

CORPORATE GOVERNANCE

GRI 102-12 | 102-13 | 102-16 | 102-18

Overview

We believe that good corporate governance enhances the value added by the Company and market perception, contributing to more **assertive and transparent** approach to management so that we can administer our capital in an **efficient** manner. With this in mind, in 2017 we **reviewed our corporate strategy**, shifting the emphasis to activities with higher added value, reallocated the duties of committees and councils, adapted our management structure to the size and needs of the current portfolio and reduced corporate costs. With the changes in force, the structure of the holding company became much leaner, and there was an annual reduction in costs of **R\$ 13 million**.

New governance structure

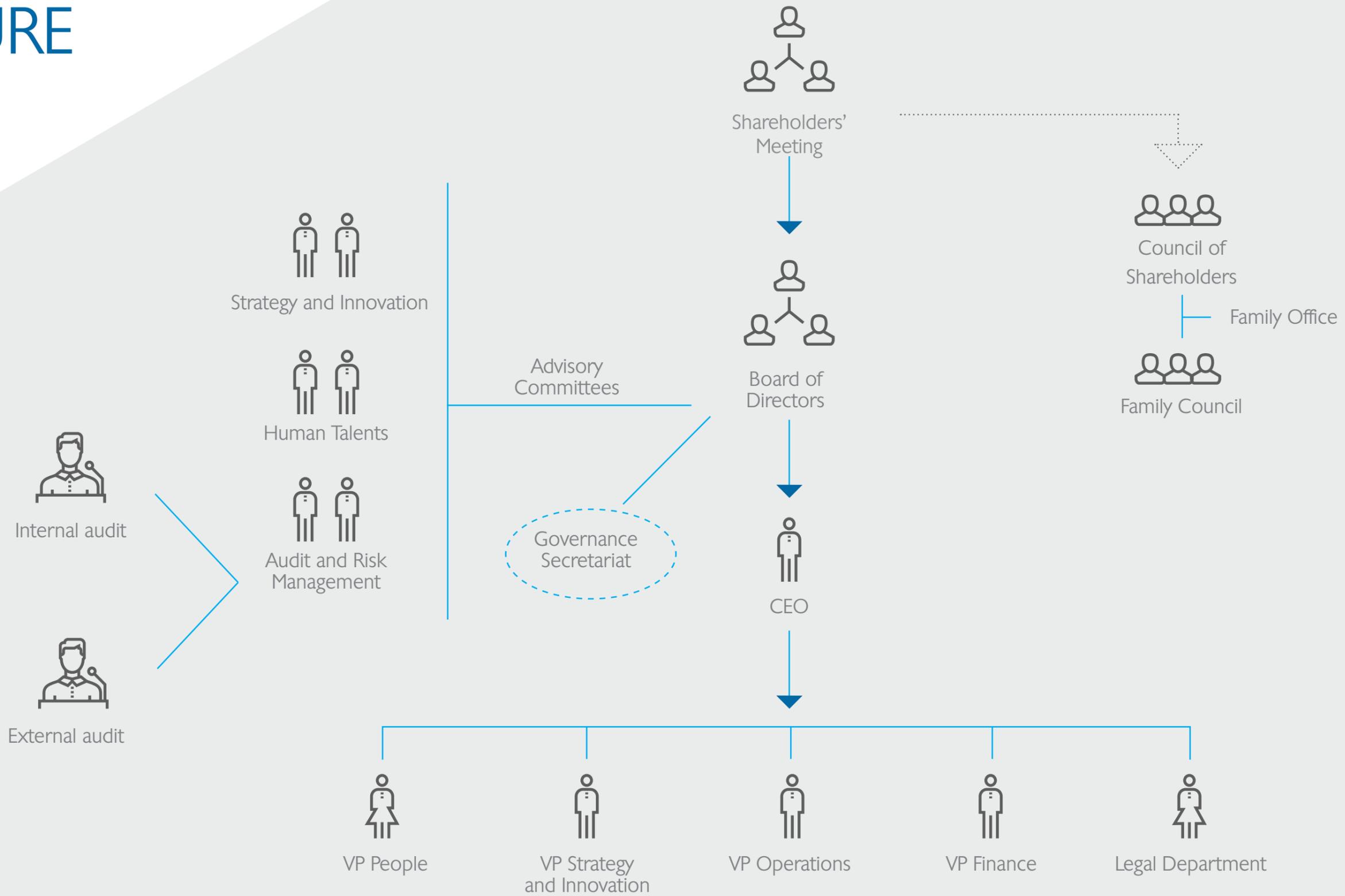
The main change to the governance structure in 2017 involved strengthening the councils at the subsidiaries to put greater emphasis on the development of each business. The board of the holding company is now more focused on managing the business portfolio of the Algar group. In addition, there was a change in the manner in which the shareholders' meeting functions, which now only involves the Council of Shareholders, rather than the Family Council (since this is subordinated to the former). See the new structure below and the duties of each group.

