Report
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CEOs: The Floor is Yours II

Completing Dynamo's 30th anniversary, we have now reached the one hundred and twentieth edition of our quarterly Reports. Following in the footsteps of the previous edition, we have resumed our interviews with some of the CEOs of the companies we invest in[1].

In the last Report, we encouraged executives to look inside their companies; we raised issues related to the work of management per se. We asked them about the role of the CEO, their legacy, and the outstanding attributes of their companies. We also inquired them to tell us about the most difficult moment they faced in their management, indicating the elements that helped them overcome it as well as the lessons learned.

In this second part, we change the focus, this time exploring some instances of relationships outside the CEOs. And so, in the first question, we suggest a reversal of roles. We provoked them to analyze the 'market,' to point out, in their view, which predicates of their companies' investors were giving insufficient importance to. We then asked them about their understanding of the duties of the board of directors. In the third question (the sixth in the full interview), we encouraged the executives to evaluate their sustainability journeys, which especially concerns the way they are dealing with other stakeholders, including the environment. Finally, we made room for spontaneous remarks beyond the script we had initially proposed.

The role reversal exercise proved to be productive, as the executives took the opportunity to share the main attributes of their companies that were not properly priced by the market. All in all, it was the topic of the interview that deserved the greatest extension. According to the CEOs, the difficulty analysts have in evaluating their companies spans several areas: assets, business models, strategic positioning, brands, customer relationships, etc. Common in the answers was the perception of an excessively short-sighted orientation on the part of investors, which would prevent them from factoring in the full potential of more distant constructions.

Regarding the functions of the board, the question of strategic orientation prevailed among the responses. It was also pointed out that boards should be the guardians of corporate governance and reputation. According to the CEOs, the board must demonstrate trust in management, translated into freedom of action and an understanding of its auxiliary role as a non-executive body. Concerning composition, the executives stressed the value of a diversity of backgrounds, perspectives, and experiences. The importance of collegiate work was also highlighted, reinforcing the merit of 'creating a team spirit' among the board members.

When asked about sustainability, the executives took the opportunity to list the main ESG initiatives. It can be seen that the topic is gaining depth in corporations, driven sometimes by more organic/genuine motivations, and sometimes by more pragmatic ones. It was also emphasized that this is a collective agenda, 'collaborative with society,' a journey that is continually expanding and 'increasing in speed.' In environmental management, the focus of the responses was on the energy transition and decarbonization strategies. Other elements were also mentioned, such as the bioeconomy, the sharing economy, and the ambition to achieve 'regenerative businesses.' In the 'S' category, a series of social inclusion and transformation projects were listed, with a variety of nuances, including care for the health and well-being of communities; investment in schools and technical education; empowerment of women; employee safety; entrepreneurship; and productive insertion. As for 'G,' the executives pointed out that their companies adopt the highest standards of corporate governance, integrity, and compliance.

Finally, we left a space open for topics that had not been explored. Here, we had a set of messages that

1 *In order to avoid any kind of intentional classification, we have arranged the responses in the exact order in which they were received. We would also like to clarify that the criteria used to consult the CEOs include factors such as proximity, sector diversification, availability, participation, and length of time in the portfolio.*

were also varied and interesting, although not everyone made use of the prerogative. The CEO-Shareholder talked about his family's long-term commitment, reaffirming their 'visceral' relationship with the company. Similarly, the CEO of the only corporation on the list emphasized the long-term strategy and agenda, as well as the search for results and value creation. The CEO-Founder referred to the founding document, which sets out the purposes and values that guide the journey of a young and successful business project.

The other CEOs, executives from companies with major shareholders, took the opportunity to share their thoughts and concerns about relevant current issues, such as (i) changes in behavior, values, and the role of technology in reconfiguring work relationships and affecting productivity; (ii) the responsibility of executives and companies in social and environmental transformation; (ii) employee mental health; (iv) the role of the capital market in improving corporate governance and development. By the way, we've been thinking about some of these issues and the possibility of addressing them in future Dynamo Reports.

The analytical work that underpins our investment portfolio requires daily diligence and steadfast dedication. At times, we believe we're experiencing discomfort similar to endurance race participants. When the goals still seem distant, that is, at times when results are slow to transfer to the Fund's NAV, we need to recruit energy and stamina to keep our psychological thermostat switched on, thus avoiding collective frustration or even hasty decisions.

On the other hand, interacting with executives is one of the most exciting tasks in our job description, even when we may have different perspectives. Companies are living organisms struggling to thrive in environments of Darwinian selection. They are constantly recruiting and developing skills in order to outperform, renew, and adapt to occupy space in a densely interconnected ecosystem. The number of variables in motion is immense. It is up to CEOs to lead this journey. These two Reports illustrate the rich hues of this mosaic of continually improving competencies, which we have the daily privilege of living with.

Finally, we would like to thank all the CEOs who were patient and kind enough to take part in this collective effort.

Here's the continuation of our conversation.

CEO	COMPANY
Paulo Moll (PM)	REDE D´OR
Lino Cançado (LC)	ENEVA
Luis Henrique Guimarães (LHG)	COSAN
David Vélez (DV)	NUBANK
Marcílio Pousada (MP)	RD
Walter Schalka (WS)	SUZANO
Gustavo Werneck (GW)	GERDAU
Fábio Barbosa / João Paulo Ferreira (FB/JPF)	NATURA
Bruno Lasansky (BL)	LOCALIZA
Ernesto Pousada (EP)	VIBRA
Harry Schmelzer (HS)	WEG

4. What recommendations would you give to investors who follow the COMPANY? What aspect(s) do you believe investors in general are not giving due importance to?

PM – REDE D'OR: I believe that our move with SulAmérica has not yet been fully understood and the market is waiting for concrete results. We are very confident about the benefits we can generate together while respecting the characteristics and independence of each business. In addition, I believe that understanding the differentials of the brands we have built and the strength and leadership that our hospitals have in their areas of operation are fundamental for those who invest in Rede D'Or.

