

BM&FBOVESPA

Communication to Stakeholders

Last update: July 2016

BUSINESS STRATEGY

1. How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?

Exchanges exist to develop financial and capital markets and to be a source of financing and growth for companies and of investment alternatives for market agents. This is feasible only if the leadership understands the importance of a truly sustainable development that considers social, environmental and economic factors.



BM&FBOVESPA's prime objectives are managing organized markets for the trading of stocks, bonds and derivatives, as well as providing registration, clearing and settlement services, and above all acting as central counterparty to guarantee cash settlement of all transactions performed in its environments. The company offers a range of products and services, including environments for trading in stocks, bonds, spot foreign exchange, equity derivatives, financial assets, indexes, rates, agricultural commodities and spot currencies, among others. It lists companies and other issuers of securities, acts as a central securities depository, manages securities lending transactions, and licenses software.

BM&FBOVESPA has a diversified and integrated business model, offering a complete custody system. Transactions are processed in an exclusively electronic environment, enabling clients to buy and sell stocks, transfer market risk via hedging, arbitrage prices between markets and/or assets, diversify and allocate investments, and leverage positions.

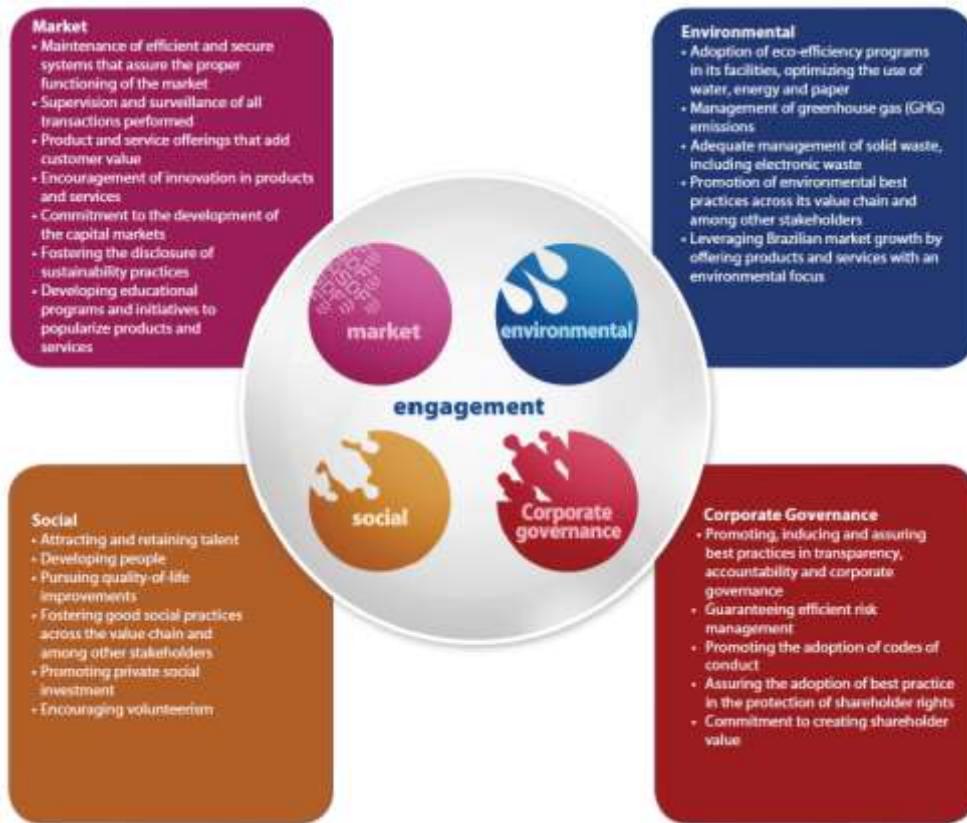
The company's globalization strategy to expand market access is implemented via a partnership with CME Group and permanent dialogue with exchanges in Asia and other Latin American countries. By sharing and disseminating values such as corporate governance, a commitment to business sustainability and management excellence, which differentiate Brazilian companies and attract investors from all parts of the world, the Exchange strives to increase the liquidity of the stock issued by listed companies. The company maintains its commitment to the principles of transparency and ethics consolidated by its special listing segments for issuers with high standards of corporate governance (Novo Mercado, Level 1 and Level 2).

In 2009, BM&FBOVESPA began a diffusion of sustainability within the organization and formed a Sustainability Area linked to the CEO. It was the first stock exchange in the world to be a signatory to the Global Compact, in 2004, and the first exchange in any emerging market country to sign up to the Principles for Responsible Investment (PRI), a UN initiative involving large asset managers and other financial market agents, in 2010. As a signatory the exchange not only seeks to encourage other investors to join the PRI but also recommends that the companies listed on its equity segments report their socio-environmental actions to the market. In 2016, Sonia Consiglio Favaretto, press, sustainability and communication managing director of BM&FBOVESPA, was announced as [one of ten 2016 Local SDG Pioneers](#).

