

What You Should Know About Labor Compliance

According to the caption and the sole paragraph of Article 966 of the Brazilian Civil Code, **entrepreneur** is the one *who professionally carries out economic activity organized for the production or circulation of goods or services*.

It happens that the markets, in general, are changing, reason why is no longer enough to carry out an economic activity. It is necessary to do it with the maximum excellence, in an ethical and transparent way.

Thus, in order to gain market confidence, attract investors and also renowned clients, Companies have begun to worry about effectively complying with the laws in force. Acting, also, in a preventive way to mitigate the risks, from its integrated management, resulting, as a consequence, confidence in the financial market and the credibility of the consumers. Avoiding, whenever possible, an increase in liabilities due to the filing of lawsuits.

Within this scenario, Compliance arises as part of the **Corporate Governance**, which, in essence, preserves the civil and criminal liability of the owners, directors and executives of the Company, minimizing risks in the management of third party assets, such as shareholders, **for the purpose of creating, inside the Company, a culture to follow legislation correctly, with ethical practices and enforcement with Codes of Conduct – consolidated in order to translate the culture and the main values ??that identify the Company.**

The Administrative Council for Economic Defense (“CADE”), defines Compliance as “*a set of internal measures to prevent or minimize the risk of violation of laws arising from activities performed by an economic agent and any of its partners or collaborators.*”

In the scope of Labor Law, Compliance aims to increase transparency in internal procedures, to implement mechanisms to **prevent** and **manage** labor issues, in order to **identify possible problems in advance**, with a focus on disseminating a corporate responsibility by the conduct of their managers towards their employees.

The prevention and management **mechanisms** can be implemented through **(i)** communication and information process; **(ii)** monitoring of external and internal standards; **(iii)** creation of corporate policies; **(iv)** preventive action in order to mitigate and evaluate possible risks.

Internal norms are defined as Codes of Conduct and/or Ethics, Corporate Governance Practices,

awareness of the employees, and, consequently, penalties imposed in case of non-compliance with the ruling.

Such documents will be elaborated by the Human Resources area, together with the legal area (internal or external), with the purpose of disseminating the Company's rules, aiming at its management and enforcement through the Compliance area.

The role of Labor Compliance is complex and significant, with the intention of possibly altering eventual illegal and immoral practices by managers, improving their image vis-à-vis other investors and consumers, as well as reducing costs and contingencies, in case of exposure in media and of filing a labor lawsuit, whose claim involves, among others, moral and/or sexual harassment situations.

Labor Compliance may be (and shall be) implemented **in any company**, whether public or private, regardless of its size, as long as it is made up of employees under the CLT regime.

Companies that wish to incorporate the Compliance system should observe, among others, the following peculiarities:

1. Implementation of Compliance – Internal Committee

In order for the Compliance process to be valid, the Compliance Officer must have global knowledge of the Company, as well as a good knowledge of current legislation, in order to interpret the application of external and/or internal rules.

The members who will act in the Compliance area should also have full structural knowledge of the Company, as well as remarkable knowledge of its areas.

In order to avoid a conflict of interests, it is not recommended that the Company's internal legal body composes the Compliance Committee.

2. Hotline

In order to protect the identity of the complainant, the Company must hire an outsourced Company to receive the information/denunciations.

In addition, the Company must designate an employee who will receive the denunciations. In order to safeguard the complainant's right to anonymity, the Company must also designate a second employee to receive the complaint, if it involves the employee who, as a general rule, will be in charge of receiving all the complaints.

3. Interviews

To avoid any type of fraud, we recommend that interviews be recorded and reduced to term.

4. Evidence collected/Conduct of investigation

Both the evidence and the investigation of the facts are confidential and should be known only by the members of the Internal Compliance Committee.

5. Transparency in the application of rules and penalties

The internal rules of the Company should be widely known by the employees, and the Company may apply punishments in case of non-compliance.

Such punishments must meet objective criteria, so that similar faults are punished with equivalent/equal penalties.

Finally, it is important to emphasize that there is no single Compliance model, since it will be established/implemented according to the peculiarities of each Company, respecting, inclusively, its culture and values. In order to adapt the model to business changes, it is necessary to periodically review it, which will also be a mitigation factor for possible risks.