LC – ENEVA: As the contracted projects come on stream and the company completes its second major growth cycle by 2027, Eneva will achieve fixed annual revenues of +/- BRL 10 billion from long-term contracts. This will represent more than 80% of the estimated average annual revenues, thus significantly reducing the volatility of the company's results. Even better, it will retain the potential to capture substantial variable revenues during periods of water scarcity or volatility in intermittent and seasonal renewable generation. This will be a unique company, with a solid and predictable base of fixed revenues that are associated with a unique ability to benefit from particular moments of scarcity in Brazil's energy generation. Therefore, analysts, rather than trying to project the company's revenue based solely on projections of long-term average energy prices and associated thermoelectric dispatch, should pay attention to the quality of the projects under development and the events of energy price volatility that are already known and have manifested themselves periodically over the years and, more recently, intermittently, given the increase in renewable generation and the instability of the Brazilian integrated system. The resilience of our integrated electricity supply system will be put to the test, and system stabilization services will be valued at a premium, especially in an electricity sector that is undergoing a major transformation, migrating from 'energy + capacity' contracting to fully flexible capacity (power) with hourly energy pricing. Eneva's R2W model fits perfectly into this new reality, since it doesn't need to pay 'take or pay' and/or 'ship or pay' to offer capacity. All it needs to do is operate its own highly competitive onshore non-associated gas reservoirs, which act as real power reserves or 'batteries' for the system. This feature will make our thermoelectric generation park the most competitive in the country in this contracting modality, while at the same time providing the opportunity to capture the aforementioned variable revenues at times when it is required to operate. This means selling less gas for less time, but at better prices, thus freeing up reserves for the development of other monetization methods.

On another note, the company has a unique track record in increasing its natural gas reserves over the years and in its ability to convert these resources into high-return projects. Over the last seven years, the company has continuously increased its reserves base despite the consumption of projects in operation. In addition, I would point out that before Eneva, the Parnaíba and Amazonas basins had never produced a single molecule of hydrocarbon; this underscores the company's ability to explore and develop resources in new frontier basins where industry giants have tried but never succeeded. The company has successively demonstrated its ability to devise and develop mechanisms to monetize its reserves not connected to the gas pipeline network, initially as electricity and more recently with a highway-based liquefied gas distribution operation. There is therefore no reason not to value the company's exploration efforts and its ability to find pioneering ways of monetizing these resources. On occasions, this capacity of the company is overlooked by analysts who choose to decree that future energy prices, calculated using current assumptions, will somehow determine Eneva's future. This will not be the case!

The growth of the market for replacing diesel and fuel oil with natural gas, which is more competitive and less polluting, in the northern region of the country, which is not connected to the gas pipeline network, will ensure new sources of revenue not yet tendered that will contribute to increasing the company's already robust contract cash flow.

In the market for gas connected to the transport pipeline network, Eneva strategically positioned itself with the acquisition of Celse and the consequent creation of our Sergipe Hub, in which the gas storage and unloading infrastructure has already been amortized by the 1.6 GW thermoelectric project, thus placing the company in a privileged position to supply gas contracts to end customers or to sell flexibility contracts to agents connected to the network. In addition, due to the fact that the gas supply solution has already been amortized, Hub Sergipe's thermoelectric project portfolio stands out as one of the most competitive options on the market for winning future capacity auctions.

All these opportunities make Eneva a very different company from the one in 2018, where more than 50% of annual revenues were directly associated with the thermoelectric dispatch of the national interlinked system (SIN). The Eneva of today and the future will be a company with the security of huge fixed revenue contracts, predictable in the long term, with several opportunities for additional variable gains stemming from volatility in the supply of renewable energy or the commercialization of its growing base of natural gas reserves through various innovative business models in the Brazilian market. Anyone who fails to see these opportunities will be missing a great opportunity to invest in a company with a proven track record of generating value that has all the elements to repeat in this new growth cycle the value generated in the execution of the first growth cycle between 2018 -2021.

LHG – COSAN: First of all, E2G (second-generation ethanol). The plant is ready; the contracts are for ten years – we can't understand this market assessment. Perhaps because it's a paradigm shift?

Another asset is Rumo. The value of Lucas (do Rio Verde), for example. The company's competitive distance from other logistics alternatives is huge. There's also the central network, which is only going down. But it can go up. Imagine a company that goes up, down, sideways: one day a Fiol (west-east integration railroad) will come along too. It's very powerful. It's a simple business, and it's hard to see any disruption coming from any other type of service that could affect Rumo. And there's also the possibility of reducing fuel costs, assuming that electricity may be the best way to move things around in the future.

I don't think the asset land is in anyone's account. What we have in our portfolio and what we will build over the years is unique. It's a difficult business; few can look at it on the scale we have today. Foreigners find regulatory restrictions to participating, and traditional investors have difficulty accessing the specifics of the business. The price of land has a lot to do with logistics. Those who understand logistics are better able to map future flows, given that the available management and irrigation techniques are capable of correcting the soil and reducing productivity distances, thus allowing arbitrage in land prices. It takes time, but there is an avenue of opportunity here.

Finally, Compass, the gas issue. It's not trivial; it's going to take work, but we have opportunities in the states of Paraná and Rio Grande do Sul, which are large, wealthy states, and almost nothing has been done. It's practically greenfield. It's obvious that it is not and never will be the size of Comgás, but, on the other hand, it has other advantages over Comgás. I believe no one is doing this math in a right way.

