVESPA, the foreign issuers of shares represented by Level I Unsponsored BDRs are not required to register the company with the CVM. However, the same regularly presented company financial information is required to be disclosed in Brazil as is required to be disclosed in its home country. No further proceeds can be offered in the Brazilian market through an issuance of securities. Only Qualified Investors are permitted to trade Unsponsored Level I BDRs.

Level I

Sponsored BDRs

Sponsored programs are launched with the full and active support of the underlying company. Although the ***program*** is CVM registered and listed at BM&FBOVESPA, the foreign issuers of shares represented by Level I Sponsored BDRs are not required to register the company with the CVM although the ***company*** is required to disclose in Brazil the same information which it is obliged to disclose in its home country. Only Qualified Investors (as defined – see later) are permitted to trade Sponsored Level I BDRs. No other new proceeds can be offered in Brazilian market through an issuance of securities.

Level II

Sponsored BDRs

Can be bought and sold by any investor. Level II programs must be registered with the CVM and listed at BM&FBOVESPA, the underlying company is required to follow Brazilian listed-company disclosure rules and regulations (by registering the company with the CVM and listing at BM&FBOVESPA). No other new proceeds can be offered in Brazilian Market through an issuance of securities.

Level III

Sponsored BDRs

Can be bought and sold by any investor. These programs are registered with the CVM and listed at BM&FBOVESPA when securities are issued (and proceeds raised) simultaneously in Brazil and abroad in accordance with Brazilian law applicable to securities offerings. Only in Level III new proceeds can be offered in Brazilian Market through an issuance of new securities.

All types of BDRs are admitted for trading on the BM&FBOVESPA's Puma Trading System.

Tip

The BDR Program options on offer provide an easy entry for any foreign listed company into Brazil. The Level I programs are simple, straight forward and do not require the company to meet Brazilian public company standards – information is mostly limited to disclosures provided by the company in its home markets.

The Level II Program requires registration of the program and the company. The Level III Program allows equity capital to be raised in Brazil.

Is there a fast track for public offering a Level III program?

Yes. Instrução (“Instruction”) CVM no. 476 (“CVM no. 476”) permits an offering to be launched and funds raised from Professional Investors in Brazil without need for the BDR Level III Program to be registered with the CVM, as long as the Company is already registered allowing for a much easier and quicker access to the markets reducing costs, shortening lead times and make for a more agile market in Level III BDRs.

The restricted placement rules determine that the number of domestic investors that may be approached is limited to 75 investors of which 50 are eligible to subscribe to the offering.

Certain rules and limitations apply (more later) including restrictions on “Green Shoe” and “Hot Issue” supplemental offerings.

Which companies are eligible to register a Sponsored BDR Program?

Non-Brazilian listed companies are eligible

- Foreign company shares can be used as underlying securities for BDRs only when issued by publicly-held non-resident companies (or similar companies), which have been admitted for trading and are held in custody in countries whose regulatory bodies have entered into a cooperation agreement for consultation, technical assistance and mutual exchange of information with the CVM or are signatories of the IOSCO Multilateral Memorandum of Understanding.
- Foreign publicly-held companies whose stock underlies BDR programs are subject to no specific requirements with regard to (i) date of incorporation or (ii) operational performance and results in previous fiscal years. Although greenfield companies or startups can use their own shares for purposes of the issuing BDRs, they may be required to file a feasibility study with the CVM.
- In the case of Unsponsored BDRs, the Depositary Bank is responsible for the lauching and maintenance of the program.

Brazilian companies (as defined) cannot register their own securities in a BDR program

- An issuer headquartered in Brazil or with more than 50% of its total assets located in Brazil (the definition refers to a 'substance over form' evaluation), as reported in its individual, separate or consolidated financial statements, does not qualify as a foreign issuer under Brazilian law and therefore its securities cannot be used for a BDR program.

CVM Instruction no. 480 determines that the classification of a company as a foreign issuer be verified at the time of the registration request. The classification as a foreign entity must be declared by the issuer as part of the registration filing processes by means of a document signed by the legal representative of the issuer, containing a declaration that the issuer does not fall into any of the Brazilian company definitions. The CVM may, under certain circumstances, override the verification process of the classification as a foreign issuer upon reasoned request by the issuer.

A BDR Level III program will only be registered by the CVM at the time a simultaneous offering of securities is made in Brazil and abroad.

Why would a non-Brazilian listed company register a BDR Program?

Investors are constantly looking for opportunity to diversify risks and expand into cross-border markets seeking new portfolio profiles, deeper liquidity, efficient trading platforms and broader currency exposures. For the Brazilian domestic investor, the Sponsored and Unsponsored BDR programs provide a straight forward, direct and effective manner to invest “abroad” in a well regulated market without having to transact through a foreign exchange contract. Global companies looking to expand their footprints into new markets will seek higher visibility among foreign market players and investors. A broad BDR program may precede a foreign direct investors plan to effect merger and acquisition activity in Brazil or the region by increasing corporate brand and visibility, creating a locally traded acquisition currency and absorbing business culture.

The most important question a foreign company should ask is: ‘Why launch a Sponsored BDR?”

Some of these reasons are addressed in more detail below:

1. **Enhance liquidity** - Offer liquidity to founding shareholders and financial investors, such as private equity or venture capital funds, to exit or dilute their investments in a liquid market. Foreign entity shareholders can benefit from the liquidity of the Brazilian market by using BDRs traded on the BM&FBOVESPA.

2. **Access Brazilian investors** - Providing a listing of BDRs enables Brazilian domestic investors to buy securities in Brazil backed by shares issued by foreign companies. Trading such shares cross-border directly in the countries in which they are issued can be complex and costly, besides involving different operating systems, foreign exchange controls, tax complexities, language barriers, regulatory issues, time zones, settlement procedures and different foreign-exchange rules, among other hurdles. Buying a BDR in Brazil can also provide interesting currency hedge characteristics and equity exposures to new markets.

3. **Currency for M&A** - Using BDRs traded on the stock exchange as a form of paying for acquisitions of other companies. A foreign listed company can use its own securities as an instrument (currency) to acquire other companies without having to disburse cash. This is a particularly interesting option when a market is consolidating, agility in decision-making is a critical negotiating lever and transaction windows are narrow. The “currency” can be accessed quickly and effectively if the BDR program is already in place providing flexibility and an effective negotiating instrument in a rapidly changing market.

4 **Showroom the Company** - Brand recognition - Improving the corporate image and strengthen relations with different stakeholders. After listing at BM&FBOVESPA, the company becomes more prominent and gains recognition from all groups with whom it has relations. Financial and specialized analysts and media are more likely to follow and research companies which trade in their own markets.

5 **Regional expansion** - Gain access to the capital market and obtain funds to finance investment projects. Increasing equity capital by issuing shares and admitting new partners is an unlimited source of funding but which needs to be part of an optimum debt-equity structure. As long as the company has feasible and profitable projects, investors will be interested in financing them.

6 **Reference of value** - Create a reference to value the business. After going public, a company starts to be constantly evaluated by investors. Deeper markets with more liquidity provide for a better indication of fair values.

7 **Professionalization/internationalization** - Seek professionalization of its management. Going public in a cross-border market encourages the company to seek a more global perspective, affecting not only top management, but all employees, and by making succession processes easier.

Is a robust regulatory framework in place in Brazil?

The issuance and trading of BDRs were originally regulated by CVM Instruction no. 331 (since repealed) and CVM Instruction no. 332, both dated April 4, 2002 (since amended), which deal with the registration of the company and the BDR program, respectively, with the CVM.

The provisions set forth in CVM Instruction no. 400, of December 29, 2003, regulate the public offers for the distribution of securities in primary and secondary markets in Brazil, which are applicable to the issuance of Level III BDRs and CVM Instruction no. 480 specifies the disclosure requirements. CVM Instruction no.476 has permitted the fast tracking of issuances, CVM Instructions nos. 554, 564, and 566 have further modified the regulations.

The rules and regulations which govern the negotiation of the BDRs are contained in the Brazilian Monetary Council (CMN) Resolutions and Brazilian Central Bank (BACEN) Circulars.

Is a clear securities listing and market developing framework in place in Brazil?

- BM&FBOVESPA offers a wide range of products and services for the global sophisticated investor such as: trading shares, fixed-income securities, spot foreign exchange and derivative contracts based on equity securities, indices, financial assets, commodities, currencies and others; listing of companies and other issuers of securities; asset depository services; security lending; and software licensing.
- The BMF&BOVESPA is committed to fostering the development of channels of communication and cooperation with other exchanges, custodian institutions and clearinghouses to support and promote the development of organizations and contribute to the maintenance of organized securities, futures and commodities markets.
- The exchange is foccused on developing instruments to promote liquidity in the market including Market Maker initiatives for BDR programs.
- The BM&FBOVESPA Unsponsored BDR Global Index (BDRX) also provides an important contribution to the structure of the market providing a segmented view and the tracking of Unsponsored BDRs registered for trading on the exchange.
- Another instrument which can contribute to the enhancement of the securities liquidity is the BM&FBOVESPA securities lending program available for Sponsored BDRs.

Is an institutional framework in place for the Depositary Bank?

- The Depositary Banks must be registered to operate as such with the BACEN and CVM.
- Pursuant to CVM Instruction no. 480, a depositary institution is an entity which issues in Brazil the corresponding certificates (Receipts) based on the Securities held in custody abroad.
- BDRs may only be issued by Brazilian financial or other institutions authorized to operate as depositary institutions by the BACEN and accredited by the CVM to issue BDRs. Depositaries are responsible for structuring and launching BDR programs, for securing the registration of the BDRs programs and of the foreign issuers with CVM, when appropriate.
- For Sponsored programs, foreign issuers are responsible for disclosing the mandatory information through their legal representatives in Brazil.
- For Non-Sponsored programs, depositary institutions responsible for disclosing information regarding the BDR programs and the foreign issuers of the shares underlying the BDRs.
- Depositary institutions are responsible for managing the custody events arising from the exercise of rights inherent to the shares underlying the BDRs (such as dividends, bonus issues, subscription rights etc.).
- The depositary institution, and its responsible officer, is directly liable to the CVM for any irregularities in the management of the BDR program.
- CVM Instruction no. 480 requires the depositary institution to maintain updated records, making them available for the inspection of the CVM, showing the daily movements of BDRs issued and canceled.
- When the depositary institution is granted a voting proxy over the shares it holds on deposit, it must exercise such rights in the interests of the BDR holders.

Tip

In the Level II and III programs, a legal representative for the Company should be designated in Brazil, who will be vested with powers of attorney to handle any issues. The official is personally liable to prosecution and can be sued. Responsibilities include receiving summons and notifications on behalf of the Company. The legal representative must be resident and domiciled in Brazil – the candidate must be proposed and formally accept the role, and acknowledge the responsibilities being assumed under Brazilian law and regulation

Is an institutional framework in place for the role of the Custodian Bank?

The Custodian Bank holds the shares which back the BDRs in the home or other country where such shares are traded.

Pursuant to CVM Instruction no. 332 the custodian institution should be authorized to act as a custodian by a regulator similar to the CVM and be headquartered in the country in which the shares are to be held in custody.

The custodian institution must be authorized by a regulatory body similar to the CVM in the countries in which the shares underlying the BDRs are deposited in custody. The shares should be deposited in a blocked account abroad in the name of the custodian bank with an institution equivalent to the BM&FBOVESPA Central Depository. In Brazil the BDRs are issued by a depositary bank under instruction of the non-resident Company whose shares are in custody abroad.

Investors

Who can acquire the Level I BDRs?

Level I Sponsored and Unsponsored BDRs are admitted for trading on the BM&FBOVESPA's Puma Trading System and can be traded solely by employees of the sponsoring company or another company of the same economic group and by Qualified Investors defined as:

1	2	3
Professional Investors	Individuals or corporations with financial investments in excess of R$ 1 million who formally self-declare that they meet the qualified investor conditions and in the case of individuals hold CVM-approved certifications/qualifications allowing them to act as autonomous investment agents; and	Investment clubs, as long as they are managed by one or more Qualified Investors.

No order from a broker to trade Level I BDRs shall be accepted unless the investor is one of the above, as attested by a formal declaration from the broker or other intermediary concerned.

Who can acquire the Level II and III BDRs?

Level II and III BDRs are admitted for trading on the BM&FBOVESPA's Puma Trading System and can be traded by any investors.

What is a Brazilian public offering?

Launching a Sponsored Level III depositary receipt program in Brazil is subject to CVM Instruction no. 400 which regulates registered public offerings.

A BDR Program can be launched as a primary distribution, a secondary distribution or a combination of the two.

1 *In a primary distribution*

The Company issues new shares abroad which will be used to back a BDR program in the Brazilian market. In this case, the seller is the Company itself and, thus, the funds received from the distribution will generate cash proceeds for the Company.

2 *In a secondary distribution*

An existing shareholder sells a lot of shares underlying a BDR program and, being the seller, receives the proceeds (in this case the Company receives no new funding and the Company's share capital is unaltered).

Regardless of whether the issuance is a primary or secondary distribution, the shareholders in the company would be modified and likely increase and a new shareholder relationship must be created and nurtured, possibly in a new foreign (Brazilian) market.

Tip

An early assessment of a company preparing to register its BDR program is advisable to assure appropriate attention has been given to potential unforeseen issues, including:

- *Financial reporting (CVM compliance and reporting)*
- *Tax (a complex environment)*
- *Governance (market standards and regulatory requirements)*
- *Internal controls (disclosure procedures and regulatory compliance*
- *Compliance (regulatory and tax)*
- *Human resources (language, cultural, learning and education)*
- *Structuring (dividends, regulatory, legal)*

Which BDR Program is the most appropriate option for the Company?

There are a series of stages to go through during and after deciding to launch a BDR program. In general, these stages are not fully defined and, in many cases, occur simultaneously. Analysis of appropriateness precedes all other stages and is crucial in defining whether or not to proceed with the process. The initial phase should focus on whether the costs and benefits of launching the program and meeting the listed-company requirements of the CVM are taken into account. The company's profile and culture should be evaluated to assure these are ready to take on the obligations and responsibilities of a Brazilian public company listed on the stock exchange. There are a number of questions that need to be addressed before deciding to launch. There are several factors which influence the choice of where to raise funds and how to prepare the company.

Tip

Various programs are available depending on the level of commitment and exposure that the Company wants in Brazil. It may be the case to starting with Level I BDRs to 'test the waters' and then, as a second step, evaluate the possibility of having a program with exposure to all types of investors.

Does the Company have the right profile to launch a BDR?

An important aspect to be analyzed is the vocation and profile of being a Public Company. The Public Company rules which apply to BDR Level II and III Programs demand a much higher level of information than that required of a privately-held company. It is to be assumed that the foreign company, represented by its Brazilian delegated officer, executives and majority shareholders, is able and willing to meet the level of transparency and discipline required by the regulator and the market and has the organizational structure and control mechanisms in place to allow the new market partners to understand the business and monitor its performance and management. It must embrace good corporate governance practices to preserve the rights of its new shareholders, identifying their immediate needs (payment of dividends, for example) and long-term needs (sustained growth, consolidation of its business segment, diversification etc.).

Does the Company have an attractive track record?

Generally, a company that outpaces the industry average in growth will have a better chance of attracting prospective investors than one with marginal or inconsistent growth. In the case of Level III Programs, investment bankers want the offering that they underwrite to be successful. Therefore, they look for companies that can meet several tried and true criteria to boost the chances for a successful offering and good performance in the aftermarket. Here are some of the most important factors to consider before a BDR launch:

Although some non-Brazilian companies may not currently meet all of these criteria, investors may still perceive the companies as having enormous potential for growth due to other favorable characteristics they may possess (e.g. plans to expand regionally, a product or service that is highly visible, unique, or of interest to the public and capable and committed management).

Tip

Foreign companies need to objectively assess their readiness to report as a Brazilian listed company on a foreign stock exchange. Going public requires management to be prepared to meet shareholder and market expectations from Day One. Companies will need to address ongoing compliance and regulatory requirements, operational effectiveness, risk management, periodic reporting, and investor relations (the "Day After"). It is difficult to recover a tarnished image.

Is your Company prepared to file timely financial statements with the Brazilian authorities?

A Level II and III BDR program will require the company to register with the Brazilian market regulator and to meet virtually the same rules that are followed by Brazilian listed companies including the legislative requirements established in Brazilian corporate law.

All information presented to the market must be in Portuguese and foreign currency amounts translated to Brazilian Reais. This needs adequate planning to assure time lines are met and document quality is assured.

Brazilian public companies need to file financial statements on a quarterly and annual basis with the CVM, with prescribed data requirements and adhere to strict CVM accounting and financial information disclosure guidelines. Brazilian accounting practices are fully consistent with the sophisticated and demanding International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The critical filing deadlines are as follows:

1

The Brazilian annual financial statements in Reais must be filed with the CVM on the Standardized Financial Statement forms (*Demonstração Financeira Padronizada*) (DFP) within 90 days after the close of the fiscal year. This is extended to four months in the case of foreign-domiciled companies.

2

The Brazilian quarterly (first three quarters) financial statements must be filed with the CVM on the Quarterly Information forms (*Informações Trimestrais*) (ITR) within 45 days after the close of the quarter.

3

The Reference Form (*Formulário de Referência*) must be filed within five months of the close of the financial year.

The annual financial statements, prepared in accordance with applicable legislation, must be provided within 30 days of the annual shareholders' meeting (*Assembleia Geral Ordinária* - AGO), which for Brazilian and foreign-domiciled publicly traded companies must be held within the first four months of the close of the financial year. In addition to the financial statements, the management's proposal to the AGO and /or the Extraordinary General Meeting (*Assembleia Geral Extraordinária* - AGE*)* will include names of Board members for election and a comprehensive financial review analysis (similar to an MD&A), among others, as determined by CVM Instruction no. 481. Section 10 of the Reference Form, which includes management's Operating and Financial Review, including a variation analysis of the balance sheet, comments on overall financial and equity conditions, general financial liquidity conditions, and others, the so-called "MD&A", which Brazilian publicly traded companies must make available to shareholders within 30 days of the shareholders' annual general meeting).

Accordingly, for Brazilian listed companies, the financial statements must be published in newspapers with wide circulation and in the Official Journal (*Diário Oficial*) within three months of the year end (in the case of a foreign-domiciled company, this deadline is extended by 30 days to four months) with the auditor's report, the Report of the Directors, the Report of the Fiscal Council, among others. The financial statements will need to be submitted (in Reais) on the CVM's DFP forms – this will require the data to de re-inputted and conformed to the classifications in the forms. The DFP is an electronic form which is filed within three months of the balance sheet date in the case of a Brazilian domestic registrant and four months in the case of a foreign domiciled Company. Note that a foreign-domiciled company registered as a Brazilian public company is subject to the provisions of Brazilian corporate law (Law 6.404/ 76, as amended) which stipulate, among other matters, minimum dividend requirements and supplemental disclosures in addition to those required by IFRS, for example, including a Statement of Value-Added in the financial statements filed on the DFP.

