



# Corporate Governance

October, 2018



## Strategy

- **Leadership position**, with long-term competitive advantages
- **Resilient businesses**, leveraged on the Brazilian economic growth
- **Solid financial position**
  - ✓ Potential to pursue strategic opportunities – **investments and acquisitions**
  - ✓ Consistently distributing dividends

## Management

- Culture and corporate governance structure designed for **value creation**
- **Discipline on the capital allocation process**
  - ✓ Projects are subject to rigorous selection with the purpose of value creation
  - ✓ Planning and execution process as a key to success
- Management structure defined according to the business model, with centralization of financial and IT activities
  - ✓ **Agile** decision making-process
  - ✓ **Robust operational scale**



## 30's to 60's

- ✓ Foundation and establishment of Ultragaz by Ernesto Igel – Family owned Company
- ✓ Growth of the LPG distribution business
- ✓ Expansion to several businesses

## 70's

- ✓ Beginning of the implementation of professional management in the Company

## 80's

- ✓ Structuring of Pery Igel's succession – beginning of Paulo G. A. Cunha's tenor as CEO
- ✓ First stock ownership program, turning key executives into shareholders, with a 20-year vesting period
- ✓ Restructuring process – focus on businesses in which the Company has competitive advantages

## 90's

- ✓ Stock ownership granted to a second group of executives
- ✓ Shared control between executives and the founding family
- ✓ Transformation of a privately-held Company into a listed Company

# CORPORATE GOVERNANCE AND CAPITAL MARKETS: KEY EVENTS POST THE 90'S



1999

- ✓ First Brazilian Company to carry on **simultaneous IPOs in B3 and the NYSE**
- ✓ ADR level III – highest standards of transparency and disclosure

2000

- ✓ First Brazilian Company to **grant 100% tag along rights to all shareholders**

2002

- ✓ Variable compensation linked to **EVA (Economic Value Added)** performance
- ✓ Representative of preferred shareholders in the Board of Directors
- ✓ **Corporate restructuring** – Ultrapar becomes owner of 100% of all its businesses

2003

- ✓ **Stock ownership** granted to a new generation of executives

2004

- ✓ Code of ethics formalized
- ✓ Dividends for common and preferred shares equalized

2005

- ✓ Follow-on offering to increase liquidity of the Company's shares

2007

- ✓ **Separation** of the role of **CEO** and **Chairman** of the Board of Directors
- ✓ **Acquisition of Ipiranga**
- ✓ Sarbanes-Oxley certification

