

## LETTER OF COMMITMENT

### BUSINESS MOVEMENT FOR INTEGRITY, TRANSPARENCY AND ANTI-CORRUPTION

Corruption is one of the main problems affecting the economic and social development of nations. In the last few years, the Brazilian government, private sector and other sectors of society have united forces and strengthened their actions and policies to promote an environment of integrity to combat corruption in all its forms.

Diverse initiatives have mapped areas where greater focus is still required to improve business integrity, conducted in a way that involves various segments and actors of Brazilian society. The Ethos Institute conducted the study Brazilian National Integrity System that identified the improvements and setbacks that occurred in the country's laws and regulations, from 2000 to 2015, and was instrumental in establishing the National Plan for Integrity, Transparency and Anti-Corruption (PNI). Transparency International and the Rio de Janeiro and São Paulo FGV Law Schools have put forward new draft legislation, known as the 'New Measures Against Corruption'.

From these initiatives, the business sector has the opportunity to lead in this transformation by committing itself to strengthening and consolidating internal integrity programs, which also require the improvement of legislation. To this end, we have created the Business Movement for Integrity, Transparency and Anti-Corruption that aims to define strategies and priorities to engage business leaders in the integrity agenda, with particular focus on the improvement of public-private relations and strengthening anti-corruption measures and prevention in Brazil.

In this Letter, signatories of the Business Movement make commitments to integrity, transparency and anti-corruption measures and propose a set of actions for government responsibility. To help implement the Movement, we also created a support document (see Annex) to this Letter with guidelines that explain how actions will be carried out.

Finally, we recognize that the commitments and proposals in this document, which will be pursued by the signatories, represent an important advance in improving integrity and a perspective on how we can transition to a culture of integrity in the business sector, whilst continuing discussions about necessary actions for cultural change that go beyond compliance.

#### **A. Our Commitments:**

To improve the National Integrity System, we commit ourselves to:

- 1.** Promote greater transparency and integrity in our business, especially in public-private relations, generating a greater degree of co-responsibility and collaboration, aiming to:
  - 1.1** Develop or enhance our integrity programs;
  - 1.2** Establish procedures and guarantees to prevent acts of corruption in lobbying and advocacy, that include systems of transparency and publicity for the activity performed;
  - 1.3** Implement or improve channels for complaints related to corruption, fraud and misconduct;
  - 1.4** Ensure greater transparency in governance models and corporate structures;
  - 1.5** Submit annual financial statements and internal controls to external auditors for evaluation and ensure all records are transparent;
  - 1.6** Include compliance managers in strategic decisions of companies;
  - 1.7** Consider issues related to compliance and business ethics when appointing executives, as well as during follow-up processes after hiring and dismissal of employees to increase interaction between HR and Compliance departments.

2. Communicate with authorities when identifying acts harmful to Government, contributing to investigations and identifying lapses in integrity of public-private relations, safeguarding legal certainty, including when formalizing leniency agreements, without prejudice to internal investigations, punishment of those involved and prevention of similar practices;
3. Cooperate with public authorities to prevent corruption by improving the control and publicity of actions;
4. Encourage, on a collaborative basis, awareness of the relevance of democratic processes in the fight against corruption through internal communication and training, stimulating reflection, debate and promoting a culture of integrity in public and private life;
5. Participate in and/or contribute frequently to public campaigns on social awareness of anti-corruption measures, considering internal and/or external audiences, in partnership with civil society organizations;
6. Promote and/or actively participate in sectoral agreements on integrity and collective action, stimulating involvement of new members;
7. Support and contribute to the implementation of the National Plan for Integrity, Transparency and Anti-Corruption<sup>1</sup>, by helping to promote and continuously improve the National Integrity System.

