

## CHAIRMAN OF THE BOARD OF DIRECTORS AND HIS ROLE

Chairman of the Board of Directors is responsible for providing overall leadership for the Board of Directors, ensuring that the Board of Directors fully and effectively fulfils its main roles and builds a constructive dialogue between Board members, major shareholders and the Management Board.

## INDEPENDENT DIRECTORS AND THEIR ROLE

Independent directors meet all statutory independence criteria, as well as the requirements of the procedure for selecting independent directors at the Fund's companies and the KMG Code of Corporate Governance.

In line with global best practices, the Company seeks to ensure that its independent directors meet the high standards, and hereby declares that there are no other circumstances which are likely to impair, or could appear to impair, its directors' independence.

## LIABILITY INSURANCE

In accordance with the established internal standards and in line with global best practice, KMG takes out an annual third-party liability insurance policy covering the Company's officers, including members of the Board of Directors.

KMG maintains an annual liability insurance policy covering members of the Board of Directors and the Group's officers throughout the year. The insurance policy provides financial protection to directors and officers against possible claims arising as a result of unintentional and/or erroneous actions by officers. A D&O policy covers legal defence costs for directors, as well as financial expenses incurred as a result of any claim against directors arising as a result of their office.

The Group selects a local insurer through a competitive bidding process, with a mandatory requirement to have at least 95% of the risk reinsurance in a market with a reliability rating of at least "A–" as per the Standard & Poors' scale.

The insured amount (liability limit) is USD 100 mln, with worldwide insurance cover.

The Group's D&O policy terms and conditions are in line with the national and global best practices in director and officer liability insurance.

## SUCCESSION PLANNING FOR THE BOARD OF DIRECTORS, INDUCTION AND DEVELOPMENT

KMG is developing a succession programme for members of the Board of Directors, which is linked to the development of a similar programme for the Management Board. The project is expected to be completed in 2020.

KMG has in place an Induction Programme for newly elected members of KMG' Board of Directors, approved by KMG's Board of Directors dated 23 February 2017. In March 2019, the Programme was amended by resolution of the Board of Directors based on the results of the review of best practices in corporate governance. In particular, the performance in completing the Induction Programme for newly elected members of the Board of Directors will now be taken into account when assessing the performance of the Board members.

The Corporate Secretary conducts monitoring of the Programme implementation, i.e. its actual completion by all newly elected members of the Board of Directors. During 2019, Anthony Espina and Luís Maria Viana Palha da Silva, newly elected members of the Board of Directors, completed the Programme, including site visits to a number of production facilities.

Members of the Board of Directors are trained on a regular basis in accordance with an approved programme. On 1 July 2019, all members of the Board of Directors took part in the themed training "Global Trends in Sustainable Development and Their Impact on Organisations" organised by Ernst & Young.

## MANAGING CONFLICTS OF INTEREST

The Board of Directors and, above all, independent directors are actively involved in discussing issues where a potential conflict of interest may arise (preparation of financial and non-financial statements, approval of interested-party transactions, nomination of candidates to the executive body, remuneration for members of the executive body, etc.). All Board Committees are currently chaired by independent directors, and the Audit Committee is comprised of independent directors only.

In addition, Philip Dayer is the Non-Executive chairman of VTB Capital plc ("VTB") and from time to time KMG engages VTB's advisory services. In those cases, Philip Dayer has no part in the decision to engage VTB and he will receive no direct or indirect benefit from any such engagement.

There are no conflicts of interest related to the service of members of the Board of Directors or Management Board on governing bodies of other organisations.