



**INTERNAL REGULATIONS OF THE  
EXECUTIVE BOARD**

**Draft document for consideration by Officers and Directors  
and further approval by the Board of Directors**

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## **INTERNAL REGULATIONS OF THE EXECUTIVE BOARD OF RAIA DROGASIL S.A.**

### **CHAPTER I PURPOSE OF THE INTERNAL REGULATIONS**

**1** - These Internal Regulations ('Internal Regulations') govern the operation of the Executive Board ('Executive Board') of Raia Drogasil S.A. ('Company'), as well as the relationship between the Officers and the other corporate bodies, pursuant to the Company's Bylaws, to B3 *Novo Mercado* Participation Agreement, and to the laws in force, especially Law no. 6.404 dated December 15, 1976 ('Business Corporation Law'), the latter prevailing in case of conflict.

**Sole Paragraph** - In case of conflict between provisions of these Internal Regulations and the Company's Bylaws, the latter shall prevail.

### **CHAPTER II MISSION AND POWERS**

**2** - The mission of the Executive Board, a group of executives to which operational and strategic topics related to the Company's business and management are forwarded for analysis and resolutions, is to protect and value the Company's assets and offer guidance that enable its perpetuity, improving long-term return, in line with the mission of the Board of Directors ('Board'). The Executive Board shall have full knowledge of the Company's principles and values, and of shareholders' purposes and beliefs, enforcing their effective application and also enforcing the adoption of and improvement in the best corporate governance practices.

**3** - The Executive Board and each of its members shall comply with and enforce RD's Bylaws, the resolutions of the General Meeting of Shareholders and the Board of Directors, and perform the duties defined by the CEO, in accordance with the principles of best corporate governance practices, the provisions of Law no. 6.404/76 and the other applicable rules hereof.

**4** - The Executive Board is the Company's body responsible for taking all RD's business management measures. The Executive Board shall support the Company's initiatives, business plans, policies, implement its strategy and run its operations. The duty of the Executive Board includes the matters provided for in the Company's Bylaws, as follows:

- a) coordinate and manage corporate affairs;
- b) comply with and enforce the provisions of the Business Corporation Law and of the *Novo Mercado* Listing Regulations;
- c) organize and present, on an annual basis, to the General Meeting, the financial

statements and the Management Report, to be accompanied by the opinion of the Board of Directors and the Fiscal Council, when established, and the independent auditors' opinion.

- d) open, close and operate bank accounts;
- e) propose the acquisition, sale, transfer, encumbrance or lease of real estate;
- f) compromise, assign or waive rights that are not related to the Company's real estate;
- g) appoint attorneys-in-fact on behalf of the Company;
- h) acquire, sell, encumber or lease Company's real estate;
- i) authorize and perform operations, enter into agreements that bind, encumber or hold the Company liable;
- j) decide on the opening, closing or change of branches, warehouses, distribution centers, main branches, offices or representations in the country or abroad in an Executive Board meeting, previously consulting with the Expansion Committee, when and if established, and pursuant to prior authorization by the Board of Directors regarding Distribution Centers;
- l) decide on any matter that does not fall within the exclusive competence of the General Meeting or the Board of Directors, as well as on divergence among their members.

**First Paragraph** - Without prejudice to the Board's general powers, the CEO shall: a) establish the Company's management model and enforce it; b) run the Company's business and establish the general guidelines, aimed at developing the Company's activities according to the guidance offered by the Board of Directors; c) comply with the resolutions of the Board of Directors and the provisions of the Bylaws; d) appoint working groups to study any matters of interest to the Company; d) call and chair Executive Board meetings; e) officially represent the Company; and g) participate or designate an agent as a sitting member and/or appoint other officers to participate in Committees to be established.

**Second Paragraph** - The Officer who is appointed to the position of Investor Relations Officer shall: a) represent the Company before the regulatory agencies and other institutions operating in the capital market; b) disclose the Company and its securities to financial analysts, shareholders, debenture holders and potential investors in Brazil and abroad; c) provide information to the financial market, CVM (Brazilian Securities Commission), stock exchanges where the company has its securities traded, rating agencies, when applicable, and to the other agencies related to the activities developed in the capital market, pursuant to the applicable laws and regulations, in Brazil and abroad; d) keep the Company's records updated with CVM; e) lead the public issue of new securities by the Company in capital markets in Brazil and abroad, as applicable; and f) coordinate the repurchase or redemption of securities issued by the Company itself whenever approved by the Board of Directors.