Another very important UN-sponsored initiative to which BM&FBOVESPA belongs as a founding signatory is the [Sustainable Stock Exchanges \(SSE\)](#), which promotes the adoption of a sustainability agenda by exchanges and listed companies worldwide. BM&FBOVESPA is also vice-chair of the [Sustainability Working Group \(SWG\)](#) at World Federation of Exchanges, WFE. The SWG aims to address evolving concerns specific to ESG topics. The group attempt, through a research-driven dialogue, to build consensus agreement among its members on sensitive issues, and subsequently present those findings to the WFE.

Once sustainability is a strategic priority to BM&FBOVESPA and following these commitments , BM&FBOVESPA seeks to embed the concept of sustainability in its products and services, involving all business areas of the company and being guided by a [Sustainability Policy](#) approved by Board of Directors, in 2013. The Policy applies to all employees, interns and other staff of BM&FBOVESPA, as well as external

stakeholders and it is structured in four pillars which group together relevant themes – Market, Environmental, Social, and Corporate Governance.



To fulfill its commitment to the smooth and safe operation of the market BM&FBOVESPA, through **Market Pillar**, pledges to maintain secure and efficient systems, offer innovative products and services that add customer value, encourage the adoption of sustainable practices by listed companies and develop educational programs to popularize its products and services.

To minimize the environmental impacts associated with its activities BM&FBOVESPA, through the **Environmental Pillar**, pledges to adopt eco-efficiency programs in its facilities, optimize water, energy and paper use, and properly manage solid waste, including electronic waste, and greenhouse gas emissions. Furthermore, the company pledges to promote good environmental practices across its value chain and among other stakeholders, while leveraging Brazilian Market growth by offering products and services with an environmental focus.

As a socially responsible company that respects its internal and external relationships BM&FBOVESPA, through the **Social Pillar**, pledges to attract and retain talented people, encourage the pursuit of

improvements to the quality of life, and develop its employees. The company is also committed to fostering good social practices across its value chain and among other stakeholders, to promoting private social investment, and to encouraging volunteerism.

Given its commitment to best corporate governance practices and its strong belief that this is a way of creating shareholder value BM&FBOVESPA, through the **Corporate Governance Pillar**, is duty-bound to promote, induce and assure good transparency and accountability practices, guarantee efficient risk management, promote the adoption of codes of conduct, and assure the protection of shareholder rights.

In order to educate and engage with issuers and the investment community BM&FBOVESPA provides different initiatives such as sustainability guides and workshops.

The "[New Value – Sustainability in Companies, How to Start, Who to Involve and What to Prioritize](#)" publication, launched in April 2011, is a **sustainability guide** from the point of view of the capital market, with a preface by the Principles for Responsible Investment (PRI). The book includes a timeline mapping the evolution of the sustainability concept in the business world since 1950, and suggests "13 steps towards sustainability". Following this initiative, the Listings and Issuer Development department in partnership with the Sustainability area developed in 2015 and implemented in 2016, an E-book "Sustainability in Business: How to start, who to involve and to prioritize" focus on private companies. The idea is to support privately held companies on the adoption of sustainability practices in their business, demystifying the idea that sustainability is limited to large enterprises. In 2016, following the SSE's Model Guidance Recommendations and the SWG-WFE's Material ESG Metrics, BM&FBOVESPA is updating its guide and will launch it officially during the SSE Global Dialogue in September 2016, in Singapore.

Through [Report or Explain for Sustainability or Integrated Reports](#) (see question 4 for Report or Explain details), and in partnership with GRI, BM&FBOVESPA promoted training workshops to listed companies interested in pursuing sustainability or integrated reports. As from 2016, the Brazilian Regulator (CVM), upon a review of its Reference Form, determined that item 7.8 should be exclusive for social and environmental data.

Within the scope of the [Corporate Sustainability Index - ISE](#), workshops are organized to discuss the seven dimensions of the questionnaire, namely, Nature of the Product, General, Corporate Governance, Social, Economic and Financial, Environmental and Climate Change.

Finally, to communicate all these projects, BM&FBOVESPA has a [website](#) where it is possible to track the progress and dissemination of the initiatives of the Exchange. Besides this, BM&FBOVESPA publishes its [Annual Report](#) in accordance with GRI G4 guidelines.

2. How does your exchange's senior leadership and organizational structure support the promotion of corporate sustainability in its market(s)?