DV – NUBANK: The first element is the significant opportunity we have to increase monetization with our existing customer base in Brazil. While we already have more than 85mm Brazilians as customers (one in two Brazilian adults are already a customer of Nubank), we only have about 14% market share in credit card, 6% market share in personal lending, 3% market share in total deposits and investment assets, and less than 1% in every other product vertical we have launched such as insurance or banking products for small businesses. However, we have one of the highest Net Promoter Scores in every single one of these categories, we have a cost to serve that is 85% lower than those of our competitors, and a cost to acquire for cross-sell of zero. Therefore, our opportunity to gain share in every single one of these verticals is gigantic, and our track record over the past 24 months makes this trend very clear: we have steadily gained market share across every vertical in which we play over the past 5 years. This opportunity provides good visibility about how big our Average Revenue Per Active Customer (ARPAC) can become. Our current ARPAC is US$10.0, but for customers that already use our three core products (Conta, Credit Card and Personal Loans), this ARPAC is already US$37! For customers that have been with us already for 24 months, this ARPAC is also around US$27. And our competitors' ARPAC averages more than $45. So, as our cross-sell opportunity grows within our base, we have the opportunity to meaningfully increase our ARPAC. Given the significant efficiency of our technology platform and business model, our cost to serve a customer should effectively stay the same at around $1. This means, not only Nubank is already one of the most efficient financial institutions in the world with an efficiency ratio of 35%, but also we should be able to continue capturing operating leverage and generate a return-on-equity much higher than our competitors. The ROE we disclosed earlier this year in Brazil, our more mature operation, proves already the strength of the business model. And we are nowhere near our efficiency frontier – it's still Day One.

The second element that is not well valued by investors is the Mexico opportunity. Mexico could be another Brazil for Nubank, although obviously with meaningful execution risk (our favorite type of risk…). Mexico has a population of 130mm people but with an income per capita more than 30% higher than Brazil, half of the country is under thirty years old, about 50% of the population is unbanked and has a credit card penetration of only 12% and has one of the most digitally active populations in emerging markets. All these elements create a significant market opportunity. In about three years we have become one of the leading credit card issuers in Mexico with over 4 million credit card customers and over 1 million customers opening savings accounts in the first four weeks of its launching. However, we don't expect our Mexico growth to be a straight line, as providing credit in a market with little bancarization levels is challenging. But over a five-year horizon we feel very confident that we are the best positioned company in this country to fundamentally change the structure of the market.

Finally, when we take a step back, we are excited about the meaningful optionalities that the combination of the following factors create for us: i) we have one of the largest digital-only customer bases in Latin America already (and growing), ii) one of the highest Net Promoter Scores in financial services and one of the most trusted brands in the region, iii) one of the top technology and analytics teams in the world, iv) a very strong culture, v) one of the most sophisticated data analytics infrastructure in Latin America. All of these factors combined mean reimagining Nu as a consumer platform, much more than a bank, and over the next five to ten years there is a significant opportunity to execute this vision.

MP – RD: The new strategy brings a very important element for the future of the company: the digitalization of the relationship with the customer.

We began to face this challenge with real focus in 2018. This strategy has always brought challenges for companies that have tried it, both because of the cost of setting up digital channels and because of the profitability of this channel, which cannibalizes the traditional ones.

In my opinion, we are on the right track because we have created a modern channel, with the customer using our apps and very fast delivery using the 2,890 pharmacies. Overnight, we dropped almost 3,000 CDs to serve customers, which reduced various costs that this strategy always adds to other retail companies, such as:

- call center
- last mile delivery cost
- working capital
- Reduced CAC, as the pharmacy helps the customer to enter the app

The strategy also revealed that the digitalized customer is more likely to become a loyal customer. This link is bringing a revolution to our business, as pharmacies with more loyal customers have started to show growth well above inflation.

The entire market is struggling to create models that show the success of this digital strategy because it's a huge transition where companies had all their metrics focused on physical branches and category management, but now they must change such that all the metrics focus on customer frequency and consumption indicators, and that's what we're doing.

WS – SUZANO: This is easy. Suzano is a company that has delivered growth and value on a recurring basis, and this is not recognized by the market, which is highly attentive to the volatility of pulp prices in the very short term. So there is a mismatch of expectations. We are a company that invests in the medium and long term, and the market wants to understand the impact of the result, which obviously depends on the price of pulp, in the very short term. This mismatch, I believe, is what generates a greater reduction in the multiple at which the company should be traded.

A company that delivers value and growth over time shouldn't have multiple discounts, like Suzano, compared to other companies, including those in other sectors. I can't understand why sector X has to have one multiple and sector Y has to have another. This is a misconception that has been created and consolidated in a misleading way.

GW – GERDAU: Gerdau is about to celebrate 123 years of history and has never been better prepared to face the challenges of today's world. I would highlight as positive points solid corporate governance; geographical diversification, especially Brazil and North America; and a modern culture with an absolute focus on people. I strongly believe that investors should pay more attention to the issues of leadership and succession in companies, thereby ensuring predictability and continuity of business and the continuous search for high performance.

FB/JPF – NATURA: In the context of the last four years, Natura has slowed down the pace of development it experienced between 2016 and 2019. Natura is now strategically focusing on the markets it knows best, and intensifying its focus on profitability and capital allocation discipline.

In addition, the growing appreciation of the Amazon, sustainability, natural products, etc. by the public, especially younger people, puts us in an interesting competitive position.

After the recent sales of Aesop and TBS, with the group's debts settled, and with the incorporation of Avon Latin America and the experience accumulated during this period, Natura is very well positioned for a new cycle of prosperity, innovation, growth, and profitability, this time with much more rigor in business choices, resource allocation, and expected returns (TBL).

BL – LOCALIZA: Localiza&Co went public on the Brazilian stock exchange in May 2005 and has an extremely qualified base of local and international investors. Some of them have been with the company since the IPO and have an in-depth knowledge of the sector, our business, people, and culture. Based on the transparency and proximity of the dialog with the market, in our view, the company's strategy and potential are generally well understood.

That said, one of the competencies that has evolved the most and has a strong capacity to generate value is technology, which we see as one of the main enablers of our strategy. Over the last few years, Localiza&Co has gone from being a mere user of technology to building real competitive differentiators and new avenues for growth through the extensive use of technology and data science – this while always innovating based on customer needs.

