



To:

**Sociedade de Advogados
c/o Dra. Eliane Blind**

Date: São Paulo, Monday, 7 de July de 2014.

Subject: Termination Findings

Dear Eliane,

Upon your request, I present below the terminations evaluation work, contracted by the company EMBALAGENS EXEMPLARES.

I would like to draw your attention that the sources, which the work is based on, are attached to the present document, being formed by three charts and the metallurgist bargaining agreement for the year of 1999.

The works in fact are estimation; however, they keep strong connection with the real results that shall be calculated at the time the dismissal procedures are started.

All the amounts are expressed in Real (R\$), except for the demonstrative graphs and Chart Number 8, where the amounts were converted to American Dollar at the rate of exchange of R\$ 1,80 per US\$ 1,00.

Finally, shall any doubts remain, I point out that this work has just attempted to list the current amounts of contract terminations, not considering the differences resulting from possible future labor suits. Those to be appraised shall demand a deeper study, either from the legal point of view as of the accounting one, and shall count upon extensive material furnished by the human resources department of the company.

Sincerely yours,

Marcelo Gonçalves Bucciarelli
C.R.C. 1SP - 159.525



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Findings Criteria:

General:

The findings were based upon the elements of the Brazilian Labor Law summed up to the accounting principles usually accepted in Brazil, called as Brazilian Accounting Principles and Conventions.

We have taken all the principles and conventions into our accounts with special emphasis on **uniformity**, **prudence** and **materiality (relevance)** conventions.

The **uniformity** was applied to guarantee that the demonstrations made were coherent in relation to each other, not having any differentiated approach for one or another finding.

The **prudence** (or conservatism) was used by taking into account that parts of the findings (other contingencies, FGTS fines) do not possess enough elements for absolute precision in their appraisal. Thus, the criteria applied in these inquiries always considered the largest possible amounts.

In relation to **materiality (relevance)** it can just be said that the amounts in Real and of significant importance were calculated, leaving aside those that do not cause important numeric effect.

Salaries (payments):

The supplied data does not aim at amounts designated as variable ones (overtimes, night additional, prizes, etc.) as it just aim the monthly fixed gains, from now on denominated **salary**.

Therefore, the findings are limited only to this aspect of payments. Surplus variations can occur at the time of amounts liquidation, though, the inclusion of a study covering such variable payments demanded a larger and deeper study.



Chart Number 1 – Chart of Employees.

This chart demonstrates the total number of employees of the company, the number of employees allotted in the aluminum section and the number of employees allotted in the laminate one.

For our demonstrations just the employees from the aluminum section were taken into account.

(Refer to Graph 1)

Chart Number 2 – Chart of Payments

The purpose of this demonstration is to direct which was the salary perceived by the exceeding of each of the described positions.

Starting from the total amount paid to each employee category, those amounts were divided by the number of employees of the category. The obtained result corresponds to the value perceived by the exceeding of each position.

Note: In this chart, the informed number of employees corresponds to the total number of employees in the company, with no division per areas (aluminum x laminate). It may have significant impact on the future output of a positions and salaries plan of the company.

Chart Number 3 – Chart of Terminations

Starting from salary values achieved under Chart Number 2, it was obtained in this one the amounts relating to:

- ❑ Previous notice
- ❑ Proportional 13th Salary
- ❑ FGTS and 40% fine on Proportional 13th Salary
- ❑ Vacations
- ❑ 1/3 Constitutional Premium on the Salary



All those values are originated from findings on salaries. This chart findings aim at amounts considered for each exercised position, without presentation of a total summation.

Chart Number 4 – Chart of Terminations (Total without FGTS and Fine Calculations):

Amounts obtained under Chart Number 3 were summed up in this chart (Total of Terminations) and multiplied by the number of employees from the aluminum section (420), position by position.

The obtained result corresponds to the part of the amounts that shall be paid upon the termination, but do not include FGTS and respective fine.

This portion amounts to the equivalent figure of R\$ 719.906,43, or US\$ 399.948,02 (American Dollars).

(Refer to Graph 2)

Chart Number 5 – FGTS for Several Averages.

The correct method for FGTS findings would certainly require some minimum information, such as time of each employee's permanence in the company (admission and dismissal dates), historical gains (payment obtained during every month worked, etc.).

However, aiming at the objective to set forth the order of greatness, some findings were made considering the average time of the employees' permanence in the company.

The following situations were considered:

- 1 year average permanence.
- 2 year average permanence
- 3 year average permanence.
- 4 year average permanence.
- 5 year average permanence.

In this chart it was just obtained all that could have been collected in terms of FGTS (this portion is not due because it has already been collected to the coffers of Caixa Econômica Federal). The purpose of those findings is restricted to the fact that the 40% fine calculation over FGTS (Chart Number 6), is dependent on FGTS amounts collected.

