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working world

# EY Brazil Ethics and Compliance Committee Management Report

Year ended June 30, 2023

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# Opening

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## EY Brazil Ethics and Compliance Program

A sustainable growth is only possible out of strong relationships, built based on trust.

EY Brazil makes significant efforts to increase its market shares development process, broadening safely, legally and ethically its relationships with clients and other business partners.

It is key for EY Brazil to effectively know its clients, business partners and employees. Therefore, EY Brazil has a mature and effective Ethics and Compliance Program.

Nevertheless, each one of us is responsible to support EY Brazil Ethics and Compliance Program, which represents a sincere and effective commitment. Only by properly complying with our internal, local and global policies, and with a real observance of EY Global Code of Conduct, we will achieve superior levels of professional success and build a better and more sustainable working world.

Let us, all together, persevere on our purpose of developing new businesses and solutions based on EY values!

Read this Management Report to know further about EY Brazil Ethics and Compliance Committee actions, in FY 2023. Enjoy the reading.

### **Luiz Sérgio Vieira**

Brasil Country Managing Partner  
& Latam Deputy Managing Partner





# Message from the Ethics and Compliance Committee Leader

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## Due diligence always

Since its last edition, EY Brazil Ethics and Compliance Committee Management Report has been disclosed at the end of each Fiscal Year, along with EY Brazil Annual Report, of which forms an integral part.

It is key that all our employees understand and follow the actions of the Ethics and Compliance Committee (“CEC”), established in January 2014.

CEC is a strategic body aimed at supporting the propagation of the culture of compliance with laws, ethics and internal controls within the sphere of EY Brazil, also responsible for EY Ethics and Compliance Program. CEC’s mission is to watch over compliance with laws and ethics, seeking to observe applicable standards, in addition to developing mechanisms to promote prevention, detection and reaction to ethical non-compliance incidents aiming to mitigate risks related to corruption, money laundering and any other ethical incident that could compromise EY Brazil activities.

At EY Brazil, we conduct with diligence all issues related to ethics and compliance. We believe EY values should permeate all our actions as employees as well as citizens, such as integrity, respect, team building and inclusion. Those values are the ones that really matter and represent our daily commitment with our employees’ wellbeing.

Due diligence especially represents our responsibility with the businesses we develop, the markets we attend, the clients to whom we provide advisory and audit services, with the professional reputation of each one of our employees and EY Brazil reputation as well.

Join us in this journey! Find more by accessing EY Brazil Ethics Portal and Ethics and Compliance Committee page on EY Brazil website (Ethics and Compliance Committee (ey.com)).

Thank you all for your commitment!

**Alexandre Hoepfers**  
EY Brazil Ethics and Compliance Committee and Risk Management Leader and LATAM Independence Leader and LATAM Deputy Risk Management

# EY Brazil Ethics and Compliance Committee

## Knowing our clients, business partners and employees

To be in compliance means to comply with, fulfill and abide by what was defined by internal and external laws and regulations, representing, above all, an obligation of each EY Professional.

EY Brazil Ethics and Compliance Committee is a strategic body aimed to supporting the propagation of culture of compliance with laws, ethics and internal controls within the sphere of EY Brazil, also responsible for EY Brazil Ethics and Compliance Program. CEC's mission is to watch over compliance with laws and ethics, seeking to observe applicable standards, in particular, Law No. 12846/13 (Brazilian Anti-Corruption Law), in addition to developing mechanisms to promote prevention, detection and reaction to ethical non-compliance incidents aiming to mitigate risks related to corruption, money laundering and any other ethical-related incident that could compromise EY Brazil activities.

Aiming to meet laws and regulations in force, EY Brazil Ethics and Compliance Program includes a set of internal mechanisms and procedures, focused on integrity, auditing and encouragement of whistleblowing on wrongdoing or illegal acts, in addition to the effective use and application of EY Global Code of Conduct and other internal, local and global EY policies, developing a culture of integrity in EY's organizational environment.

EY Ethics and Compliance Program is structured, conducted and updated according to current characteristics and risks of our activities.

In terms of auditing, EY Brazil is regulated by Brazil's National Association of State Boards of Accountancy (CFC), and subject to CFC Resolution No. 1530/17, which provides for procedures that must be observed by accounting professionals and organizations to comply with the obligations provided for in Law No. 9613/1998 (Federal Law that provides for money laundering or concealment of assets, rights and valuables) and its subsequent amendments.