Board of Directors: the central governance entity that sets out the overall guidelines for the business portfolio and resolves strategic issues. Seeks sustainable creation of value and the perpetuity of the Algar group, always striving to balance the interests of the stakeholders. It consists of seven members, four of them independent, with no links to the Company or the controlling family. None of them accumulates positions on the executive board and the board of directors, in accordance with the Internal Rules and Regulations and in line with the Code of Good Corporate Governance Practices (IBGC). Every year, the entity undergoes an evaluation on three aspects: collective (of the joint body), individual (of each board member, including the Chairman of the Board) and the advisory committees.

Composition of the Board of Directors on December 31, 2017:

Chairman:	Luiz Alberto Garcia
Members:	Aguinaldo Diniz Filho
	Eleusa Maria Garcia Melgaço
	José Luciano Duarte Penido
	Marianna Garcia Malachias Andrade
	Sérgio Alair Barroso
	Silvio José Genesini Junior

GOVERNANCE STRUCTURE



Council of Shareholders: encompasses corporate and family governance, being involved with the strategy for managing the properties, succession and perpetuity of the assets. It consists of nine members, including shareholders and direct descendants.

Family Council: subordinated to the Council of Shareholders, it fosters the management of human capital, the family legacy and the pride of belonging.

Advisory Committees: the Board of Directors has three non-deliberative advisory committees consisting of external specialists and board members: Audit and Risk Management, Human Talents and Corporate Governance and Strategy and Innovation. The manner in which it functions, as well as its responsibilities, are set out in its Internal Rules and Regulations approved by the Board of Directors. It is also possible to set up temporary committees when a specific material need is identified.

- ◉ Audit and Risk Management Committee – its work is to guarantee the quality, integrity, transparency and credibility of the financial statements, as well as the effectiveness of the internal and independent audit processes, the internal controls, compliance with the applicable legislation and to strive for an appropriate policy for the strategic management of corporate risks.
- ◉ Human Talents Committee – its mission is to ensure strategic management of Human Talents and that this is perceived and valued by stakeholders as a competitive differential of the Algar group, in addition to striving for the effective adoption and continuous evolution of the best corporate governance practices that strengthen the Company's future while preserving and optimizing long-term economic value.
- ◉ Strategy and Innovation Committee – its mission is to promote and strive for discussions, within the scope of the Board of Directors, of material issues with a strong impact on the Company regarding the Aspiration of Shareholder Value and the strategic guidelines. It also defines performance targets based on creating economic value.

Executive Board: a joint body responsible for pursuing the overall corporate strategies and guidelines approved by the board of directors. It is responsible for producing leaders through UniAlgar, for institutional relations and for the evolution and preservation of the organizational culture.

Composition of the Executive Board on December 31, 2017:

Chief Executive Officer	Luiz Alexandre Garcia
Corporate Vice-President for Operations Officer	Divino Sebastião de Souza
Corporate Vice-President for Finance	Marcelo Mafra Bicalho
Corporate Vice-President for People	Eliane Garcia Melgaço
Corporate Vice-President for Strategy and Innovation	Clau Sganzerla
Counsel	Fernanda Aparecida Santos

For further information about the governance structure, go to our [website](#).

Network-based learning

We are members of international business groups whose aim is the improvement of business management, such as the “Latin American Companies Circle”³, created by the Organization for Economic Cooperation and Development (OECD) and by the International Finance Corporation; and the Family Business Network (FBN)⁴, where we chair the Brazilian network (known as the Brazil Chapter) in addition to having a seat on the board of directors of this international organization (FBN-i).

³ Group currently consisting of 13 leading Latin American companies that adopt good corporate governance practices that comprise the private sector's contribution to the regional development of corporate governance.

⁴ International relationship network among business families that seeks to foster the success of the participant organizations throughout generations. It was founded in Switzerland and today it has over 8,000 members in more than 60 countries.