For example, a relevant new segment of our platform is renting to app drivers, such as Uber. Given the specific profile of this customer segment, who use the car as a source of income, it was necessary to develop solutions to overcome (i) higher incidence of breakdowns; (ii) higher credit risk; and (iii) greater exposure to theft of the asset. So we created **Zarp Localiza**, reinventing the product specifically for the customer profile, with new digital service channels, new branches, and operational excellence, which allowed us to address the risks and build one of the largest businesses in the segment in the world. Despite having several players (both incumbents and startups) operating aggressively in this segment, only Zarp Localiza achieved levels of customer delight (measured by NPS) and, especially, return (measured by ROIC), to the point where several of our competitors drastically reduced their operations and/or abandoned this segment, precisely because of its high complexity.

Another relevant example is **Localiza FAST**, our car rental with 100% digital pick-up, without going through the counter. A significant proportion of our customers are looking for maximum streamlining in their experience. In this modality, the customer makes the reservation on the app and, when they arrive at the branch, the app directs them to the space where their car is. After taking a selfie, the vehicle opens automatically, and they can start their journey: all without having to get in line. This experience – which delights our customers, generates more repeat business, and seems so simple – is backed up by a great deal of sophisticated mobile technology, data science applied to anti-fraud, and vehicle connectivity. These are skills that are difficult to replicate on a national scale, yet can achieve high reliability and cost efficiency. We will continue to offer an increasingly delightful and differentiated experience to our customers, with new models that simplify and facilitate access to mobility.

Looking at the last few years, we see a strong acceleration in Localiza&Co's ability to innovate with excellence. The new segments, such as Zarp Localiza, Localiza Meoo (subscription car) and Localiza Pesados (truck rental), which practically didn't exist in 2018, represent around 25% of our invested capital, a testament to the company's capacity for growth and innovation with value generation.

Finally, one last consideration I would make to investors: Following the strategic moves and investments of recent years, the company now has even more differentiated tangible competitive advantages, as well as robust new competencies, including technology, to build future competitive advantages. Despite the macroeconomic scenario and specific short-term challenges that are being addressed, our conviction about the company's potential to continue to lead the development of the sector and generate value remains very high.

EP – VIBRA: We see a lot of potential in Vibra's core business that could generate a lot of value over the next few years, for example in convenience, lubricants, and the sales process. There is also an improvement in the sector's business environment, with the approval of single point taxation for diesel and gasoline and the satisfactory progress of single point taxation for ethanol, included in the tax reform currently underway in the National Congress. In addition, in relation to our renewable platform, we are reaching the maturity of the projects under construction, thereby significantly reducing business risk and at the same time materially increasing EBITDA. In our view, Vibra is a very significant long-term investment opportunity.

HS – WEG: WEG is a company that constantly invests to pursue greater competitiveness in all its businesses and, at the same time, has a vision of the future by investing in new technologies in new skills to add synergistic offers to its basket of products and solutions.

We are a company that maintains a balance between pursuing results in the present and maintaining investments to guarantee results in the future. This is achieved through a business model that has distinguished itself through financial discipline, verticalization strategy, client relationships, and continuous growth while maintaining simplicity.

5. What role do you think is fundamental for a good board of directors?

PM – REDE DÓR: The company's long-term strategy. It's essential to always bring this perspective to bear and ensure that management is making the best decisions for the company; thus it must be immune to short-term pressures or goals.

LC – ENEVA: Dedication to understanding the complexity of the company's business and the value-generating potential of the Eneva platform. And seeking a common vision of the company's short-, medium-, and long-term strategy and sharing this vision frankly and openly with the company's executive team.

LHG – COSAN: A fundamental aspect concerning the board (that in my view has been done very little and needs to be improved a lot), is the fact that the board members spend very little time with each other, getting to know each other, and creating a team spirit. In addition to the work agenda, dispatches, and deliberations, you can't create a team spirit without people knowing and trusting each other. You need to build relationships in order to understand how others think, and how they think differently from you, since good advice includes diversity by design. Without this team spirit, boards become segmented into small groups, and board members harden into representatives of specific agendas. The agenda is the company's, and the board's role is to help management. If the management is bad, you change it. A board that believes it can run the company doesn't work. The CEO/owner of the company is a solitary professional, and the board has to be their soundboard, with whom they can share their queries and angst. I believe that this is the greatest value of our partnership today: We have an informal board, where everyone can bring up their dilemmas openly. Sometimes solutions emerge without the others even having given effective advice just by raising questions from different angles.

In corporations, the CEO's situation is more difficult. What we see out there are two models. The CEO takes over the board and becomes the owner of the company, which is bad; and the opposite, when the CEO can't deal with the board and gets carried away, assuming the role of mere executor of what has been determined by the board, which is also bad. The best model in my opinion is the CEO who guides the board without seeking to dominate it. It is the role of the corporation's CEO to handle and deal with the board's agenda. It's part of their job description to set aside 20% of their time to deal with the board. The CEO has to play the role of the

Dynamo Cougar x Ibovespa
Performance in R$ up to November 2023

Period	Dynamo Cougar	Ibovespa*
120 months	225.9%	142.6%
60 months	66.5%	42.3%
36 months	-11.2%	16.9%
24 months	4.6%	24.9%
12 months	14.9%	13.2%
Year (2023)	18.4%	16.0%
Month (November)	13.8%	12.5%

(*) Ibovespa closing. Indices are presented as economic reference only. and not as a benchmark.

great conductor in order to get the most out of what the board can give the company. They need to help the board members get along because the board has ownership, legitimacy, and control of the agenda.

DV – NUBANK: The most important roles of a Board of Directors are ensuring the company has the right leaders in the right places at the right time, particularly the CEO, and designing a robust plan for leadership succession. The Board of Directors also plays crucial roles in: (1) strategic oversight – reviewing and providing guidance on the long-term goals, business plans, and major decisions of the company –; (2) governance and financial review – ensuring the company operates within legal and ethical boundaries and overseeing financial statements, audits and investment strategies –; and (3) risk management – actively identifying and managing the risks of the company and implementing the right strategies to mitigate them. To execute all of these functions effectively, well performing boards need to have members with significant diversity of backgrounds, skills and experiences so that important decisions are able to be appropriately debated from all possible vantage points. A homogenous board is likely not a good performing governance board.

MP – RD: The board is the great guardian of three important pillars.