2008

- ✓ **Ultrapar becomes part of the main market indexes**

2011

- ✓ Corporate governance standards exceed the requirements of Novo Mercado

2014

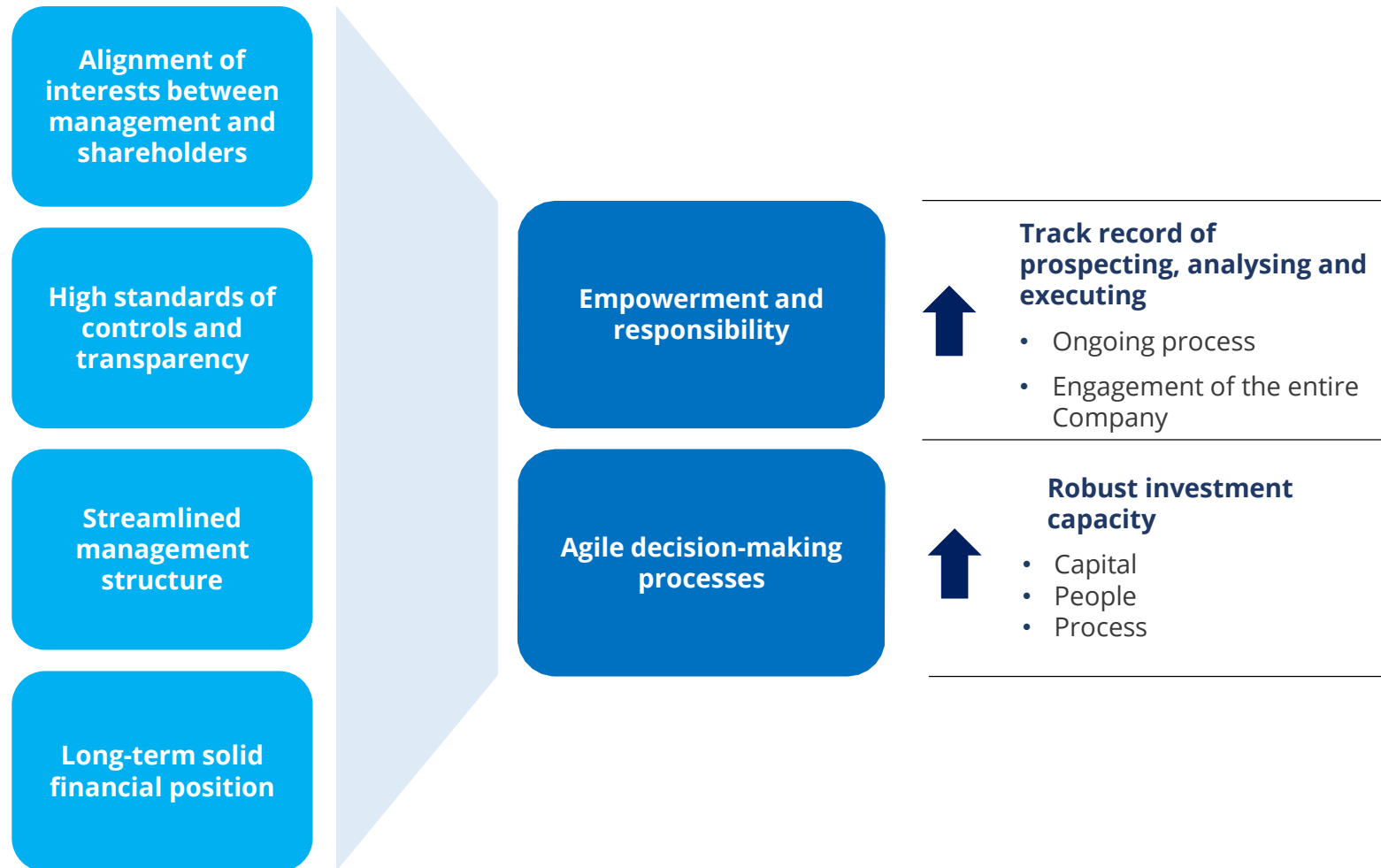
- ✓ Issuance of additional ordinary shares for Extrafarma's acquisition



- **Key Shareholders<sup>1</sup>**

Ultra S.A. Participações	22%
Parth do Brasil Participações LTDA	8%
Standard Life Aberdeen PLC	8%
BlackRock Inc.	5%
Others	57%
- **Shareholder’s Agreement**
  - ✓ Agreement dated May 2018 between **Ultra S.A. and Parth do Brasil Participações LTDA**, the two branch of Igel’s family, including **31,25% of the Company’s shares**
- **Recent changes in the management team**
  - ✓ Chairman of the Board of Directors
  - ✓ CEO of Ultrapar
  - ✓ CEOs of Ipiranga, Ultragaz and Extrafarma

(1) As of 08/31/2018



## One share, one vote

### Board of Directors

- ✓ **9 members**
  - **6 independent members**
  - **4 members** with working experience of more than 10 years at Ultrapar's Board of Directors
- ✓ Executives with **relevant experience in the sector**
- ✓ 2-year term
- ✓ Any candidate for the Board of Directors, supported by the Company or not, will be guaranteed the **same treatment and publicity benefits** in an election

### Mandatory tender offer in the event of relevant acquisition (20% of the capital stock)

- ✓ Offer price equal to the maximum price paid by the acquirer during the 6-month period prior to reaching 20% stake
- ✓ **Mechanism in line with EU directive**, well-tested in the UK

No poison pills, voting limitations, unequal treatment provisions nor entrenched provisions

### Solid payment of dividends

- ✓ **Minimum payout of 50%** established by the Company's Bylaws
- ✓ **Average payout of 60%** over the past 5 years

### General Meetings

- ✓ Development of guidance material with previous **information about the proposals**
- ✓ Company actively access its shareholders to **clarify any question** and **receive feedback**
- ✓ Greater interaction with proxy advisors
- ✓ **Participation** in the 2018 Ordinary General Meeting: **76,7%** of the share capital, excluding shares in treasury

## People and Organization Committee

## Audit Committee

Implications from **Novo Mercado** and **SEC** new regulation regarding the **Audit Committee**

### Main duties

- Ensure that the Company prepares for the **succession** of its executive officers and other key employees
- Carry out diligence to ensure a **model of competence and leadership** in line with its strategic plan
- Revise the **parameters and guidelines of a remuneration and benefits framework** to executives
- Propose to the Board of Directors the **overall compensation** of the Directors and executive officers