The Press, Sustainability and Communications Department reports directly to the CEO and is responsible for managing sustainability projects among the BM&FBOVESPA stakeholders. It also helps other areas of the exchange to incorporate sustainability principles into their policies and practices, thereby raising the awareness of employees and external stakeholders about this vital issue. There is also a [Sustainability Committee](#), composed by CEO of the Exchange as Chairman of the Committee, Executive Directors, three directors and two external members. The main tasks of the Committee are to provide strategic guidance and approve planning and macro initiatives. Coupled with the sustainability team and Committee we have the [Sustainability Working Group](#) composed by superintendents which aims to propose and implement the sustainability agenda on a daily basis and disseminate the culture of sustainability throughout the company and throughout its relationship areas, in order to engage the employees and help position the exchange on this important theme.

Throughout the Sustainability Policy approved by the Board of Directors in 2013, BM&FBOVESPA reasserts its commitment to sustainable development and is directed to the internal management of BM&FBOVESPA S.A. – Brazilian Securities, Commodities and Futures Exchange and its subsidiaries and affiliates in Brazil and abroad, and to the relations with its various stakeholder groups.

3. What goals/objectives does your exchange have in regards to advancing sustainability in your market?

In 2013, BM&FBOVESPA's Board of Directors has approved the company's Sustainability Policy, which is aligned with its strategic principles and aims to formalize and orient guidelines for action on the theme. As mentioned before, the Policy is structured in four pillars - Market, Environmental, Social, and Corporate Governance. Forty-six meetings were held with executive officer and teams in 17 areas. The result of it was 87 mapped actions and 61 proposed actions to the areas. Up today, 131 actions have been implemented at BM&FBOVESPA.

Among the proposals with more potential to influence the market, we have:

- **Central Bank of Brazil:** On 25 April 2014, as a result of long-term efforts and pressure from supranational and non-governmental organizations, was implemented the Resolution 4327 which regulates the need for financial institutions to implement social and environmental responsibility policies in their activities. BM&FBOVESPA bank is already included in the Exchange's Sustainability Policy as associate and the bank officer is member of the Sustainability Committee. Besides being compliant with the regulation, BM&FBOVESPA plays an important role in supporting banks listed in the Exchange to be compliant with the new Central Bank of Brazil's rules;
- **Brokerage Houses and Banks:** This work seeks to stimulate and foster the adoption of this agenda among all intermediation sector participants. Another result of this work will be the inclusion of sustainability criteria in BM&FBOVESPA's Operational Qualification Program (PQO). PQO certifies the quality of services offered by the brokerage houses, enabling and strengthening these institutions both as institutions/companies and as intermediation industry participants. The institutions certified by the PQO receive the right to use Qualification Seals, which are a declaration to investors and the general public of the high standard of institutions' intermediation products and services. This work will be preceded by training and educational actions, with a publication of a guide for this audience to understand and incorporate social and environmental concerns in their business;
- **Regulator:** BM&FBOVESPA seeks to maintain a permanent dialogue with the regulator. As mentioned before, as from 2016, the Brazilian Regulator (CVM), upon a review of its Reference Form, determined that item 7.8 should be exclusive for social and environmental data. During this process, BM&FBOVESPA gave its recommendations and opinions through Public Audience and some meetings.
- **Development of Latin America Markets:** As part of its intention to contribute to the development of LATAM markets, BM&FBOVESPA has a new Directory focus on these markets (BM&FBOVESPA's acquisition of LATAM markets: 10.4% of Bolsa de Comercio de Santiago; 9.9% of Bolsa de Valores da Colombia; and 4.1% of Bolsa Mexicana de Valores). The main objective is to contribute to the development of the region's markets, help on the creation of new products, and ease reciprocal access by issuers and investors. Regarding sustainability, the efforts of this work is through Ibero American Federation of Exchanges (FIAB), where BM&FBOVESPA is leading the ESG theme.