The Reference Form (*Formulário de Referência*), similar to a Form 10-K for a US domestic company or a Form 20-F for a foreign private issuer which is filed with the SEC in the U.S., is an extensive document which covers all aspects of the company's life. It is a living dynamic document and must be updated in accordance with the parameters established by CVM Instruction no. 480 (article 24) whenever a significant corporate event occurs and at a minimum filed annually with the CVM during the first five months after the end of the fiscal year.

This disclosure schedule must take into account the time for senior management and the domestic supervisory boards to approve the results which are now presented in Reais and in Portuguese, the time needed for the Brazilian registered auditor to issue the *special review reports*, the Brazilian designated officer and the depositary bank to issue the legal declarations and information and Investor Relations Department to prepare its press releases. In addition to the group's domestic auditor, a Brazilian audit firm registered with the CVM has an important role to play including issuing *special review reports*. This all needs to be coordinated with the foreign "home office" and the timeline coordinated with the filing and simultaneous release of information in the registrants own domestic market.

Has the Company established an efficient system of internal controls and procedures?

Senior management of a Brazilian publicly listed company needs to certify the efficiency of its internal controls structure which supports the preparation of its financial statements on an annual basis, including any deficiencies and recommendations raised and provided by the auditors, with a statement signed by the President and Director of Investor Relations, under the terms of CVM Instruction no 480 and CVM Instruction no 552, to the effect that they have read the Reference Form and it has been prepared in accordance with CVM Instruction no 480 and it is a true, precise and complete account of the issuers financial condition and reflects the risks inherent to the business and the securities being offered. This requires a high level of confidence in the effectiveness of the internal control systems to assure that processes and procedures have been appropriately evaluated when launching and filing annual reports for a Sponsored BDR Program.

Are the shareholders and senior management adequately informed and committed?

Before a non-resident company can issue securities abroad, this must be approved by the foreign company's shareholders and alterations made to its statutes. Approval may be required from the home country (foreign) regulatory and monetary authorities. Management of the non-resident entity needs to be fully informed of the transaction as this may affect legal director duties and the need to review Director and Officer (D&O) insurance coverage.

Does the Board of Directors understand its responsibilities?

In any public offering, the quality of an informed leadership team is a key factor. It is vital to ensure that the board of directors as well as management has the right blend of experience and skills to establish the optimal corporate governance structure.

Tip

Alert senior management about their new administrative responsibilities to the Brazilian regulator and market when presenting the Reference Form, including, among others:

a) The responsibilities of the Investor Relation Department, to provide all information required pursuant to the regulations, which does not exempt the issuer, controlling shareholder, the Brazilian designated officer and other members of senior management from possible liabilities.

b) Declare that they have reviewed and agree with the financial statements and with the opinions of the auditors.

c) Disclosure asserting that a formal risk management system is in place and that the operational structure and systems of internal controls are adequate to ensure the preparation of reliable financial statements. Deficiencies and recommendations are to be reported.

d) The duty of disclosing information that is truthful, complete, consistent and not misleading to investors.

e) The obligation, within its sphere of responsibility, to ensure that the issuer complies with market legislation.

Do the benefits outweigh the costs of launching a BDR Program?

Upon the sale of BDRs, an analysis must be made to determine whether or not the new Brazilian investors will generate an increased level of wealth to the current shareholders. In other words, the company must evaluate if the entrance of new shareholders will make the company larger and more profitable and if the wealth of the shareholders and stakeholders will grow.

The advantages need to be identified, as examples: increased liquidity of the current owners' equity, a broader (global) shareholder profile, favorable returns on investments generated by the funds raised from the BDR issue, reduction in the company' s cost of capital plus improved performance and market synergies from the strengthening of its institutional image and the incentives for increased efficiency.

These benefits should be compared with the costs to be incurred by the company in listing in Brazil and the maintenance costs required to meet obligations to remain as a public company. Among these are: the costs related to going public and meeting the requirements of a public company, on-going reporting and communications with the market.

The analysis of costs and advantages should consider the initial benefit from the first BDR issuance and/or listing, as well as those from subsequent follow-on issues. The BM&FBOVESPA may be a new route for placing future distributions of foreign shares at increasingly favorable conditions. As the foreign company is an existing listed company in its home market, many of the uncertainties of investors that are present at the time of the BDR launch, due to their knowledge of and familiarity with the company, its risks and its business, will have been overcome.

The listing segments for shares on the BM&FBOVESPA exchange (only available to Brazilian companies)

The foreign company should be aware that Brazilian companies may be registered and listed for trading their shares on either the "basic" segment, or other listing segments of the BM&FBOVESPA Exchange, the so-called *segmentos especiais* ("special segments") which demand increasingly sophisticated levels of Corporate Governance ("*Nível 1, Nível 2, Novo Mercado*"). These segments are not available to a foreign domiciled company. An access market, composed by two listing segments (the *Bovespa Mais and the Bovespa Mais Nível 2*), is also available to emerging companies.

Each segment has specific admission requirements, related to informational disclosure (financial and otherwise), corporate structure, shareholder composition, and the percent of outstanding (free float) shares and other aspects of corporate governance. The great majority of Brazilian companies launching IPOs choose the *Novo Mercado* ("New Market") segment for listing.

As BDRs can only be traded on the “basic” segment market of BM&FBOVESPA (and cannot be traded on the *Novo Mercado, Nível 1* or *Nível 2* segments) then a foreign company will not generally be subject to the high corporate governance requirements of the Novo Mercado segments. However, it is a fair assumption that the market will expect that a foreign-listed company floating shares via BDRs in Brazil to meet at a minimum the higher level of corporate governance required on *Novo Mercado* segment listed entities. In the case of a Level III program, the company is required to meet at a minimum of the corporate governance standards of the *Nível 1* segment. These include, among others:

1. A Board of Directors with at least three members elected for terms of two years;
2. The posts of Chairman of the Board and Chief Executive Officer cannot be held by the same person; and
3. common shares will be granted an 80% tag-along right.

What is the optimum timing to launch a BDR Program

The demand for capital markets offerings can vary dramatically, depending on overall market strength, domestic and international market volatility, company profitability prospects, the market's opinion of foreign companies, the exchange rate, industry economic conditions, technological changes, international geopolitical conditions, and many other factors. Stock market volatility and the availability of funds for investment in the equity market are important aspects to evaluate in determining the best moment for going public.

Tip

Begin early to position your company to register a BDR program to allow you time to take advantage of the launch "windows" when they open. The sooner you are ready to enter the market, the more flexibility you will have to secure an opportune market opportunity and the greater proceeds and market valuation that favorable market conditions provide. By engaging external advisors early in the process, companies get an objective and professional mechanism for assessing the state of readiness for life as a public company.

Pros and Cons of launching a Sponsored BDR Program

The upside

To the Company

In the case of a Level I and Level II programs

- Broaden and diversify the shareholder base.
- Increased visibility, promoting an environment for possible M&A opportunities.
- Increased visibility among international investing and consuming public.
- Attract new classes of institutional investors by offering deeper liquidity.
- Extend investor and analyst research outside the country of origin.
- Allow the corporate securities to be quoted and traded alongside Brazilian peers.
- Permit the company to be included in industry benchmarking studies.
- Align disclosures provided by global competitors and industry best practices.
- Provide a market based valuation comparable to international peer group.
- Creating an agile exchange currency for acquisitions.
- Ability to offer a new remuneration package to staff including shares options, in order to retain them.
- Use a valuable own currency (existing shares) for M&A activity.

In the case of a Level III program (cumulatively)

- Raise new cash proceeds in the case of a primary issue, and/or liquidity for the partners, in a secondary issue.
- Diversification of funding sources (including optimization of the debt/equity profile) allowing for execution of growth strategies.
- Allow for a broader spectrum spreading risk profiles.
- Mint valuable own currency (new shares) to be used in M&A activity.

To the investor

In the case of a Level I, II and III programs

- Portfolio diversification into regional markets providing a balanced exposure.
- Option to hold the shares in the issuer´s home country upon cancelation of the BDR program.
- Operational rationalization includes negotiation in Reais, within the normal Brazilian settlement cycle (D+3) and proceeds received in Reais.
- Lower costs, as the BDR custodian structure provides for the deposit of shares held in the country of origin.
- Voting rights exercised via the proxy held by the Depositary bank.

The downside

In the case of a Level I program

- Recurring expenses and compliance costs.
- Need to expand the Investor Relations structure and designate a legal representative (officer).
- Need to meet specific information disclosure requirements, including disclosure of Material Facts which can affect BDRs prices.
- Only Qualified Investors can trade the Level I BDRs.

In the case of a Level II program (cumulatively, except that trading not restricted to Qualified Investors)

- Costs related to registering as a Brazilian publicly-traded company and on-going maintenance.
- Taking a company private can be difficult and costly.
- Less flexibility in the decision making process and pressure for performance.
- Vulnerability to hostile takeovers.

In the case of a Level III program (cumulatively, except that trading not restricted to Qualified Investors)

- Costs related to issuing and distributing new shares.

Other considerations

Can non-residents acquire BDRs?

The BDR programs facilitate Brazilian investment in offshore companies. Brazilian residents can declare and remit monies abroad to purchase shares of a non-Brazilian company, deposit such shares with a custodian, and have the depositary bank issue BDRs in Brazil to the these residents. Shares can then be converted into BDRs by Brazilians. As the purchase and payment of the shares occurs outside Brazil, the Brazilian Central Bank does not register this transaction as an entry of foreign exchange capital.

Non-resident investors can acquire BDRs in the Brazilian market, which if they so desire, they can request that the depositary bank cancel these BDRs to then receive the underlying shares from the custodian in the company's home market.

Making the Decision

In the final analysis, the decision depends on your consideration and evaluation of the reasons for your company to have your BDRs traded in Brazil. How will your decision affect the company itself? Is your intention just to seek deeper liquidity? Expand the company's operations in the region?

A Sponsored BDR program can serve as an answer to any one of the questions above. But remember that to launch a program requires careful preparation.

Brazil will play an increasingly important role in world markets. Its institutions are sophisticated, mature and ready to take on the weight of more responsibility. The various and varied BDR Programs on offer provide an excellent port of entry for non-resident listed companies seeking to establish a foothold in the Brazilian market.

2

Types of BDRs

As mentioned above, the depositary institution that issues the BDRs is responsible for filing with the CVM and with BM&FBOVESPA to register the BDR program, specifying its characteristics. The CVM's rules provide for three types of Sponsored BDR program, termed Level I, II and III and one Unsponsored BDR program.

Tip

Each Sponsored BDR program can only include a single type or class of share.

The registration of the program must be supported by a formal commitment by the depositary institution that it will comply with the procedures established by BM&FBOVESPA for terminating the programs. The CVM may deny registration of any Sponsored BDR program if the issuer's project is deemed not to be viable or imprudent or in the case of doubts regarding the good repute of the issuing company's founders, controlling shareholders or managers.

In the event of a public offering of BDRs, should there be any restrictions on trading in the underlying stock in the country of origin, the registration of the BDRs offering in Brazil will carry the same restrictions.

What are the different BDR programs on offer?

The BDR programs may be promoted (actively supported and sponsored) or not (passive or unsponsored) by the non-resident company.

1. An Unsponsored BDR program is established by a depositary institution without a formal agreement with the foreign company that issues the underlying stock.
2. A Sponsored BDR program is established by a single depositary institution hired by the company that issues the underlying stock represented by the BDRs. The issuer of the stock is termed the sponsor and is responsible for the costs of the program and for disclosing mandatory information to the Brazilian market through its legal representatives.

There are different Levels (*Nível* or *Níveis*) within each BDR program: Sponsored programs (Levels I, II and III), and Unsponsored programs (the latter of which are admitted for trading if Level I compliant). Regardless of the category, all BDR programs must be registered with CVM and listed at BM&FBOVEPA.

More specifically the three levels of Sponsored BDR Programs are:

Level I Program permits trading of the securities to occur on a non-organized over-the-counter market, an organized over-the-counter market or on a stock exchange. In this case, the company itself is exempt from registration at the CVM and the securities (once the program is registered) may be purchased by Qualified Investors and employees of the sponsoring company or another company of the same economic group.

Level II Program permits the securities to be listed and admitted to trading on a stock exchange or an organized over-the-counter market. Registration of the program and the company as an equivalent Brazilian publicly-listed entity with the CVM is required.

Level III Program permits the issuance and public distribution of the securities in the market pursuant to CVM Instruction no. 400 or CVM Instruction no. 476, the listing of the securities and admission to public trading on a stock exchange or organized over-the-counter. Registration of the program and the company as an equivalent Brazilian publicly-listed entity with the CVM is required.

What types of BDR programs are available?

	Unsponsored Level I	Sponsored Level I	Sponsored Level II	Sponsored Level III
Issuer involvement	No	Yes	Yes	Yes
CVM registration	Program		Program and Company	
Public offering	No	No	No	Yes
Trading market	BM&FBOVESPA			
Permitted investor	Only 'Qualified Investors'		No restrictions	
Financial reporting standards	GAAP in the country of origin		IFRS	

Unsponsored BDR Program – these are established by one depositary institutions without a formal agreement with the foreign company that issues the underlying stock.

The procedures require to register an Unsponsored Program are contained in CVM Instructions nos. 332 and 480 (Annex 32-I). The rules and regulations for listing with the BM&FBOVESPA are included in the "Regulation for Listing of Issuers and Admission for Trading of Securities", in addition to the "Issuer's Manual" and its Annex 6.6.1.

Pursuant to CVM Instruction no. 332 §3º (modified in part by CVM Instruction no. 431) the depositary institution is responsible for disclosing to the market, as soon as such information is publicly disclosed in the Company's home market, the following information:

- Communications comprising Material Facts and market releases.
- Notice of disclosure of financial statements in the home country.
- Shareholder meeting notices and summons.
- Notices to the shareholders.
- Decisions taken at shareholder meetings and meetings of the Board of Directors (or equivalent bodies).
- The financial statements (without requirement that these be presented in Reais or reconciled to Brazilian accounting standards).

The market-places, such as BM&FBOVESPA, that provide a trading platform for Unsponsored BDR Programs are required to alert investor as to the risks inherent in trading the securities, and in particular that they are not CVM registered and that the financial information may be presented in a format different from Brazilian accounting standards and Brazilian corporate law.

This Guide addresses primarily considerations around launching a Sponsored BDR Program.

What are the BDR Level characteristics?

The characteristics applicable to Level I, II and III Sponsored BDR programs are as follows:

	Level I	Level II	Level III
Depositary bank registers BDR program with CVM	x	x	x
Trading on BM&FBOVESPA	x	x	x
Restricted to Qualified Investors	x		
Subject to CVM supervision and inspection	x	x	x
CVM registration of foreign issuer - Category A[1]		x	x
Public offering of underlying stock[2]			x
Disclosure of issuer's home country information	x	x	x
Disclosure of Brazilian listed company information		x	x
Presentation in Portuguese and in Reais		x	x

[1] All Level II or III BDR issuers must register as Category A companies per CVM Instruction no. 480 (see below).

[2] Level III BDRs are registered only when securities are issued simultaneously in Brazil and abroad.

The BM&FBOVESPA Central Depository provides custodial services for the BDR certificates and manages the settlement/liquidation of all transactions pursuant to the standards in force in the Brazilian capital markets.

Is there a fast track for Level III BDRs with restricted placement efforts?

Yes. CVM Instruction no. 476 and CVM Instruction no. 551, the latter dated September 29, 2014, permit an offering to be launched and funds raised in Brazil, as long as the Company and the program are already registered. Certain rules and limitations apply.

In its first public offering in Brazil, a company will likely not benefit from a fast track BDR's offering since it will be conducting its listing process anyway. Future offerings can take full advantage of the accelerated and simpler launch process in CVM Instruction no. 476.

CVM Instruction no. 551 partially amends CVM Instruction no. 476 by allowing certain public offerings of securities for Category A registrants (see below) to be launched with restricted placement efforts similar to the accommodation provided by Rule 144a offerings in the United States. A similar structure has been available under CVM Instruction no. 476 for transactions involving debentures (significantly increasing volumes placed over the last five years), among others. No similar offering can be made within a four month period.

This allows for a much easier and quicker access to the markets as the offering is not required to be registered with the CVM thereby reducing costs, shortening lead times and making for a more agile market in Level III BDRs.

This will significantly accelerate the registration process for BDR Level III program offerings which were contemplated in the list of securities which are permitted to carry out Restricted Public Offerings. The restricted placement refers to the number of domestic investors that may be approached which is increased from 50 to 75 Professional Investors being that 20 to 50 are eligible to subscribe to the offering. The investors must be advised that the offering is not subject to registration with the CVM.

The offering is restricted to Professional Investors and as stipulated in article 15 of CVM Instruction no. 476 certain restrictions apply in trading in the secondary market.

What are the CVM Public Company Categories?

CVM Instruction no. 480 allows the registration of the Company be effected independently from the registration of the Securities being offered.

There are two categories of publicly traded companies in Brazil – Category A Companies and Category B companies. Foreign listed companies seeking to issue a Sponsored Level III as also a Level II BDR Program, pursuant to CVM Instruction no. 480 (Anexo 32-I), must be comply with the CVM rules for a Category A registrant.

Category A	*Category B*
Registrants are authorized to trade their securities in regulated securities markets, such as stocks, debentures, subscription rights, commercial paper, collective investment agreements, securities depositary receipts, real estate receivables receipts, agribusiness receivables receipts, and collective investment instruments. Category A registered companies are permitted to trade any registered securities in regulated markets.	Registered companies cannot trade shares, depositary receipts or convertible securities.

3

Preparing for a Level III BDR Launch

A successful Level III BDR Program launch requires careful planning which involves some basic initiatives. Once factors like the reasons for launching equity securities in Brazil, the company's level of preparation to meet legal requirements, designating the internal team to work in the pre- and post-launch period, understanding market conditions and analyzing costs, have been concluded, the Company's executives start to work on the process itself.

Tip

The BDR Program options on offer provide an easy entry for any foreign listed company into Brazil. Remember that the Level I programs are simple, straight forward and do not require the company to meet Brazilian publicly traded company standards – information is mostly limited to disclosures provided by the company in its home markets.

The more complex Level II Program requires registration and do not permit public offering of BDRs. The Level III Program also requires registration but allows equity capital to be raised through BM&FBOVESPA.

The company will already be listed in its home markets and may have been operating as a publicly-listed company for many years. Accordingly, none of the issues discussed in this Chapter will be new to the Company though matters specific to a Brazilian listing should be considered and understood carefully.

Tip

Evaluate the convenience of hiring specialized consultants in managing the launch to cover demands for which management does not have the resources or the required expertise.

