

# Bank of America Merrill Lynch Research Activity Manual

Comissão de Valores Mobiliários (CVM) - Instrução nº 598

## I. Introduction

This document, which is made available in compliance with the requirements from the Instruction 598 issued by the Comissão de Valores Mobiliários (CVM), summarizes applicable global policies and local procedures (together, the “Manual”) adopted by Bank of America Merrill Lynch Banco Múltiplo S.A. (the “Firm”) for the purpose of ensuring that the Research activity is performed following the highest standards for ethics, compliance with applicable rules and through the establishments of the Manual that promotes the integrity of research reports prepared by the Global Research Group (the “Research Department”).

As a Research Analyst Legal Entity, the Firm reiterates its commitment with the principles of probity, good faith and professional ethics.

The Firm will communicate to CVM and the accreditation entity, within a period of up to five (5) business days, conducts from analysts associated with it which may evidence violation of any rules issued by CVM and provide access to the accreditation entities to its facilities, files and documents related to the rules, procedures and internal controls related to compliance with the ICVM 598, so that they may exercise the supervisory functions attributed to them.

This material is not an internal policy nor does it substitute it and/or any procedure of the Firm. The production and filing of research reports in other jurisdictions may also be subject to additional local regulations and restrictions. This material is for informational purposes only.

Throughout this document references to “Investment Banking” include the Firm’s Investment Banking, Corporate Banking, Equity Capital Markets and Debt Origination departments. “Research Department” includes all Equity, Non-Equity, Credit, Macroeconomic and Fixed Income Research.

## II. Production, Purpose, Content and Objectivity of Research Reports

A Research analyst is a natural person or legal entity, who, on a professional basis, prepares research reports for publishing, disclosure or distribution to third parties, even if restricted to clients.

The definition of a Research Report in Brazil is more expansive, and “reports” must comply with local rules regarding additional classification. A Research Report may constitute any written text, follow-up report, study, and analysis of Equity Securities of individual companies or industries that provides information reasonably sufficient upon which to base an investment decision, regardless of the

number of individuals to whom it is distributed. Additionally, public appearances, presentations, videos, conference calls and any other non-written manifestations providing similar content to the above may be categorized as a Research Report.

The Firm has certified itself as a Research Analyst Legal Entity with APIMEC, under the requirements set forth by article 3 from ICVM 598 and by adhering to the Professional Code of Conduct established by APIMEC.

All Research reports prepared by analysts residing and domiciled in Brazil must be authored by at least one APIMEC-accredited Research Analyst (or accredited by other entity approved by the CVM). The named accredited Research Analyst listed in the author block of a Research Report is responsible for ensuring that the report complies with applicable Brazilian regulatory requirements and internal policies of the firm. The Firm must ensure that the Research Reports produced by Research Analysts residing and domiciled (and not APIMEC accredited) in other jurisdictions that are distributed in Brazil complies with the disclosure requirements imposed by local regulation as well.

According to the above, all these Research Reports prepared by analysts residing and domiciled in Brazil or produced by Research Analysts residing and domiciled in other jurisdictions that are distributed in Brazil must be provided to APIMEC within 3 days of their distribution and must be retained for at least 5 years from the day they were distributed, pursuant to Article 23 of ICVM 598.

All Research reports published by the Research Department must be written in clear and objective language, differentiating factual data from interpretations, projections, estimates and opinions.

Our Firm is committed to disclose, whenever applicable, in a clear and prominent manner, in all research reports situations that may affect the impartiality of the report or that may configure a conflict of interest. In this regard, identifying, managing and eliminating any conflicts of interest that may affect the impartiality of its research reports, always preventing its commercial interests, or those of its clients, from influencing the results of its analysis.

Research reports must reflect, at any given time, only and exclusively the Research Analyst's personal, independent and objective opinion and assessment of the prospects of a company and the appreciation potential of its securities, including in relation to the Firm. This disclosure is required to be included in every Research Report containing analysis of a security or issuer.