- **Special Corporate Governance Segment:** BM&FBOVESPA's stakeholder engagement with brokerage houses, analysts, opinion makers, shareholders, investors, governments and civil society is reflected in the review process of the Special Corporate Governance Segment criteria, in which BM&FBOVESPA is promoting a public hearing for market members and other stakeholders to advise about the changes suggested to its Regulation. One of the topics included in the survey is the requirement of companies on the Special Corporate Governance Listing segments to disclose ESG information, using GRI or IIRC to its reporting. In addition, it was included a specific ESG question focusing on suppliers.
- **State-Owned Enterprise Governance Program:** launched in September 2015, the [State-Owned Enterprise Governance Program](#) was drawn up by the Exchange's regulation team and is focus on the State-Owned enterprises that are publicly traded or in the process of becoming so. The objective is to enhance practices regarding the provision of information and corporate governance structures of state-owned enterprises, seeking to restore investors' confidence and reduce state-owned enterprises' fundraising costs. It is important to highlight that one of the four courses of action is the "transparency", where is a specific item for Integrated or Sustainability Report.
- **Investor Briefing ESG:** In 2016, BM&FBOVESPA held its first [Investor Briefing ESG](#) Event: a presentation of BM&FBOVESPA's Annual Report (GRI G4), with a detailed focus on Company's sustainability programs, reporting and materiality analysis. The event addressed the agenda of integrated initiatives promoted by the company on the economic, environmental, social and corporate governance fronts and was intended for investors and market analyst.
- ESG Initiatives under product areas responsibility, for example, carbon and renewable energy markets;
- 2015 marked the Corporate Sustainability Index's (ISE) 10th anniversary and several significant initiatives were launched, such as ISE Indicators Platform (<http://10anos.isebvmf.com.br/> - only in Portuguese), that contains ten years' worth (2005-2015) of data, with the joint performance of companies, year by year, in percentage points in all dimensions, criteria and indicators. For every piece of data there is a publication of the average value of the portfolio and the best and worst performers; also, in 2015 was launched the [ISE's World](#) (only in Portuguese), an on-line map illustrated and interactive, representing the ISE's set of issues and their interrelationships, gradually leading the user to the questionnaire questions and the Wiki Timeline, available in the Hotsite of the

initiative, brings ISE's major milestones for its 10 years of existence, highlighting facts and curiosities of the period. Users arriving at the website have access to several areas (library, timeline, educational interface, communication pieces about the construction of ISE etc.). No individualized information is provided about companies, except by the companies themselves, meaning companies that have been or are part of ISE will have restricted access (with login and password) to their performance in all of the portfolios in which they have participated. In 2016, was launched the ISE's strategic goals 2016 – 2020. These new objectives are focus on "investors", "companies" and "society".

1. To increase ISE's relevance for **INVESTORS**

- To demonstrate the relationship between corporate sustainability and financial performance
- To identify and motivate ISE use by financial market trendsetters
- To expand the purposes that it serves for market participants (direct investors, investment managers, information services, rating agencies, analysts and traders)

2. To strengthen ISE's role towards a culture of sustainability in **COMPANIES**

- To highlight ISE as a source of increased competitiveness for attracting capital
- To facilitate and encourage ISE's use as a diagnostic and transparency tool

3. To expand ISE's recognition by **SOCIETY**

- To grant visibility to ISE's contribution to various publics through communication and engagement

TRANSPARENCY AND ISSUER REPORTING

4. Describe your exchange's approach to promoting sustainability disclosure by companies.

The promotion of transparency is a fundamental concept for all Stock Exchanges and this principle extends to Sustainability. Overall, Brazil has been very successful in its transparency initiatives and in the voluntary disclosure of non-financial information. In the case of the Brazilian capital markets, there is no doubt that voluntary initiatives are effective. The four best examples is the Report or Explain for Sustainability or Integrated Reports, the Corporate Sustainability Index (ISE) - as regards the disclosure of the questionnaire's answers, the State-Owned Enterprise Governance Program and the review of Special Corporate Governance Segment.

- Report or Explain for Sustainability or Integrated Reports: A Brazilian Success Story

A recurrent discussion in the field of sustainability is whether the initiatives to encourage the adoption of good practices should be voluntary or mandatory. Like everything else in life, there are pros and cons to both sides. The final word will depend on the context, local culture and reality, as well as the business environment and regulatory frameworks.

In the case of the Brazilian capital markets, there is no doubt that voluntary initiatives are effective. Report or Explain was born as a recommendation for voluntary adherence by listed companies on our Exchange to encourage disclosure of ESG (Environmental, Social and Governance) related information, which was increasingly demanded by investors, - movement that remains strong and intense. The request was for listed companies to inform annually if and where they disclosed ESG information. Where reporting was not available, an explanation was required. Companies were not obliged to respond. To avoid creating a new document, information was to be stated in a Reference Form issued by the Brazilian Securities Commission (CVM), Brazil's capital markets regulator, under a generic item – "Item 7.8: Description of other material long-term information".

The voluntary character of the Report or Explain was in line with similar successful initiatives previously undertaken by the Exchange, such as the Novo Mercado, a special corporate governance listing segment, which was launched in 2000 and became a global benchmark. The decision to launch the Report or Explain initiative was taken by the BM&FBOVESPA Sustainability Committee chaired by the Chief Executive Officer.

The first results were announced at the Rio+20 Summit held in June 2012 in Rio de Janeiro during the GRI - Global Reporting Initiative discussion panel. The GRI was a great motivator for BM&FBOVESPA to create the Report or Explain initiative. In its first announcement, **45.31%** of listed companies issued the report or explained why the report was unavailable. One year later in June 2013, the percentage of companies had grown significantly to **66.29%**.