Hiring a firm to act as PMO (Project Management Office) may make the process of task management, resource allocation and schedule control of the BDR launch significantly easier and allow management to focus on the critical aspects of the BDR launch and managing the company's business. Similarly, a consultant specialized in aspects such as complex accounting issues and financial statement requirements, structuring of a business plan and projections, Corporate Governance and internal controls and others, may fill important demands in the BDR registration process, including supporting the preparation of the company for life as a Public Company.

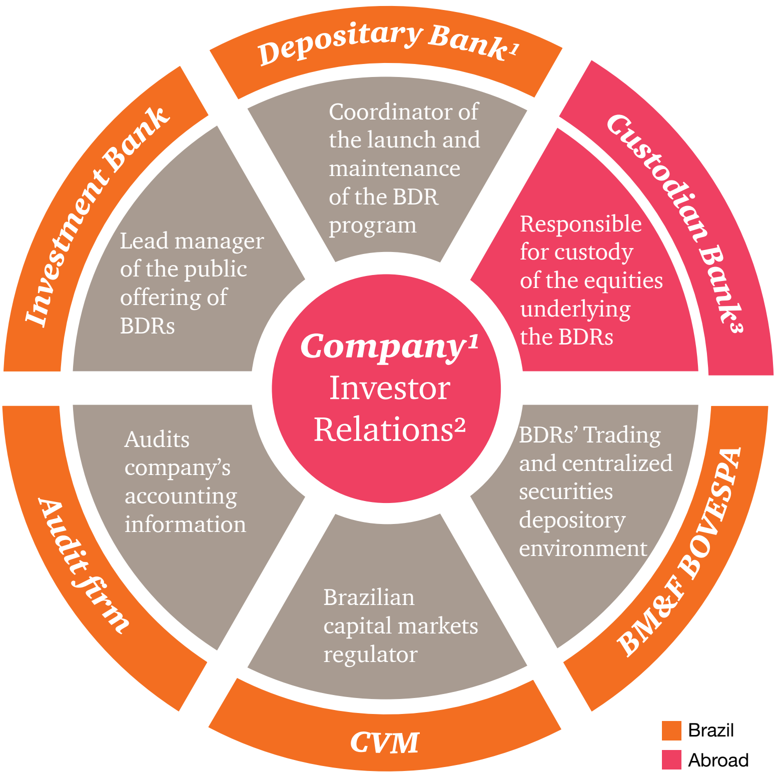
Dealing with the launch and registration process in a foreign country, frequently in a foreign language, requires a significant amount of time and resources and can place undue pressure on the daily tasks of running the Company's operations.

The challenge is not over when the BDR launches. The Company will already have shares traded on its home country exchange and will be familiar with the constant reporting requirements. These efforts will now also be directed to the Brazilian market requirements. The real benefit of a properly planned process can be felt during the first 12 months after going public.

The Players

The process of going public in Brazil involves several agents outside of the issuing company, including audit firms, law offices, investment banks, consultants, a depositary and custodian bank and the stock exchange and market regulators.

BDR Program: participants and roles



[1]Both the company and the depositary bank also have legal advisors/representatives in Brazil.

[2]Area responsible for maintaining the visibility of the company.

[3]The custodian bank has a direct relationship with the depositary bank.

Identifying the Going-Public Team: The Working Group

The decision to issue shares in a cross-border market (particularly if the Company has listed recently in its own market) can be an historic event which affects strategic decisions, alters management processes and structures, internal controls and transparency. It can also be a gateway to new markets, growth and perpetuity. A company needs expert direction and assistance to stage a successful BDR launch which should be part of its overall strategic plan.

As commented earlier, the going public process involves several agents outside the company, such as the auditors, lawyers, underwriters, and consultants. However, the CVM and BM&FBOVESPA will also play a significant part in the BDR launch process. In choosing the advisors who will assist the company in its initial offering process, it is important to keep in mind the impact of the level of documentation required by the CVM and the BMF&FBOVESPA can have on the Company's registration process.

Tip

Building a winning team with members experienced in similar processes and industries is fundamental. The key members of the Working Group are:

- *The non-resident shareholders (owners);*
- *The home Board of Directors and Top Management (principally financial and legal);*
- *Underwriters (underwriters or bookrunners), offering leaders and others;*
- *The Company's legal advisors, both Brazilian and foreign;*
- *The Auditors (Brazilian registered and home country including, predecessors); and*
- *Market experts.*

The Timetable

Before detailing the listing and registration processes, it is worthwhile obtaining an overview of the steps and timing. The timetable below provides a rough roadmap of the stages and timings for a BDR Level II and the further steps for a BDR Level III launch.

Steps	The Company	Under-writer	CVM	Depositary bank	Custodian bank	Professional Consultant
Initial investigation and strategy parameters	x					x
Selection and hiring if underwriter, lawyers, accountants, consultants	x	x		x	x	x
Technical studies	x	x				
Adaptations to Brazilian corporate law	x					x
Registration with CVM	x	x	x	x		
Registration with BM&FBOVESPA	x			x		x
Notification to Market	x	x				
Marketing, bookbuilding and reserves		x				
BDR Level II launch	x			x	x	x
Notice of initiation of public issuance	x	x				
Public offering of Level III BDRs	x	x				x
Beginning of trading on BM&FBOVESPA						
Notice of termination of public issuance	x	x				

			Weeks										
BM&FBOVESPA	**Investor**	**Plan**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**9**	**8**	**10**	**11**
x													
	x												
x	x												
x	x												

The Company team

The degree that the host Company team participates in the process of preparing the registration document frequently depends on the expertise of the Company's personnel, although outside counsel will typically play a large part in the drafting process. In any case, Company personnel will have to provide the necessary information with which to prepare the document on a consistent basis and be actively involved in all aspects of the registration process and, principally in preparing the Prospectus.

A Company should not underestimate the level of commitment a public offering in Brazil will require of its staff. The process requires a great deal of the Company's attention and will likely distract staff from the day-to-day operations of the business. It is important to recognize that this is common in a BDR launch and, in some instances, may necessitate hiring additional staff with appropriate language skills. The Consultant firm may have staff in the home country to assist with the data collection and presentation challenges. A team's commitment to the offering will be the difference between a successful BDR launch and a going public timetable with delays due to lack of documents and/or inconsistent information.

As discussed, to obtain a Public Company registration through a BDR Program, the Company should designate and name a Brazilian-resident director to be responsible for the Company's entire relationship with its investors, with the CVM, with the BM&FBOVESPA and with the market in general. That official will be accountable for making timely and sufficient information disclosures and maintaining Company registrations and details of BDRs transacted available to the CVM and the BM&FBOVESPA as prescribed by market regulations and by law.

Tip

The going public process requires a considerable amount of dedication on the part of the company's key personnel, meaning that they will have less time to dedicate to their daily activities. Hiring experienced personnel, with appropriate language skills, and who understand the Brazilian business/market culture, to coordinate the process, will make for a smother launch. A Consultant with a cross- border team can be useful in collecting and reporting data.

The Investment Bank's role

The Investment Banks, or underwriters, not to be confused with the Depositary or Custodian Banks, are responsible (through their lawyers) for the Due Diligence and define the characteristics of the BDR launch, such as the amount of funds to be raised, makeup between primary and secondary issues, definition of the price range (share offer price), marketing of the offering, roadshow and bookbuilding ("pricing" and allotting the shares in the offering).

In addition, the strategy to place the BDRs should be prepared very carefully, considering the most appropriate amount and quantity for issue, the quantity to be allotted in a primary and/or secondary issue, whether or not there are proper conditions for a secondary offer and definition of the target public to be contacted. The allotment strategy may also include reserving BDRs for employees of the Brazilian entity (subsidiary).

Brazilian regulations require that a public distribution be coordinated by a duly qualified underwriter: multiple bank, investment bank, broker or distributor. Companies usually consult their normal financial partners, but it is recommended that the Company consult more than one institution to compare commissions and the way they operate.

The coordinating institution (also called the lead underwriter), bringing together the interests of all parties involved, will perform the role of coordinator of the CVM registration procedure, offering timing and structuring, guidance on price formation and the distribution plan and organization and presentation of the operations to the market, the latter known as the roadshow. The roadshow is the traveling presentation of the Company to potential investors, particularly specialized institutional investors.

In general, brokers and smaller investment banks coordinate small- and medium-sized issues while large banks coordinate large operations. In some cases, the Company may hire more than one underwriter to serve as coordinator. In the event the Company selects more than one institution, one of the institutions will need to be designated as the lead coordinator. Offers with basic terms and conditions are provided by potential investors following the presentations and company visits.

The roles of the Custodian Bank are discussed further in the following chapters.

Tip

What is a Due Diligence? - It is an investigation that one would reasonably expect a diligent person to make in a target company not only in the context of a public offering of securities, but also for relevant corporate transactions such as acquiring a company.

What are the benefits of a Due Diligence? - It assists in the preparation of the prospectus and other offering documents to clearly portray the real situation of the issuing Company and help identify possible points to be corrected in the company's structure.

What are the purposes of the Due Diligence? - To allow for a proper disclosure and check information in the offering documents avoiding liabilities arising under laws regulating capital markets, from inaccurate, incomplete or false information and to assist in identifying structural or substantial problems in the company.

The Depositary Bank's role

The depositary bank issues in Brazil the corresponding certificates (Receipts) based on the Securities held in custody abroad and is responsible for the filings with the CVM and other Brazilian regulators (such as the Brazilian Central Bank - BACEN) for purposes of registering the BDR program.

With the CVM:

- To register the program and the company (when required) and assure all operational requirements are met.
- Assume responsibility for any irregularities during the term of the program.
- Assure that records are kept up to date for BDRs issued, traded and cancelled.
- Managing the custody events from BDR shares rights (dividends, bonus issues, subscription rights etc.).
- Exercise the voting rights to the benefit of the BDR holders (including voting proxies).
- Deliver any information and disclosures related to the company or program as required.

With the Brazilian Central Bank:

- Assure the records are kept up to date for all trades.
- Maintain records for inspection by the BACEN during five years for all trades, related exchange contracts and custody agreements.
- File returns for assets held abroad, by program, pursuant to BACEN Circular no. 3.345/2007.

Tip

The CVM may deny registration of any Sponsored BDR program if the issuer's project is deemed unviable or imprudent or in case of doubts regarding the good repute of the issuing company's founders, controlling shareholders or managers.

The details of information and documents required to be filed for registration of a Sponsored BDR program with the CVM are available in the CVM Instructions.

The Lawyer's role

There will likely be at least four legal firms working on the BDR launch. Each of the Company and the lead underwriter bank will hire their Brazilian securities counsel and each will hire their firm of lawyers from the registrant's home country.

The bank's Brazilian lawyer will likely be responsible for coordinating the drafting sessions for the preparation of the offering and registration documents, the *Prospecto* and *Formulário de Referência*, and filing the numerous legal requirements with the CVM and the BM&FBOVESPA.

The lawyers will guide all parties through the rules and regulations of the BM&FBOVESPA, the CVM to assure the BDR launch runs smoothly. Tax advice can be sought from the lawyers or from independent advisors.

Tip

CVM Instruction no 358, is an important regulation as it addresses the disclosure and use of information when there is a relevant act (fact) or corporate event, determines mandatory disclosure of information and establishes prohibitions and restrictions on securities trading.

Is my Corporate Structure and regulatory communication adequate?

A Brazilian registrant is required to be organized as a Corporation (sociedade anônima or S.A.). A non-resident company issuing a BDR program is permitted to maintain the corporate structure from its home countries. Accordingly, a BDR registrant would not need to modify its corporate structure to meet the Brazilian Corporation model.

A Company should file its Notice of Annual General Meeting with the CVM 15 days before the event or when first disclosed publicly. Documents relating to voting rights and similar matters should also be filed. A summary of shareholder deliberations at general meetings should be filed on the day of the meeting. Other filing requirements may apply.

The Professional Consultant´s role

A specialized consulting firm is not only able to advise the Company on how to properly prepare for a going public in Brazil, but also to fully explain the process, its respective steps and implications. This will enable home-office management to establish a professional relationship with the underwriter having understood the Brazilian market and the BDR regulations thereby setting its own agenda and goals before discussing with the underwriter.

This broader advisory role covers both the analysis and adjustment of the company's internal structure and the commitment to its business plan and strategy of placing the foreign shares in the open market, through a primary and/or secondary issue.

The Company may need to adjust its systems of internal (reporting) controls and governance to meet Brazilian listed-company standards. This may require revision and enhancement of the internal processes and structures, systems and controls, controls over preparation of reports in Reais and in Portuguese in the format required by the CVM, formation of committees and councils, aspects of Corporate Governance, evaluation of tax considerations and contingencies, among other matters. Experienced consultants who can advise, diagnose and assist management, before filing for a BDR launch, play an important role in assuring the internal transition processes run smoothly.

The Company's commitment to the Brazilian investors in relation to its business plan, profit guidance, forecasts and strategy is critically important in creating a basis of confidence and trust with the market.

A professional firm acting in a consulting capacity, with a cross-border team of market experts, can offer advice and assistance to organizations with limited experience in BDR launches and executing capital markets transactions in Brazil by providing an objective view of the critical issues. Generally, the consulting firm would not have an audit/assurance role and hence would not be restricted by the client/auditor independence rules allowing it to assist management with the effective launch of the transaction and it's subsequent on going reporting responsibilities. Some of the principal ways in which a consulting firm can assist a company going through a capital-raising transaction include:

- **Project management advice** - before beginning the BDR launch process, companies should define the transaction requirements, KPIs and the roles and responsibilities of management and their advisors. Failure to do so could jeopardize controls over the effective management of the transaction.
- **Advice on information and process management** - controls, processes, Corporate Governance, closing of accounts, disclosures, preparation of financial statements, etc.
- **Strategic advice** - companies must evaluate alternative approaches and establish a realistic plan to enter the capital market.

- **Problem solving** - the consulting firm can advise and assist with complex financial reporting and deal execution matters.
- **Technical advice** - the consulting firm should have extensive experience with complex capital market transactions, as well as highly-complex accounting issues.
- **Post-transaction services** - a knowledgeable consulting firm can provide advisory assistance in implementing the new financial reporting protocols necessary to meet public company reporting requirements, along with ongoing technical advice related to these requirements:
    - On-going reporting
    - Investor relations.
    - Adoption of new accounting, reporting and disclosure standards.
    - Training accounting and finance staff.
    - Compliance.
    - Guidance in putting together pro-forma information, combined financial statements, carve outs, consolidations, currency translations and accounting practices and others.
    - Evaluating corporate governance principles and practices

With respect to this last bullet - The requirements imposed by the CVM may differ from standards adopted in the registrants home country. The CVM establishes rules and regulations which include disclosures of related party transactions, negotiation and disclosure committees, among others. Brazilian accounting standards and CVM regulations require that Brazilian companies provide supplemental information, not required by IFRS, which should be considered for inclusion in the registration documents, these include a Statement of Value Added and sensitivity analyses in note disclosure on financial instrument transactions and balances. In addition to presenting consolidated information, the parent company financial statements are also included. A foreign-domiciled company registered as a Brazilian public company is bound to the provisions of Brazilian corporate law (Law 6.404/76, as amended) which stipulate, among other matters, minimum dividend requirements and supplemental disclosures other than those required by IFRS, for example, including a Statement of Value-Added in the financial statements filed on the DFP.

Tip

Are the Company's Corporate Governance measures sufficient to meet market and regulator expectation?

- *Are there any policies or procedures that need to be adapted or upgraded to the Brazilian standards the market is accustomed with?*
- *Do we need to supplement our disclosures or governance to meet Brazilian Corporate Law (Law 6.404/76, as amended), CVM Regulations or BM&FBOVESPA Listing standards?*
- *Should we elect Brazilian independent non-executive members to the Board?*
- *Are our financial statement issuance procedures and analyses sufficiently solid? Will deadlines be met?*
- *Do we need to understand the Proxy Voting rules? Distance voting rules? Poison pill rules?*

The Auditor's role

The financial statements must be presented in Portuguese, prepared in accordance with IFRS as promulgated by the IASB and converted to Brazilian Reais. An audit firm (which may be different from the host company's home audit firm, must be registered with the CVM - i.e. a Brazilian firm but can be part of a global network). The auditor will be required to issue a *Special review report* on the re-presented financial statements in Portuguese and in Reais. The firm will be subject to the supervision of the CVM and subject to the professional standards of the Brazilian auditing profession and the laws in Brazil.

The auditor will be called, together with the home auditor, to issue comfort letters addressed to the company and the underwriting banks in relation to the information included in the offering documents which have been derived from the accounting records subject to the company's internal controls.

The Company's financial statements must be audited by an independent accountant registered with the competent authority in the foreign issuer's home country and the separate Portuguese/Reais financial statements must be accompanied by a *special review report* as by issued an independent auditor registered with the CVM.

- The special review report is prepared in Portuguese and addressed to management. The scope of the review encompasses the original financial statements (accounting practices and currency are identified) audited by a firm of independent accountants (reference to name of the firm, type of opinion and date) and that the work was performed under the standards of the Brazilian Accounting Federation (*Conselho Federal de Contabilidade* – CFC). The auditor affirms that the scope of the work comprised reading the original financial statements and discussing with management and the auditors the basis for the conversion to Reais. A negative assurance review concludes that nothing came to the auditors attention that would indicate noncompliance with article 27/I (b) of CVM Instruction no 480 (which determines the basis of conversion and presentation). The report is normally dated the same date as the original opinion.

Audited financial statements

A company that plans to go public needs to have audited financial information (unqualified opinions for, at least, the last complete fiscal year and interim period, if presented), usually for the previous three fiscal years. It is easier and more cost efficient to perform audits of financial statements in the normal course of business, rather than shortly before going public. The existence of audited financial statements gives the company increased credibility.

Having to report in the home country (under IFRS or home GAAP), convert amounts to Reais and translate filing documents to Portuguese (following the CVM mandated forms) will add additional stress to the home timetable if results are to be announced in all markets simultaneously. The CVM deadlines will need to be understood to assure there is sufficient time between closing the home country books, preparing the financial statements, having these audited and approved at all internal levels, having them converted/translated and reviewed by the Brazilian registered auditor, all in sufficient time for the Investor Relations area to communicate to multiple markets before the respective filings.

In the year of the first time registration of the company with the CVM, in addition to the three-year annual financial statements, the regulator will normally require, the quarterly information (ITRs) (with comparative data) to be presented for all quarters (to-date) for the current fiscal year the application is filed. The ITRs should be reviewed by the auditors.

