

**ANNEX 1**  
**EXTRAORDINARY GENERAL MEETING DECEMBER 4, 2017**

**STOCK OPTION PLAN**

This CIA. HERING (Company) stock option plan (Plan) is governed by the provisions below and by applicable legislation.

**CHAPTER 1. PURPOSE OF STOCK OPTION PROGRAMS**

- 1.1. This Plan determines the conditions for the Company's granting options to purchase its common shares (Option or Options), subject to the terms and conditions of the Company's Bylaws pursuant to Chapter 3 of this Plan, by means of Stock Option Programs to be implemented by the Company's Board of Directors at its sole discretion.
- 1.2. The purpose of the Stock Option Programs is to encourage integration and alignment of employees of the Company and its directly or indirectly held subsidiaries and affiliates (included in the concept of 'Company' for the purposes of this Plan) by giving them an opportunity to become Company shareholders, thus sharing in the success of achieving corporate objectives and the risks inherent to the capital market and its business.

**CHAPTER 2. ADMINISTRATION OF SHARE-BASED INCENTIVE PROGRAMS**

- 2.1. Any Stock Option Programs determined under this Plan by the Board of Directors shall be administered by the Board of Directors and all decisions related to the Stock Option Plan and Programs shall be approved by the Board of Directors.
- 2.2. Board of Directors resolutions shall be taken in accordance with the Company's bylaws and shall be binding on Beneficiaries without any recourse unless contrary to the terms and conditions stated in this Plan or the applicable legislation.
  - 2.2.1. Any decision or resolution taken by the Board of Directors that does not comply with this Plan or pertinent legislation shall be the responsibility of its members and it shall not be binding on the Company.
- 2.3. The Board of Directors shall be subject to the limits and conditions determined in this Plan and in applicable legislation and shall follow the guidelines of the Company's Shareholders General Meeting.
- 2.4. The Board of Directors shall have full autonomy to administer and structure Stock Option Program terms and conditions, including, among others, the powers to: (a) take measures required for the administration of the Stock Option Programs, including interpretation and application their stipulations, terms and conditions; (b) decide the date for granting Options, the volume of Options to be granted, subject to the terms of this Plan, the Exercise Price for the Options, subject to the terms hereof, the vesting periods for exercising the Options, fair value of the Options if applicable, exercise periods for Options, rules for transferring Options in cases of succession, rules restricting sale of shares acquired by exercising Options, and the persons to

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whom Options will be granted (Beneficiaries); (c) approve Stock Option Programs to be implemented under this Plan and their respective rules, adhesion agreements and any addendums; (d) decide on issues of new Company shares within the limit of its authorized capital to fulfill the requirements of this Plan and the Stock Option Programs; (e) decide the date for exercising Options; (f) amend Stock Option Programs rules and adhesion agreements in order to, on a case-by-case basis or generically, postpone the final date for exercising Options; (g) alter Stock Option Program conditions, rules and adhesion agreement in as much as the rights of Beneficiaries are not prejudiced, excluding from this limitation any adjustments that may be made by the Board of Directors as a result of alterations to the relevant legislation; (h) alter or terminate Stock Option Programs; (i) analyze exceptional cases related to this Plan and Stock Option Programs; and (j) decide any other terms and conditions not causing discrepancy with the Plan.

- 2.5. Except for the adjustments allowed in this Plan and the Stock Option Programs, no Board of Directors decision may (a) alter the eligibility requirements for Beneficiaries to participate in stock option programs; or (b) alter or impair any rights or obligations arising from any existing grant without the owner or holder's consent.

## **CHAPTER 3. BENEFICIARIES OF STOCK OPTION PROGRAMS**

- 3.1. The Company's managers and employees determined by the Board of Directors will be eligible for stock options.
- 3.2. The Board of Directors will select, at its sole discretion, the Beneficiaries who will be entitled to grants of Options in each Stock Option Program from among those eligible for this Plan pursuant to Chapter 3.1 above.
- 3.3. The Board of Directors shall not under any circumstances grant Beneficiaries rights that ensure (i) their being re-elected or continuing in the Company's management until the end of their term of office, (ii) prevent their dismissal by the Company at any time or ensure their continuing to be employee of the Company, or (iii) prevent termination of their contractual relationship, as the case may be.

## **CHAPTER 4. SHARES ALLOCATED TO STOCK OPTION PROGRAMS**

- 4.1. The shares granted under this Plan and share-based incentive programs must not exceed the Company's subscribed and paid-in share capital stipulated in Chapter 12.1 below.
- 4.2. Shares to be optioned will be allocated as decided by the Company's Board of Directors: (i) by issuing new shares, within the limit of the Company's authorized capital; and/or (ii) from shares held in treasury.
- 4.3. The Company's shareholders will not have right of first refusal for granting or exercising Options pursuant to article 171, paragraph 3, of Law 6.404/1976, as amended.

