

LOJAS RENNER S.A.

   

Policy for Allocation of Results

SUMMARY

1	INTRODUCTION.....	3
2	TO WHOM IT APPLIES.....	3
3	POWERS.....	3
4	ALLOCATION OF RESULTS.....	3
5	RULES FOR DISTRIBUTION OF DIVIDENDS.....	4
6	STATUTE OF LIMITATIONS ON RIGHT TO DIVIDENDS.....	6
7	CUSTODY AND PAYMENT.....	6
8	FINAL PROVISIONS.....	6

1 INTRODUCTION

This policy is designed to establish the rules for the distribution of results to the shareholders of Lojas Renner S.A., pursuant to the prevailing legislation, without prejudicing the investments necessary for the continuity of the Company.

2 TO WHOM IT APPLIES

This Policy applies to all the members of management and shareholders of Lojas Renner S.A..

3 POWERS

The General Shareholders Meeting has the powers to allocate the net income recorded for the previous fiscal year following analysis of the proposal presented by the Management of the Company.

Prior to each Annual General Meeting, management must prepare a proposal for the allocation of the net income reported for the preceding fiscal year.

In January of each year, following due consideration of the policy for the Company's sustained growth and its investment plan, the Board of Directors decides the percentage of net income for the preceding fiscal year to be presented for examination by the shareholders at the general meeting, as distribution of dividends. Quarterly, the Company credits interest on capital to its shareholders, which is paid jointly with the annual dividend (until ten (10) days after the Annual General Meeting approving the allocation of the results of the previous year.

4 ALLOCATION OF RESULTS

Net income for the fiscal year shall be allocated as follows:

(a) at least 5% (five percent) to the legal reserve up to 20% (twenty percent) of the capital stock. In the fiscal year in which the balance of the legal reserve plus the amounts in the capital reserves exceed 30% (thirty percent) of the capital stock, the allocation of part of the net income for the fiscal year to the legal reserve shall not be mandatory;

(b) in each fiscal year, the amount necessary for the payment of a mandatory dividend may not be less than 25% (twenty-five percent) of the annual adjusted net income, pursuant to Article 202 of the Corporate Law;

(c) the remaining portion of the adjusted net income shall be allocated to the Reserve for Investment and Expansion for reinforcing the Company's capital stock and working capital in order to ensure suitable operating conditions. The balance of this reserve, added to the balances of the other revenue reserves, except unrealized revenue reserves and reserves for contingencies, may not surpass the value of the capital stock. Once this ceiling is reached, the General Meeting may deliberate on the application of the excess for the paying in of capital or increasing the capital stock or the distribution of dividends.

5 RULES FOR THE DISTRIBUTION OF DIVIDENDS

The Company is obliged under the Corporate Law and the Bylaws to hold an Annual General Meeting by the fourth month subsequent to the end of each fiscal year in which, among other matters, the shareholders shall decide as to the distribution of the annual dividend. The payout of annual dividends is based on the audited financial statements for the immediately preceding fiscal year. The holders of shares on the date on which the dividend is declared shall be entitled to receive the dividends.

Pursuant to the Corporate Law, the annual dividend must be paid within 60 days from its declaration unless the shareholders shall decide upon another date for payment. However, irrespective of circumstances, payout must occur prior to the end of the fiscal

year in which the dividend has been declared. The Company's Bylaws do not establish that the amount of the payment shall be restated for inflation.

The Company's Board of Directors may declare interim dividends or interest on capital for account of profits recorded in the semi-annual balance sheet. In addition, the Board of Directors may determine the raising of balance sheets for periods of less than six months and declare dividends or interest on capital on the basis of profits recorded in these balance sheets, conditional on the total dividends paid in each semester of the fiscal year not exceeding the amount of the capital reserves pursuant to the first paragraph of Article 182 of the Corporate Law.

Brazilian companies are authorized to pay interest on capital limited to the holders of shareholding stakes and to consider such payments deductible for the purposes of corporate income tax and also for the effects of the social contribution.

The deduction is limited to whichever is the higher between: (i) 50% of the Company's net income (after deduction for social contribution and prior to considering the said distribution and any other deductions with respect to income tax) for the period with relation to which the payment is effected; and (ii) 50% of the accumulated profits of the Company.

The payment of interest on capital is made as an alternative to the payment of dividends. Interest on capital is limited to the variation on a daily pro rata basis of the Long Term Interest Rate. The amount paid in the form of interest on capital, net of income tax, may be incorporated as part of the amount of the mandatory dividend.

In accordance with the applicable legislation, the Company is obliged to pay shareholders an amount sufficient to ensure that the net value received by them in the form of interest on capital, discounting the payment of withholding tax, plus the value of the declared dividends, is equivalent to at least the amount of the mandatory dividend.

6 STATUTE OF LIMITATIONS ON THE RIGHT TO DIVIDENDS

Shareholders have a timeframe of three years to claim dividends (or payments of interest on capital) with respect to their shares as from the date on which the dividends or interest on capital has been placed at their disposal, after which the unclaimed dividends or interest on capital shall revert in favor of the Company.

7 CUSTODY AND PAYMENT

The dividends and interest on capital shall be paid through the Depositary Institution for the shares issued by the Company – Banco Itaú S.A. (“Banco Itaú”) by automatic credit to those shareholders that have informed Banco Itaú as to the number of their CPF/CNPJ and respective bank account.

For the shareholders that have not notified this information, Banco Itaú shall send the respective advice of payment, which shall be presented at one of its branches, together with information with respect to the matter, for processing the respective credit as from the third business day following the updating of the registration details.

Those shareholders using custody services shall have their remuneration credited according to the procedures established by the stock exchanges.

The Company shall publish a Notice to Shareholders following the General Meeting, notifying the date of payment of the Dividends and Interest on Capital as well as the procedures for receiving the amounts.

8 FINAL PROVISIONS

This policy was approved by the Board of Directors of the Company on October 18, 2018 and came into effect on the date of its publication.