Since the inception of the Report or Explain initiative, we concluded that it would be no use just making a recommendation. We should have complementary actions in place to help companies along the way. For this, we offered two Report or Explain workshops annually. In the first half of the year, a workshop was held in partnership with the GRI and was aimed at training companies to adhere to the practice of reporting during that year. In the second half, the workshop was intended for those companies which had not adhered or which, for their explanation given, showed that they did not include sustainability in their business strategy.

The third edition of the Report or Explain was launched in June 2014 and adherence rose from **66.29%** to **71.17%**. In that year, the initiative was renamed, following the evolution of the global reporting agenda and in line with the BM&FBOVESPA support to Integrated Reporting and to the IIRC. The name "Report or Explain for Sustainability or Similar Reports" was changed to "Report or Explain for Sustainability or Integrated Reports". In addition, a new feature introduced by the third edition was the disclosure of why companies did not publish the report. This became a key material to be explored in the workshops.

In June 2015, the results showed a slight increase in adherence: from **71.17%** to **71.65%** of listed companies. In that year, BM&FBOVESPA also published the most used reporting methodologies and the titles that companies gave to their reports.

2015 was the last year of the Report or Explain in its original format. And for a very good reason. Upon a review of its Reference Form, CVM determined that item 7.8 should be exclusive for social and environmental data as of 2016. In an evolution of what was traditionally practiced, CVM will ask companies whether they disclose social and environmental information, what methodology they use, whether the information is audited or reviewed by an independent body, and where it can be found. Therefore, the Exchange will no longer need to request such disclosure from companies as they will be committed to responding directly to Regulator. Nonetheless, BM&FBOVESPA will continue to compile and disclose new data in an aggregate manner.

We have learned from the Report or Explain experience that voluntary measures through sustainability self-regulation in the Brazilian capital markets do work. On the other hand, such measures should have a "shelf life" or they may risk losing their transformative effect. We have reached this conclusion based on the past two years of the Report or Explain practice where the evolution of adherence was much slower. We understand that this was due to the fact that companies which did not report or explain realized that there would be no major consequences and carried on with their decision of not reporting. This also validates the need for a more rapid assimilation and incorporation of good practices, and they should occur in a tangible and visible manner. We have come a long way, but we still have a long way to go. Hopefully, companies will respond faster and faster.

Link to the database:

<http://www.bmfbovespa.com.br/lumis/portal/file/fileDownload.jsp?fileId=8A828D295048C0EF0151212076D915A6>

- **Corporate Sustainability Index (ISE)**

Since 2012, the ISE's questionnaire has included a question asking to the companies to allow the voluntary publication of its questionnaire answers.



Considering the last result, when 94% of the portfolio was adherent to the initiative, the ISE's Board approved the proposal for the mandatory publication of the questions. The proposal was accepted by the society after the public consultation in the beginning of the year.

Because of that, as from 2016, the publication of the answers of the questionnaire will be a pre requirement to be part of ISE. The 12th ISE's portfolio will be launched in November/2016.

The companies' answers are available at http://www.isebvmf.com.br/index.php?r=relatorio&qid=2015_only_in_Portuguese

- State-Owned Enterprise Governance Program

Launched in September 2015, the [State-Owned Enterprise Governance Program](#) was drawn up by the Exchange's regulation team and is focus on the State-Owned enterprises that are publicly traded or in the process of becoming so. The objective is to enhance practices regarding the provision of information and corporate governance structures of state-owned enterprises, seeking to restore investors' confidence and reduce state-owned enterprises' fundraising costs. It is important to highlight that one of the four courses of action is the "transparency", where is a specific item for Integrated or Sustainability Report.

- Special Corporate Governance Segment:

BM&FBOVESPA's stakeholder engagement with brokerage houses, analysts, opinion makers, shareholders, investors, governments and civil society is reflected in the review process of the Special Corporate Governance Segment criteria, in which BM&FBOVESPA is promoting a public hearing for market members and other stakeholders to advice about the changes suggested to its Regulation. One of the topics included in the survey is the requirement of companies on the Special Corporate Governance Listing segments to disclose ESG information, using GRI or IIRC to its reporting. In addition, it was included a specific ESG question focusing on suppliers.

5. What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during this process?

BM&FBOVESPA might review listing standards whenever identifies opportunities for updating, arranging with regulatory innovations and international practices in order to maintain and increase the integrity and health of the Brazilian securities market.

The review process covers international research and technical discussions with market experts. Assessed the revision points, discussions are held with companies and investment banks representative organizations (ABRASCA and AMBIMA respectively), and also with the Listing Advisory Committee, a BM&FBOVESPA's body which aims to discuss and propose specific reforms of BM&FBOVESPA roles related, among others, the listing rules improvement. The Committee consists of experts representing the listed companies, intermediaries, institutional investors, private equity and venture capital, lawyers, accountants and academics experts.