Tip

Perform a diagnosis gap analysis (or hire a specialized firm) before initiating the process to ask:

- *Do we have a well-constructed and attractive story to tell the Brazilian market?*
- *Do the Board of Directors and the management team have the necessary experience (and language skills)?*
- *Have we adopted high quality Corporate Governance standards?*
- *Do we have unqualified opinions from the independent auditors for the last three years? The investment bank will want three years for marketing purposes and for the two year-on-year MD&As.*
- *Does our accounting team have the agility and sophistication required of the CVM and the IFRS?*
- *Do we need to adjust our capital and organizational structure?*
- *Is there need for any tax planning?*
- *Should we dispose of assets that will not be part of the new company to be placed on the Brazilian market?*
- *Are there any legal restrictions on assets a non-resident company can own or operate?*
- *Do we have an organization, processes and internal controls which can handle the legal compliance?*
- *Are we comfortable disclosing internal control failings and auditor recommendations for improvement?*
- *Do we have a formal risk management process in place?*
- *Have we evaluated the incentive plans for management and employees?*
- *What should our dividends policy be? Are there conflicts in relation to Brazilian Corporate Law?*
- *Will we have to present pro-forma or combined financial information?*

The Regulator's role

The Comissão de Valores Mobiliários (CVM) is charged with ensuring a fair and level playing field for Public Companies in Brazil and their investors. It has the authority to pursue civil and criminal prosecution against those who breach the law and regulations applicable to a Public Company.

It is the Company's duty (and that of its legal designated representative) to constantly assure the quality of the offering documents in the BDR launch process. Companies should ensure that they completely understand all of its components and the assumptions behind those components. Legal counsel, auditors and consultants should be called on to contribute with their expertise as experienced business advisors. They help companies make the final decisions; they do not make the decisions themselves. The host company CEO and Director of Investor Relations will be required to sign a certificate to be included in the initial and annual Reference Form as to (i) the absence of any significant errors or omissions and (ii) the efficiency of the internal controls structure supporting preparation of the company's financial statements, as well as deficiencies and recommendations for improvements needed to internal controls (as advised by the auditors), which could bring adverse legal consequences in the event the information submitted is proved to be inaccurate. Declarations are made in the Reference Form as to the existence of formal risk management systems and processes to assure the correct compilation of financial statements.

The CVM concerns itself in its review of the offering documentation with the thoroughness and clarity to ensure that these documents are properly presented to potential investors. ANBIMA has a cooperation agreement with the CVM to review compliance to norms and documentation for 'follow-on' offerings of securities. In the event the CVM encounters errors or requests a substantial amount of explanations and/or missing information during the registration process, this could result in delays to the launch.

Tip

Adequate planning in preparing the Reference Form can reduce the number of comments in the CVM review.

All information disclosed by the issuer should be written in simple, clear and concise language. Disclosure of information should be broad, equitable and simultaneous for all the market. Factual information should be separated from interpretations, opinions, projections and estimates and supported by indications of sources used.

The Investor Relations' role

Investor relations and corporate communication teams play a critical role before, during and after the launch.

Identifying the Key Performance Indicators (KPIs) and messages to be communicated to the Brazilian market in a BDR program is critical to its success. Adjusting the Company's communication to meet the Brazilian market expectations may mean changing the way data is reported in the home market. Performing a study to benchmark KPIs, particularly geographic segment data, to understand market expectations and interact with the home country Investor Relations officer is important.

A KPI benchmarking study will provide an indication of which aspects of the business are of particular interest to a BDR investor and show be given added attention in the launch and on-going reporting. An example is provided below which compares the Company with its peers in the market will provide an indicator of how the potential investor will be benchmarking the BDR launch.

An example of a benchmarking study.

My Co.	A	B	C	D	E
Revenue	Net Revenue	Revenue	Revenue	Non-GAAP revenue	Revenue
Contribution Margin	EBIT & EBITDA	Adjusted EPS	Revenue growth	Non-GAAP diluted EPS	Revenue Growth
Adjusted EBITDA	EBITDA Margin%	GAAP EPS from continued operations	Diluted EPS	Revenue	EBITA before non-recurring items
Adjusted EBITDA as a % of revenue	Segmental revenue	Ajusted EBITDA	Operating Margin from continuing operations	Operating margin growth	Recurring EBITA
Net Cashflow from operating activities	Net Income	Ajusted EPS growth	Non-GAAP diluted EPS	Cashflows from operations	EBITA margin
Total cash and cash equivalents and credit available	Gross and Net debt	Operating Income	Segmental revenue (and % overall)	Operating margin growth	EPS
	Net financial expenses	Tax Rate	Corporate G&A expenses	Adjusted income from operations	Diluted EPS
	Depreciation	Net income	Interest and other expense and taxes	Cash and cash equivalents	Change in revenue by region
	Dividend	Share repurchase	Effective tax rate	Total debt	Revenue mix
	Dividend yield	Quarterly dividend	cash and cash equivalents (and as % of total cash)	Net cash position	Geographical split of revenue
	Capex	Free chash flow	Capex	Capex	ROCE
	Investment in Technology	Net cash and short term investments		Revenue by segment	
	Net revenue				

An analysis of regional KPIs and segment reporting is also vital.

Geographical revenue split of selected peers*									
A		B		C		D		E	
Brazil	88%	North America	92%	United States	27%	United States	41%	Anglophone and Asia PAC	39%
Argentina	6%	Rest of world	8%	New Zealand	20%	New Zealand	29%	Iberico-Latam	31%
Columbia	5%			Canada	18%	Latin America	16%	EMEA	30%
Peru	1%			Costa Rica	9%	EMEA	10%		
Mexico	<0%			Germany	7%	Canada	3%		
				El Salvador	4%				
				UK	3%				
				Other Americas	2%				
				Australia	2%				
				Other	7%				

Business Line revenue split of selected peers*									
A		B		C		D		E	
Customer Management/ Customer Care	85%	Telemarketing Service	89%	Business Services	97%	Customer Management Services	79%	Contact Centres - Reception of Calls	85%
Information Management	15%	IT services	6%	Business Solutions	3%	Customer Growth Services	9%	Contact Centres - Callings	12%
		Agency and Advertising	5%			Customer Technology Services	9%	Face to face, Email, Chat	3%
						Customer Strategy Services	4%		

(*) when appropriate

Tip

Evaluate the process of making financial estimates.

Directors should indicate and comment on critical accounting policies which have been adopted in the Reference Form, especially accounting estimates on uncertain questions requiring subjective or complex judgments, such as: accruals, contingencies, impairments, revenue recognition, tax credits, long-term assets, useful life of non-current assets, pension plans, environmental recovery costs, criteria for recoverable costs of assets and valuation of financial instruments.

What are the BDR launch costs?

A summary of the costs of raising funds through a placement of shares linked to a Level III BDR Program in the Brazilian capital market are summarized below:

1. **Legal and Institutional**: these are costs related to meeting legal requirements, payment of fees, annual dues, services and related items.

2. **Legal Representative:** The Company will be required to hire a Brazilian resident professional who will be committed to take responsibility for the operations of the BDR Program.

3. **Publication, Advertising and Marketing**: these are expenditures related to the Prospectus and marketing the operation to potential investors.

4. **Financial Intermediation**: these consist of payments made for work related to coordination, possible guarantees and distribution.

5 **Legal Counsel and Auditor**: these include (i) hiring lawyers in Brazil and abroad and (ii) the auditors (Brazilian registered and home country) to issue audit reports, comfort letters, participate in drafting sessions for the preparation of the Prospectus (*Prospecto)* and Reference Form (*Formulário de Referência)* and follow-up of the preparation of the offering documentation.

6 **Internal Company**: these refer to allocation of personnel to accompany the process and setting up the internal structure to support the going public process.

7 **Consultant:** these are expenditures to hire specialized consultants (should the company believe assistance is required) to provide support for the company's preparation (Processes, Controls, Financial Statements, Systems Structure, etc.).

8 **Investor Relations**: these are costs related to the management of communication with the new Brazil based shareholders at the time of the launch and thereafter on a continuous basis.

9 **BM&FBOVESPA and CVM fees:** these are fees payable to BM&FBOVESPA and the CVM.

Some thoughts before launching the BDR Program

Preparing for life as a Brazilian public company requires a moment or two of reflection. The registrant is already a listed company in its own home market but corporate cultures, business practices and market expectations may be different in Brazil. Some questions to ask might include:

- Do we have the ability to close our books accurately each quarter and report the results (consolidated) to the public in accordance with CVM guidelines? The deadlines is 45 days from quarter close. Do we have a closing process that repeats itself monthly and quarterly? Should we hire a consulting firm to reengineer the closing process?
- Does our finance department have the expertise with CVM accounting and reporting requirements to allow us to comply with regulations we did not need to consider before as a private company?
- Does our planning and analysis function have the ability to accurately forecast our results to allow for more effective interaction with the investor community and to assist in analysis of the current period results for financial reporting purposes?

- Are all our processes and internal control structure adequately documented and tested? Are we comfortable with profit guidance and projection?
- Does our technology infrastructure adequately support our compliance efforts?
- Have we established an ethics and compliance process and communicated it throughout the organization?
- Do we have a formal methodology to identify, monitor and mitigate risks, for example Enterprise Risk Management?
- Have we considered the new Brazilian anti-Corruption law? Do we understand CVM rules on Insider Trading?
- Do we have a new structured Investor Relations area, with clear definition of the information disclosure and Company share trading policies?

4

Listing and Registering the BDR Program

There are a number of issues ranging from aspects of corporate governance and supplemental disclosures which are required to be met before the first filing is submitted for review of the regulatory authorities. The rules and regulations for listing the program with the BM&FBOVESPA and registering the program with the CVM are distinct and separate.

The Brazilian Designated Legal Officer

A legal representatives domiciled and resident in Brazil must be nominated by the non-domiciled company seeking to register Level II or III BDR programs. The company´s officers or persons who perform functions equivalent to those of a board member or executive officer must also be identified.

The legal designated officer must hold powers of attorney to receive citations, notifications and summonses relating to litigation brought against the issuers in Brazil or under Brazilian laws and regulations. The officer must be authorized to deal with the CVM, including powers to receive correspondence, summonses, notifications and requests for clarification.

Pursuant to CVM Instruction no 332 the designated legal officer will be held liable for the accuracy of the information and records provided by the depositary bank in relation to the BDRs transacted. The officer will be accountable for any inconsistencies in relation to disclosure to the Brazilian market and information provided in the Company's home market, trading rules governing the BDRs and settlement procedures upon liquidation and cancellation of the program. Both the depositary bank and designated officer may be held to account by the BACEN and the Brazilian income tax authorities in the event of breaches of rules and regulations.

Listing the BDR Program with the BM&FBOVESPA

Foreign issuers and depositary institutions that issue Level I, II or III Sponsored BDRs must file for listing of the BDRs on BM&FBOVESPA.

The Company must request to list its BDRs in order to trade on BM&FBOVESPA under "Regulation for Listing of Issuers and Admission for Trading of Securities" and "Issuers' Manual" and annexes from August 18, 2014.

The BDR applications to be admitted for trading must contain the following documents:

a) registration application form;
b) declaration of compliance with all required procedures; and
c) a copy of the documentation filed with CVM when registering the Sponsored BDR program.

Furthermore, the company's designated legal officer in Brazil must provide to the BM&FBOVESPA:

a) any information and documents relating to the approved programs and to the securities issued;
b) a list of BDRs issued and canceled, when requested;
c) a copy of all documents regularly filed with CVM; and
d) all information disclosed to the market by the sponsor in its country of origin, simultaneously with the disclosure abroad.

The documents also include statements, proof of payment of filing fees and copies of the documents submitted to the CVM for registration of the company in the case of Level II and for registration of the company and of the public offering in the case of Level III. As part of the process of applying for registration, a fee for Review Services of Registration of Listing must be paid to BM&FBOVESPA. A receipt proving payment of the listing registration analysis fee must be filed together with all other documents required for the application for listing.

Foreign issuers whose BDR programs are listed on BM&FBOVESPA must also pay an annual fee, pursuant to the BM&FBOVESPA Annual Price Policy for Issuers and Offerings.

5

Listing and Registering the Company and Preparing the Offering

What is a Brazilian Registered Public Company?

To have shares traded on BM&FBOVESPA (or launch a Level II or III BDR Program), companies must 'go public'. Brazilian corporate legislation determines that only a "Public Company"' (*Companhia Aberta*) can have its own securities (shares, debentures, promissory notes, Brazilian Depositary Receipts, etc.) traded publicly, normally on a stock exchange. In order to become a Public Company, the entity must comply with the legal and institutional requirements defined by Brazilian Corporate Law (*Lei nº 6404/76*), the listing requirements of the BM&FBOVESPA and obtain the registration as a Public Company with the *Comissão de Valores Mobiliários* (CVM) (Brazilian equivalent to the U.S. Securities and Exchange Commission).

Tip

The Level III Program requires the Company to be CVM registered allowing it to raise equity capital through BM&FBOVESPA. The Level II Program also requires registration and only permits existing shares to be traded once the program and Company are traded.

A much simpler route is to launch a Sponsored Level I program which does not require the Company to meet Brazilian publicly-traded company standards – information is mostly limited to disclosures provided by the Company in its home markets.

The first step for a company to go public is to file a Public Company registration request (*Pedido de Registro de Companhia Aberta*) with the CVM, in its capacity as the regulatory and supervisory body of the Brazilian capital markets. Along with this request, it is common for companies to ask the CVM to authorize a sale of shares (or BDRs) to the public, technically known as a public distribution of shares (or public offering).

At the time requests are filed with the CVM, the company may seek to be listed on the BM&FBOVESPA exchange. Only companies who obtain such registration may have their securities listed for trading on the stock exchange.

Preparing to List with the BM&FBOVESPA

At the same time a company files a request to register with the CVM, it may request to list its securities for trading on the BM&FBOVESPA. All documents officially submitted to the regulatory body (CVM) must also be officially submitted to the BM&FBOVESPA, and this information is reviewed both by the CVM and BM&FBOVESPA.

The underwriter, together with the Company, defines the characteristics of the BDR Level III launch, such as the amount of funds to be raised, the split between primary and secondary distributions, definition of the price range (share offering price), marketing the offering, roadshow and bookbuilding (pricing and placement of the shares in the offering).

Once a company reaches a preliminary understanding with its underwriters and market conditions are favorable (the "market window"), the BDR Level III launch process starts in full force, and the marketing of the offering begins. This is the period during which a company is subject to CVM guidelines regarding the publication of information not in the Public distribution prospectus. The so-called "quiet period" is required by CVM Instruction no. 482 and, generally, begins 60 days before the offering registration request, with the purpose of making sure information on the company reaching potential investors is uniform. Legal counsel should be consulted.

During this phase the company will embark on four tasks:

1. Prepare the Reference Form and other documents required in the offering (Prospectus, financial statements, etc.).
2. Attend to the lawyers of the underwriter to complete their investigation of the company's affairs as part of the Due Diligence procedures.
3. Monitor market conditions for pricing purposes.
4. Prepare marketing materials for the road show.

These will be addressed in more detail below.

Tip

Though you may be enthusiastic about your BDR launch, do not disclose any information about it that is not included in the public distribution prospectus during the "quiet period". The CVM will cancel launches if the rule is breached. Keep confidential company information confidential.

The CVM may penalize the company if the absence of information in the prospectus could have had the effect of favoring the stock price.

The role of the CVM

The CVM is an autonomous federal government body linked to the Ministry of Finance (*Ministério da Fazenda*), whose purpose is to act as regulatory and supervisory agent of the Brazilian capital market, disciplining, supervising and developing the securities market. In order to achieve this objective, as part of its responsibilities, the CVM performs the following functions:

- Ensures the efficient and regular operation of the shares and over-the-counter markets.
- Protects security holders against irregular issues and illegal acts by the management and controlling shareholders of companies and security portfolio managers.
- Seeks to prevent fraud or manipulation designed to create artificial conditions of demand, supply or price manipulations of securities traded in the market.
- Ensures access to the public of information on traded securities and the companies issuing them.
- Requires observance of equitable commercial practices in the securities market.
- Stimulates savings and investment in securities;
- Promotes the expansion and efficient and regular operation of the shares market and stimulate permanent investments in capital shares of public companies.

Legal jurisdiction

If the legal corporate regimes in the foreign issuer's home country and the country in which its stock is held in custody are different, the following must be made provided:

- any restrictions on the exercise of voting and economic rights pertaining to the stock;
- any restrictions on the circulation and transfer of stock;
- the circumstances in which the company's registration can be cancelled; and
- any other matters of interest to investors.

All publicly held companies in Brazil must describe the rights of each class and type of BDR issued when filing for registration with CVM, including:

- dividend rights;
- voting rights;
- convertibility into other share classes or types, with the respective conditions and effects on registered stock capital;
- right to reimbursement of capital;
- right to participate in a tender offer arising from the sale of the corporate control;
- restrictions on circulation;
- conditions for changing the rights attached to such securities; and
- other relevant characteristics.

Foreign issuers must make detail any differences between the above characteristics and those ordinarily attributable to similar shares issued by Brazilian issuers, detailing which apply to the security.

Registering the Company with the CVM

The first formal procedure for a company to go public is the request to register the company with the CVM as a "Public Company" the requirements for which are detailed in CVM Instruction no. 480.

A request to register a Company is made to the CVM's Companies Relations Oversight Office ("*Superintendência de Relações com Empresas*- SEP"). The request should indicate the Category, in the case of a BDR issuer the Category A, for registration and will be accompanied by various documents such as the Bylaws, corporate minutes, election of officers, the corporate registry form (*Formulário cadastral*) the Reference Form, the financial statements for the last three years (prepared for purposes of the registration), the DFP and ITR forms, disclosure and share negotiation policies (if applicable), shares held by members of the Board, Fiscal Council and management, among others.

The SEP has 20 days to examine and comment on the full documentation submitted. It can request this time period be interrupted once if further information is requested. The candidate to registration will have 40 days to address any comments (can be extended by 20 days) and the SEP can take up to 10 days to agree to the response provided. In the event the SEP does not object within this timeframe, the registration is granted automatically.

The candidate may request the SEP interrupt this schedule only once, for up to 60 days. After which time the process is automatically cancelled. This process is further discussed below.

Registering the Offering with the CVM

Together with the Public Company registration request, it is common for companies to also request the CVM to authorize the sale of securities to the public, technically known as a public distribution of shares, which will result in the initial public share offering. This is the case for foreign companies when registering a Level III BDR Program. This registration request is regulated by CVM Instruction no. 400 and, after preparing the required documentation, such as the public distribution prospectus, it passes through several stages.

In preparing the documentation required for a Public Company and public offering registration, both the underwriters and lawyers are responsible to the CVM and the capital market for the information provided to the market. In order to certify that the information in the document is consistent, before formal submission of the documents, a Due Diligence is performed by the underwriters and the lawyers involved in the process.

The BDR Level III Program will only be registered when distribution of the securities is carried out simultaneously in Brazil and abroad.

Tip

Under CVM Instruction no 480/2009, the request for a company to register to issue BDRs must be submitted to the CVM's Companies Relations Oversight Office ("SEP"), along with the applications for registration of the BDR Program and public distribution.

Communication with SEP needs to be clear and if necessary the Company should arrange a meeting with CVM staff together with its lawyers and auditors.