## **CHAPTER 5. GRANTING STOCK OPTIONS**

- 5.1. Stock Option Programs will be approved by the Board of Directors in accordance with the Company's requirements and their terms and conditions will be defined by the Board of Directors within the limits of this Plan.

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- 5.2. Options shall be granted to Beneficiaries by means of adhesion agreements between the Company and the Beneficiaries that will set forth all terms and conditions governing stock options as per the related stock option programs.
- 5.3. Signing the adhesion agreement shall entail the Beneficiary's acceptance of this Plan's conditions and those of the respective stock option program

## **CHAPTER 6. EXERCISE PRICE**

- 6.1. The exercise price of the Options for subscription or acquisition of shares by the Beneficiaries shall correspond to the weighted average price (amount traded divided by the number of shares traded on the respective trading floor) for the Company's common shares in the ninety (90) trading sessions of B3 S.A. – Brasil Bolsa Balcão [Brazil OTC Exchange] prior to the calculation date, which shall be within ten (10) calendar days prior to grant date, to which by monetary correction may be added based on a price index to be determined by the Board of Directors, and interest also at the latter's sole discretion (Exercise Price).

## **CHAPTER 7. EXERCISING STOCK OPTIONS**

- 7.1. Options will be granted to the Beneficiaries in four lots, each equivalent to 25% of total Options granted (Annual Lots), subject to the conditions determined by the Board of Directors and in accordance with the Grace Periods for each Annual Lot, counted as of the date of granting the Options. The Board of Directors may determine that the First Annual Lot of the Company's First Stock Option Program should be exercisable in less than one (1) year as of the date of granting the options, and that the other Annual Lots should be exercisable annually as of the end of the Grace Period for the First Annual Lot of the Company's First Stock Option Program.
- 7.2. The Annual Lots may be fully or partly exercised within the extinction period of 7 (seven) years counted as of the Options' grant date. Once this period has ended, the Beneficiary shall lose the right to exercise the Options and shall not be entitled to any type of indemnification.
- 7.3. Beneficiaries shall be subject to insider trading rules applicable to publicly traded companies in general as well as rules set by the Company.

## **CHAPTER 8. PAYMENT CONDITIONS**

- 8.1. The Exercise Price per share will be paid by the Beneficiaries of the Options on the conditions determined in the rules for each Stock Option Program.

## **CHAPTER 9. SALE OR TRANSFER OF OPTIONS BY BENEFICIARIES**

- 9.1. Options granted on the terms of the respective Stock Option Programs must not be directly or indirectly sold or encumbered by their Beneficiaries unless the Board of Directors decides otherwise.

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## CHAPTER 10. RULES APPLICABLE IN CASES OF TERMINATION, DEATH, INCAPACITY, RETIREMENT, DISSOLUTION AND LIQUIDATION

- 10.1. Termination of employment contract or mandate without fair cause or reason, the beneficiary's resigning or their contractual termination without fair cause or reason: In the event of (i) termination of the Beneficiary's employment contract or mandate (i.a) without fair cause (i.b) for fair cause, or (ii) contractual termination (ii.a) for fair cause (ii.b) fair cause for fair reason, all Options yet to be exercised shall expire once the grace periods to be determined by the Board of Directors have ended. In any event, any blackout period preventing sale of any shares already acquired, if stipulated in the respective Program, shall remain in effect. For the purposes of each Program, a Beneficiary's termination for "fair cause" may occur in the following cases: (i) Beneficiary committing an unlawful act or gross negligence in the course of their duties for the Company; (ii) the Beneficiary being convicted of any intentionally committed crime; or (iii) the Beneficiary's breaching any Company policies.
- 10.2. Termination of employment contract or mandate without fair cause or reason, the beneficiary's resigning or their contractual termination without fair cause or reason: In the event of (i) termination of the Beneficiary's employment contract or mandate without fair cause (iii) contractual termination without fair cause or fair reason, the following provisions shall apply: (a) Options with grace periods to be determined by the Board of Directors and not yet expired without any indemnity; and (b) Options with grace periods to be determined by the Board of Directors have ended may be exercised within thirty (30) days of contractual termination. In any event, any restriction period for the sale of any shares already acquired, if stipulated in the respective Program, shall remain in force.
- 10.3. Death: In cases of death, all Options with Grace Periods to be determined by the Board of Directors that have not yet elapsed will be available for exercise and any shares already acquired will be released for sale by their legal heirs.
- 10.4. Retirement: In cases of a Beneficiary retiring or contractual termination of a retired Beneficiary, the following rules will apply:
- (a) if a Beneficiary has at least ten (10) years uninterrupted length of service with the Company and formally notifies their intention of resigning or terminating employment at least six (6) months in advance, their options for which the Board of Directors is to determine Grace Periods that have not yet ended, may be exercised within one hundred eighty (180) days of the respective contractual termination;
  - (b) if a Beneficiary does not simultaneously fulfill both item (a) requirements and leaves the Company on their own initiative, the Options for which Grace Periods are to be determined by the Board of Directors and have not elapsed may be exercised within one hundred and eighty (180) days of the date of the respective contractual termination, in proportion to the number of months in each Grace Period to be determined by the Board of Directors and the number of full months effectively elapsed; or
  - c) if a Beneficiary's employment is terminated at the Company's initiative without fair cause or reason, (c1) and the Beneficiary has at least ten (10) continuous years length of service with the Company, and options whose Grace Periods are to be determined by the Board of Directors have