The first pillar is the culture of the business. This is non-negotiable and it is the highest level of the company, which always needs to be sure that all the values that have brought us this far will take us to the next steps.

The second pillar is the construction of a contemporary strategy for the business to endure, something that needs to be done together with the executives.

The third pillar is to make sure that everything we do is sustainable for shareholders, employees, and society, which is where the ESG pillars come in.

WS – SUZANO: The board has to be non-executive, with a clear delineation between management and the board. The board should be an expressive strategic guide in decision-making processes in a way that gives management clarity and transparency on strategic issues and freedom of action on operational issues.

GW – GERDAU: The board of directors needs to have a very distinctive ability to continually unlearn and relearn, which is facilitated by a relationship of great trust and transparency with the CEO and their team. When the board and the executive team manage to create a very strong relationship, as in the case of Gerdau, the conditions are created for the company to understand and overcome its challenges.

FB/JPF – NATURA: Engage in dialog with management about trends, the level of ambition, people development, etc.

Good governance must ensure that the company's management processes are geared towards maximizing the value (economic and financial) generated for all stakeholders over the long term. This presupposes that the expectations of value, stakeholders, and the expected return horizon must be completely aligned between shareholders, board members, and executives.

As shareholders, board members, and executives seek to maximize their individual utilities; the smooth running of the company depends on clear contracts (expectations, rights, and obligations) and symmetrical information between these agents.

We therefore believe that good performance by the board of directors depends on clear definitions of the objectives of generating value and a complete alignment of expectations, authorities, and information flows. With these conditions, a good dynamic of checks and balances can be put in place between the board and the executive group to monitor the execution and allocation of resources in line with the strategy.

BL – LOCALIZA: A board with highly qualified and committed members can add much value to management and the company. And this is the case at Localiza&Co.

The board has fundamental duties for our company, including a) evaluating, challenging, and approving the growth and capital allocation strategy proposed by management; b) ensuring robust risk management in all dimensions; c) appointing, evaluating, and developing the CEO; d) ensuring the practice of the company's cultural values and purpose, and being the guardian of its reputation; and e) engaging with investors and other stakeholders to ensure the constant evolution of governance practices, among others.

Localiza&Co's board is made up of members who bring diversity and a wealth of knowledge. One of our board's values is to look after the interests of all the company's shareholders, without distinction. Most of the directors are independent, including the active participation of our Lead Independent Director, Paulo Veras. At the same time, having Eugênio Mattar as chairman, Luis Fernando Porto as vice-chairman and Sergio Resende as a director, all of whom are leading shareholders, allows us to leverage more than 110 years of accumulated experience in the sector, as well as contributing to relationships of trust and high reputation in the market. That said, there is absolute discipline in the company's governance, with clear attributions between the board and management, such as the board's focus on the company's strategic aspects and non-interference in day-to-day operations, thus maintaining agility in business decisions. In addition, all our board members are assessed annually through a process conducted by an independent external specialist to ensure the high performance of the board.

Finally, one of the main risks in boards of directors is the omission of opinions and the absence of difficult conversations. On the Localiza&Co board, there is an environment that allows the "collective intelligence" of the members to be harnessed, where the positions of all the directors are heard and considered, even embracing productive conflict. This dynamic builds trust and commitment among board members and generates valuable contributions for management. Groupthink situations are thus avoided, ensuring in-depth discussions of issues and, consequently, much better quality decisions for the company.

EP – VIBRA: The board of directors is Vibra's highest corporate governance body. It is responsible for setting the company's strategy, allocating capital, and deciding on the most important issues.

Through the committees that advise the board, it also plays an important role in contributing to the management of the company and supporting management in their main decisions. I believe that Vibra's board acts functionally, fulfilling the duties assigned to it and enabling management to lead the company in executing its strategy.

HS – WEG: Strategic vision of corporate governance; contribution to stipulating the company's direction; and structuring for the results of the present and the future, considering opportunities, competencies, and risks and directing the company towards broader purposes such as ESG.

6. How do you assess the ambition, challenges, and speed of implementation of the Company's sustainability agenda?

PM – REDE D´OR: We are migrating 74 units to use energy from renewable sources; we have made an inventory of greenhouse gases in 103 units; we hold the Gold Seal in the Brazilian GHG Protocol program; we are score B reporters in the Carbon Disclosure Project; and we are reducing nitrous oxide emissions, in accordance with our commitment to Race to Zero.

In the social field, the best example of our level of commitment was our actions during the pandemic. When society needed it most, we didn't just remain in the realm of theory. We played on the front line to reduce the impact on the public sector too. But it's also important to say that we have sought partnerships that promote inclusion, such as the one we signed with the Proa Institute, thereby enabling young people in situations of social vulnerability to enter the job market. Our social pillar is strongly supported by the unique work of ID'Or, our research and teaching institute. The budget for the next 10 years is more than BRL 1 billion, and there we have a high level of commitment to cutting-edge science – so much so that we were prominent in studies on the Zika Virus and in clinical studies of vaccines against Covid 19. This commitment is reflected in the high volume of studies published annually in the main national and international scientific journals.

LC – ENEVA: Energy systems must be secure, equitable, and environmentally sustainable, in a trilemma that must be managed and balanced between these three dimensions. Thermoelectric generation plays a key role in this balance, contributing to a responsible and resilient transition. Notwithstanding the importance of its contribution to supply reliability, Eneva has been the generator that has invested the most in recent years to improve the carbon emissions performance of thermoelectric generation. The Paranaíba V and VI cycle closure projects increase Brazil's generation capacity without consuming an additional molecule of natural gas and without emitting greenhouse gases. The Azulão-Jaguatirica project developed an innovative solution, never before applied in Brazil, which today supplies up to 70% of the power needed in the state of Roraima, replacing diesel generation, and cutting CO2 emissions by up to 30%, while contributing to the reduction of the CCC.

In addition, the acquisition and completion of the Futura I solar park, one of the largest in South America, marked our entry into the segment, adding renewable energy generation capacity to the Brazilian matrix, which already has one of the lowest carbon intensities in the world.