Regarding the Special Segments, which establishes corporate governance practices and disclosure requirements additionally to those requested by the Brazilian Law and CVM (Brazilian Securities and Exchange Commission), material amendments will only be in force after approval by a closed hearing with the listed companies.

Also, BM&FBOVESPA's stakeholder engagement with brokerage houses, analysts, opinion makers, shareholders, investors, governments and civil society is reflected in the review process of the Special Corporate Governance Segment criteria, in which BM&FBOVESPA is promoting a public hearing for market members and other stakeholders to advise about the changes suggested to its Regulation. One of the topics included in the survey is the requirement of companies on the Special Corporate Governance Listing segments to disclose ESG information, including GHG emissions data. In addition, it was included a specific ESG question focusing on suppliers.

6. How do you track sustainability reporting of your listed companies?

As mentioned in the question 4, BM&FBOVESPA has four main transparency initiatives for the market: the Report or Explain for Sustainability or Integrated Reports, the Corporate Sustainability Index (ISE) - as regards the disclosure of the questionnaire's answers, the State-Owned Enterprise Governance Program and the review of Special Corporate Governance Segment.

The promotion of transparency is a fundamental concept for all Stock Exchanges and this principle extends to sustainability. Overall, Brazil has been very successful in its transparency initiatives and in the voluntary disclosure of non-financial information. In general, Brazilian companies report financial and non-financial information in one document. Regarding the Integrated Reporting, there is a Brazilian Commission on Integrated Reporting, which has the function to keep the country continuously informed and active on the subject. The integrated model tends to be more adopted year after year.

7. What incentives (i.e., public recognition/awards) and sanctions do you have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?

In order to encourage and recognize listed companies that are publishing their ESG information, BM&FBOVESPA gives wide visibility to them, through many channels as websites, press releases and communication with investors. Besides that, BM&FBOVESPA usually invites these companies to participate as panelists in events hosted by the Exchange to present their practices.

One example to encourage disclosure of ESG information is in the context of ISE: as from 2016, the publication of ISE's questionnaire will be a pre requirement. In other words, to be part of the portfolio the companies are obliged to disclose their answers.

In what concerns to awards, a good example is the trophies that had been delivered, at the launch of the 10th ISE portfolio, in 2015, to eleven companies that are in the ISE portfolio since its foundation in recognition for their participation in the index. It was held a symbolic ringing bell ceremony at BM&FBOVESPA.



Symbolic ringing bell ceremony at BM&FBOVESPA with the representatives of the 11 companies that have been part of ISE since its first portfolio:
AES Eletropaulo, Banco do Brasil, Bradesco, Braskem, BRF, Cemig, CPFL Energia, Fibria, Itaú Unibanco, Natura and Tractebel.

8. What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?

BM&FBOVESPA seeks to be in line with national and international frameworks, and be part of global initiatives in order to be aligned and influence market trends. See below some examples of institutional representation in which BM&FBOVESPA make these correlations:

- Member of the Advisory Group GRI Brasil;
- Member of the Advisory Council and a member of EPC - Companies for Climate/ FGV;

- The Corporate Sustainability Index - ISE makes connections with GRI, CDP (international frameworks) and follows the premise of the Ethos indicators (national framework);
- The Carbon Efficient Index (ICO2) recommends the guidelines of the GHG Protocol to companies so they can respond the form;
- Report or Explain is directly aligned with Integrated Reporting and GRI.

Other representations:

- Recognized as one of the ten "2016 Local SDG Pioneers" by the UN Global Compact;
- Vice-Chair and member, Sustainability Working Group of the World Federation of Exchanges (WFE);
- Founder Signatory, UN's Sustainable Stock Exchanges (SSE) initiative;
- Signatory, UN Global Compact, Member of the Brazilian Global Compact Committee, Energy & Climate Working Group, Water Working Group and Sustainable Development Goals Commission;
- Signatory, Principles for Responsible Investment (UN PRI) – member, PRI ESG Practices Working Group Brazil;
- Member, advisory board of the Business for the Climate Platform, FGV;
- Member, AMCHAM's Sustainability Committee;
- Member, Platinum Qualification Working Group from the Brazilian GHG Protocol Program;
- Member, GRI's Focal Point Brazil Advisory Group and Stakeholder Council;
- Member, Steering Committee, Ethos Indicators, Third Generation;
- Member, Technical Advisory Council, Carbon Disclosure Project (CDP), LATAM;
- Member, Rural Brazilian Society Sustainability Committee (SRB);
- Member, Brazilian Federation of Banks (FEBRABAN) Intra-Sector Sustainability & Environment Commission and Social Responsibility & Sustainability Committee.