Each Sponsored BDR program can cover only one type or class of share. Dual-class shares or units of common and preferred shares are permitted, however the Program will treat these as though they were a single security class. The registration of the program is conditioned to the commitment by the depositary institution and the designated legal director that they will comply with the procedures from launch to terminating of the programs.

In the event of a public offering of BDRs, should there be any restrictions on trading in the underlying stock in the country of origin, the registration of the BDRs offering in Brazil will be deemed to carry the same restrictions.

Sponsored BDR disclosures include:

[BOVESPA - leitura e conferencia deste capitulo requerido Ok, a validar com Área Regulatória.]

(i) Material facts (corporate events) and notices to the market;

(ii) Announcements of the issuance of financial statements in the country of origin;

(iii) Call notices of shareholder meetings;

(iv) All other shareholder notices;

(v) Decisions taken by shareholder meetings and board of directors meetings or equivalent corporate bodies, in accordance with the applicable legal requirements in their home countries; and

(vi) The Company’s original home country financial statements.

According to CVM regulations, unless exceptions apply, the financial statements must be:

- Presented in Portuguese.
- Expressed in Brazilian Reais.
- Prepared in accordance with Brazilian Corporate Law (Law 6404/76, as amended).
- Prepared in accordance with the rules and regulations of the CVM (including supplementary disclosures).
- Prepared in accordance with IFRS as issued by the IASB.

Tip

The BDR supplementary financial statement disclosures (e.g. the Value Added Statement – DVA) must, generally, be filed simultaneously by the entities that have securities listed in Brazil.

The registration of a Level III BDR securities offering

Pursuant to Brazilian regulations for public offerings of securities, Level III Sponsored BDR programs can only be registered when securities are issued simultaneously in Brazil and abroad, supported by a Prospectus.

The Prospectus may be prepared using the generally accepted format for presentation and registration of prospectuses in other countries, as long as they are presented in Portuguese and provided they contain a specific section describing any significant differences between the jurisdictional requirements in Brazil and in the issuer's home country.

The Prospectus must cover the following items, among others:

(i) information regarding equity interests, material facts (disclosed corporate events) and periodic disclosures;

(ii) transactions involving the company's own securities;

(iii) whether the company respects tag-along rights and has other mechanisms in place to protect the right of minority shareholders;

(iv) whether voting rights can be exercised by correspondence or electronically;

(v) the accounting criteria used to prepare financial statements; and

(vi) profit distribution policy.

The CVM may, at the issuer's request, grant the right to a confidential preliminary analysis, provided registration abroad is granted by a regulatory authority with which the CVM has signed a memorandum of understanding or an agreement to the exchange of information and such authority has assured the same confidential treatment.

A Sponsored Level III BDR Program will allow the company to carry out a public distribution of its BDRs and trade them publicly on a stock exchange. The documents that must be submitted, together with the applications for registration of the company and for public distribution of the BDRs are the following:

(a) agreements executed between the Depositary, the Custodian and the Company;

(b) appointment of the officer in charge of the program at the Depositary Institution;

(c) statement from BM&FBOVESPA attesting to granting of the application for trading the BDRs, conditional only on registration with CVM;

(d) a copy of the form for payment of the monitoring fee for distribution of the BDRs;

(e) instrument of assumption of liability by the Depositary Institution or BDR issuer for simultaneous disclosure to the market of information provided by the Company in its country of origin and in the country where the securities will be traded; and

(f) application for company registration with the CVM, accompanied by supporting documents.

Information submitted to the CVM should be retained by the Company and made available for inspection by investors at its headquarters for three years as from the date of first disclosure. Category A companies are also required to provide this information on their websites.

The following information and documents are to be provided by the designated legal representative

(i) on the Company:

1. the bylaws or articles of association that govern the Company;
2. the related laws that govern the Company;
3. the shareholders’ agreements;
4. a legal opinion issued by an attorney from the country of origin regarding the rights of the holders of securities issued by the Company and the legal environment of that country; and
5. the minutes of all general shareholders’ and debenture holders’ meetings and all meetings of executives bodies of the Company held in the last 12 months prior to the date of application for registration with CVM.

(ii) accounting information:

Assuming the Company prepares its financial statements in the country of origin or discloses them in the foreign market for registration purposes in accordance with International Financial Reporting Standards ("IASB") as promulgated by the International Accounting Standards Board ("IASB"), the following documents must be submitted:

1. financial statements of the Company including the consolidated statements as submitted in the country of origin for the last three fiscal years, together with management reports and the report of the independent auditor, if applicable;

2. explanatory notes in addition to the statements mentioned above, which describe:

   (a) the accounting standards of the country in which the Company is headquartered and (if different) a comparative analysis of the accounting principles and practices applicable in the country of origin with the Brazilian accounting principles and practices (IFRS);

   (b) the accounting information disclosed in any country other than the country of origin of the Company; and

   (c) a Special review report issued by an independent auditor registered with the CVM.

Tip

The CVM may grant a waiver with respect to submission of the forms of the DFP and ITR if foreign companies have not prepared their financial statements in accordance with the IFRS/Brazilian accounting standards and are applying for registration of BDR with the CVM when reconciliation notes are included.

Offers placed with restricted efforts (CVM Instruction no. 476)

CVM Instruction no. 476, amended by CVM Instruction no. 551 issue in 2014, permits an offering to be launched and funds raised from Professional Investors in Brazil with 'restricted efforts", as long as the Company is already registered, allowing for a much easier and quicker access to the markets, reducing costs, shortening lead times and making for a more agile market in Level III BDRs. Although the offering is not registered, the program is CVM-registered and certain rules and limitations apply.

Certain public offerings of securities for Category A registrants can follow a fast track to launch with restricted placement efforts without a review of full documentation by the regulator. This allows for a much easier and quicker access to the markets as the offering is not required to be registered with the CVM thereby reducing costs, shortening lead times and making for a more agile market in Level III BDRs. An added advantage is that it allows the company to "test the waters" of the market without having to go through the longer (and more burdensome) process of a CVM review to then determine if there is sufficient interest in the market to launch.

This will significantly accelerate the registration process for BDR Level III program offerings which were contemplated in the list of securities which are permitted to carry out Restricted Public Offerings. The restricted placement refers to the number of domestic investors that may be approached which is increased from 50 to 75 Professional Investors being that 20 to 50 are eligible to subscribe to the offering. The investors must be advised that the offering is not subject to registration with the CVM.

According to Instruction CVM no. 476, the offering is restricted to Professional Investors and as defined, certain restrictions may apply in trading in the secondary market. CVM Instruction no. 554 defines Professional and Qualified Investors.

Preparing the Reference Form

The *Formulário de Referência* (Reference Form) is prepared as part of the offering document package and is subsequently updated annually and filed with the CVM. The Reference Form is equivalent to the SEC's Form 20-F and is similar in detail and complexity.

Preparing and filing the Reference Form can be a relatively complicated, time-consuming and technical process requiring substantial planning and coordination. It involves providing the information specified in the Reference Form and complying with the applicable CVM rules and requires a great deal of effort by the management team, lawyers, and independent auditors to position a company as accurately as possible.

The Risk Factors can provide management a safe harbor when negative aspects regarding the Company, the offering and the market in which the Company operates are fully disclosed.

Tip

The Risk Factors section should portray in detail and realistically all that could go wrong with the Country, the business segment and the Company specifically.

Careful disclosure of these risks without addressing mitigating factors represents an "insurance policy" (without guarantees) for the Company and its Directors. Unrestricted disclosure of the risks to investors minimizes any charges that they were not properly informed about the risks of the Company and of the offering.

The Company should provide its complete profile in the Reference Form, covering aspects such as the strategy of its business, products, processes, customers, risks, contingencies, financial and economic situation, etc. Section 10 of the Reference Form also includes the Management Discussion and Analysis (MD&A) section and a line-by-line analysis of the Company's Income Statement and Balance Sheet.

It is relatively common for problems to occur in the process of preparing documents and the required information which may jeopardize the registration timeline, due to delays to the scheduled date to complete the Reference Form and other offering documents. For this reason, it is fundamentally important that the whole team is very familiar with the requirements related to the registration process and informed as to the established deadlines, that the different areas of the company are engaged in the process and make the needed non-accounting information available and that accounting is programmed to timely generate the required information. Having a cross-border team of Consultants with appropriate language skills assisting management through the process is advisable.

The Financial Statements

In addition to this information, a Brazilian Public Company must present:

1. Audited financial statements for the last three fiscal years or audited financial statements of the company since it was formed, in the event that it has not been in existence for more than three years, presented in the standard CVM template DFP Form (*Demonstrações Financeiras Padronizadas* - Standardized Financial Statements).

2. Audited financial statements prepared especially for the purpose of registration, if applicable, in the event of relevant changes in the issuer's asset and financial structure.

3. Financial statements subsequent to the closing of the last fiscal year, preferably coinciding with the closing of the most recent quarter of the current fiscal year, no more than 120 days before the registration request date, using the CVM's ITR Form (*Informações Trimestrais* - Quarterly Information).

After obtaining the CVM registration, within 90 days after the close of the fiscal year, public companies must submit the information required on the DFP Form (four months in the case of a non-Brazilian company), audited parent company (individual) and consolidated financial prepared in accordance with IFRS and interim financial statements (ITR Form), the latter filed within 45 days after the close of the quarter (see exceptions below). The Reference Form must be filed annually within five months after the close of the fiscal year.

Supplemental financial information may be required to be disclosed, even if not required by the regulations, if considered necessary to facilitate an understanding of the transactions by potential investors. This may increase the attractiveness of the offering by giving the investor a better perception of the Company's position and track record of its operations.

This supplementary information may include: financial statements (combined, individual) and pro-forma financial information (which demonstrate the impact of a transaction using historical numbers and assumptions directly related to the transaction or to transactions covered in the pro-forma information). The CVM and IFRS may have specific guidance and rules that determine presentation. The independent auditor or consultant with experience in complex capital market transactions can be of great value to support the Company in analyzing the requirements and implications related to the preparation of this information.

The Underwriter Due-Diligence Procedures

The Due Diligence procedures involve an analysis of the Company and its management by the underwriters and their legal advisors, including a visit to the Company installations, analysis of significant agreements and contracts, financial statements, income tax returns, minutes from Executive Management, Board of Directors, Fiscal Council and Shareholders' Meetings and performance of several analyses of the Company and the business segment in which it operates, among others.

The Due Diligence procedures also include a complete review of the Reference Form by all parties involved in its preparation to ensure that there are no relevant errors, omissions or inconsistencies.

During the Drafting Sessions of the Reference Form, the entire BDR launch team carries out the necessary procedures to provide a reasonable base for establishing that, as of the effective date the Public Company registration is obtained, the Registration Form contains no significant untrue or misleading information and no material information has been omitted. These procedures are known as a Due Diligence, by which all participants in the BDR launch process may be called to answer for any significant errors or omissions in the registration statement. The Due Diligence serves as the primary defense in any actions brought against the parties, other than the issuer.

A Company's lawyers and its underwriter's lawyers will also distribute questionnaires to the directors and officers, asking them to analyze, confirm and comment on the information contained in the draft Reference Form.

The Auditor Comfort letters

In addition, as part of their due diligence procedures, underwriters request comfort letters from the Company's independent auditors related to accounting information that is presented in the Reference Form and on events subsequent to the audit opinion date. It is common for underwriters, through their legal advisors, to request comfort on as much information as possible. Auditing standards allow auditors to provide comfort on information extracted from accounting records that are subject to the company's internal control on issuing financial reports. Generally, the more information the underwriters seek comfort on, the more expensive the process becomes. For information not subject to a comfort letter from the auditors, the underwriters request from management "Back up" documents. For this reason, and to avoid any misunderstandings and undue time delays, it is important that the Company, the auditors, and underwriters agree, in the early stages of the registration process, on the information on which the auditors will be giving comfort.

The comfort letters (separately tailored to the Brazilian, international and American markets) are required on the date of the subscription contract Pricing and Closing date.

Generally, two comfort letters are issued to the underwriters, one at the time the underwriting agreement is signed (generally the date on which the Pricing was determined) and the other at the Closing date (an updated letter or closing or bring-down). Once the Reference Form is filed, but before it becomes effective, the principal underwriter holds a due diligence meeting (or conference call), the so-called "*Bring Down Call*". The due diligence meeting is attended by the principal underwriter and often by members of the underwriting group, as well as by the Company's principal officers and legal advisors, the underwriter's legal advisors, and the independent auditors. At this meeting, the members of the underwriting group are afforded the opportunity to update aspects of the due diligence on the proposed offering in that they may ask any questions concerning the Company and its business, products, competitive position, recent developments in finance, marketing, operations, and future prospects, as well as asking if there has been any relevant change to the Company between the Pricing date and the meeting date.

Tip

There are numerous opportunities for schedule slippage during the BDR launch process. Some of it may be unavoidable, but striving to maintain the timetable is important. For each unscheduled delay, the management team must balance potential costs (new required interim financial information and comparative periods required, a missed market window, or a less enthusiastic underwriter) against the costs of hasty decisions (expenses or problems with the CVM).

The Filing and CVM Review

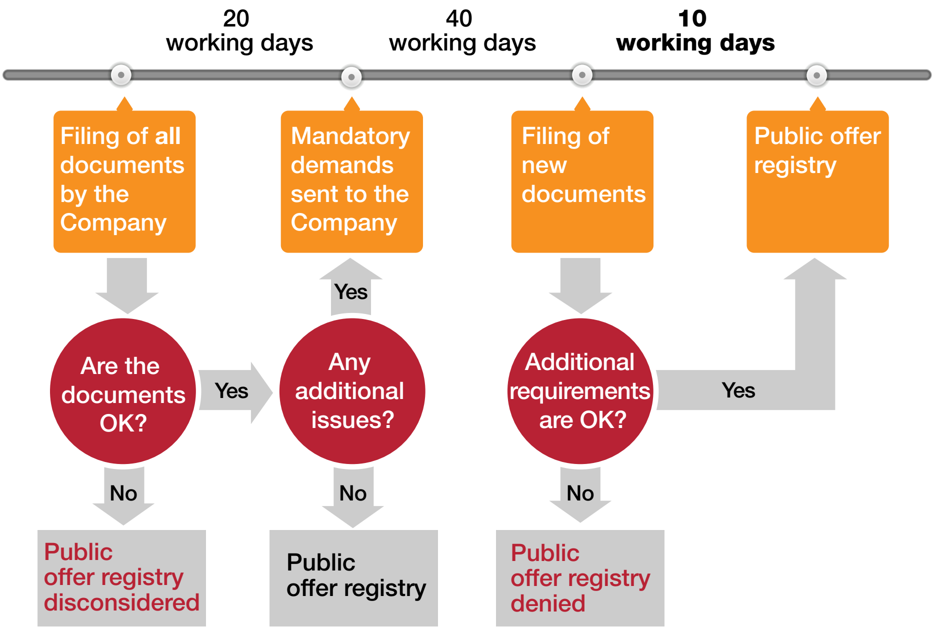
Once the Reference Form and other offering documents, including appendices have been completed, they are submitted to the CVM by electronic data transmission and in printed form.

Once filed with the CVM and BM&FBOVESPA, the registration forms are processed and reviewed by the staff of the CVM's *Superintendência de Relações com Empresas - SEP* (Superintendence of Company Relations) and by the *Superintendência de Acompanhamento de Empresas* (Superintendence of Issuer Relations) at the BM&FBOVESPA. They have 20 working days to perform the initial analysis and issue comments on the offering documents (registration request, Prospectus, Reference Form, the DFP and ITR). The CVM and BM&FBOVESPA review the documents to determine whether there is full and fair disclosure, particularly to determine whether or not the document contains misstatements or omissions of material facts. However, the review made by the CVM and BM&FBOVESPA cannot be relied upon to assure the accuracy or completeness of the data.

Tip

The CVM can take 30 consecutive days to review the application for company registration. The CVM may impose requirements, which must be met within 60 days (this period may be interrupted only once), but the company registration is usually granted prior to the BDR public offer registration.

Registration as a Public Company with the CVM

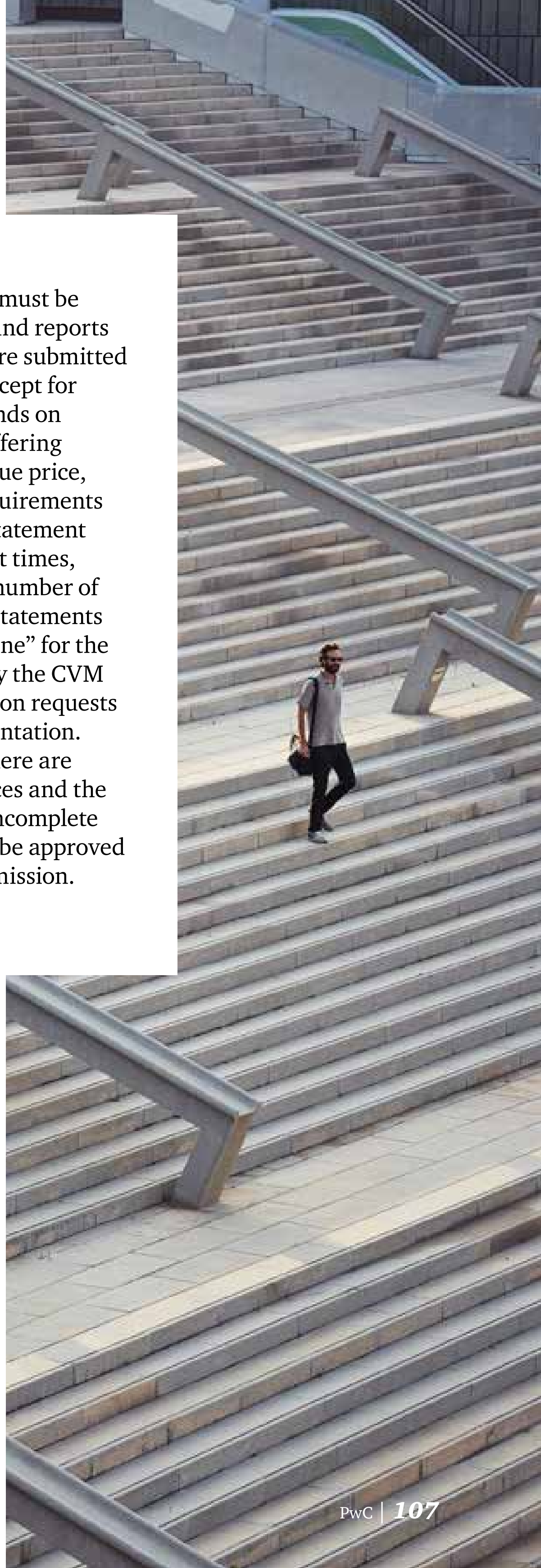


*This period can be extended for another 20 business days upon request. NB. CVM may suspend analysis of an application to register a public offering once, at the issuer's request, for up to 60 business days.