#### **B. Proposals to Government:**

We, the signatories of this Letter, advocate, alongside authorities in the three branches of government, the following proposals:

1. Formulate, propose and improve effective legislative proposals, ensuring widespread participation of society in the process and supporting and encouraging civil society initiatives, such as the 'New Measures Against Corruption<sup>2</sup>', proposed by Transparency International and the Rio de Janeiro and São Paulo FGV Law Schools, which particularly aim to:
  - 1.1. Give examples of corruption between private entities in criminal law considering international best practices;
  - 1.2. Improve regulation of leniency agreements, enabling participation of all public organizations involved to promote effectiveness and legal certainty for leniency agreements and for the parties involved, and creating incentives for information sharing and independent monitoring;
  - 1.3. Create systems to protect whistleblowers and complaint channels;
  - 1.4. Regulate lobbying and advocacy;
  - 1.5. Increase transparency of corporate structures, by identifying the final beneficiary;
  - 1.6. Create a new regulatory framework for public procurement and contracting that upholds institutional advances in transparency and integrity and recognizes efforts made by companies to promote integrity.
2. Encourage and promote incentives for companies that demonstrate effective integrity programs;
3. Provide mitigation and improvement tools for corporate accountability in the legal provisions governing leniency agreements and cooperation with government investigations;
4. Promote implementation of integrity programs in direct and indirect public administration and regulatory agencies, to improve integrity measures in public organizations;

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<sup>1</sup> Link to access source text: <https://www3.ethos.org.br/wp-content/uploads/2017/09/REVISADO-TEXTO-BASE-PLANO-INTEGRIDADE-ETHOS-5a-VERS%C3%83O-FORMATADO-ALTERNATIVA-POR-TEMAS-4a-Revis%C3%A3o-setembro-RR-Rev-Ethos-limpo.pdf>

<sup>2</sup>Link to access website: [http://www.unidoscontraacorrupcao.org.br/?utm\\_campaign=modelo\\_email\\_novas\\_medidas\\_-\\_a02a&utm\\_medium=email&utm\\_source=RD+Station](http://www.unidoscontraacorrupcao.org.br/?utm_campaign=modelo_email_novas_medidas_-_a02a&utm_medium=email&utm_source=RD+Station)

5. Improve implementation of the measures provided in Government-Controlled Companies Law (federal law no. 13.303/2016);
6. Support development and implementation of the National Anti-Corruption Plan<sup>3</sup> (Action 1 of 2018 of the National Strategy to Combat Corruption and Money Laundering - ENCCLA);
7. Establish systems that only allow voluntary transfers to the public entity when effective integrity programs are in place;
8. Establish awareness tools and programs and national educational training on ethics and integrity;
9. Promote mandatory implementation of integrity programs for political parties;
10. Provide legal mechanisms to ensure the continuity of programs and actions targeting integrity, transparency and anti-corruption during changes in government;
11. Establish legal provisions on the distribution of resources resulting from acts harmful to Government to be applied in educational and restorative programs on integrity, transparency and anti-corruption, which include control authorities as target audiences.

## **ANNEX - THEMATIC GUIDELINES TO IMPLEMENT THE COMMITMENTS UNDERTAKEN IN THE LETTER OF COMMITMENT**

In the Letter of Commitment, we make reference to the National Integrity System, National Plan for Integrity, Transparency and Anti-Corruption and New Measures Against Corruption project. From these initiatives, with respect to improving public-private relations and the business environment, guidelines have been identified so that companies reach each commitment to improve the National Integrity System.

The guidelines present a long-term vision where changes in behavior, policies, procedures, regulations, laws and other necessary tools should be directed. Therefore, the objective is to guide the signatories of the Letter of Commitment in their endeavors to implement the commitments undertaken, as outlined in the following section.

