



SPECIAL NEWSLETTER

NEWSLETTER – CORPORATE AREA

Please find below some aspects of the corporate area that were affected by the COVID-19 pandemic. We are indicating some recommendations in each point.

I - CORPORATE

Annual meeting of shareholders should be maintained, but alternatives without crowds of people must be thought to avoid losses to companies. Meeting solutions mixing shareholders attending by teleconference should be studied for the Bylaws.

For publicly traded (listed) companies, the Investor Relations Officer, with the independent auditors, shall report the risks, impacts and uncertainties related to COVID-19 in the financial statements, in accordance with the Circular Letter SNC/SEP 02/2020, published by the Brazilian Securities and Exchange Commission (“CVM”).

II - CONSTRUCTION AND ENGINEERING AGREEMENTS AND INFRASTRUCTURE PROJECTS

Works may be impacted mainly in relation to their schedule, availability of essential materials and equipment and shortage of labor. Construction and engineering agreements, and infrastructure projects usually have clauses of unforeseeable circumstances, force majeure and excessive costs. Principals and contractors shall review the agreements to identify the established events in which such clauses fall upon.

III - INTERNATIONAL TRADE AND CUSTOMS LEGISLATION - SISCOMEX – ANVISA

The Federal Government adopted two measures in relation to products used against the COVID-19 pandemic, aiming at simplifying and facilitating the control of the foreign trade flow.

- CAMEX Resolution No. 17/2020: temporary reduction of the Import Tax rate of 50 medical and hospital products to zero (0); products such as protective masks and gloves and ethyl alcohol with an alcohol content greater than or equal to 70%. The import of products will be treated as a priority by the agencies of the Federal Public Administration responsible for inspection, licensing and control.
- SECEX Ordinance No. 16/2020: products related to the combat of COVID-19 will require a Special Export License, which shall be requested by the LPCO module of the Single Portal of Foreign Trade.

Importing products subject to sanitary surveillance, when there is no registration in ANVISA, may be authorized if they are registered by the foreign sanitary authority and are authorized in an administrative act of the Ministry of Health, issued by the Minister of Health.

IV - SOCIAL SECURITY LEGISLATION

The Provisional Presidential Decree 905/2019, known as the Green and Yellow Agreement, was approved by the mixed committee of the Federal Senate and Chamber of Deputies. It eases labor rules and establishes new rules for the payment of Profit Sharing (PLR) and a premium for the purposes of not levying Social Security Contributions.

Contributions to Third Entities and Funds collected by companies and related to the S System will be reduced in up to 50% over the next 3 months, according to the Decree by the Ministry of Economy. In this area, we will send a Specific Newsletter.

V - DATA PROTECTION – LGPD

Measures that companies are taking to mitigate the COVID-19 pandemic compromise both personal and corporate data processing rules.

It shall be ensured that the processing of personal data does not infringe any right of the data subjects. However, companies have an obligation to share identifying personal data with sanitary authorities when requested.

Working from home implies maximum care with the confidentiality of corporate information and data. There should be guidelines from companies to their employees to follow internal security procedures to ensure data protection, especially regarding communication.

VI - CUSTOMER LAW AND PRODUCT LIABILITY

Risks and Recommendations:

- Increase in sales cancellations, events, accommodation packages and other services must comply with the CDC rules.
- Lack of imported parts on the market, especially those from countries affected by COVID-19, which tends to impact production lines.
- Increased demand for health services.
- Non-compliance with delivery times for products and provision of services contracted.
- Increase in PROCONs inspections to investigate abusive practices, with the possibility of administrative sanctions being applied.
- Increase in public actions due to practices considered abusive.
- Priority focus on customer service, with focus on managing deadlines for delivering products and providing committed services while keeping the customer informed and updated.
- Avoid infringements of customer rights, such as increasing the price of products or services without cause.
- Restrict the population's access to events and establishments, according to the regulations of federal, state and municipal authorities.

VII - AGREEMENTS AND M&A

In M&A operations, due diligence work shall determine the possible consequences for the obligations and rights of the target company. Attention shall be paid to clauses such as declarations and guarantees relating to the normal course of business in purchase and sale agreements, continuity of the target company's operations and compliance with obligations. Drop dead date clauses shall be redrafted, taking into account possible impacts of the pandemic, in addition to containment measures by the authorities.

For Merger and Acquisitions businesses, force majeure or renegotiation clauses may apply.

The contractual review not only assumes the occurrence of an unexpected event, but also requires other requirements according to the applicable rules.

Contractual extinction is a possibility if any provision will be made physically or legally impossible or suffer an unacceptable delay.

It shall be considered that the provisions of the agreement in particular tend to prevail if it has a rule on the matter. Public order reasons may prevent them from prevailing. In addition, the debtor bears the burden of proof regarding the determination of the event and its effects on the agreement, and shall demonstrate the cause and effect relationship between the COVID-19 pandemic and the inability to fulfill the contractual obligation.

There are risks related to exchange rate fluctuations and SWAP and HEDGE clauses, when backed by exchange rates.

VIII - INSOLVENCY AND REORGANIZATION

The pandemic generates risks of increased costs, lack of inputs, paralysis, default and breach of agreements, which can lead to liquidity problems, impairing the ability to pay. Effective measures must be taken in relation to cash management. At the same time, in more severe situations, out-of-court or court-supervised reorganization may be necessary to make debt restructuring feasible.

We remain at your disposal to provide any guidance, as well as in the filing of the appropriate remedy.

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