Chart Number 6 – FGTS Fine for Several Averages – Individual

FGTS values obtained under Chart Number 5, were multiplied by 40% (0,40) in this chart resulting in the amounts due to FGTS 40% Fine.

The presented amounts follow the same idea of the previous chart, demonstrating the fine obtained values for 1, 2, 3, 4 and 5 working year average.

Chart Number 7 – FGTS Fine for Several Averages – General

Finally, this chart demonstrates the calculated values due to 40% fine over FGTS, for each one of the indicated positions and taking into consideration the exceeding number of employees for each position.

Just to serve as an example, it can be made reference to Decoration A and B positions.

It was attained in this category the individual amount of R\$ 155,32 per year of work, for the exceeding number of each position. Multiplied by 216 employees holding the positions, it was obtained the amount of R\$ 33.550,08. For 2 years, the amount obtained was R\$ 67.100,16 and so forth.

Chart Number 8 – General Findings – Summary

This chart summarizes the selected amounts. One may notice that the termination amounts are maintained fixed, just varying the ones relating to the Fines on FGTS, according to the years of findings.

It is important to notice that exist some findings herein called **Other Contingencies**. This headline corresponds to a 10% amount resulting from total on terminations and fines on FGTS. It is a conservative estimate



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(prudence) because its detailed results require the personal data of each employee.

(Refer to Graph 3)



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Other Contingencies

Compensation to the Employee Dismissed at the age of 45 or older

This compensation corresponds to the amount of 20 days of wage, plus 1 day of wage for every year surplus to the 45 years of age. For example, for a dismissed 50 year-old employee, he should receive an equivalent amount to 25 days of wage (20 + 5).

The fact is that in this very evaluation such information was not available, impeding thus the precise and absolute finding of this normative rule.¹.

Therefore, these contingency findings were obtained from applying 10% over the total of found amounts, even though it was done only for provision purposes.

Closing:

Henceforth, we close our presentation hoping it can meet your demands. Make sure to get in contact with us if further details are deemed necessary.

Cordially yours,

Marcelo Gonçalves Bucciarelli - CRC 1SP - 159.525

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¹ The findings under this item are originated from the Metallurgists Collective Work Convention (item 18).



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On The Audit Work:

Upon search engaged at the company Embalagens Exemplares, we have visited several departments, and interviewed some employees at the cities of Mogi das Cruzes and São Paulo.

Especially in Mogi das Cruzes, we have talked to Mr. Manoel Oliveira, who reported information related to the routine, working conditions, labor proceedings, etc.

In São Paulo, two people were interviewed: Mr. Armando Clothier Jr. and Mr. Adriano Nazário.

All information rendered was checked against the available documents.

We report below the following conclusions:

Documents Available:

The company has documents related to the employees in an extremely organized manner.

All requested documents were promptly presented to the auditors.

All visits were accompanied directly by Mr. Manoel Oliveira, who is the *controller* and centralizes all the positions of personnel department, human resources and financial area.

Such employee has authorized requested documents exhibition, and withheld other ones, based on the assumption that Embalagens Exemplares still is a competitor.

Labor Suits

It was requested to the company a report envisaging the existing labor suits.

At the same time, we requested a survey at the Labor Court to confirm the veracity of such information.

We found out 120 legal suits in progress, out of which, 52 have already reached some agreement.

The remaining legal suits are awaiting for trial. Out of 68 legal suits in progress, we have checked that 92% of the cases, it is alleged the risk premium.

The reason why is that the company, up to July/97, kept oil stocks, as it is classified as explosive or flammable material that represents a risk to employees' health. In view of such fact, the employees should be paid a 30% premium over the monthly salary, what never happened.

Such a fact gave origin to the above number of labor suits, which are being managed.

In accordance with the information reported by Mr. Manoel Oliveira, the company guidelines to the lawyer in charge of the labor suits is to get into some agreement, before there is a examination at the company upon Court determination, what would imply additional costs, since it is 100% risk confirmed as per all suits that have already been judged, as there is no probable way to revert the outcome.

As per the report, which has been forwarded to you, the current cost of the labor suits is US\$ 516,000.00.



Besides that, we have considered the possibility that all the current employees may sue the company pleading the referred premium. It is important to pinpoint that the Union may sue the company alleging to benefit all current employees plus the former ones, who had not decided for the legal suit.

As it has been previously explained, the limitation to plead labor rights is five years. As the oil tanks from the company have been withdrawn in July/97, the limitation to sue the company shall expire in July/2002. After that, no right shall be alleged in regard to the risk premium.

And yet it shall be stressed that the company has no accounting provisions for such contingencies.