- **Review the management report, the financial statements** and the Company's risk exposures
- Has its **own budget**
- Has three independent **members with experience** in auditing, risk, controls, accounting, taxation or rules applicable to publicly-held companies
- The **Fiscal Council** exercise all the duties when it is installed

- ✓ **100% composed by members of the Board of Directors**
- ✓ **Minimum of 3 members, one must be an independent member of the Board of Directors**
- ✓ **1 member must have recognized experience in business accounting**

### Composition

- **Up to 4 members:**
  - **2** shall be **Independent Directors**
  - Others may be Directors or not

- **3 members:**
  - **2** of which shall be **independent members with experience** in auditing, controls, accounting, taxation or rules applicable to publicly-held companies



## Disclosure and Trading Committee

## Risk and Investment Committee

## Conduct Committee

### Main duties

- Assist the Investor Relations Officer as to the decision to disclose information to the market
- Resolve on the establishment of **Extraordinary Trading Restrictions**
- Analyse the **Individual Investment Programs**
- **Monitor the compliance with the policies**
- **Resolve** on the applicable measures in cases of **non-compliance with the Policies**

- Discuss and monitor the financial strategies, existing exposures, and significant transactions involving **investment, cash management, or risk mitigation**
- **Monitor the risk** standards established by the Policy through a monitoring map

- Be **independent and autonomous** and directly associated with the Board of Directors
- **Monitor** the scope and the implementation of the **Code of Ethics and the Corporate Policies**
- **Monitor the whistleblowing for complaints** and **propose disciplinary measures** in cases of violations

### Composition

- **Up to 6 members**
  - Chief Financial and Investor Relations Officer, who shall appoint the other members

- **Composed by**
  - CFO
  - Members of the Company 's Executive Board
  - Treasury Director

- **5 members**
  - **1 independent member** (President of the Committee)
  - Other 4 members of the management team

## Requirements to be implemented

- ✓ The **independence of candidates** to the Board of Directors will be attested at the **AGM** (Annual General Meeting) based on (i) a declaration signed by the appointed candidate and (ii) a statement of the Board of Directors
- ✓ **Installation of Audit Committee** as an ancillary body of the Board of Directors with operational autonomy and its own budget
- ✓ **Internal Audit:** shall report directly to the Board of Directors or through the Audit Committee; main assignments and budget will be approved by the Board of Directors on an annual basis; services hiring limited to independent auditors registered at CVM (Brazilian Securities Commission)
- ✓ Disclosure of the **Bylaws of the Board of Directors, Fiscal Council and Committees**
- ✓ Amendment of the **Compensation Policy**
- ✓ Elaboration of **Nomination Policy** for the Board of Directors, its Committees and Executive Officers
- ✓ Amendment of the **Conflict of Interests Policy** and elaboration of the **Related Party Transaction Policy**