In terms of advisory services, EY Brazil is regulated by Brazil's Federal Council of Economists (COFECON), and subject to COFECON Resolution No. 1902/13, which defines the obligations on individuals and corporate entities operating in economy and finance areas, due to money laundering or concealment of assets, rights and valuables provided for in Law No. 9613/1998 and its subsequent amendments.

## Prevention Practices

EY Brazil adopts procedures complying with laws, with the firm global guidelines and with governance and compliance best practices, aiming, among other things, to prevent and address situations that might constitute bribery, corruption and money laundering and/or terrorist financing.

In FY 23, all Ethics and Compliance Policies were updated, considering the current amendments of certain standards and significant laws and regulations, especially Decree 11129 of July 11, 2022. This decree regulates Law No. 12846/13 (Brazilian Anti-Corruption Law).

## Know Your Employee Procedure

This procedure aims to establish a set of rules to identify and hire Professionals by EY Brasil in an attempt to avoid misconduct and prevent EY Brazil from having any bond or relationship with people involved in illegal acts and/or money laundering, terrorist financing and proliferation of weapons of mass destruction (WMD).

Prior to directly hiring Partners, Executive Directors, Directors and other Professionals under Consolidated Labor Laws (CLT) regime, interviews aiming to obtain details about the Professionals profile and their previous experiences are conducted.

EY Brazil performs surveys as allowed by laws, regulations and prevailing case law by the time professionals are hired.

EY Partners, Executive Directors and Directors are part of EY Brazil corporate structure, reason why specific surveys considering aspects related to integrity are conducted.

In addition, employees are required to fill in forms that allow EY to know them.

Documentation referring to Know Your Employee (KYE) is kept in our records during the term provided for by Law.

## Know Your Partner Procedure

This procedure aims to establish a set of rules to identify and hire third parties through EY Brasil, in an attempt to avoid misconduct and prevent EY Brazil from having any bond or relationship with third parties involved in illegal acts and/or money laundering, terrorist financing and proliferation of weapons of mass destruction (WMD).

The concept of third-party comprises any individual or corporate entity with which EY Brazil has or intends to have a relationship, except Partners, Directors and employees under the CLT regime.

Professionals and third parties working for EY must agree to cooperate in any inspections and/or audits, internal or external, including those conducted by qualified authorities.

In an attempt to comply with Global Code of Conduct, EY internal policies and anti-corruption laws and regulations, the following documents are delivered when the contract is formalized:

- ▶ EY Brazil Anti-Bribery Policy;
- ▶ Training on Law No. 12846/13;
- ▶ EY Suppliers' Code of Conduct;
- ▶ Anti-money laundering Global Guideline;
- ▶ EY Brazil Anti-Money Laundering, Terrorist Financing and Proliferation of Weapons of Mass Destruction Policies.

Contracts signed by EY Brazil and third parties (except clients) consider the following:

- a)** Article in which the third party acknowledges the content of abovementioned policies, and that he/she will comply with anti-corruption, anti-money laundering, terrorist financing and proliferation of weapons of mass destruction guidelines, within relevant laws and regulation;
- b)** Article providing for the third party obligation to adopt policies and procedures related to Law No. 12846/13 and corresponding laws and regulations, during the contractual period;
- c)** Article providing for contract termination, in case the non-compliance of Law No. 12846/13, as well as Law No. 9613/98 and related laws and regulations, is judicially confirmed.

We recommend that third parties have their Code of Conduct and Ethics and Compliance Program, as they could represent a differentiation in our relationship analysis.

The following are examples of Third Parties, among others:

- ▶ Suppliers of products, implements and technology, etc.;
- ▶ Professional service providers - lawyers, accountants, travel agents and real estate agents;
- ▶ Facilitators - customs agent, visa forwarder, licensing agents

Aligned with EY Global Code of Conduct and aiming to collaborate in the qualification process of third parties (Individuals) to be hired through GigNow or Procurement, the Ethics and Compliance Committee (CEC) must be consulted before the service contract is entered into about whether our Ethics Hotline has any record involving the third party.

We highlight that only cases formally reported through our Ethics Hotline will be considered for CEC analysis, therefore, misconduct not reported in our official channels, will not be considered.

## Anti-corruption diligence procedures conducted prior to hiring a third party:

- ▶ Background Check
- ▶ The third party is required to fill in a specific anti-corruption questionnaire (called "Business Relationship & Compliance"), including information about:
  - ▶ Governance and Compliance structure;
  - ▶ Relationships with Public Officials
  - ▶ Subcontracting; and
  - ▶ Compliance with laws and regulations, enabling investigations and impositions to the contract.
- ▶ Request of third-party articles of association, properly updated.