Hidden Liability

Taking the above explanation into account, we have already considered some possible labor suits, when employees may plead the risk premium.

Additionally, we have registered a problem concerning the working hours in the São Paulo office.

In accordance with the Brazilian legislation, maximum working hours are comprise eight, except otherwise provided, it is not applicable to such an assumption.

In São Paulo, such a limit is not obeyed. Henceforth, there is a risk that the employees from this office sue the company.

Considering those two problems (risk and extra working hours) we estimate a possible liability of US\$ 1,099,366.63.

Besides that, there is an employee that is not regularly registered and, therefore, is not entitled to the labor rights (vacations, 13th salary, FGTS), who may cause future labor problems.

Another problem may not, as the previous one; represent a great liability volume is the awarding of vehicle and mobile phone to managers. In accordance with the Brazilian legislation, such fringe benefits are integral part of the salary and for that reason shall not be taken into consideration as basis for 13th salary, vacations, FGTS, and INSS calculation.

Auditing Results

General Criteria:

The performed auditing followed the criteria set forth by the Auditing Rules Commonly Accepted and by the Accounting Principles and Conventions in force in Brazil.

Extremely strong testes were applied to the procedures adopted by the company Embalagens Exemplos do Brasil S/A., aiming not only to find out the current situation of the personnel department, but also to redirect its procedures consonant the most recent operation criteria.

Object:

The procedures concerning the personnel department were examined either in the aspects of the legal proceedings and the ones related to the financial management of the payments regarding FGTS, IRRF, GRPS and GPS (those two last refer to the Brazilian Social Security).

Selection Basis:

We have selected the years of 1996, 1997, 1998, 1999 and 2000. All the months have been thoroughly examined without exception.

Examined Documents:

Values.

The examined documents were the following:

- GRPS
- GPS
- FGTS
- IRRF
- CAGED (Dismissal General Registration – dismissed employees)
- Payment roll

Procedures.

- Employees Registration Sheet.

Comments on Values Crossing:

The procedures related to payments were based upon the materiality (critical) and the fulfillment of limitation, such as payment dates and fines.

Within the general context we found out a few number of fines due to delay in payment and the largest amount of them from the period of 1996 and 1997, meaning thus that they have been settled.

It was not detected any problem related to the non payment of tax payment forms, which reveals that the company has the payments settled, at least, under this procedural situation.

In regard to current employees registration, significant deviations were checked among the documents containing such information. The conclusion we came up to is that the control procedure shall be dimensioned again.

Concerning the tax payment forms values paid, the crossing of the values revealed the same trend, being the final conclusion that those procedures shall be resized as well.

A scoring chart was created, granting the procedures marks from 0 to 10 and the outcome is the following:

Year	Marks
1996	4,60
1997	5,22
1998	4,83
1999	4,37
2000	4,18
Average	4,18

The criteria we have used considered the following scale of values:

Scale	Classification
From 7,00 to 10,00	Excellent
From 5,00 to 6,90	Good
From 3,00 to 4,99	Acceptable
From 0,00 to 2,99	Inadequate
Obtained Classification:	Acceptable

Recommendation:

The assessed department is closely connected to Information Systems. It was noticed during our visits that some procedures executed by the Information Systems are so fully automated that excluded the involved people who were aware of some adopted practices. It is recommended that those people gather greater knowledge on the outcome produced by the system. Such practice shall certainly result in greater accuracy of the tax payment forms regular procedures, increasing the attained classification.

Comments on Legal Proceedings:

The legal proceedings involving employee's registration in the company, such as registration data, personal data, data on color, sex, affiliation, documental data, activities history, vacations and unions' contributions history, shall deserve a fairly good evaluation.



The registration sheets of all current employees were examined. The failures detected in the procedures were minimal, revealing that there is a constant concern with this procedure. It shows that for the external public - fiscal, Federal Government auditors - it is all under perfect control.

The obtained mark for this procedure was 9.01, out of 10 maximum, deserving the appraisal.

Recommendations:

We have not recommendation for this item.

Auditing Conclusion:

To approach the best conclusion it is necessary to set forth a mark for the department. Taking into account the obtained mark, during the year in course in relation to the values (4,18) plus the obtained mark referring the procedures (9,01), it was accomplished the average of 6,83, which consonant the prior classification table, ranks the department as good.

However, it does not mean that one shall not follow the recommendations on tax payment form procedures, indicated under the item "Comments on Crossing of Values:"



Closing

The above report exposes the problems and the qualities of the audited company. Soon, we shall be sending the original report and the analytical graphs of the assessment above.

We are still transmitting by fax the list of the current employees salary.

Any further detail or explanation that may be deemed necessary, we shall be fully at your disposal.

Sincerely yours,

Marcelo Gonçalves Bucciarelli
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