## Action plan

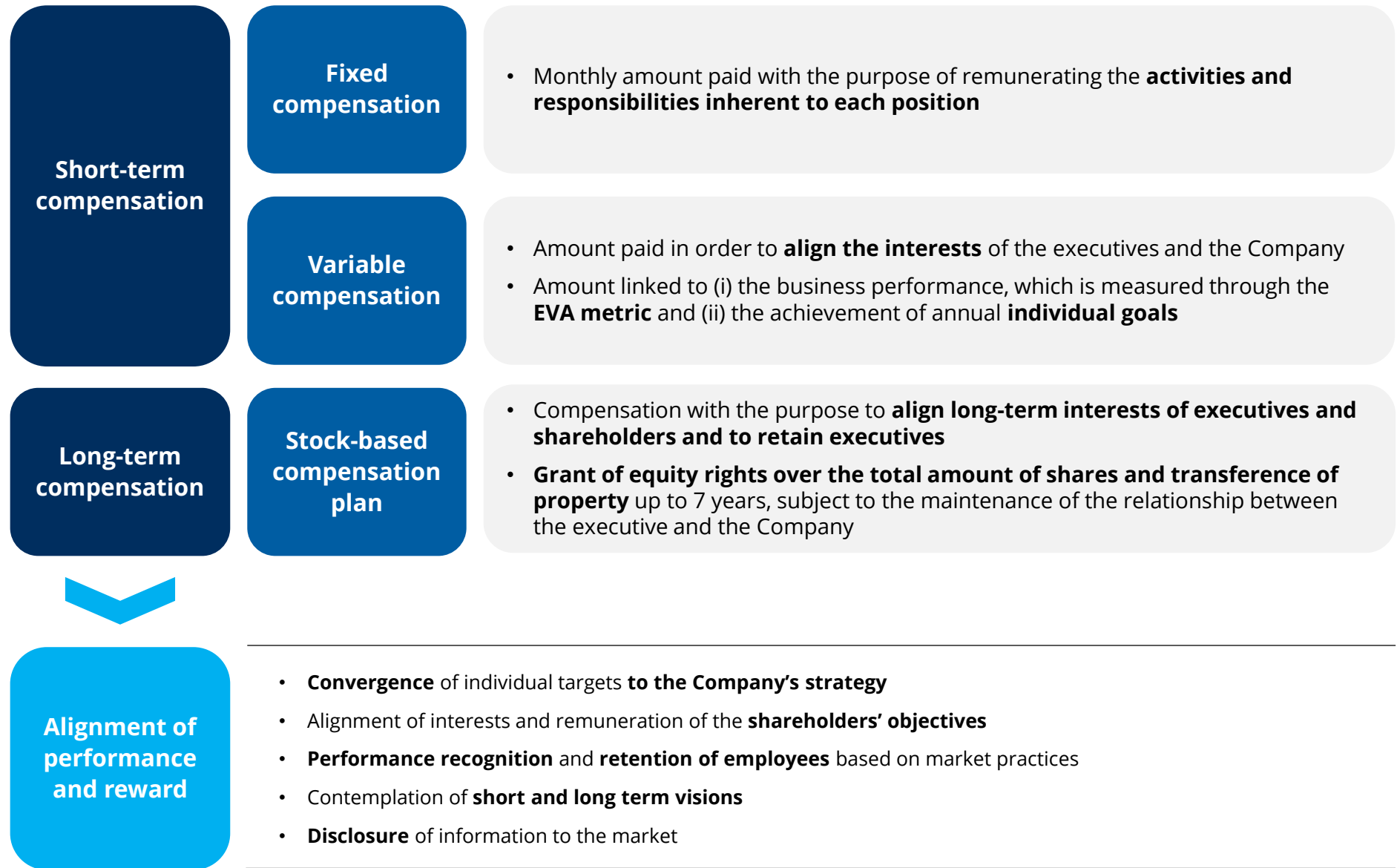
- ✓ Part of the requirements that are still not in force:
  - ✓ Are already practiced by the Company
  - ✓ Are under final review of the documents new versions
  - ✓ Shall be approved and implemented within the deadline established by B3

Such as:

  - (i) **Compensation Policy**
  - (ii) **Bylaws of the Board of Directors, Fiscal Council and Committees**
  - (iii) **Bylaws of the Internal Audit**
- ✓ The matters that ought to be revised:
  - ✓ Are under development
  - ✓ Shall be approved and implemented within the deadline established by B3

Such as:

  - (i) **Related Party Transaction Policy**
  - (ii) **Audit Committee**
  - (iii) **Nomination Policy for the Board of Directors, its Committees and Executive Officers**
- ✓ The **deadline** to fully comply with these requirements of *Novo Mercado* is the **Annual General Meeting of 2021**





## ENVIRONMENT

- Ultra was recognized for its responsible environmental management by the **Carbon Disclosure Program** in 2017 – **score B**
- Ipiranga has **1.240 Eco-efficient Service Stations nationwide**
  - ✓ Received the 2009 National Award for Conservation and Rational Use of Energy
  - ✓ **Monthly reduction of 1.6 GW/h in energy consumption**, equivalent to 224 trees planted per month
  - ✓ Water reuse and rainwater harvesting leading to a **net zero water consumption**
- Management of **GHG Emissions** (Greenhouse Gas)
  - ✓ **Zero Carbon Program**
  - ✓ Support the **conservation of the Amazon Rain Forest** through investments in local conservation projects such as Reducing Emissions from Deforestation and Forest Degradation (REDD+)
  - ✓ Oxiteno's Atmospheric Emissions Reduction and Monitoring Program – **reduction of 25%** in the generation of greenhouse gases
- **Water** management
  - ✓ **91%** of the operating units run programs for reducing water consumption
  - ✓ Oxiteno have ceased to consume an average of **450 million liters of water every year** by supporting Aquapolo Project, which has the purpose of providing sewerage industrial water to the Capuava's Petrochemical Center
- Management of **solid waste**
  - ✓ **86%** of Ipiranga's operational units have programs for reducing hazardous waste
  - ✓ Oxiteno has set a target for **reducing waste volumes generated per ton of product by 40%** by 2020

### Zero Carbon Program

Since 2007, the volume of **carbon credits acquired has surpassed the 350-thousand-ton** mark, which is equivalent to