**Third Paragraph** - The Administrative and Financial Officer shall: a) provide a capital structure in line with the Company's strategy and needs; b) manage the cash flow, obtain funding sources and represent the Company before financial institutions; c) prepare the Company's financial statements, ensuring the proper accounting of the Company's

transactions and compliance with its tax obligations; d) safeguard the properties owned or leased by the Company, administering the rental agreements, taking out insurance policies according to the Company's risk management policy, ensuring their timely maintenance and preserving property security; and e) negotiating the acquisition of non-market assets, inputs and services, except for the hiring of new commercial units of significant value.

**Fourth Paragraph** - The Commercial, Sales and Marketing Officer shall: a) develop, implement and monitor the purchasing strategy and manage the Company's supplier relationships; b) monitor performance and profitability by supplier and lead negotiations to maximize the Company's gross profit and to enable joint merchandising actions; c) develop, implement and monitor sales management strategies - covering every single pharmacy - seeking to maximize the Company's gross profit; d) manage the Company's marketing and promotion initiatives; e) define, implement and manage strategies by product category; e) define, implement and manage relationship strategies for customers registered in the Company's loyalty program.

**Fifth Paragraph** - The Operations / Supply Chain Officer shall: a) develop, implement and monitor the Company's supply chain management strategy; b) supervise the Company's logistics operations, so as to ensure the proper supply of pharmacies and efficient use of the Company's working capital; c) develop, implement and monitor the Company's IT strategy, prioritizing investments and initiatives to obtain new business edges, thus leveraging the security, efficiency and productivity of the Company's operations; d) develop, implement and monitor the Company's loss prevention structure.

**Sixth Paragraph** - The Retail Operations Officer shall: a) develop, implement and monitor strategies to improve pharmacy operations and increase the Company's competitiveness; b) promote and monitor the increase in sales and results, covering every single pharmacy; c) lead, supervise and monitor the pharmacy operation; d) monitor the pharmacy market in the different states and regions; e) supervise and help develop and build capacity of regional managers.

**Seventh Paragraph** - The Human Resources Officer shall: a) develop strategies to attract, retain and compensate the Company's talents; b) ensure the preservation and evolution of the Company's organizational culture and manage the Company's internal communication; c) plan and ensure the availability of staff in the number and qualifications necessary to meet the quality needs of the Company's operations and allow its growth; d) manage the Company's payroll; e) manage and supervise the staff capacity building and management processes and activities; f) ensure compliance with all the Company's labor obligations.

**Eight Paragraph** - The Expansion Officer shall: a) develop policies and strategies for expansion in the current and in new markets; b) define the location and formulate the funding strategy to meet the development and expansion objectives set by the Company; c) negotiate

the contracts regarding the implementation of new pharmacies; and d) supervise the procedures required to implement the new pharmacies.

**Ninth Paragraph** - The Corporate Planning Officer shall: a) lead the Company's strategic planning and monitor its implementation; b) coordinate the development of the budget, its approval by the Board of Directors, and monitor its execution; c) develop and review short-, medium- and long-term economic and financial forecasts; d) report on the Company's monthly, quarterly and annual financial performance to the Board of Directors; e) lead the execution of M&A-related transactions; f) ensure the proper use of funds and an adequate return on invested capital; and g) represent the Company before associations and other stakeholders in the pharmaceutical, retail and hygiene & beauty markets.

**Paragraph Ten** - The Officers shall assist and support the CEO in managing the Company's business, and perform the activities related to the functions they have been assigned in these Internal Regulations, in the Bylaws or by the Board of Directors.

### **CHAPTER III COMPOSITION AND OPERATING RULES**

**5.** The Executive Board shall be composed of a minimum of 5 (five) and a maximum of 8 (eight) Officers, appointed by the Board of Directors for a term of office of 2 (two) years, which may be renewed, including 1 (one) Chief Executive Officer, 1 (one) Commercial, Sales and Marketing Officer, 1 (one) Operations / Supply Chain Officer, 1 (one) Administrative and Financial Officer, 1 (one) Retail Operations Officer, 1 (one) Human Resources Officer, 1 (one) Expansion Officer, and 1 (one) Corporate Planning Officer. Officers may hold more than one office or position. The position of Investor Relations (I.R.) Officer shall be appointed to any of the Officers, pursuant to a resolution of the Board of Directors.

**First Paragraph** - In the event of a temporary impediment of the CEO for more than 30 (thirty) days, or in case of vacancy, the Board of Directors may appoint a deputy CEO from among the Officers or Board members, who shall temporarily hold the office until the incumbent returns or until a new CEO is appointed.