The review of the financial data is performed by an analyst from the CVM and another from the BM&FBOVESPA, who read the entire Reference Form, Prospectus and the DFP and ITR forms and other data contained in the offering documents to verify if the information is consistent and clear. These analysts may also refer to published annual and interim reports, the company's *website*, newspaper articles, and the Internet for information regarding the company and its industry. This review is primarily directed at the legal aspects, regulatory rules, financial statements, other financial data, and the independent auditor's report. Its purpose is to determine whether the data complies with CVM and BM&FBOVESPA regulations and with applicable accounting standards, as well as with the various CVM interpretations and policies, information disclosure and rules for listing assets on the BM&FBOVESPA.

Maintaining open communication with the CVM and BM&FBOVESPA helps to speed up the registration process. To gain time, the company's legal advisors generally request a preliminary meeting with the CVM at the beginning of the process and maintain close telephone contact with the CVM staff while the registration statement is being reviewed. As a general rule, the company's legal advisors, management and other members of the team normally ask for a meeting with the BM&FBOVESPA staff to present the company and the planned timeline, before listing.

The offering documents must be complete, and opinions and reports signed at the time they are submitted in their final versions, except for information which depends on implementation of the offering (number of BDRs and issue price, for example) and the requirements related to the financial statement periods should be met. At times, the CVM has received a number of incomplete registration statements in an attempt to “get in line” for the review process. Normally the CVM will not review registration requests with incomplete documentation. If a registrant believes there are extenuating circumstances and the CVM should review an incomplete filing, the matter should be approved by the CVM prior to submission.



The CVM Comment and Response Letters

After review of the registration form, the CVM typically issues a comment letter (*Comunicação de Exigências)* that sets forth questions, possible deficiencies, and suggested revisions. The BM&FBOVESPA also analyzes the documents and makes its suggested revision in a meeting with the company's lawyers.

Submission of a carefully prepared Reference Form usually limits the number of comments included in the letter of additional requirements. While differences of opinion sometimes exist as to the propriety of a particular comment or request, the objective of the CVM is to add credibility to the process focusing on protecting the investor and the market in general.

Each comment in the CVM's letter of additional requirements needs to be addressed in the response letter which must accompany the revised Reference Form. If revisions are necessary, they are made on a corrected Reference Form which is re-submitted electronically. The CVM may issue further letters with new comments which should also be resolved and responded to in writing before the registration request can be considered as final.

In addition, if significant developments occur during the period subsequent to filing the initial Reference Form and prior to final CVM approval, these must be reported. If a development is materially adverse, for example, it could obviously negatively affect the offering. Conversely, a positive development, such as the favorable settlement of a major pending lawsuit, might have a positive impact on the attractiveness of the offering. In other words, any interim developments that materially affect a company and its prospects must be disclosed via amendments to the initial Reference Form.

Negotiating and Signing the Underwriting Bank Agreement

By the time the registration request has been filed, a company and its underwriter bank have generally agreed on the securities-both in number of shares and amount-to be sold. However, the final price at which to offer the securities to the public, the exact amount of the underwriter's discount and the net proceeds to the registrant have not yet been determined. The negotiation and final determination of these amounts depend on a number of factors, including a company's past and present performance, current conditions in the securities markets, and indications of interest received during the roadshow.

For example, in establishing an offering price, underwriters will look at a multiple of earnings or cash flow based upon that experienced by similar companies. These multiples may be applied to the company's most recent operating results or projected future earnings based on the outlook of the company's growth curve. The underwriter will also examine the current share market price of comparable companies.

Timing also plays as important a part as any other factor in determining the final offering price of the shares. In addition to cyclical market factors, particular industries go through "hot" and "cold" periods. Unlike the private sale of shares, where negotiations can be in the form of face-to-face meetings, shares sold through the public market are often priced by market demand.

In other words, the initial offering price should allow for a small appreciation of the price per BDR in the aftermarket immediately subsequent to the BDR launch. An offering at the high end of a range may not provide adequate investor return, resulting in a weak or depressed aftermarket, while pricing at the low end may result in a run-up immediately following the offering (thus lost opportunity for the company or selling BDR holders).

The Roadshow

For potential investors to learn about the company, the underwriter bank arranges meetings with financial analysts, brokers, and potential institutional investors. These meetings are generally attended by the company's senior management and may take place in many different financial centers.

It is vital that the management team be well prepared for these meetings. The company should not assume that the prospectus is able to "stand on its own" and that the underwriter will help to anticipate the questions to be made related to specifics of the business so that the executives will be ready to answer them. The credibility projected by a management team in its presentation and its ability to respond to potential investor's questions will be a major influence in the success of the offering.

The "roadshows" represent a critical part of a company's selling efforts, since it is here that a management team promotes interest in the offering with the institutional investors in general.

Undoubtedly, underwriter banks play a significant role in preparing a management team for these presentations. In addition to the price, the number of shares offered should be sufficient to ensure broad distribution and liquidity.

Upon completion of negotiations with the underwriter-usually about the time the registration request is ready to become effective and the roadshow is over-the underwriting agreement is signed by authorized representatives of a company and the underwriter. Also at this time, the final amendment to the Reference Form is prepared, including the agreed-upon offering price, underwriter's discount or commission, and the net proceeds to the company.

Tip

When it comes to "roadshows", form may matter almost as much as substance. Roadshows allow the Company to tell its corporate story, but they also enable it to showcase the talent, caliber, and integrity of the management team through an organized, orchestrated, smooth presentation. It can be one of the most important elements of a successful offering.

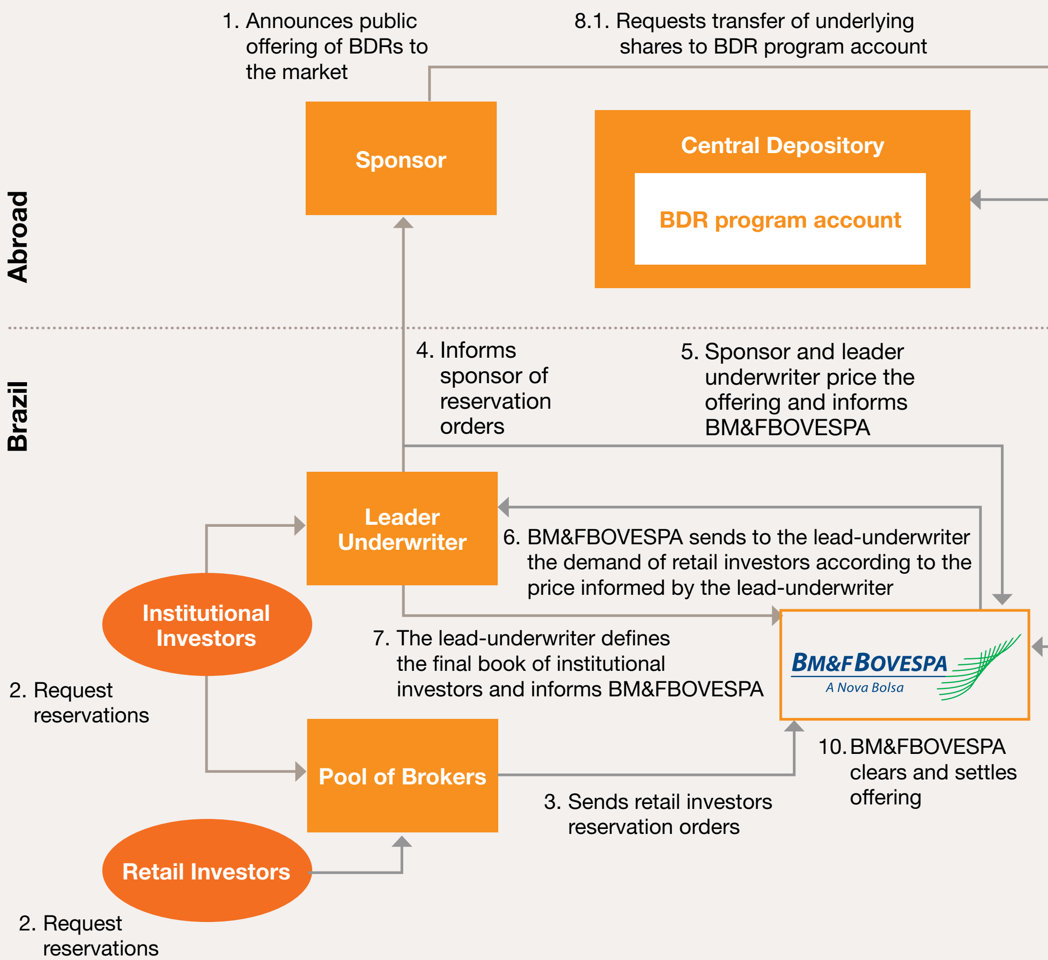
Tombstone ads

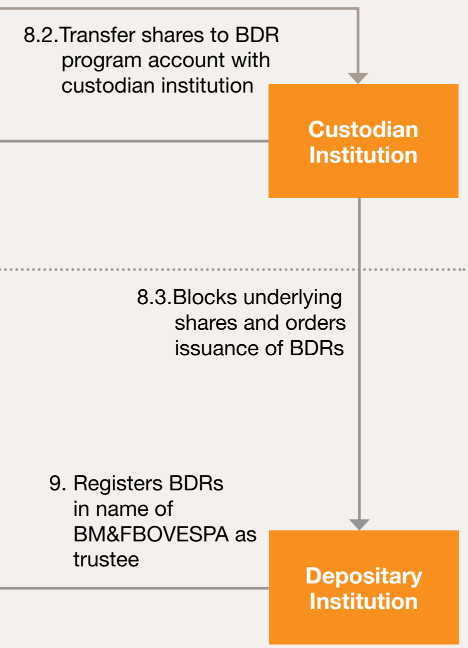
CVM Instruction no. 400, amended by CVM Instruction n.548 defines which offering documents must be disclosure. Companies may place tombstone ads in various periodicals announcing the BDR Level III offering and its amount, identifying certain members of the underwriting syndicate, and noting where and from whom a copy of the company's prospectus may be obtained. Tombstone ads are not intended to be a selling document; their main purpose is to assist in locating potential buyers who are sufficiently interested in the security being advertised to obtain a copy of the Prospectus and Reference Form. Tombstone ads may be published once the Registration Request has been filed.

The mechanics for registering and executing a public offering of Level III BDRs

Summarized below is a description of the basic steps in the procedure for registering and executing a primary public offering of Level III BDRs, pursuant to CVM Instruction no 400:

Primary Public Offering of Level III BDR





(1) The sponsor announces a public offering of BDRs in the markets where distribution will occur and requests the transfer of the underlying shares to the custodian institution;

(2) Retail investors send reservation orders to the pool of brokers designated to distribute the retail public offering, and institutional investors send their buying intentions directly to the lead-underwriter of the public offering or to the distribution pool;

(3) The brokers in the distribution pool send BM&FBOVESPA the orders received from retail investors;

(4) The lead-underwriter informs the sponsor of the reservation orders and buying intentions;

(5) The lead-underwriter and the sponsor work together to price the offering and inform BM&FBOVESPA;

(6) BM&FBOVESPA sends to the lead-underwriter the demand of retail investors according to the price informed by the lead-underwriter;

(7) The lead-underwriter defines the final book of institutional investors and informs BM&FBOVESPA;

(8.3) The custodian institution instructs the depositary institution to issue the BDRs;

(9) The depositary institution registers the BDRs in the registry book in the name of BM&FBOVESPA as fiduciary holder and deposits them with BM&FBOVESPA;

(10) BM&FBOVESPA clears and settles the entire BDR offering and delivers the proceeds to the sponsor, the BDRs to the retail and institutional investors, and the commissions to the distribution underwriters and brokers in the distribution pool.

Modifying or Cancelling a BDR Program

The BM&FBOVESPA Issuers' Manual provides guidance on the mechanics for discontinuing a BDR Program. Once the cancelation is approved a 30 day trading period will be established before the program is closed during which the BDR holders will continue to be serviced. The cancellation is conditioned to the following:

(i) Cancelation approval from the Board of Directors or equivalent body;

(ii) withdrawal of all classes of BDRs from circulation;

(iii) notice to the market of the cancelation.

In the case of a Level I Unsponsored BDR, the depositary bank can modify the terms of the Program through formal notification to the holders and BM&FBOVESPA with a 30 day notice.

In the case of a cancelation, the depositary bank is required to communicate the BM&FBOVESPA of the procedures to be followed and provide a 30 day period for comment from holders, providing, at a minimum, the following options:

(i) Sale of underlying foreign shares and receipt of proceeds in Brazil in Reais;

(ii) transfer of underlying foreign shares and deposit in the holder's offshore account;

(iii) other pre-agreed arrangements as approved by BM&FBOVESPA.

On-going reporting requirements

The CVM is charged to ensure that the investing public has access to information of companies which have issued (or are in the process of issuing) securities regulated by CVM Instruction no. 480 which include the Reference Form.

Tip

The Reference Form (Formulário de Referência), filed in Portuguese and in Reais, includes the following section, among others:

- *Officers responsible for the content of the form*
- *Auditors*
- *Selected financial information*
- *Risk factors*
- *Market risks*
- *Issuer's background*
- *Issuer's business*
- *Economic group*
- *Significant assets*
- *Management Discussion and Analysis (MD&A)*
- *Projections*
- *Shareholder meetings and management structure*
- *Compensation of directors and officers*
- *Human resources*
- *Control ownership structure*
- *Related party transaction*
- *Stock capital*
- *Securities issued*
- *Repurchase plans and securities held in treasury*
- *Securities trading policy*
- *Disclosure policy*
- *Extraordinary transactions*

Once the foreign-domiciled company is registered with the CVM it will continue to have an obligation to file the Reference Form annually (or more frequently, if any information on the form needs to be updated). Among the more relevant information required by CVM Instruction no. 480 is the following:

- Statement by the Company President and Director of Investor Relations that they have reviewed the Reference Form as to the completeness and accuracy of the information and compliance with the requirements of CVM Instruction no. 480.
- Information on the Company's independent auditor, including fees and justification in the event of any change in independent auditor.
- Selected financial information on the Company's net worth, assets, results and shareholder structure.
- If applicable, non-GAAP measures reconciled to the closest accounting measure and reasons why management believes that the non-GAAP measures presentation is required.
- Dividend distribution policy, including rules, frequency and possible restrictions on dividend distribution.
- Information on the Company's level of debt, including its debt ratio and management's explanation as to why this index is appropriate to correctly understand the company's financial situation.
- Information on guarantees provided.

- Risk factors which could affect the decision to invest in the Company, related to: (i) the issuer (Company), (ii) its controlling entity or controlling group, (iii) its shareholders, (iv) its subsidiaries and sister companies, (v) its suppliers, (vi) its customers, (vii) sectors of the economy in which the issuing Company operates, (viii) regulations in the sectors in which the issuing Company operates, and (ix) the countries where it operates.
- Information on pending legal, administrative and arbitration processes involving the Company and its subsidiaries.
- Quantitative and qualitative information on market risks, including the issuer's market risk management policy, considering: (i) risks, (ii) strategy, (iii) organizational structure, (iv) instruments and parameters used and (v) appropriateness of the internal control structure.

Tip

EBITDA (or LAJIDA as it is known in Brazil) represents an imperfect shortcut to estimate a company's cash generating capacity as it does not consider the effects of accruals on the opening and closing balance sheets. operating cash flow is much better calculated in the Cash Flow Statement.

LAJIDA is a defined term in CVM Instruction no. 527 and when used in the offering documents it should respect this definition.

Information on the principal corporate events:

- Information on the Company's activities including products and services marketed and information by business segment.
- Information on the concentration of credit risk.
- Information on the relevant effects of government regulations on the Company's activities.
- Information on the business group in which the issuer is classified, including: (i) direct and indirect controlling entities, (ii) subsidiaries and sister companies, (iii) equity participation in other companies in the economic group, and (iv) jointly-held companies.
- Information on relevant non-current assets for the Company's activities.
- Management comments on: (i) capital structure and economic and financial conditions, (ii) ability to honor financial commitments, levels of debt and sources of financing; (iii) operating results of the Company (revenues and costs/ expenses); (iv) key accounting practices and changes in accounting practices; (v) degree of efficiency, deficiencies and recommendations on the internal control structure supporting the preparation of the financial statements.

- Information on the intended use of funds from issuance of notes and securities.
- Information on the Company's business plan including quantitative and qualitative information about investments.
- Information on the Company's administrative structure, including the different bodies and committees which have been installed, their composition and how they operate.
- Biographical information on members of management, Board of Directors and the Conselho Fiscal (Supervisory Board or Board of Auditors).
- Information on management remuneration; the Company's human resources; the controlling entities, transactions with related parties.
- Information on the Company's capital shares and securities, including relevant changes and policies of repurchase and negotiation of securities.

Tip

The Reference Form, which is similar to and as detailed as a Form 10-K or Form 20-F filed with the SEC in the U.S., alongside the financial statements, are the most important document to be filed at this stage, as it contains all information on the foreign-domiciled issuer considered fundamental for investors to make investment decisions.

6

Maintaining a healthy BDR Program

Public companies must proactively manage their reputations by communicating regularly with investors, analysts, and the financial media to maintain a positive image and make sure their story is being told accurately. After the BDR launch, the relationship with the market, which includes investors, analysts and shareholders, becomes a constant affair. Some companies hire consulting firms specialized in relations with the CVM and BM&FBOVESPA, to assist the Investor Relations.

Tip

The public's perception of a company has a direct effect on the value of its BDRs. This is critically important when the Brazilian float is a significant part of the BDRs in issues on the markets. Life as a public company also means getting comfortable with the rhythm of quarterly and annual reporting requirements, their content, and costs.

How an investor analyses a company in the BDR launch process

Investors can profit with a company's securities through appreciation in the value of these BDRs and/or by receiving dividends, a portion of the earnings. As they are subject to the risks of the business, foreign equity investors are particularly concerned in accompanying, supervising and participating in company decisions, to ensure that it will be profitable and sustainable in the long-term.

For a certain group of investors, the prospect of receiving dividends, which represents the portion of earnings distributed to BDR holders, can be important. But, in situations where the company has viable projects, it is probable that investors would prefer that the company's cash be used to finance needed investments.

An investor will use an array of evaluation tools in taking the investment decision. The most common are comparative multiples (peer groups) and discounted cash flow. In general, the preference is to use future projections as a basis for evaluation, although some investors use historical data, under the assumption that the company's future performance will be similar to its past. Determining a profit guidance policy to be communicated to the market is important.

Multiples (historical and projected) used include:

- Price/Earnings (P/L).
- Price/EBITDA (in Portuguese: LAJIDA).
- Market Price/Book Price ratio (P/VPA).
- Enterprise Value/EBITDA (LAJIDA).
- Market Price/Net Revenue per share.
- Market Price/Some Operational Indicator.