ISSUER CAPACITY BUILDING

9. If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.

BM&FBOVESPA launched in 2011 the “New Value – Sustainability in Companies, How to Start, Who to Involve and What to Prioritize” (<http://www.bmfbovespa.com.br/en-us/bmfbovespa/download/sustainability-guide.pdf>). It is a sustainability guide from the point of view of the capital market, with a preface by the Principles for Responsible Investment (PRI). The technical content was drawn up by Fundação Brasileira para

o Desenvolvimento Sustentável - FBDS (the Brazilian Foundation for Sustainable Development).

This guide explains the concept of sustainability and how you can take up the cause by placing it at the center of your business strategy. With it BM&FBOVESPA aims to share and disseminate knowledge, ideas and best practices that in the view of the capital markets should be adopted by companies of all sizes if they wish to stand out from the crowd. It also includes a timeline mapping the evolution of the sustainability concept in the business world since 1950, and suggests “13 steps towards sustainability”. Following this initiative, the Listings and Issuer Development department in partnership with the Sustainability area developed in 2015 and implemented in 2016, an E-book "Sustainability in Business: How to start, who to involve and to prioritize" focus on private companies. The idea is to support privately held companies on the adoption of sustainability practices in their business, demystifying the idea that sustainability is limited to large enterprises. In 2016, following the SSE's Model Guidance Recommendations and the SWG-WFE's Material ESG Metrics, BM&FBOVESPA is updating its guide and will launch it officially during the SSE Global Dialogue in September 2016, in Singapore.

10. Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?

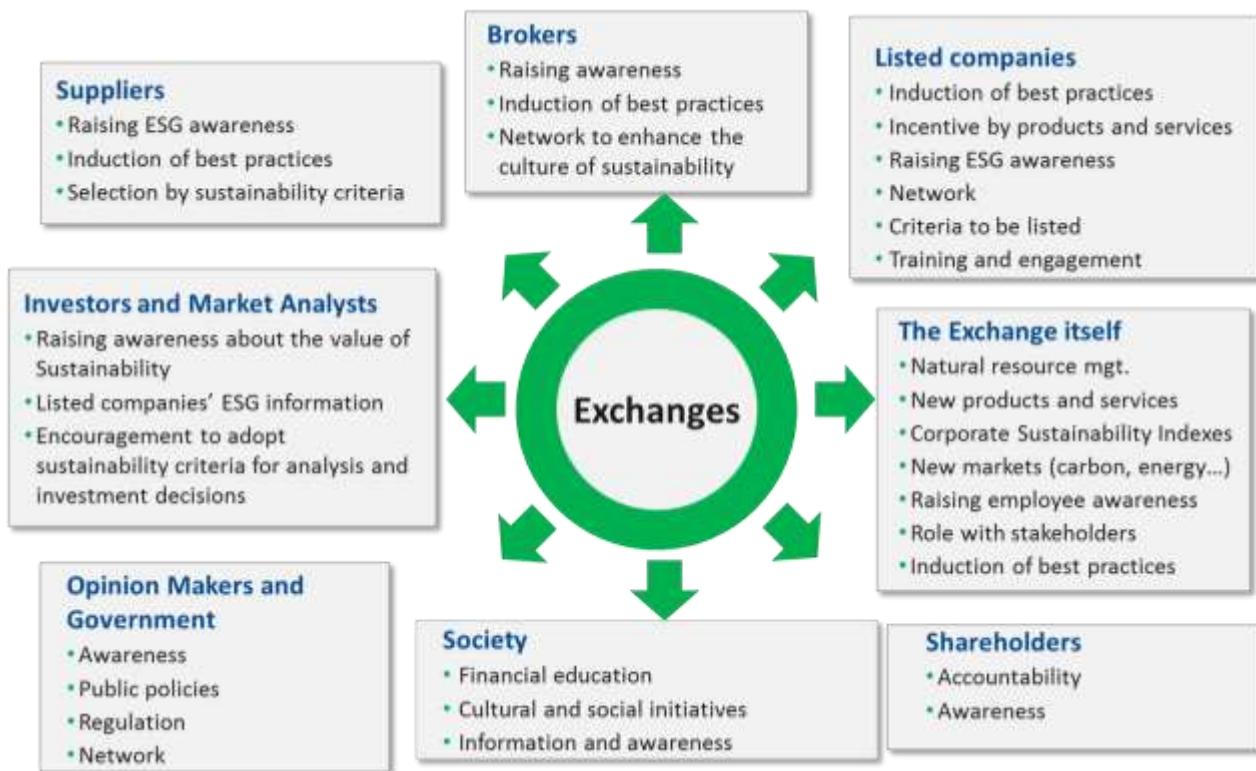
In Brazil, we see now more than ever, that our market is worried about integrating ESG factors in financial analysis by including explicit ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This behavior has drawn the attention of investors and analysts who are increasingly interested in how companies are incorporating ESG issues to their strategy and management. Therefore, the assurance is the key part of this process for the credibility and the compatibility of documents. Brazilian audits already offer this service and it can be noticed that this practice is being increasingly adopted. It is not part of our role, as a self-regulator, to give external assurance.