**Second Paragraph** - In the event of temporary impediment of an Officer for more than 30 (thirty) days, or in case of vacancy, the CEO may, at his/her sole discretion, hold him/herself this additional position or appoint a deputy Officer from among the other Officers to temporarily hold the office until the incumbent returns or until a new Officer is appointed.

**Third Paragraph** - For the purposes of the foregoing paragraphs one and two, a vacancy

shall arise from removal, death, resignation, proven impediment, disability or unexcused absence for more than 30 (thirty) consecutive days.

6. The deeds of any nature, drafts, checks, payment orders, contracts and any other documents in general that impose responsibility or obligation on the Company, shall be jointly signed by two representatives:

- a) jointly signed by any 2 (two) Officers;
- b) jointly signed by 1 (one) Officer and 1 (one) attorney-in-fact, legally appointed to sign on behalf of the Company, as described in the respective power of attorney and according to the powers contained therein; or
- c) individually signed by any Officer or one proxy, as described in the respective power of attorney and according to the powers contained therein, provided that, however, Company's representation by a single person shall be restricted to the practice of routine paperwork before local, state and federal public agencies, self-governing bodies, financial institutions, post offices, telephone carriers and transportation companies in general; acting as a representative at the Labor Court; issuance of trade bills, endorsement of trade bills, drafts and other negotiable instruments, exclusively for collection or bank discount and consecutive deposit into the Company's current account.

7. Each member of the Executive Board shall take office by:

- (i) signing the Instrument of Investiture in the Board of Directors' Minute Book, which shall contain the declaration of non-impediment, to be made under penalty of and as required by the law;
- (ii) signing a document of compliance with the provisions of the *Novo Mercado* Listing Regulation, and shall also, immediately after taking office, notify B3 of the quantity and type of securities issued by the company directly or indirectly owned by him/her, including derivatives, pursuant to the *Novo Mercado* Listing Regulation (i.e. Statement of Securities held); and
- (iii) handing in the Statement of Commitment to the Policy for Disclosure and Use of Relevant Information and the Policy for Trading Securities Issued by the Company.

**Fourth Paragraph** - Each member of the Executive Board, when signing the Instrument of Investiture, shall present to the Company the following documents:

- (a) notarized photocopy of the Identity Card and the Individual Taxpayer Identification document;
- (b) statement that he/she is not barred by special law or convicted of fraudulent bankruptcy, violation of duty, bribery, concussion, graft, or crimes against the economy, reliability violations or property crimes, or a court order that prohibits, even temporarily, the access to public office, as provided for in the Business Corporation Law - Article 147 (I);

- (c) statement that he/she has not been sentenced to suspension or temporary disqualification by the Brazilian Securities Commission, which makes him/her ineligible for management positions in public traded companies, as provided for in the Business Corporation Law - Article 147 (II);
- (d) statement that he/she does not hold a position in a company that may be considered a direct competitor of the Company and that he/she does not have any actual or potential conflict of interest with the Company's interests, as provided for in the Business Corporation Law - Article 147 (III.1-2); and
- (e) statement that he/she is not prohibited from running his/her own business or managing other trading companies due to criminal conviction.

#### **CHAPTER IV CONFLICT OF INTEREST**

**8.** For the purposes of these Internal Regulations, situations of conflict of interest occur when any administrator, shareholder or other governance actor is not independent in relation to the matter in question and may influence or make decisions in their own interests or based on interests other than those of the Company, even if such interests coincide with the Company's.

**First Paragraph** - In the event a conflict of interest or a private interest of one of the Executive Board members is verified regarding a certain matter to be resolved, such member shall promptly communicate it. If this member him/herself fails to do so, any meeting attendee who has knowledge of the fact shall inform it to another Board of Executive Officers member, preferably the CEO.

**Second Paragraph** - As soon as the conflict of interest or private interest is identified, such member shall not have access to information, attend meetings, cast a vote or, in any way, interfere in the matters he/she is directly or indirectly involved until the conflict of interest situation is settled.

#### **CHAPTER V FINAL AND TRANSITIONAL PROVISIONS**

**9** - These Internal Regulations may only be amended by a resolution of the Board, by changes in the relevant laws in force, in the Bylaws, in the rules applicable to the capital market or in the Company's corporate governance system.



**10** - Any omissions in these Internal Regulations, potential doubts of interpretation and changes in its provisions shall be decided in a Board of Executive Officers meeting.

**11.** These Internal Regulations shall become effective on the date of its approval by the Board, and shall be filed in the Company head office.

São Paulo, October 26, 2018.