Investors calculate the multiples of peer companies listed on the stock markets in the same/similar business segments in Brazil and/or abroad, and use them as a basis of comparison to estimate the reference BDR price of the company that is launching. The track record of the company in its home market will be an important point of reference as will the current trading price of its shares in its own markets abroad.

These are just some examples which investors analyze to purchase a company's shares, but there are others such as the experience of its executives, prospects of the company and business segment, the country's macroeconomic situation, etc.

Tip

Although it is impossible to totally eliminate this additional level of uncertainty (and the corresponding discount applied by the investor), the company can work to reduce it. To do that, it is crucial that the company make itself known in the Brazilian market as soon as possible as it is important to create this history and confidence to help secure an optimum launch price.

Maintaining Investor Enthusiasm

Once the non-resident company has a BDR Program in Brazil, considerable effort must be expended to maintain its market position. If investor enthusiasm for a company is not maintained, trading will decline. If a company's shares are thinly traded, the benefits sought from the BDR launch (such as liquidity through a future initial or secondary offering) will not be realized. Thus, effective distribution and support of the shares, as well as continuing to secure analyst interest, is necessary after the BDR launch. Focus and attention on the Brazilian investors by the Director of Investor Relations and his team will be fundamental.

A public company's performance, as perceived by the market, is reflected in the value of its shares. Management faces the pressure of balancing short-term productivity with long-term goals. Negative developments, such as a lower-than-expected distribution of earnings, may adversely affect the shares value. Management will need to ensure that all communications with external parties fully explain the company's results. This transparency in reporting will in turn create greater confidence in the market regarding the company.

Tip

Earnings are not the only factor that affect the public's perception of a company.

- *Is the company demonstrating a sustained or increasing growth rate that is attractive enough to satisfy investors?*
- *Are the company's brands/ products or services highly visible in Brazil and of interest to the consuming and investing public? The company should project a positive image to its investors, customers, and community.*
- *There is growing pressure to explain corporate social responsibility, including sustainability and climate change issues. Companies should have a strategy to address such concerns.*
- *Is management capable and committed? Management plays a key role in the way a company performs; therefore, it is essential that management remains innovative, committed, and capable.*

Maintaining the Program

The launch of a BDR registration process is the end of the beginning of a successful program. Once the program is listed, a company will be under far greater public scrutiny and will have a range of continuing obligations with which to comply. Any weakness in systems or failure to comply with regulations could cause home-office management public embarrassment, reputational damage, and the potential for company and personal fines. The designated legal officer is always (personally) responsible for any transgressions or cases of non-compliance (below). The benefits of a carefully prepared and planned program are realized within the first year after the BDR launch.

Public companies are required to comply with a host of reporting and other requirements for BDR Level II and III programs. The most significant change for many companies is the need to disclose and report publicly on their financial results and other information on an accelerated timeline. This is a process the company will need to be fully prepared to meet; inability to meet these requirements will shake investor confidence or expose the company to the risk of having to cease trading on the shares exchange or being fined for not submitting documents within the established deadlines. Coordinating on-going disclosure with home-office reporting adds additional pressure.

Duties of the Legal Representative

Once registration has been granted, the legal representative of the Company is required to provide detailed information within specified time limits:

(a) send to CVM , by magnetic means, using the electronic template forms furnished by the CVM, the – financial information on the DFP;

(b) provide updates of registration data, within five days of any changes;

(c) simultaneously disclose to all markets in which it participates the relevant information, including with regard to the Company's business, changes in the bylaws or the articles of association, profit guidance when provided, home country financial reports, among others;

(d) the summary of the decisions taken at the annual general meeting;

(d) the minutes of the annual general meeting; and

(e) the quarterly financial information, as submitted in the country of origin, together with the *Special Review Report* issued by an independent auditor registered.

In addition, the legal representative must provide the following information within the specified time frames (dates subject to change):

(a) the public call notice for extraordinary or special general meetings on the date of disclosure in any other country or market;

(b) the summary of the decisions taken at the special or extraordinary general meeting on the day following the date of such meetings;

(c) the minutes of the extraordinary or special general meeting on the date of disclosure in any country or market;

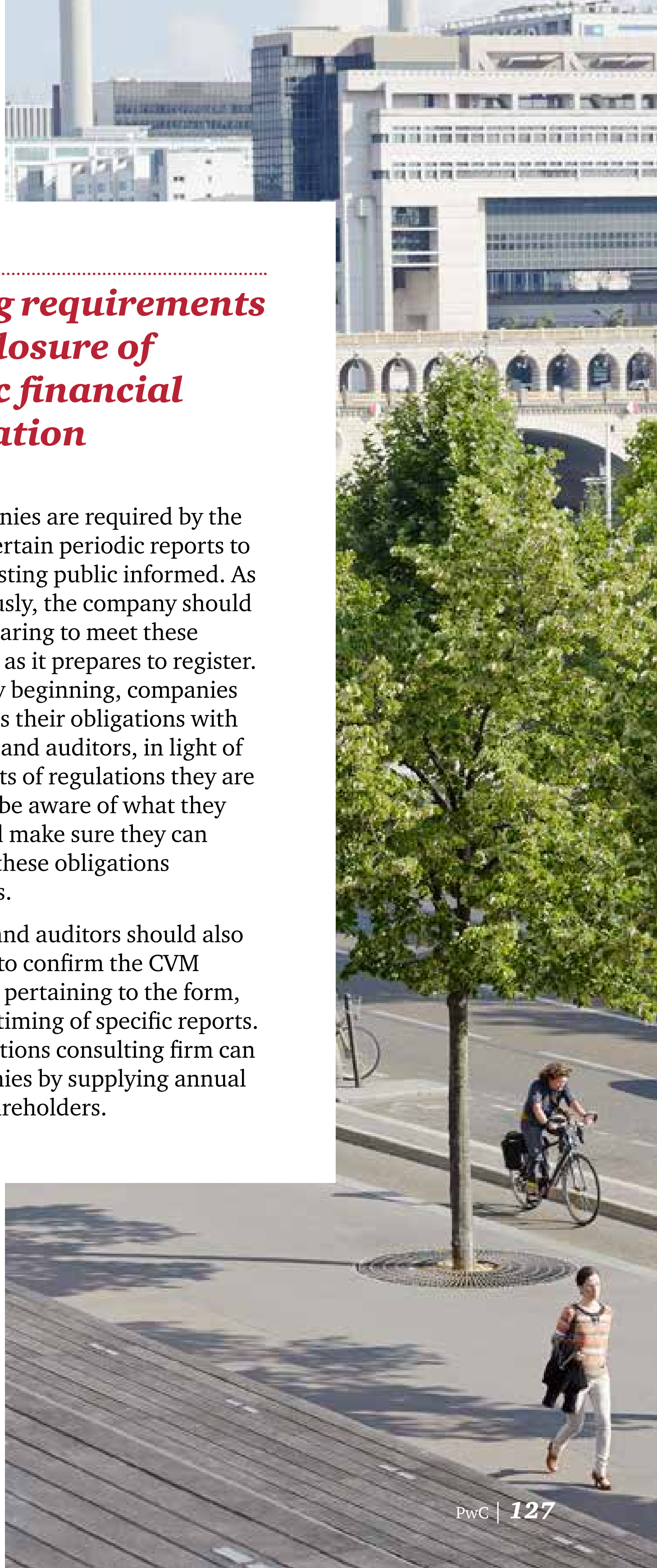
(d) the shareholders' agreement, on the date of disclosure in any other country or market or on the day following the date on which it is filed at the Company's headquarters;

(e) the communication as to any relevant act or fact on the date of disclosure in any country or market;

(f) any modifications of the legal status of the Company, financial statements prepared to address legal status changes and, if applicable, the status of the holders of securities on the date of the disclosure in any country or market; and

(g) other information requested by CVM within such terms as it may establish.

After granting the registration, CVM will charge a quarterly monitoring fee.



Ongoing requirements for disclosure of periodic financial information

Public companies are required by the CVM to file certain periodic reports to keep the investing public informed. As noted previously, the company should focus on preparing to meet these requirements as it prepares to register. From the very beginning, companies should discuss their obligations with their lawyers and auditors, in light of the several sets of regulations they are subject to, to be aware of what they represent and make sure they can comply with these obligations and deadlines.

The lawyers and auditors should also be consulted to confirm the CVM requirements pertaining to the form, content, and timing of specific reports. A market relations consulting firm can assist companies by supplying annual reports to shareholders.

The table below presents an overview of the basic CVM reporting requirements for public companies, considering the company registered (subject to change):

Form	Description	Presentation/Disclosure
Reference Form	See Section 3 - "Regulations"	Annually, within five months after the close of the fiscal year
DFP Form	Individual and Consolidated Annual financial statements prepared in accordance with the accounting practices adopted in Brazil (CPC) (*) and with the international financial reporting standards (IFRS, accompanied by an audit the home-country independent auditor's report, the CVM *Special Review Report* of the Brazilian independent auditor, the annual management report and the information for the Company's file.	Annually, within 90 days after the close of the fiscal year (or four months in the case on a foreign-domiciled company)
ITR Form	Individual and Consolidated Annual financial statements prepared in accordance with the accounting practices adopted in Brazil (CPC) (*) and with the international financial reporting standards (IFRS, for the first three quarters of the year, compared with the prior fiscal year/financial statements and accompanied by a limited review report from the home-country independent auditor and the CVM *Special Review Report* of the Brazilian independent auditor.	Quarterly, within 45 days of the close of the quarter

(*)CPCs are effectively the same as IFRS

To comply with the various requirements related to issuing reports, Public Companies should have sufficient staff knowledgeable of the requirements.

Timely disclosure of material information

Information that is generally considered material includes: significant financial transactions, new products or services, acquisitions or dispositions of assets, changes to dividend policy, senior management or changes to controls.

The disclosure of such information should be made as soon as: (1) it is reasonably estimable, and (2) full details are available to the company. This information should be disclosed in the form of press releases or on company websites (Material Fact); however, companies may decide to also send announcements directly to their shareholders.

A Category A CVM Registrant may need to update its Reference Form if any of the following relevant events occur: (i) changes to Board members or senior management; (ii) changes in share capital; (iii) new securities issued (including private placements); (iv) changes to the rights and benefits granted to security holders; (changes to controlling shareholders (direct or indirect), or changes in shareholdings greater than a 5% of a single class; (vi) when any individual, corporate or group of individual shareholders attains 5% of total capital; (vii) any time shareholdings change by more than 5% and the registrant is informed of the change; (viii) mergers, downstream mergers or spin offs; (ix) changes or new disclosures of projections and estimates; (x) modifications to existing or new shareholder agreements; e (xi) bankruptcy, judicial recovery and related matters.

Generally, the need to disclose information should be discussed with the Company's legal advisors.

Restrictions on trading based on non-public information

Until such time as sensitive information is made public, CVM rules prohibit company insiders from personally trading the company's securities or passing this information onto others. Within the company, material information should be kept confidential. Persons privileged to this information must treat it as confidential until it is released publicly.

Transactions with related parties

Good corporate governance demands that transactions between a company and any of its officers, directors, or large shareholders must be fair to the company. These laws apply to both privately and publicly-held companies.

Governance aspects on transactions with related parties must be carefully observed after a public offering due to protect the interests of the new shareholders. Whenever there is a potential conflict of interest between the company and its fiduciaries, management should obtain independent appraisals or bids and independent director approval (or even shareholder approval), depending on the nature and significance of the transaction. In certain cases conflicted shareholders should abstain from voting.

Disclosure of trading by controlling shareholders, directors or officers

Under the terms of CVM Instruction no. 358, the Company's directors, officers and members of any other technical or advisory committee are required to disclose to the Company their ownership of shares (including number and characteristics) and trading of securities or derivatives or other securities linked to any such securities issued by the Company or by the Company's publicly held subsidiaries or controlling companies. In the case of individuals, the information should include securities held by a spouse, companion or dependent for income tax purposes, and by companies directly or indirectly controlled by these persons.

The information on securities should include, at least:

1

The name and qualification of the person providing the information, including their taxpayer identification number, as well as the name of the issuer and the number of securities held before and after the trade;

2

The issuer, amount, by type and/or class, in the case of shares or BDRs, and other characteristics, in the case of other type of securities, and the balance of the interest held before and after the respective transaction; and

3

Form of purchase or sale, price and date of transactions.

The information above must be supplied (i) five days after each trade, (ii) on the first business day after the date on which such persons take offices, or (iii) as of the date of filing as a Public Company.

Officials must supply this information to the CVM and, if applicable, to the stock exchanges or organized over-the-counter markets to which the Company's securities have been admitted for trading, within ten days subsequent to the month (i) in which alterations have occurred to the interest held by the person or entities referred above or (ii) in which such persons are confirmed in office.

The Company's designated legal officer is responsible for submitting this information to the CVM and, if applicable, to the stock exchanges or organized over-the-counter markets to which the Company's securities have been admitted for trading, in accordance with the procedures described herein.

In addition, whenever controlling shareholders, either direct or indirect, and shareholders who elect the members of the Company's board of directors, as well as any individual or legal entity, or group of people working jointly or representing the same interest, reaching ownership, either directly or indirectly, equivalent to 5% or more of the Company's shares or BDRs or any rights on the Company's shares or BDRs, those shareholders or group of shareholders shall provide the BM&FBOVESPA and the CVM with the following information:

- name and qualification of those acquiring the shares or BDRs, including their taxpayer identification number;
- purpose for the acquisition and envisaged amount and, as the case may be, a statement that such acquirer does not intend to change the Company's capital or management structures;
- number of shares or BDRs, subscription bonuses, as well as rights to subscribe shares or BDRs and share or BDRs purchase options, by type and class, either directly or indirectly, by the acquirer or by a person related to the acquirer; and
- information of any agreement or contract governing the exercise of the right to vote or purchase and sale of securities issued by the Company.

This information is also required from any person or group of persons sharing similar interests holding 5% or more of each class or type of the Company's shares whenever their interest should increase or decrease by 5%.

Tip

In addition to all the regulatory obligations, to assure the success of the BDR Program the Investor Relations' team must keep in close contact with investors, attending conferences, organizing roadshows and receiving investors for one-on-one meetings. Hiring a Market Maker is another initiative that could be considered.

7

An Investor's Perspective

As mentioned before, investors are constantly looking for opportunity to diversify risks and expand into cross-border markets seeking new portfolio profiles, deeper liquidity, efficient trading platforms and broader currency exposures.

Issuing BDRs

Shares underlying BDRs can be converted at any time into BDRs by means of an issuance procedure. Conversely, BDRs can be converted at any time into foreign shares by means of a cancellation procedure.

The issuance and cancellation of BDRs occur in accordance with the strategies pursued by investors and involve the depositary institution in Brazil, the custodian institution abroad, the BM&FBOVESPA and others. Investors who need to purchase foreign shares in order to issue BDRs or purchase BDRs in order to cancel them and convert them into foreign shares also need to involve a Brazilian intermediary and a foreign intermediary.

Issuance and cancelling the Receipts

As mentioned above, shares underlying BDRs can be converted at any time into BDRs by means of an issuance procedure. Conversely, BDRs can be converted at any time into foreign shares by means of a cancellation procedure. The issuance and cancellation of BDRs occur in accordance with the strategies pursued by investors.

The list below describes the procedural flow for BDR cancellation:

(i) The Brazilian investor instructs the Brazilian intermediary to cancel the BDRs;

(ii) The Brazilian intermediary contacts the depositary bank in Brazil requesting cancelation;

(iii) The depositary bank transfers the BDRs to the BDR program's cancellation account at BM&FBOVESPA and issues an instruction to cancel the BDRs;

(iv) BM&FBOVESPA cancels the BDRs in the BDR program's cancellation account and issues an instruction to strike the BDRs held in trust by BM&FBOVESPA from the registry book;

(v) The depositary bank instructs the custodian bank to cancel the BDRs; and

(vi) The custodian bank transfers the shares underlying the BDRs from the BDR program's account with the foreign central depository.

A Tax Perspective

Because of the cross-border nature of a BDR program, it is highly recommended that prospective investors seek professional tax advice.

8

About the BM&FBOVESPA

BM&FBOVESPA was founded in May 2008 upon the merger of BM&F, Brazil's main derivatives exchange, and BOVESPA, the stock exchange. It is today the principal marketplace for capital markets transactions in Brazil, developing, implementing and providing systems for the trading of equities and equity derivatives, financial derivatives, corporate and government bonds, agricultural commodities and spot foreign exchange. BM&FBOVESPA also performs risk control and management on a beneficial owner basis and has a robust Clearinghouse structure that assures the efficient and secure functioning of its markets.

BM&FBOVESPA offers a wide range of products and services for the global sophisticated investor such as: trading shares, fixed-income securities, spot foreign exchange and derivative contracts based on equity securities, indices, financial assets, commodities, currencies and others; listing of companies and other issuers of securities; asset depository services; security lending; and software licensing. This range of products and services allows its business model to be vertically integrated. In addition, it supports the "BM&FBOVESPA *Supervisão de Mercados - BSM*" (BM&FBOVESPA Market Supervision), an association which supervises the activities of BM&FBOVESPA itself and the market participants, as well as the operations performed by them – added supervision that goes beyond that imposed by the regulators and assures a safe and sound trading venue.

Consistent with diversified platforms provided by exchanges, BM&FBOVESPA also offers different corporate governance listing segments: Bovespa Mais and Bovespa Mais 2 (designed for Small and Medium-sized Companies), Nível 1 and Nível 2 (with commitment to lighter governance standards) and Novo Mercado (requiring more robust corporate governance and transparency parameters which exceed those required by Brazilian corporate legislation). These segmented markets were launched and developed from 2000 and have played an important role in again promoting the Brazilian capital markets as a source of funding for companies.

The exchange also actively promotes the capital markets through innovation, product development and education programs for the investing public. It is also engaged in fostering social investment programs involving development its wider communities, encouraging sustainability and social inclusion, among others.

Headquartered in São Paulo, BM&FBOVESPA supports representative offices in New York, London and Shanghai to promote its customers activities, interact with regulators and to present its products and governance practices to potential investors and to support listed companies in their roadshow abroad.

9

About PricewaterhouseCoopers

Like any other major strategic undertaking, accessing the capital markets requires careful planning to ensure success. Auditors and consultants play a vital role in advising a company as it navigates the complex lifecycle of a capital market transaction, from the identification of an entry strategy to the public registration and offering processes and subsequent management of ongoing public company financial reporting obligations. In addition, the regulatory environment has raised the bar on the amount of advance preparation and careful planning necessary to complete a successful BDR launch.