We have also developed innovative solutions to reduce our clients' carbon footprint. The small-scale LNG supply contracts for Suzano and Vale, and soon for other clients, will allow us to replace the burning of diesel and/or fuel oil with natural gas, with a consequent reduction in greenhouse gas emissions.

Looking for opportunities to reduce the climate impact of our operations is an integral part of everything we do, and two examples are worth highlighting: In our Exploration operations, we have acquired a state-of-the-art rig that will come into operation in 2024; by using natural gas powered generators, diesel consumption will be reduced. We are also making efforts to soon replace our LNG transportation fleet with new LNG-powered trucks. These are just two examples of many other efforts to improve the efficiency and climate impact of our operations.

The amount invested in these projects, which undoubtedly contribute to reducing greenhouse gas emissions, exceeds BRL 8 billion. And all this with projects that generate a return for the company and our shareholders!

Aware of the importance of the Amazon in regulating the climate, we are committed to contributing to the preservation of 500,000 hectares of forest in the region. To this end, we are in the final stages of selecting projects to support Conservation Units, which will be matchfunded by the BNDES; additionally, we have already started implementing Agroforestry Systems in partnership with family farmers.

In the social area, we operate in frontier areas of social development, where we find the lowest rates of social progress in Brazil. Eneva contributes compulsorily to the increase in revenue for states and municipalities and to the payment of royalties, thus helping to make investments in social infrastructure feasible, in areas such as education and health. We provide training and qualified jobs for local populations, raising per capita income in our area of influence and providing opportunities for thousands of families to improve their lives. We go beyond legal and compulsory requirements and develop voluntary projects to foster the socio-economic betterment of the inhabitants of the regions where we operate. Among the causes we support are the empowerment of socially vulnerable women, economic diversification through entrepreneurship, sustainable family farming, investment in the development of technical and vocational schools, the improvement of education and productive insertion into the labor market, and programs to develop local labor and suppliers. For our graduate trainee classes, which are geared towards developing the company's future leaders, we mostly recruit recent grads from the states where we operate. In this way, we have access to a much larger and diverse pool of promising young people, with different life stories and visions, who shortly will contribute to a better understanding of the needs of the regions and communities where we develop and operate our projects.

In the area of applying new technologies, we believe that we can use many of Eneva's engineering and geoscience competencies to select and adopt techniques that will contribute to an economy closer to zero carbon and that can themselves become new value chains and future business lines for the company. Some examples are the efforts we are making to develop knowledge and regulations for the capture, storage, and/or use of CO_2, or on another front, the understanding of thermoelectric generation technologies with zero emissions, such as oxy-fuel or pre-combustion CO_2 capture and storage. These technologies are already being developed in the northern hemisphere and could, in the not-too-distant future, be used by Eneva as pilot projects in Brazil.

For more information on all these initiatives and others, please check out our sustainability report, available on our website, where we offer complete data on our activities and additional details on the ESG initiatives we have developed at Eneva. I'm sure you'll be surprised by all the investments the company is making for a more sustainable future.

Finally, in terms of governance, we meet the highest standards in Brazil, set by B3. Thus, we have several initiatives, including an ethics and compliance training program, a whistleblowing channel, investigations into all occurrences, resources allocated to maintaining a complete compliance department, and policies and guidelines designed to meet the strictest requirements of B3 and the recommendations of institutes and bodies dedicated to formulating the best corporate governance practices. The company also has an independent board of directors, as well as people and remuneration, finance, and audit committees, the latter of which is independent of the executive management and reports directly to the board; the company's internal audit department reports to the committee itself.

LHG – COSAN: We believe that we have great ambition in the sustainability agenda, and we believe this issue is an important tailwind at Cosan. In each company, you need to understand how you translate the company's DNA into what you want to implement. Cosan's DNA is to achieve results. The sustainability agenda gained enormous traction within the company when people realized that it was associated with opportunities to connect directly with the bottom line, for example, by capturing the premium for a certain product or through lower funding costs. Another example is at Rumo. We are developing a very robust social agenda, with enormous internal engagement, starting with the episodes of vandalism in the Santos lowlands, when everyone realized the sensitivity and importance of the issue. This is the way things move at Cosan: From a pragmatic point of view, understandings materialize into practical goals and lines of action.

DV – NUBANK: Nubank is a company that has had a strong social component since the very beginning, and we are in the early days of executing our mission. Regarding environmental sustainability, the fact we are a fully digital company, with no physical branches, and that does not provide lending to large corporations means we have much lower carbon emissions compared to the incumbent peers, and yet we offset all our emissions since our inception.

MP – RD: We've always been a very good company, and concerned about all the impact we create with our business.

In 2020, we organized all of this into a program called #todocuidadoconta. This program brings together the entire sustainability strategy in three pillars: "healthier business," "healthier planet," and "healthier people."

We have listed 35 commitments for 2030, and we will deliver a much more sustainable company; indeed, we have been working on them since 2020.

We realized that all this helps to organize the agenda and brings speed to the issue. We've already started to see some fruits of our labor. In September 2023 we received the news that RD had been classified as an "A" company in the MSCI index; and another important indicator was its entry into B3's ISE in 2021.

All this shows that we are on the right track and managing to link the sustainability strategy with the company's purpose, which is to move together towards a healthier society.

Our sustainability strategy feeds into our business strategy, which is for our pharmacies to participate in a healthier society.

WS – SUZANO: The ambition is very high. The speed is very positive. But obviously there is a dispersion of results. In some of the indicators we have progressed more quickly than others, but what I see is a lot of consistency on the one hand, and on the other a lot of resilience on the part of the teams in the quest to achieve the indicators we set ourselves. Our clarity of ambition is very significant because we understand our responsibility. And on the other hand, we understand that this is a collaborative agenda, with society, with our peers, and with other industries too. This is a collective agenda – both environmental and social – of transformation, which is fundamental in the society we live in.