COLLABORATION AND ENGAGEMENT

11. How do you engage and collaborate (or plan to do so) with: regulators, peer exchanges, investors, companies, global organizations and other stakeholders?

The engagement and relationship with stakeholders is critical to BM&FBOVESPA and a strategic part of

several initiatives. For each public the Exchange performs a specific plan of action. In the diagram below, it is possible to see the main interaction goals with each stakeholder:



Besides this, to be part of boards is a dynamic with high influential power strategy.

- Recognized as one of the ten "2016 Local SDG Pioneers" by the UN Global Compact;
- Vice-Chair and member, Sustainability Working Group of the World Federation of Exchanges (WFE);
- Founder Signatory, UN's Sustainable Stock Exchanges (SSE) initiative;
- Signatory, UN Global Compact, Member of the Brazilian Global Compact Committee, Energy & Climate Working Group, Water Working Group and Sustainable Development Goals Commission;
- Signatory, Principles for Responsible Investment (UN PRI) – member, PRI ESG Practices Working Group Brazil;
- Member, advisory board of the Business for the Climate Platform, FGV;
- Member, AMCHAM's Sustainability Committee;
- Member, Platinum Qualification Working Group from the Brazilian GHG Protocol Program;
- Member, GRI's Focal Point Brazil Advisory Group and Stakeholder Council;
- Member, Steering Committee, Ethos Indicators, Third Generation;
- Member, Technical Advisory Council, Carbon Disclosure Project (CDP), LATAM;

- Member, Rural Brazilian Society Sustainability Committee (SRB);
- Member, Brazilian Federation of Banks (FEBRABAN) Intra-Sector Sustainability & Environment Commission and Social Responsibility & Sustainability Committee.

SUSTAINABLE PRODUCTS

12. How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc.)?

BM&FBOVESPA fosters innovation by inspiring new practices and starting new products and services that foresee needs from market players, make processes more efficient, minimize externalities, and above all add value. Following these commitments, BM&FBOVESPA seeks to embed the concept of sustainability in its products & services, engaging all business areas with the Sustainability Policy guidance, approved by the Board in 2013 and based on 4 pillars that bring together relevant themes – Market-and ESG, including climate change. Examples of initiatives are the Corporate Sustainability Index (ISE), the Carbon Efficient Index (ICO2) and the Special Corporate Governance Equity Index (IGC).

Also, through the product area, BM&FBOVESPA actively participates on several forums for discussion of the issue including governmental, trade unions, environmental and capital markets ones. Based on this continuous market reading, the company constantly evaluate the opportunities in place.

In terms of external representations, BM&FBOVESPA participates with other tree Brazilian Institutions (ANBIMA, CNSEG and ABRAPP) at the Intra-Sector Sustainability & Environment Commission and Social Responsibility of Brazilian Federation of Banks (FEBRABAN). This group was created in the context of the Inquiry into the Design of a Sustainable Financial System of UNEP. The main discussion in the forum is how to develop Green Bonds in Brazil.

As one of the practical examples, we can highlight the initiative "Enhancing the sustainability criteria in prioritizing analysis for development projects".

EXCHANGE NEEDS

13. Are there specific resources (meetings, commissioned research, webinars, etc.) that you would like from the SSE or other relevant groups to help you in your sustainability work?

BM&FBOVESPA is very satisfied with the progress of the SSE initiatives. In addition, the webinars have been very useful tool for exchanging information.

We think that, once SSE is part of the UN system (UNCTAD, GLOBAL COMPACT, UNEP-FI and PRI), it could think more about “bridges” to expand the ESG discussions.

14. Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?

Yes, BM&FBOVESPA would like that investors, issuers and regulators work forward to considerer sustainability on the mainstream, by doing:

- **Investors** - including sustainability more incisively in their questionnaires and using references such as ISE in their decision making process.
- **Issuers** - advancing more and more in practices of transparency and especially that, Small and Medium Enterprises (SMEs) be more involved in sustainability issues. In terms of big companies, stimulate their value chain to adopt ESG agenda.
- **Regulators** - including sustainability in their processes and requests and being more involved in ESG Forums.

Regarding the ESG information, BM&FBOVESPA works to break this bad cycle:

1. investors don't find ESG information to make well-founded decisions;
2. so, they have to follow the traditional portfolio allocation model, which prioritizes economic performance;
3. companies and sustainability experts complain that investors pay insufficient attention to ESG disclosure.