### **1.1 Compliance Programs**

- 1.1.1 Identify specific potential risks, in accordance with current legislation, and adopt measures to mitigate risks;
- 1.1.2 Create, review and regularly update internal compliance programs with reference to the aforementioned risk assessment, the anti-corruption law (Law 12.846/2013) and its regulatory decree (Decree 8.420/2015) and other legal norms and applicable infrastructures, with particular focus on combating transnational bribery and increasing transparency in public-private relations;
- 1.1.3 Implement measures for detection, prevention and remediation of irregularities with robust internal controls, defining action plans in cases of non-compliance and irregularities, including actions involving risks of corruption between private entities;
- 1.1.4 Establish procedures and policies for transparent and ethical conduct in business relations with public agents, which respect internal regulations and legislation applicable to these agents and minimum periods of “quarantine” for hiring former public servants and political agents that may represent a conflict of interest;
- 1.1.5 Establish principles and guidelines for approval, with well-defined and structured roles and responsibilities;

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<sup>3</sup> See link included in footnote no. 1.

- 1.1.6 Actively engage senior management in the implementation, development, and enhancement of the organization's compliance program;
- 1.1.7 Conduct frequent communication on integrity, transparency and anti-corruption and establish trainings on corruption prevention, anti-corruption practices and compliance programs for all statutory directors, employees and suppliers, including stakeholders involved in communication activities;
- 1.1.8 Encourage and recommend the implementation of compliance programs and/or control mechanisms in value chains, aiming to contract suppliers that demonstrate they have implemented compliance programs and/or practices;
- 1.1.9 Establish incentives to meet goals related to compliance issues and contracting procedures;
- 1.1.10 Conduct regular audits of financial statements and internal controls, which include transaction testing, to verify efficiency and compliance with internal policies and regulations of organizations;
- 1.1.11 Publicize good practices and conduct, transparency and compliance programs to internal and external audiences;
- 1.1.12 Publicly announce commitment to prevent and combat corruption at all levels, as well as to internal compliance programs, based on local and global best practices;
- 1.1.13 Establish procedures and/or systems of regular evaluation of compliance programs, indicating improvement and level of progress.

## **1.2 Lobbying**

- 1.2.1. Establish internal guidelines, policies and procedures to ensure that lobbying is guided by ethics and integrity and that information is transmitted clearly and transparently;
- 1.2.2. Establish effective communication and specific regular training for professionals responsible for internal or external lobbying, enabling them to better align with internal company policies and code of ethics, ensuring control of trained professionals and, consequently, their authorizations to represent the company in lobbies;
- 1.2.3. Establish procedures to ensure that all meetings and reviews with public authorities have an official agenda identifying discussion points and participants, recording the main resolutions in the meeting minutes or similar document, for subsequent monitoring by compliance and/or auditing bodies;
- 1.2.4. Establish formal criteria, preferably provided via contract, for external professionals who represent the company, to guarantee due diligence and transparency in interactions with public authorities;
- 1.2.5. Request that external professionals responsible for lobbying regularly present detailed reports, containing a description of the activities and expenses incurred. When actions are carried out by an internal professional, monitor activities and record expenses, and report to the executive body of the company;
- 1.2.6. Establish formal criteria and standards for preparing and archiving reports and records of lobbying activities, carried out by both internal and external professionals, to guarantee control and monitoring of these processes, including:
  - 1.2.6.1. Policies, expenses and professionals lobbying on behalf of the organization;
  - 1.2.6.2. Listings of professionals authorized to carry out lobbying on behalf of the organization (not to be confused with those responsible for making contact with government agencies or public agents in general, such as meetings on concession contracts, inspection services, etc.);
  - 1.2.6.3. Position and supplementary documents used in support of lobbying efforts;
  - 1.2.6.4. Indirect political involvement, including funding and support to civil society organizations, scientific research and public relations;

- 1.2.7. Disclose lobbying activities, policy performance and associated expenditures in annual reports;
- 1.2.8. Avoid conflicts of interest, real or perceived undue influence and respect the internal regulations and legislation applicable to public servants and political agents;
- 1.2.9. Establish minimum periods of "quarantine" when hiring former public servants and political agents that may represent a conflict of interest for the activity to be carried out.