**7 million**  
flights on the Rio-São Paulo air shuttle

More than **a thousand soccer pitches**  
covered in Atlantic rain forest

**Ultra is part of B3' index** which evaluates the Companies' transparency **regarding GHG Emissions**

Índice Carbono Eficiente **IC02**



## SOCIAL

- **Awarded by the *Guia de Sustentabilidade*** in the *Exame* magazine for good practices adopted by the Company
- Ipiranga and Ultragaz are signatories of the UN's Global Compact
- **Ultra Formare Program**
  - ✓ Focus on education and the inclusion of young people in the labor market
  - ✓ The course is recognized by the Ministry of Education
  - ✓ **289 students graduated** since 2002
  - ✓ Voluntary participation of about 150 volunteer employees
- Ipiranga's and Ultragaz's **Junior Achievement Program**
  - ✓ Held in 13 states with more than 4,000 students
- **Formation for Life project**
  - ✓ Around **2 thousand children and teenagers** residents in São Paulo have enjoyed the benefits
- **Ultragaz Volunteer Worker Website**
  - ✓ More than 70 initiatives by **430 volunteers** from 23 Ultragaz units



## Projects supported



O HOSPITAL  
DO AMOR

The most advanced  
oncological hospital  
in Brazil



Largest pediatric  
hospital in Brazil



Instituto  
Brasileiro de  
Controle do  
Câncer



Associação para Crianças e  
Adolescentes com Câncer



## Backup

Other corporate governance highlights



Ethics in management	Transparency and responsibility	<ul style="list-style-type: none"> <li>• <b>Equality, transparency and responsibility</b> are mandatory duties inherent to our organization</li> <li>• Basis for an <b>equitable and prosperous society</b></li> <li>• Conduct all businesses with responsibility, integrity and care, aiming to ensure Ultra's sustainability and longevity and follow the sustainable development guidelines consistent with the rules of <b>social development and environmental preservation</b></li> </ul>
	Compliance with laws	
	Sustainable development	
Ethics in our relationships	Shareholders and investors	<ul style="list-style-type: none"> <li>• Promote <b>the alignment of our shareholders', investors' and administrators' interests</b> with our own interests</li> <li>• Provide <b>worthy, healthy and motivating work conditions</b> to meet the needs and wishes of our employees and clients</li> <li>• Adopt the <b>Competitive Corporate Policy</b> to protect and <b>promote competition and free enterprise</b> for the benefit of consumers in accordance with antitrust and competition laws</li> </ul>
	Employees and clients	
	Business partners and media	
Ethics in the work-place	Professional excellence	<ul style="list-style-type: none"> <li>• Conduct the work with <b>dedication</b> and a sense of <b>responsibility</b>, always seeking <b>excellence</b></li> <li>• Follow the <b>Corporate Policy for Conflict of Interests</b>, which promotes transparency and independence in the relationship of Ultra's employees with third parties</li> <li>• Care for the <b>integrity and protection of the Company's data and computer systems</b></li> </ul>
	Conflicts of interest	
	Information security	
Management of the Code of Ethics	Conduct Committee	<ul style="list-style-type: none"> <li>• Ensure the <b>quality and effectiveness of the Code of Ethics</b></li> <li>• <b>Map Ultra's risks</b>, carry out internal <b>investigations</b> and <b>audit Ultra's Ethics and Compliance Program</b></li> <li>• Conduct Committee to provide and manage the <b>'Canal Aberto' (whistleblowing channel)</b> to its employees, which is designed to provide <b>guidance on ethical dilemmas and address questions regarding the Code of Ethics and the Corporate Policies</b></li> </ul>
	Risk, Compliance and Audit Department (RCAD)	
	Instructions and whistleblowing channel	



- **Prevent the improper use of privileged information** and sensitive information by the People Subject to the Policies
  - **Respect periods of trading restrictions**
  - **Prohibit short wing**
- 
- **Mitigate risk** related to the Company's exposure to exchange rate, interests, credit and credit throughout financial instruments
  - Promote and monitor the **efficiency of the hedging strategy**
  - Provide organizational structure of the **risk management department**
- 
- Consolidate the anti-corruption guidelines to be followed when interacting with the public sector (either domestic or international), as well as in relationships with the private sector, aiming to **preserve the integrity and transparency of Ultra's businesses**
- 
- **Protect and preserve the principals** that rule the market:
    - **Free enterprise**
    - **Free competition**
    - **Consumers protection**
- 
- Promote all reasonable and necessary measures to **ensure transparency and Independence in Ultra's relations**
  - Effectively **manage any conflict of interests** that may arise