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not elapsed they may be exercised may be exercised within one hundred eighty (180) days of the respective contractual termination; (c2) and the Beneficiary has at least ten (10) continuous years length of service with the Company, and options whose Grace Periods are to be determined by the Board of Directors have not elapsed they may be exercised within one hundred eighty (180) days of the respective contractual termination in proportion to the number of months in each Grace Period to be determined by the Board of Directors and the number of months effectively elapsed.

10.4.1. In any case, however, if a blackout period is stipulated in the respective Program, it shall continue to prevent sales of acquired shares.

- 10.5. Dissolution or Liquidation: If the Company is dissolved or liquidated, Beneficiaries may exercise Options that have vested rights for exercise in the period between the date of a Shareholders General Meeting called to decide the Company's dissolution or liquidation and the date of the latter event. Otherwise, the Options will expire together with Stock Option Programs and corresponding adhesion agreements.

## **CHAPTER 11. BENEFICIARY RIGHTS**

- 11.1 Beneficiaries' rights in relation to each Stock Option Program shall be determined by the Board of Directors.
- 11.2 A Beneficiary shall not enjoy shareholder rights and privileges until their shares have been effectively acquired and shares shall not be delivered to a Beneficiary as a result of exercising options unless the latter has fulfilled all legal and regulatory requirements.

## **CHAPTER 12. LIMIT TO GRANTS OF STOCK OPTIONS**

- 12.1. Options granted under this Plan must not exceed two percent (2%) of subscribed and paid-up capital, during the term of the Plan, this limit including shares that would have been issued if all options granted had been exercised, including in this limit the percentage authorized for granting shares under any share-based incentive plans approved by the Company.
- 12.1.1. If an Option is canceled or not exercised for any reason, it will no longer count for the purposes of this limit.
- 12.2. The limit established in Chapter 12.1 above may only be amended by a Shareholders General Meeting resolution.

## **CHAPTER 13. MISCELLANEOUS**

- 13.1. This Plan shall take effect as of the date of its approval by the Company's general meeting and may be terminated at any time by a decision of the Company's shareholders general meeting or its board of directors.
- 13.2. The Plan's expiration shall not affect the efficacy of unexpired options granted per the respective stock option programs.

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- 13.3. Neither this Plan nor any adhesion agreement that may be approved for each Program shall prevent any corporate reorganization that may involve the Company and/or other companies belonging to the Company's economic conglomerate, and the Company's Board of Directors shall determine and make appropriate adjustments to the respective rules and adhesion agreements in order to safeguard Beneficiaries' interests.
- 13.4. In the event that the number, type and/or class of the shares issued by the Company are changed due to splits, bonuses, groupings or conversions, the Board of Directors must inform the Beneficiaries in writing of the adjustment corresponding to the number, type and/or class of shares under each Stock Option program granted and in force.
- 13.5. The Board of Directors shall be competent to settle any questions concerning interpretation of general rules set forth herein. If the stipulations of this Plan contradict Stock Option Programs and their corresponding adhesion agreements, the provisions hereof shall prevail.
- 13.6. Options to be granted by the Company to Beneficiaries under this Plan and Stock Option Programs shall be subject to the Company's Annual General Meeting approval of the global or individual amount of management's compensation for the respective fiscal year pursuant to article 152 of Law 6.404/76.
- 13.7. This Plan replaces the Company's current Stock Option Plan, however the options already granted by the Company as a result of previous plans and programs shall remain in full force and effect in accordance with their respective terms and conditions.

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