The information abovementioned must be analyzed by the Ethics and Compliance Committee. If the risk analysis (background check) identifies matter that characterize high risk, the sponsor responsible for the hiring should provide his/her opinion and his/her comments will be forwarded to EY Ethics and Compliance Committee leader, who will decide whether or not to pursue the opportunity.

## Frequency of anti-corruption diligence procedures

If the analysis conducted by EY Ethics and Compliance Committee shows high risk, the procedures abovementioned must be conducted every 12 months. If the analysis shows average risk or low risk, the procedures abovementioned must be conducted every 24 months.

Established documentation for the 'Know Your Partner' (KYP) procedure must be kept in our records for at least 20 (twenty) years counting from its creation date, considering statutes of limitation for the crime of terrorism in Brazil, as per Article 2nd of Law No. 13260/2016 coupled with article 109, I of Decree Law No. 2848/40 (Brazilian Penal Code).

Donations and Sponsorships are regulated by provisions within EY Brazil Promotional Gifts, Amenities, Donations and Sponsorships Policies, and the above-mentioned anti-corruption diligence procedures must also be performed.

## Ethics Compliance Monitoring for KYP

Internal monitoring practice is one of the instruments used to manage potential risks identified and help EY Brazil to reach its strategic, operating and ethics compliance objectives, guaranteeing that internal procedures are in accordance with EY Global Code of Conduct and with Internal Policies. For this purpose, internal monitoring plans are developed.

## Monitoring Phases

- ▶ Risk identification.
- ▶ Frequency and sample selection Method.
- ▶ Performance of test, Results and Recommendation Communication.

In FY 23, two monitoring procedures were performed, in order to:

- ▶ Check any corruption and/or money laundering indication in the relationships between EY and its suppliers. CFC Resolution No. 1530/2017, Council for Control of Financial Activities (COAF) Resolution No. 36/2021 and the new Decree No. 11129/22 guide us on suspicious operations, which were considered in our analysis as part of this monitoring.
- ▶ Check if the Professionals and Third Parties hiring Policy is being followed with respect to hiring third parties with whom EY seeks to work.

Results were assessed and action plans were drawn and followed up.

## Qualification of the Internal Hiring Areas

In FY 23 two internal online training courses were performed, aiming to guide the hiring areas on anti-corruption diligence procedures required.

## Know Your Client Procedure

The procedure called 'Know Your Client' (KYC) aims to establish a set of rules to identify clients, in an attempt to avoid misconduct and prevent EY Brazil from having any bond or relationship with clients involved in illegal acts and/or money laundering, terrorist financing and proliferation of weapons of mass destruction (WMD).

EY Brazil must keep its clients' record updated, also encompassing individuals authorized to represent them.

For all opportunities with new clients, the Know Your Client (KYC) procedure must be adopted, which must include at least:

- ▶ Consulting research tool for companies with investigated operations
- ▶ Free Media Search: search for adverse medias.
- ▶ Background Check
- ▶ Risk analysis: if the risk analysis (Background Check) identifies matters that characterize high risk, the responsible partner should provide his/her opinion and his/her comments will be forwarded to EY Ethics and Compliance Committee leader, who will decide whether or not to pursue the opportunity.

The documents above represent evidence that KYC procedure was performed, and must be recorded in the AML tool, which is integrated with PACE (EY Process for Acceptance of Clients and Engagements) tool.

For all opportunities with recurring clients, the same KYC procedure described above must be adopted, considering however, the frequency according to the attributed risk.

KYC procedure, as presented, is applicable only to EY Brazil clients, and does not apply to target companies (third party companies subject to our hiring scope).

## Frequency in which KYC procedure is performed

- ▶ Consulting the research tool for companies with investigated operations: on demand, in every new opportunity;
- ▶ Free Media Search (search for adverse medias): on demand, in every new opportunity;
- ▶ Generating a background Check:
  - ▶ For new clients: on demand
  - ▶ For recurring clients
    - ▶ every 12 months for clients with same Brazilian IRS Registry of Legal Entities (CNPJ), whose dossier analysis resulted in High risk and
    - ▶ every 24 months for clients with same CNPJ, whose dossier analysis resulted in Average or Low risk.
- ▶ Risk analysis: according to the rule mentioned in our internal policy.

Established documentation for KYC procedure must be kept in our records for at least 20 (twenty) years counting from its creation date, considering statutes for limitation for the crime of terrorism in Brazil, as per Article 2nd of Law No. 13260/2016 coupled with article 109, I of Decree Law No. 2848/40 (Brazilian Penal Code).