In order to protect the interests of investor clients and the Firm, all opinions and investment recommendations communicated to the public must have a reasonable basis and be supported by current financial, quantitative, economic or technical data. In addition, the Firm must be able to substantiate all claims contained in Global Research communications.

Accordingly, Research Analysts must ensure that the appropriate research methodology is employed in reaching estimates and conclusions. To fulfill this requirement, any Research Report containing

such statement or recommendation must include or offer to provide the supporting facts on which the statement or recommendation is based. Research Analysts are required to follow securities under their coverage on a regular basis and to keep current their investment recommendations and views.

In accordance to article 11 from ICVM 598, our certified Research Analyst responsible for this rule is responsible for the definition and supervision of the guidelines and methodologies adopted in the analysis and its respective reports, as well as the verification of its consistency and compliance with the policies of the institution. In addition, apart from his Research activities and the obligations above, he is not responsible for any other activity in the securities market, inside or outside the institution.

Research Analysts are required to report to Research Management and/or the Legal and Compliance Department any noted attempt to influence the Research Analyst's view.

No other employee of the Firm may produce outside of the Research Department anything that could reasonably be understood by clients as Research reports.

The implementation and compliance with internal rules, procedures and controls and with the standards established by ICVM 598 is a responsibility of the Firm's responsible Compliance Officer.

### **III. Identification of Conflicts**

CVM and other local regulatory bodies' principles-based approach requires that firms are responsible for identifying and managing any conflicts of interest arising in their business that may give the appearance that Research reports produced by the Firm's Research Analysts are not impartial.

Bank of America demonstrates its commitment to preserving its reputation as a leading financial services institution by maintaining integrity and fairness in its activities and dealings with or on behalf of its customers, suppliers and other third parties.

The Firm has policies and procedures in this regard including the following:

- a) all Firm's employees and contributors, including Research Analysts and other people involved in the production of a Research Report must observe the Firm's internal guidance, policy and training on the identification of possible issues of conflicts of interest as and when they arise. They are also required to adhere to the Firm's Code of Conduct;
- b) the Research Analysts and other people involved in the production of a Research Report must observe escalation procedures to ensure that issues identified are referred to and considered at the appropriate level within the Firm;
- c) the Firm's Control Room will monitor any potential conflicts of interest arising in connection with the publication of Research reports in the period before, during and after Investment Banking transactions;

- d) there should be observed the editorial guidelines and procedures for supervisory and compliance review of all Research reports prior to its publication designed to ensure the standards and policies of the Firm are upheld;
- e) the Research Department's Research Recommendation Committee is required to approve all investment ratings changes;
- f) verify if an employee's personal interests or activities compete or interfere – or even appear to compete or interfere – with the employee's obligations to Bank of America, its shareholders or customers;
- g) verify if the interests of two or more of Bank of America's customers conflict, potentially giving rise to a material risk of damage to the interest of one or both of the customers; or
- h) prevent Bank of America's interests conflict with those of its customers. Regardless of the cause, conflicts may interfere with an employee's judgment or ability to properly fulfill his or her Bank of America duties.

Furthermore, the Firm has in place policies to regulate the flow of information between and within business groups. Such policies include:

- (i) Investment Banking employees are physically restricted from general access to the Research Department and cannot send nor receive e-mails to and from Research;
- (ii) Any Research Report must be produced within the Research Department and so away from Investment Banking, Sales and Trading and other Firm business groups;
- (iii) the Firm and its employees must observe "Informational barriers" and other information barriers to stop and control the flow of information between the Research Department and other parts of the business;
- (iv) the Firm must monitor and surveil its systems and procedures to ensure proper functioning of Information Walls; and
- (v) Global Research operates independently from revenue producing business units of the Firm. Analysts are responsible for formulating opinions and recommendations relating to issuers and securities or financial instruments based on the application of their professional judgment to the publicly available data regarding the market, issuers and securities or other financial instruments.