GW – GERDAU: Since its foundation in 1901, Gerdau has always had a robust sustainability agenda, although the requirements of this agenda have been updated over the years. The main advantage of having this agenda in place for so many years is the creation of a corporate culture, where each of the company's 35,000 employees places their daily behaviors and decisions firmly in line with preserving the environment and improving society. All of us at Gerdau see our company's leading role in the search for solutions to our planet's current major problems. We will continue to search tirelessly for short- and long-term alternatives to improve people's lives and decarbonize our activities.

FB/JPF – NATURA: We are already one of the global leaders in sustainability. But sustaining is not enough: We need to restore, heal, and regenerate individuals and human relationships with other living beings and with the planet.

We recently revisited our commitments for 2030 and raised our ambitions. In 2024, we will update our 2050 vision with regenerative business ambitions.

At Natura, our ambition is to turn socio-environmental challenges into business opportunities, into an engine for innovation. Therefore, going beyond sustainability will take us to new frontiers of differentiation with our customers and consumers, creating new competitive advantages.

BL – LOCALIZA: Our business was born with a sustainable concept, which is the sharing economy, since a single fleet car can serve hundreds of people during its lifetime. We are proud to have reached the 50th anniversary of the founding of Localiza&Co with a consistent ESG agenda that is constantly evolving and attentive to society's demands. To generate a positive impact for our stakeholders, sustainability needs to be part of the culture and considered in business decisions. We need to be genuine and, above all, choose well the fronts where we want to devote energy over the years.

To this end, we have built our ESG agenda based on in-depth listening to all our stakeholders and have established three priority pillars: (1) Sustainable Mobility; (2) Entrepreneurship for Social Transformation; and (3) World-Class Governance and Culture. For each of these, we have well-defined initiatives and targets so that our teams can develop and implement concrete actions for each challenge.

In **Sustainable Mobility**, our priority is to move towards a low-carbon economy, using resources efficiently and acting on the triad of measuring, reducing, and compensating. Within this strategy, we have chosen the "reduce" pillar as our main focus because it has truly transformative potential. And to make this vision a reality, we have chosen ethanol – a biofuel that emits up to 90% less GHG than gasoline – as the most efficient and scalable solution in the short and medium term. To give you an idea, we fuel 100% of our flex-fuel cars with ethanol. We also offset all our operational emissions by purchasing credits from the REDD+ Jari Amapá project, an initiative that contributes to the preservation of the Amazon rainforest and has prevented the deforestation of approximately 580 hectares per year. We also ensure that 100% of the energy consumed by the company comes from renewable sources, through solar farms, the installation of photovoltaic panels in stores and branches, the purchase of energy on the free market, and the acquisition of renewable energy certificates (I-RECs).

In **Social Transformation**, our goal is to develop initiatives for a world with more equal opportunities. We turned this aspiration into action by launching the Localiza Institute in 2021. The Institute implements projects that facilitate access to education and foster entrepreneurship in vulnerable communities by offering and supporting training in the areas of technology, tourism, creative industries, and the mobility chain. Since it was founded, the Institute has supported 49 projects, which have, in turn, impacted more than 12,000 young people in all Brazilian states.

It is on this front that Localiza&Co's **Diversity & Inclusion** initiatives are also inserted, which are fundamental for us to have an increasingly inclusive company. To this end, we have structured a program that breaks down into six priority themes: 50+, gender equity, LGBTI+, people with disabilities, migrants and refugees, and race.

Our results have been recognized in the last year by highly reputable institutions such as Exame ESG, Best ESG (Institutional Investor); Best Workplaces for Women (GPTW Women); and Best Places to Work for LGBTQ+ Equality (Human Rights Campaign). These awards encourage us to keep moving forward, knowing our responsibility to do more and better every day. With this in mind, we remain focused on advancing towards a decentralized ESG culture that (a) feeds back on the company's capillarity and size; (b) takes these practices into the value chain with a collaborative attitude; (c) shares good practices and co-creating solutions; and (d) influences clients and employees to make more sustainable choices.

EP – VIBRA: ESG is an integral part of the way we do business.

Starting with E, the environment, we have already committed to neutralizing our scope 1 and 2 carbon footprint by 2025. With regard to scope 3, that is, our customers' emissions, we want to be increasingly perceived as their best choice for their decarbonization journeys. We are working to be increasingly prepared with products and services that meet their needs.

With regard to S, safety is a non-negotiable value. We have made great progress on diversity and inclusion issues in the company; indeed, we have ambitious goals for the coming years, especially in relation to women and Black people. We are also working on our social focus in a project in the area of sexual exploitation of children and adolescents, where we intend to make a significant impact in Brazil.

Finally, with regard to G, our main focus is on best governance practices and integrity, demanding ever higher standards of excellence.

HS –WEG: WEG has a positive track record in terms of its sustainability agenda. However, as in any context, there are ongoing demands for improvement, and there's no exception in the area of sustainability. I see this agenda not as a process of definitive implementation, but rather as a constant journey towards sustainability, marked by continuous progress that expands in scope with increasing speed.

7. Any other themes/messages that weren't covered that you'd like to mention?

PM – REDE D´OR: The interview was for the CEO, but extrapolating to my role as the second generation of the controlling family, I wanted to highlight the long-term commitment that the controlling shareholders have to the company and to the country. Throughout the company's history, the level of investment has remained extremely high as a result of our desire to continue leading this company for many, many decades. Our relationship with Rede D'Or is visceral.

LHG – COSAN: We are going through a complex phase, one in which the combination of relevant changes in aspects such as people, behavior, values and technology has brought important challenges in company management.

A number of factors have moved in recent years, many of them to do with technology, and others related to people's perception of what is of value to them. These are the trade-offs between freedom, quality of life, money, and possessions. I realize that a high level of romanticism has been introduced into this topic, and companies – which are learning to deal with all this – are losing a lot of productivity. One of these aspects is working from home. People are confusing flexibility with working from home. Commitment and formation of culture cannot be diluted.