## AML Tool Implementation

In FY 23, EY Brazil implemented AML tool, which:

- ▶ Obtains the AML assessment, i.e., checks if any of our clients (or potential clients) is involved in suspected money laundering (AML) and Bribery and Corruption (ABC) activities, or whose reputation is compromised by adverse media, to protect EY's reputation and to avoid embarrassing situations.
- ▶ Meets the standards of regulatory agencies to which EY Brazil is subject to;
- ▶ Stores all due diligence information performed and can be reused, as long as effective; and
- ▶ Is connected to PACE (EY Process for Acceptance of Clients and Engagements).

## Period highlights

### EY AML (Anti-Money Laundering Tool) implementation

In FY 23, EY Anti-Money Laundering Tool was implemented. This tool aims to render the Know Your Client (KYC) procedure even more effective, in addition to complying with regulatory agencies' standards.

This process was performed in phases, according to EY Service Lines, by EY Brazil Ethics and Compliance Committee and successfully finalized, so that all our clients, recurring or not, underwent the due diligence, procedures, aiming to minimize risks and to maintain our integrity.

This procedure is frequently audited and monitored, guaranteeing our internal controls and risk assessment capacity.

### 2023 Trace International Anti-corruption Certification

EY has received the TRACE International's Anti-Corruption Due Diligence Certificate since 2017. Trace International is a non-governmental organization that recognizes ethical companies with social and economic responsibility throughout the world. The certifying agency complies with anti-corruption standards in force, including the Foreign Corrupt Practices Act (FCPA).

To be certified by Trace International means that EY Brazil has concluded a comprehensive anti-corruption due diligence process, accepted worldwide. With this certificate, we carry with us a valuable compliance accreditation that differentiates us from our competitors, and that is widely recognized in the international business community. EY was included in TRACE intermediary Directory, database of potential business partners for multinational companies, publicly searchable.

## 2023 Management

### Ethics and Compliance Committee Breakdown - EY Brazil - 2023

#### **Alexandre Hoepfers**

EY Brazil Ethics and Compliance Committee Leader

#### **Tatiana da Ponte**

EY Brazil Ethics and Compliance Committee Vice-leader

#### **Carla Correia**

EY Brazil Ethics and Compliance Committee Member

#### **Raul Memória Neto**

EY Brazil Ethics and Compliance Committee Member

#### **Patrícia Fecho e Carla Bezerra**

EY Brazil Ethics and Compliance Committee Members

#### **Cláudia Marona Santos**

EY Brazil Ethics and Compliance Committee Member

#### **Rodrigo Paula**

EY Brazil Ethics and Compliance Committee Member



## Results and Conclusions

### Objectives achieved in Fiscal Year 2023

With the support and commitment of all EY Professionals we achieved important objectives:

- ▶ We periodically carried out monitoring and prevention procedures, on a sample basis, concerning compliance and ethics, with a view to our internal policies and EY's Global Code of Conduct, aspects.
- ▶ We promoted internal training courses on EY's Global Code of Conduct to all our Professionals, approaching themes such as bullying, sexual harassment, integrity and intellectual capital.
- ▶ We promoted specific training courses on EY Brazil Professionals and Third-Party Hiring Policies for the areas in charge of this type of hirings.
- ▶ We investigated 192 incidents reported through EY Brazil Ethics Hotline
- ▶ We received the 2023 Trace International Anti-corruption Certification
- ▶ We implemented EY AML (Anti-Money Laundering) global tool in our engagements in all our Service Lines.

### Main actions to be developed in Fiscal Year 2024

In Fiscal Year 2024, EY Brazil Ethics and Compliance Committee has as main initiatives:

- ▶ We will keep the internal training agenda on ethics and compliance to our Professionals;
- ▶ We will promote a new global training on financial crimes and a new local training on anti-money laundering
- ▶ We will promote EY Global Code of Conduct - Update FY24 training
- ▶ We will promote a new local training on the Brazilian Anti-Corruption Law (Federal Law No. 12846/13)
- ▶ We will keep following up on companies investigated by official agencies due to corruption practices, in order to mitigate risks in relationships between EY and third parties.
- ▶ We will periodically conduct monitoring and prevention procedures, on a sample basis, concerning compliance and ethics themes, with a view to our internal policies and EY Global Code of Conduct, aspects.
- ▶ We will improve the Ethics and Compliance Program, keeping it constantly updated and actual.
- ▶ We will seek to receive Trace International Anti-corruption Certification 2024



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About EY

EY exists to build a better working world, helping to create long-term value for clients, people and society, and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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