Created in 1993, PwC's Capital Markets Group in Brazil provides advice to clients in the capital markets, including to companies as they navigate through the life cycle of the BDR launch process and the post-BDR launch financial reporting obligations. The firm's Capital Markets advisors work closely with the company's management as they go through the process of a BDR launch. Management can leverage PwC's extensive experience in capital-raising activities combined with its profound technical accounting knowledge and focus on bigger picture issues. Your PwC engagement team will leverage its global network and focus on your specific needs by applying seasoned resources that bring the technical, industry, private and public company and BDR launch transaction expertise required to keep you ahead of the curve and prepared for potential issues you could face as a Brazilian Public Company.

Whether acting in the capacity of your auditor, tax service provider, or non-audit BDR accounting advisor, PwC will be an active player during the process.

Evaluate your Readiness to launch a BDR Program

By undertaking a structured exercise to analyze a company's state of preparedness to launch a Brazilian Depositary Receipt program, we can give management a full understanding of key BDR launch issues as they apply to the company. From the results of this assessment, we can help you develop a project plan to address issues and identify resources. A typical BDR launch readiness assessment addresses the questions: What additional information is needed for the Brazilian prospectus, such as additional financial disclosures? Is the corporate governance framework suitable for a Brazilian listed company? Is it similar to that adopted by other companies? Can we assist in preparing the Reference Form and Prospectus?

A readiness evaluation can address deal-structuring, including tax planning, and assess:

- Corporate structure.
- Structure of the Board and its subcommittees.
- Board and senior management capabilities.
- Corporate governance arrangements.
- Shares exchange listing eligibility issues.

PwC will review your objectives and capital needs; advise you of the advantages and disadvantages of going public in Brazil; identify the options available; offer insights on share exchanges; provide insight into costs that will be involved; and work with you to establish a reasonable timetable. The assessment process allows a company to identify and resolve issues at an early stage, thereby saving time and money. Advance planning helps you minimize the impact of potentially unpleasant surprises and be prepared to benefit from any positive market movements.

Action Plan Advice and Assistance

Our team will work closely with you as you develop a plan to begin to “get your house in order” and make the transition from a foreign-listed company to a Brazilian public company. We will advise you during your financial statement preparation, advise on necessary management restructuring changes, assist in the establishment of a BDR launch advisory team, and provide guidance on professional relationships for the BDR launch.

Internal Controls Review

We can provide the understanding you need about system controls requirements and corporate governance to be ready for the reporting demands of a Brazilian public company, including compliance with reporting deficiencies and action plans to the market.

A Corporate Governance Gap Analysis

We can evaluate your actual or planned corporate governance practices and policies against Brazilian securities regulations and stock exchange listing and IBGC guidelines, identify potential weaknesses, and recommend remedial action.

Our Tax Check-up

This process helps you understand the tax advantages and the tax consequences of a Brazilian listing and issuance of BDRs. We review the tax consequences of going public in Brazil, the potential risks, contingency management and planning opportunities, and the proactive measures you need to take.

Compliance with Tax Requirements

We will help you develop policies and procedures to provide appropriate monitoring of compliance requirements.

Going public

Drawing upon our extensive experience, there are many ways in which PwC can help our clients during the BDR launch process. We can provide a variety of services including assurance on historical financial information, participating in due diligence and drafting sessions with investment banks, and providing comfort on financial information included in the Reference Form.

We can advise you in connection with the drafting of the Reference Form including the critical Management Discussion and Analysis (MD&A) section in your prospectus. We can advise you on the presentation of your financial statements, including the Statement of Value-added (DVS) and pro forma financial statements that may be required. Our prior experience will give you invaluable insights on current CVM views and how other registrants are dealing with common IPO and BDR launch issues.

We can help you anticipate and respond to issues raised by regulators. These insights will help streamline the BDR launch process. We can also advise you on a wide variety of infrastructure issues, including process alternatives for designing key controls and outsourcing issues. We have helped many small and mid-sized companies do just that in connection with their BDRs.

BDR launch transactions can be complex, time-consuming and a distraction for management from the day-to-day needs of running the business. Effective project management is critical. Our project management specialists can provide advice and recommendations on an appropriate project governance framework and project plans, and assess project deliverables, interdependencies, risks, and resources.

Being a Brazilian Public Company

Systems and Internal Controls

Our professionals can help you establish and document an effective internal control environment so the right processes and systems are in place to support the business. Specifically, we can provide the following services for each area:

Internal controls

- Our internal controls services assess the current environment and establish a rationalized controls framework. We use a risk-based approach, aimed at optimizing the internal control structure.
- We provide a readiness assessment of controls effectiveness in advance of the external auditor review. We provide management insights into the controls environment and have the ability to remediate possible controls deficiencies.
- We provide access to existing libraries of controls to streamline the process of developing a framework, and we leverage industry leading practices.
- We provide a review of operations and control quality for an external service provider assisting the Company.

Governance and Leadership

We can assist our clients with performing governance diagnostic and benchmark studies and advise management on:

- Designing corporate governance structures to comply with relevant regulatory requirements.
- Developing approaches for planning and embedding governance, risk management, and compliance into the organization.
- Delivering training on various aspects of corporate governance.
- Advising management on enhancing board charter, by-laws, committee mandates, and corporate governance.
- Developing corporate policies and procedures.

Media and Investor Relations

PwC can help a company understand the challenges with investor and media relations in Brazil. This could include benchmarking key performance indicators, measures not related to generally-accepted accounting principles and reporting timetables of public peer companies.

Appendix
Glossary of Terms

Commonly Used in BDR Programs

Terms	Description
Brazilian Depositary Receipt – BDR	Depositary receipt issued by a depositary institution in Brazil, representing securities issued by a foreign publicly held company (or similar company).
Custodian institution *(Instituição custodiante)*	Institution based in the home country of the securities, which is accredited by an agency similar to the Brazilian Securities Commission (CVM) to provide custody services.
Depositary institution or receipts issuer *(Instituição depositária)*	Institution that issues in Brazilian the depositary receipts that represent securities held under custody in the home country.
Sponsor *(Patrocinadora)*	Foreign publicly held company (or similar company) issuer of the securities underlying a depositary receipt, which is under oversight and regulatory authority of a securities regulator similar to the CVM.
BDR program *(Programa de BDR)*	Program of securities backed by shares of a foreign company. Category classification of a BDR, based on its characteristics of information disclosure, forms of distribution and trading, reporting requirements, and whether or not the foreign company and issuer of the underlying securities (sponsor) have a formal agreement with the depositary institution acting as receipts issuer. In any event, the registration before CVM is required for any BDR program.
Unsponsored BDR program *(Programa de BDRs Não Patrocinado)*	A program established by a depositary institutions acting as BDR issuers under no formal agreement with the issuer of the underlying securities, admitted for trading only if in compliance with the same requirements as for Level I BDRs programs.
Sponsored BDR program *(Programa de BDRs Patrocinado)*	A program established by a single depositary institution acting as BDR issuers under a formal agreement entered into with the issuer of the underlying securities, which may be classified as Level I, II or III.

Commonly Used in the Prospectus and Reference Forms

Terms	Description
Ações (Shares)	Shares issued by the Company.
Ações Adicionais (Additional Shares)	Additional shares in relation to those initially offered which can be added to the Offering, pursuant to CVM Instruction no. 400, at the Company's discretion in agreement with the Offering Underwriters.
Ações do Lote Suplementar (Supplementary Lot of Shares)	Supplementary Lot of Shares unrelated to those initially offered, issued by the Company, under the same conditions and at the same price as the initially-offered shares, to meet excess demand, by exercising the Supplementary Shares Option.
Administração (Management)	Officers and management executives (also called *Diretoria*).
Agentes de Colocação Internacional (International Placement Agents)	The international placement bank or agent.
ANBIMA *(Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais)*	Brazilian Association of Financial and Capital Market Entities.
Anúncio de Encerramento de Distribuição Pública (Termination Notice of public issuance)	Offering closure notice posted by the Underwriters and by the Company, under CVM Instruction no. 400.
Anúncio de Retificação (Correction Notice)	Offering modification notice (including cancellation) posted by the Underwriters and by the Company, under CVM Instruction no. 400.
Anúncio de Início de Distribuição Pública (Notice of Initiation of Public Issuance)	Notice of beginning of the Offering process issued by the Underwriters and by the Company, under the terms of CVM Instruction no. 400.

Terms	Description
Aviso ao Mercado (Notice to the Market)	Notice to the Market issued by the Underwriters and by the Company, under the terms of CVM Instruction no. 400.
BACEN	Brazilian Central Bank (*Banco Central do Brasil*).
BM&FBOVESPA (the Brazilian futures and stock exchange)	BM&FBOVESPA S.A. - *Bolsa de Valores, Mercadorias e Futuros* (Shares, Merchandise and Futures Exchange).
BR GAAP or *Práticas Contábeis Adotadas no Brasil* (Accounting Principles Adopted in Brazil)	Accounting principles adopted in Brazil, based on: (i) the *Lei das Sociedades por Ações* (Brazilian Corporation Law); (ii) the standards and regulations of the CVM (Brazilian Securities Commission); (iii) the accounting standards issued by the CPC (Accounting Pronouncements Committee), as approved by IBRACON (Brazilian Institute of Independent Auditors), by the CFC (Federal Council of Accounting) and the respective regulators.
CDI – *Certificado de Depósito Bancario*	Certificate of Interbank Deposit.
CMN – *Conselho Monetário Nacional*	National Monetary Council.
CODIM *(Comitê De Orientação para Divulgação de Informação ao Mercado)*	A market disclosure guidance committee.
COFINS (*Contribuição para Financiamento da Seguridade Social*)	Tax for Social Security Financing.
Conselho de Administração	The Supervisory Board of Directors.
Conselho Fiscal	The Fiscal Council (Board of Auditors).
Comitê de Auditoria	The Audit Committee.

Terms	Description
Contrato de Distribuição (Allotment Contract)	Contract for Underwriting, Placement and Firm Guarantee of Sale of Common Shares Issued by the Company, to be signed between the Company, the Controlling Shareholder, the Underwriters and the BM&FBOVESPA, the latter being the intervening consenting party.
Contrato de Estabilização (Stabilization Contract)	Private Contractual Instrument to provide Price Stabilization Services for shares issued, signed between the Company and the Stabilizing Agent, normally the Lead Underwriter.
Coordenador Líder (Bookrunner)	Lead Underwriting Bank ("Bookrunner").
Coordenadores da Oferta (Offering Coordinators)	Lead Underwriter and other Banks in the group.
Coordenadores Contratados (Hired Coordinators)	Designated banks.
Corretoras (Brokerage Houses)	Intermediary institutions (brokers/distributors) hired to provide assistance to place the BDRs of the Offering exclusively with Non-Institutional Investors.
CPC – *Comite de Pronunciamentos Contabeis* (Brazilian Accounting Standards Board)	Accounting Pronouncements Committee.
Agente Estabilizador (Stabilizing Agent)	Stabilizing bank/agent.
CSLL (*Contribuição Social sobre o Lucro Líquido*)	Social Contribution (a tax on income).
CVM (*Comissão de Valores Mobiliários*)	Brazilian Securities Commission.

Terms	Description
Data de Início de Negociação (First Day of Trading)	First working day after the Notice of Initiation is published.
Data de Liquidação (Liquidation Date)	Date on which the physical and financial liquidation of the Offering takes place, when the Shares are delivered to investors, normally within three working days after the Notice of Initiation is published.
Data de Liquidação das Ações Suplementares (Supplemental Share Settlement Date)	Date on which the physical and financial settlement of the Supplementary Lot of Shares takes place, within three working days after the date on which the Supplementary Share Option is exercised.
Demonstrações Financeiras Padronizadas - DFP (Standard Financial Statements Form)	The Standard Financial Statements Form is an electronic document which is required to be: (i) - filled out with data extracted from the financial statements prepared in accordance with the accounting principles applicable to the issuer; and, (ii) - filed by the foreign issuer within four months after the year end or on the same date as the other financial statements are filed, whichever is earlier.
Diretoria Executiva (Directors)	The executive officers (not to be confused with the Board of Directors is normally comprised of the CEO (Presidente ou Superintendente), who may also be the Chairman of the Board if the company is not registered at the Novo Mercado), the CFO (diretor financeiro) and other executive officers.
EBITDA (*LAJIDA*)	A non-accounting (GAAP) measure, EBITDA (*Lucro antes dos Juros, Impostos, Depreciação e Amortização - LAJIDA*), which, in accordance with CVM Instruction no 527/12, reflects earnings before net interest expense, income tax and social contribution and depreciation and amortization expenses. EBITDA is a non-GAAP measure as it is neither a defined by accounting practices adopted in Brazil nor IFRS. It does not represent cash flow for the periods presented and should not be considered as a substitute for net earnings, as an indicator of operating performance or as a substitute for cash flow as an indicator of Company liquidity. Adjusted EBITDA does not have a standard meaning and the Company's definition may not be comparable to those used by other companies.

Terms	Description
Formulário de Referência (Reference Form)	The Reference Form as per CVM Instruction no. 480.
IBGC (*Instituto Brasileiro de Governança Corporativa*)	Brazilian Institute of Corporate Governance.
IBGE (*Instituto Brasileiro de Geografia e Estatística*)	Brazilian Institute of Geography and Statistics.
IBRACON (*Instituto dos Auditores Independentes do Brasil*)	Brazilian Institute of Independent Auditors.
IFRS	International Financial Reporting Standards.
Índice Bovespa (Bovespa Index)	One of the performance indicators of the Brazilian stock market. The index is the current value of a theoretical portfolio of shares traded on the BM&FBOVESPA exchange, based on a hypothetical investment, reflecting not only changes in shares prices, but also the impact of income distributions, thus an indicator which evaluates the total return of the shares which make up the index.
Investidores Profissionais (Professional Investors)	Pursuant to CVM Instruction no. 554 these are: (i) Financial institutions authorized by BACEN to operate in Brazil; (ii) Insurance companies and bond issue companies; (iii) pension funds; (iv) individuals or corporations with financial investments in excess of R$ 10 million; (v) investment funds and certain investment clubs; (vi) autonomous investment agents; and (vii) nonresident investors.

Terms	Description
Investidores Qualificados (Qualified Investors)	Pursuant to CVM Instruction no. 554 these are: (i) Professional Investors; (ii) individuals or corporations with financial investments in excess of R$ 1 million who formally self-declare that they meet the qualified investor conditions and in the case of individuals hold CVM-approved certifications/ qualifications allowing them to act as autonomous investment agents; and (ii) investment clubs, as long as they are managed by one or more Qualified Investors.
Formulário de Informações Trimestrais – ITR (Quarterly Financial Information Form)	The ITR, is an electronic document which is required to be: (i) filled out with data extracted from the quarterly financial reports prepared in accordance with the accounting principles applicable to the issuer; and, (ii) filed within a 45 days after the end of each of the first three quarters. The ITR form must be accompanied by a limited review report issued by an independent auditor.
Non-Institutional Investors	Investors residing in Brazil with investment requests defined between a minimum and maximum level and who fill out a *Pedido de Reserva* (Reservation Request), in accordance with the procedures defined for the Retail Offering.
Institutional Investors	Local Institutional Investors and Foreign Institutional Investors, considered as a group.
IRPJ (*Imposto de Renda Pessoa Jurídica*)	Brazilian Corporate Income Tax.
Lei das Sociedades por Ações ("Brazilian Corporation Law")	Law ("Lei") no. 6.404, of December 15, 1976, as amended.
Lei do Mercado de Valores Mobiliários (Law of the Securities Market)	Law no. 6.385, of December 7, 1976, as amended.
Margem EBITDA ("EBITDA Margin")	EBITDA divided by net sales revenues.

Terms	Description
Novo Mercado (New Market)	Special listing segment on the BM&FBOVESPA with higher Corporate Governance standards.
Oferta (Offering)	Primary distribution public offering of securities in Brazil, on a listed or over-the-counter market, under the terms of CVM Instruction no. 400, under the coordination of the Offering Coordinators and with the participation of the Hired Coordinators and Brokerage Houses.
Oferta de Varejo (Retail Offering)	Offering of securities made to Non-Institutional Investors, with minimum and maximum amounts of Shares, excluding the Supplemental Lot and the Additional securities.
Oferta Institucional (Institutional Offering)	Offering of securities made to Institutional Investors.
Ofício da CVM (CVM Communication)	Official correspondence from the CVM.
Opção de Lote Suplementar (Supplementary Lot Option)	Option granted by the Company to the Bookrunner to acquire a supplemental lot, under the terms of Article 24 of CVM Instruction no. 400 in the same conditions and price of the initially-offered Shares. The Bookrunner will have the exclusive right for a period of time (normally up to 30 days).
Pessoas Vinculadas (Related Persons)	Under the terms of Article 55 of CVM Instruction no 400, controlling shareholders or management of the intermediary organizations and International Placement Agents and the Company or other persons involved with issuing and allotment, as well as their spouses or companions, ancestors, descendants or collateral relatives to the 2nd degree.
Pedido de Reserva (Reservation Request)	Specific form for Non-Institutional Investors to reserve Shares.
Período de Reserva (Reservation Period)	Period established in the Offering to submit Reservation Forms for Non-Institutional Investors.
Período de Reserva para Pessoas Vinculadas (Reservation Period for Related Persons)	Period established in the Offering to Non-Institutional Investors considered to be Related Persons to make their Reservation Requests.
Período de Colocação (Placement Period)	Period for placement of the Shares, normally up to three working days after publishing the Notice of Initiation.

Terms	Description
Placement Facilitation Agreement	Contract to be signed between the International Placement Agents, the Company and the Controlling Shareholder, defining how efforts to place the Shares abroad will be performed within the scope of the Offering.
Prazo de Distribuição (Allotment Period)	Period of no more than six months, counted as of the date the Notice of Initiation is published, to subscribe the Shares which are the object of the Offering.
Procedimento de bookbuilding (Bookbuilding Procedure)	Procedure to collect intentions of investments to be made from Institutional Investors, in Brazil, by the Coordinators and, abroad, by the International Placement Agents, in accordance with Article 44 of CVM Instruction no. 400.
Prospecto or *Prospecto Preliminar* (Prospectus or Preliminary Prospectus)	This Preliminary Prospectus.
Proxy Voting	Means by which a BDR holder who cannot attend the BDR holders' Meeting in person may vote on the agenda items, normally by electronic means.
Prospecto Definitivo (Final Prospectus)	Final Prospectus.
Resolução CMN n. 2.689 (CMN Resolution n. 2.689)	CMN Resolution no. 2.689, of January 26, 2000, as amended.
ROIC (Return on Invested Capital) or ROCE (Return on Capital Employed)	Usually calculated using EBIT (earnings before net interest expense and taxes on income), divided by total capital invested in the business (being Net Debt plus Shareholders' Equity).
SEC	Securities and Exchange Commission
Securities Acts	U.S. Securities Acts of 1933 and 1934
US GAAP	U.S. Generally Accepted Accounting Principles

www.pwc.com.br

PwC Brasil
@PwCBrasil
@pwcbrasil
PwC Brasil
youtube.com/PwCBrasil