Another important issue is the massive entry of artificial intelligence, which is transformative. I think the CEOs of my generation are ill-equipped to deal with this, as are the other levels of management. We have a very big challenge, which is to reformat the way companies relate, work, and generate value. This is a topic I intend to devote more time to. We are a long way from taking advantage of the opportunities that these tools can bring to people in terms of replacing bureaucracy and repetitiveness, freeing them up to connect more, and get on with more complex, interesting, and productive tasks. This is in line with their aspirations, as it brings them closer to the company's achievements.

DV – NUBANK: I would encourage you to read the "Letter from our Founders" added to our Form F-1 at the time of our IPO at the end of 2021. This letter was written about 2 years ago, but still embodies our core beliefs in what and how Nubank has built over the past decade.

WS – SUZANO: I think it's very important that we put our responsibility as a company and as business leaders into perspective. There has come a time in the world when companies have become more relevant than the size of the federal government. Fifty years ago, the size of the federal government was much greater than that of companies; today, companies as a whole have started to become much more dynamic and much more responsible. This has to go beyond the fence. This has to go beyond maximizing productivity gains. The message that we have to give – and I see that Dynamo adopts it on a routine basis in the companies in which it operates – is to understand that companies have a role to play in social and environmental transformation, and they have to play that role. The message I'd like to give is the importance of this, that is, not to "check the box" – I do that and therefore agree with compliance – but to genuinely and truly understand our responsibility in this process of transformation.

GW – GERDAU: I would like to underscore the strong concern that Gerdau has had with the mental health of its employees, especially in the aftermath of the pandemic. We have been measuring mental health indicators for some years and they have been deteriorating in recent quarters. We have implemented very robust actions to minimize this situation, including seeking advanced knowledge such as GNH (Gross National Happiness), which was the reason for an immersion I did in Bhutan recently.

FB/JPF – NATURA: We are on the right track, reinforcing our good culture, recovering margins, and focusing our strategy on markets where we have good competitive conditions, with discipline in the allocation of capital.

In 2024 we will celebrate 20 years since Natura's IPO and the Novo Mercado. We would like to use the anniversary to promote a debate on the virtues and challenges of the capital market in improving governance and developing companies, and we would like Dynamo to help us structure this event.

EP – VIBRA: In short, we have the appropriate strategy for the company's moment, and we intend to consistently

DYNAMO COUGAR x IBOVESPA (Performance in US$)*

Period	DYNAMO COUGAR Year	DYNAMO COUGAR Since Sep 1. 1993	IBOVESPA** Year	IBOVESPA** Since Sep 1. 1993
1993	38.8%	38.8%	7.7%	7.7%
1994	245.6%	379.5%	62.6%	75.1%
1995	-3.6%	362.2%	-14.0%	50.5%
1996	53.6%	609.8%	53.2%	130.6%
1997	-6.2%	565.5%	34.7%	210.6%
1998	-19.1%	438.1%	-38.5%	91.0%
1999	104.6%	1,001.2%	70.2%	224.9%
2000	3.0%	1,034.5%	-18.3%	165.4%
2001	-6.4%	962.4%	-25.0%	99.0%
2002	-7.9%	878.9%	-45.5%	8.5%
2003	93.9%	1,798.5%	141.3%	161.8%
2004	64.4%	3,020.2%	28.2%	235.7%
2005	41.2%	4,305.5%	44.8%	386.1%
2006	49.8%	6,498.3%	45.5%	607.5%
2007	59.7%	10,436.6%	73.4%	1,126.8%
2008	-47.1%	5,470.1%	-55.4%	446.5%
2009	143.7%	13,472.6%	145.2%	1,239.9%
2010	28.1%	17,282.0%	5.6%	1,331.8%
2011	-4.4%	16,514.5%	-27.3%	929.1%
2012	14.0%	18,844.6%	-1.4%	914.5%
2013	-7.3%	17,456.8%	-26.3%	647.9%
2014	-6.0%	16,401.5%	-14.4%	540.4%
2015	-23.3%	12,560.8%	-41.0%	277.6%
2016	42.4%	17,926.4%	66.5%	528.6%
2017	25.8%	22,574.0%	25.0%	685.6%
2018	-8.9%	20,567.8%	-1.8%	671.5%
2019	53.2%	31,570.4%	26.5%	875.9%
2020	-2.2%	30,886.1%	-20.2%	679.0%
2021	-23.0%	23,762.3%	-18.0%	538.9%
2022	-7.8%	21,899.9%	12.0%	615.4%
2023***	25.2%	27,437.2%	22.7%	777.5%

(*) Considering that this is a Fund that has existed since 1993. the figures were converted into dollars (US$) as a way to eliminate the volatility of the Brazilian currency throughout the period and. in this way. minimize the risk of possible misinterpretations by the reader in the case of an investment decision/ divestment. Dynamo Cougar is a fund that invests in NAV of an equity investment fund and is currently closed for new investments. (**) Ibovespa closing price. The index is presented as a mere economic reference and does not constitute a target or benchmark for the Fund. (***) Return up to November 2023.

and robustly deliver results for all our stakeholders, with a long-term agenda and much value creation.

Rio de Janeiro, 27th December 2023.

Additional information:

- **Inception:** 09/01/1993
- **Objective:** Deliver NAV appreciation above inflation in a medium/long term horizon by investing at least 95% (ninety-five percent) of the fund´s net worth in the NAV of Dynamo Cougar Master Equity Investment Fund ("Master Fund")
- **Target investor:** Qualified investors
- **Status:** Closed for new investments
- **Redemption grace period:** 12 months grace period or liquidity fee of 3% for redemption within this time period*
- **Redemption NAV:** D+12 (calendar days)*
- **Redemption payment:** D+2 (working days) after NAV conversion*
- **Applicable taxation:** Equity
- **Anbima´s classification:** "Equity – Free Portfolio"
- **Management fee:** 1.90% per year for the Fund + 0.10% for the Master Fund
- **Performance fee:** on the top of IPCA + IMAB*
- **Average monthly net worth last 12 months:** R$ 5,691.1 Million.

(*) Detailed description provided in the bylaws

To find more information about Dynamo and our funds. or if you wish to compare the performance of Dynamo Cougar to other indices in different time periods. please visit our website:

www.dynamo.com.br

DYNAMO

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