#### **IV. Supervision and Remuneration of Research Analysts**

The Firm has created certain senior positions within the Global Research Department who are responsible for the execution of the many supervisory duties related to the Research Department's day-to-day operations. The primary supervisory duty of Research Supervisory Personnel in the Research Department is to ensure that each associate subject to his/her supervision conducts Research activities in full compliance with applicable legal and regulatory requirements and the Firm's policies and procedures. Supervisory personnel perform their duties in a number of ways, including, but not limited to, the following: the use of various supervisory and surveillance tools (such as electronic communication review); exception reports; standard review routines; general interactions and meetings with staff and support staff; periodic and annual training; and other specific and general observations.

Research Analysts are compensated only for those activities and services that are intended to benefit the Firm's investor clients. Research Management has the exclusive responsibility for determining Research Analysts' compensation.

Research Analysts are not supervised by, and do not report to, Investment Banking or Sales and Trading personnel. Furthermore, Investment Banking personnel may not have any input into the evaluation and compensation of Research Analysts. Research Management are prohibited from soliciting or receiving views or otherwise asking Investment Banking personnel to approve Research Analysts' compensation.

In addition, Research Management may not consider a Research Analyst's contribution to Investment Banking or other Firm equity or debt origination businesses or revenues in determining, reviewing or approving Research Analysts' compensation.

#### **V. Restrictions on Research Analysts' Activities**

Research Analysts are restricted from activities that could prejudice, or appear to prejudice, the independence of their Research reports, but are otherwise permitted to use their expertise for the benefit of the Firm's investor clients.

Research employees are not permitted to participate in solicitations for Investment Banking business including participating in sales pitches or otherwise participate in activities that could reasonably be considered a solicitation of Investment Banking business.

No Research employee may participate in a road show or other client marketing event (including conference calls) related to an Investment Banking transaction that is sponsored or attended by the issuer or Investment Banking personnel.

Research employees are able to organize and participate in meetings with investor clients including participating in investor education meetings in connection with offerings of securities underwritten by the Firm provided that no member of Investment Banking may participate in any such meeting.

Research Analysts are permitted to interact with Investment Banking, Sales and Trading and other divisions of the Firm provided that certain communications between Research employees and Investment Banking personnel that may present a conflict of interest have to be pre-approved by Compliance and, in the discretion of Compliance, may require to be chaperoned.

Research Analysts are also otherwise restricted from roles which could prejudice, or appear to prejudice, the independence of their research or conflict with their duties to the recipients of their research. Research Analysts are not permitted to serve as officers or directors of companies under their coverage.

## **VI. Inducements and Inappropriate Influences**

No employee of the Firm may promise, imply, communicate or offer a favorable or specific research rating or price objective in exchange for the awarding of an Investment Banking transaction or as consideration or inducement for the receipt of compensation or other business.

No Research employee may change any research recommendation as a result of the subject company's decision not to retain the Firm for Investment Banking or other services.

Research employees may not accept or receive compensation, gratuities or any other form of remuneration to make a specific recommendation or express a particular view in a research report or public appearance.

The lead Research Analyst (or the Apimec-accredited Research Analyst) is required to certify in each research report that:

- a) the views expressed in the report accurately reflect his or her personal views about any and all of the investments or issuers to which the report related and the views were elaborated independently; and
- b) no part of the Research Analyst's remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report; and
- c) any situation that may affect the impartiality or could figure as a conflict of interest during the elaboration of the Research report.

## VII. Timing and Dissemination of Research reports

Research reports and other commentary are required to be simultaneously disseminated to the sales force and clients. The timing and content of pending research reports, recommendations, estimates and price objectives and decisions to issue research reports or comments may not be disclosed by any means to anyone, either inside or outside of the Firm, until the information is disseminated in the appropriately prescribed manner. Draft Research reports (other than pre-deal Research reports in jurisdictions where such pre-deal research is permissible) are not provided to, nor reviewed by, the company or by Investment Banking or Sales and Trading personnel, but Research Analysts are permitted to check individual facts with companies before publication.