### **1.3 - Internal channels for reporting irregularities**

- 1.3.1 Implement structured internal systems and tools for submitting and monitoring reports of suspected cases of irregular conduct or breaches to company policies, upholding confidentiality and without risk of retaliation, to maintain and guarantee safety of whistleblowers, as well as their anonymity if desired;
- 1.3.2 Provide and distribute, in an informative, comprehensive and public manner, the internal complaint systems, tools and channels;
- 1.3.3 Establish effective protection systems for whistleblowers to publicly guarantee no retaliation will occur against whistleblowers and to encourage the use of the system;
- 1.3.4 Monitor denunciations and return or response procedures to whistleblowers.

### **1.4 - Transparency of corporate structures**

- 1.4.1 Disclose annually, even if not required by law, and publish on public corporate websites all legal entities of the business group, their holdings and list of countries in which they are incorporated and operate;
- 1.4.2 Disclose corporate charts showing legal entities mentioned above and those that control the company in question, with a view to identifying the final corporate beneficiary.

### **1.5 - Transparency of accounting records**

- 1.5.1 Disclose annually and publish on public corporate websites, company balance sheets, which contain detailed financial information, preferably sorted by country in which the company or group is active, with information on net and gross revenue, capital expenditures, taxes and contributions to the community.

#### Support documentation to implement the Action Plan:

1. Manual for Implementation of CGU Integrity Programs
2. Public Integrity Guide: Guidelines for Federal Public Administration - CGU: <https://www.cgu.gov.br/Publicacoes/etica-e-integridade/arquivos/guia-de-integridade-publica.pdf>
3. Integrity Program: Guidelines for Private Companies – CGU: <http://www.cgu.gov.br/Publicacoes/etica-e-integridade/arquivos/programa-de-integridade-diretrizes-para-empresas-privadas.pdf>
4. New Measures Against Corruption - Transparency International and SP and RJ FGV Law Schools: [http://www.unidoscontraacorrupcao.org.br/?utm\\_campaign=modelo\\_email\\_novas\\_medidas\\_a02a&utm\\_medium=email&utm\\_source=RD+Station](http://www.unidoscontraacorrupcao.org.br/?utm_campaign=modelo_email_novas_medidas_a02a&utm_medium=email&utm_source=RD+Station)

5. Compliance in Light of Corporate Governance - IBGC:  
[http://www.ibgc.org.br/userfiles/files/Publicacoes/IBGC\\_Orienta/Publicacao-IBGCorienta-ComplianceSobaLuzDaGC-2017.pdf](http://www.ibgc.org.br/userfiles/files/Publicacoes/IBGC_Orienta/Publicacao-IBGCorienta-ComplianceSobaLuzDaGC-2017.pdf)
6. Code of Best Practices of Corporate Governance - IBGC:  
<http://www.ibgc.org.br/userfiles/files/Publicacoes/Publicacao-IBGCCodigo-CodigodasMelhoresPraticasdeGC-5aEdicao.pdf>
7. Basic Framework for Risk Management - TCU:  
<file:///C:/Users/jprado/Downloads/2666632.PDF>
8. Thematic Guide on Integrity - Ethos Indicators:  
<https://www3.ethos.org.br/cedoc/indicadores-ethos-guia-tematico-integridade/#.Wxqlfu4vzIX>
9. Business Pact Against Corruption - Ethos Institute:  
<https://empresalimpa.ethos.org.br/index.php/empresa-limpa/pacto-contr-a-corrupcao>
10. National Plan for Integrity, Transparency and Anti-Corruption - Ethos Institute:  
<https://www3.ethos.org.br/wp-content/uploads/2017/09/REVISADO-TEXTO-BASE-PLANO-INTEGRIDADE-ETHOS-5a-VERS%C3%83O-FORMATADO-ALTERNATIVA-POR-TEMAS-4a-Revis%C3%A3o-setembro-RR-Rev-Ethos-limpo.pdf>