Where the Firm has a significant role in an offering of securities, in addition to complying with any restrictions on the distribution of Research reports imposed by applicable laws, the Firm's policy is in general to restrict publication of Research relating to an issuer. The decision whether to impose such a restriction and, if so, the nature, timing and length of restriction appropriate is made by the Legal and Compliance Department in consultation with external legal advisers as to compliance with applicable regulation.

## VIII. Coverage Decisions

Research Management has the exclusive authority to determine whether to initiate, continue or terminate coverage with respect to issuers and securities. In making coverage decisions, the interest of the Firm's investor clients is paramount.

The Firm has adopted a policy that neither the Firm nor any of its employees may, directly or indirectly, retaliate against, or threaten to retaliate against, any Research Analyst for the dissemination of a research report or other commentary because such research contains adverse, negative or otherwise unfavorable recommendations or opinions concerning an issuer, security or markets that may adversely affect the Firm's Investment Banking or business relations with the subject company or issuer.

With regard to the production of pre-deal Research reports, the timing of publication will be dictated by the timetable for the transaction as well as the Firm's policy regarding the imposition of quiet periods prior to the commencement of the issuer's marketing of the transaction.

## IX. Disclosure of Interests

Research Management is responsible for maintaining the process by which disclosures as required by various regulatory requirements appear on all Research Reports and other Research products and are available for public appearances. In many instances, the disclosures regarding the Firm's relationship or other potential conflicts of interest with subject companies are based on the activities of other parts of BofA Merrill Lynch or other parts of the Firm. Accordingly, the supervisory analysts group, on behalf of Research Management, receives information from the Global Control Room and many other sources to ensure that all relevant disclosures are included on the Research Reports.

Analysts are responsible for the accuracy of disclosures in Research Reports concerning their own (including Household Members) potential conflicts of interest, which may include personal investments and relationships, and must update those disclosures on a real-time basis.

The Firm's Research reports must contain certain disclosures designed to disclose any facts or situations that may affect the report impartiality or that may be under a conflict of interest case, including, but not limited to:

- a) any of the Research analysts involved in the preparation of the report have a relationship with a natural person who works for the issuer object of the research report, clarifying the nature of the relationship;
- b) any of the Research analysts involved in the preparation, his spouses or partners, are, directly or indirectly, in his/her behalf or on behalf of others, holders of securities object of the research report;
- c) any of the Research analysts involved in the preparation, his or her spouses or partners, are directly or indirectly involved in the acquisition, sale or intermediation of the securities object of the research report;
- d) any of the Research analysts involved in the preparation, his or her spouses or partners, have, directly or indirectly, any financial interest in relation to the issuer object of the research report, except for the provisions of § 1 of art. 13;
- e) compensation of any of the Research analysts is not directly or indirectly influenced by revenues from the business and financial transactions carried out by the person to which he/she is associated with;
- f) if the Firm has significant equity stakes in the issuer object of the research report or in which the issuer subject to the research report, its subsidiaries, its controllers or companies under common control has significant equity stakes in the securities analysts legal entities, its subsidiaries, its controlling shareholders or companies under common control;
- g) if the Firm has relevant financial and commercial interests in relation to the issuer or the securities object of the analysis report;

- h) if the Firm is involved in the acquisition, sale or intermediation of the securities object of the research report; and
- i) if the Firm receives compensation for other services rendered to the issuer object of the research report or persons related to it.

#### **X. Research Analysts' personal interests and personal account dealing**

All securities transactions and investments by Research employees must be pre-cleared by Compliance. Research employees are not permitted to engage in securities transactions in their sector of coverage or otherwise deal in a way where such transaction would constitute a conflict of interest with their production of Research report.

In addition, Research Analysts are required upon hire to confirm that they have read, understood and agree to comply with the applicable investment policies and disclose all their investment accounts, outside business activities and/or private investments and then yearly thereafter review and update their disclosures, confirm the accuracy of their previous disclosures, and attest to their knowledge of various policies, including investment policies.

Firm policy requires Research Analysts to keep their securities accounts at the Firm, unless otherwise approved as an exception. The Firm has a surveillance program of the securities accounts of its employees (including Research Analysts) held at the Firm.