



**RELATED-PARTY TRANSACTIONS POLICY**

**OF**

**AZUL S.A.**

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Approved at the Meeting of the Board of Directors of AZUL S.A. held on  
November 8, 2017.

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## Related-Party Transactions Policy of Azul S.A.

### Table of Contents

CHAPTER 1 – OBJECTIVES.....	3
CHAPTER 2 – DEFINITIONS.....	3
CHAPTER 3 – IDENTIFICATION OF POTENTIAL RELATED-PARTY TRANSACTIONS.....	5
CHAPTER 4 – APPROVAL OF RELATED-PARTY TRANSACTIONS.....	5
CHAPTER 5 – PROHIBITED RELATED-PARTY TRANSACTIONS.....	7
CHAPTER 6 – EXEMPT RELATED-PARTY TRANSACTIONS .....	7
CHAPTER 7 – IMPEDIMENTS .....	7
CHAPTER 8 – PROCEDURE FOR NON-APPROVED TRANSACTIONS.....	8
CHAPTER 9 – RELATED-PARTY TRANSACTIONS REVIEW.....	8
CHAPTER 10 – DISCLOSURE OF RELATED-PARTY TRANSACTIONS.....	8
CHAPTER 11 – PENALTIES .....	9
CHAPTER 12 – POLICY UPDATE .....	9
CHAPTER 13 – TERM .....	9

## CHAPTER 1 – OBJECTIVES

**Article 1.** This Related-Party Transactions Policy (“Policy”), proposed by the Governance Committee and approved by the Board of Directors of Azul S.A. (“Azul” or “Company”), sets forth procedures to ensure that transactions involving related parties of Azul, its controlling shareholder, members of management or its subsidiaries, as well as situations with a potential conflict of interest, are entered into in the best interest of Azul and its shareholders at all times.

**Article 2.** This Policy applies to all employees and members of management of Azul and its subsidiaries.

**Article 3.** The purpose of the procedures set forth in this Policy is to ensure that transactions involving Related Parties (i) are in line with the interests of the Company, (ii) receive unbiased treatment, and (iii) are timely disclosed, in detail, to the shareholders of the Company.

**Article 4.** This Policy is in accordance with the Bylaws of the Company; Law No. 6.404/76; rules issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*) (“CVM”) and the U.S. Securities and Exchange Commission (“SEC”) providing for this matter; the Technical Pronouncement of the Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*) – CPC 05 (R1); the Level 2 Corporate Governance Listing Rules of B3 S.A. – Brasil, Bolsa, Balcão (“B3”) and the New York Stock Exchange (“NYSE”) applicable rules; the Self-regulation Code of Mergers and Acquisitions (*Código de Autorregulação de Aquisições e Fusões*) of the Mergers and Acquisitions Committee (*Comitê de Aquisições e Fusões*) (“Código CAF”) and the Code of Corporate Governance Best Practices (*Código das Melhores Práticas de Governança Corporativa*) of the Brazilian Institute of Corporate Governance (*Instituto Brasileiro de Governança Corporativa*) (“IBGC”).

## CHAPTER 2 – DEFINITIONS

**Article 5.** For all purposes and effects of this Policy, the following capitalized defined terms and expressions have their meanings indicated below, without prejudice to other capitalized defined terms and expressions, whose meanings are set forth in this Policy:

“Related Parties” means:

(a) any individual, legal entity or any other entity that, directly or indirectly, through one or more intermediaries: (i) controls, is controlled by or is under common control of the Company (including parent companies or subsidiaries); (ii) holds an equity interest in the Company that allows it to significantly influence the Company; or (iii) exercises joint control over the Company;

(b) joint ventures in which the Company is an investor;

(c) members of the Key Management of the Company or of its controlling shareholders;

(d) Close Family Members or any other person referred to in items (a) or (c);

(e) any subsidiary, joint subsidiary or subsidiary significantly influenced by any person referred to in items (a), (c) or (d), or any subsidiary, joint subsidiary or subsidiary in which significant voting power is directly or indirectly held by any person referred to in items (a), (c) or (d);

(f) affiliates of the Company; or

(g) any company that promotes post-employment benefit plans on behalf of the employees of the Company.

Sole Paragraph. For purposes of this Policy, Related Parties of the Company do not include legal entities that (i) only have members of management or Key Management in common with Azul, or (ii) are under significant influence of a member of Key Management.

“Close Family Members” means family members who can be expected to influence or be influenced by the person involved in the relevant business (business of the person or of these family members) with the Company and include: (a) the person’s parents, children, spouse or partner; (b) children of the person’s spouse or partner; (c) dependents of the person or of the person’s spouse or partner; and (d) the person’s relatives up to the second degree.

“Key Management” means individuals who have direct or indirect authority and responsibility for the planning, direction, and control of the activities of the Company, irrespective of their title.

“Significant Influence” means the power to take part in decisions on the financial and operating policies of the Company, without any individual or joint control of these policies.

“Related-Party Transaction” means the transfer of funds, provision of services or assumption of obligations between the Company and/or any of its subsidiaries and Related Parties, irrespective of payment of any consideration.

“Market Conditions” means the conditions agreed during negotiations in accordance with the principles of competitiveness (prices and conditions of services compatible with those practiced in the market); compliance (provision of services by the Company in accordance with the relevant contractual terms and conditions and the adequate information security controls); and transparency (adequate report, application and inclusion of the agreed conditions in the financial statements of the Company). Related-Party Transactions must comply with the same principles and procedures that guide negotiations conducted by the Company with non-related parties.

“Conflict of Interest” means the events or circumstances in which a Related Party has entered into any type of business or may enter into a transaction with the Company and/or any of its subsidiaries and is involved in a decision-making process in which it has the power to influence or direct the result of this process, ensuring a gain and/or benefit for itself or for any Close Family Member at the expense of the Company and/or its subsidiaries.

### **CHAPTER 3 – IDENTIFICATION OF POTENTIAL RELATED-PARTY TRANSACTIONS**

**Article 6.** Each member of Key Management is required to annually fill out a questionnaire gathering information about parties related to him or her, as set forth in this Policy, and any transactions between them and the Company that he or she is aware of. Each member of Key Management is required to obtain information from Close Family Members.

**Article 7.** The Legal Department will keep a record with the identification of Related Parties. Those responsible for transactions must refer to this record to verify whether the relevant transaction is a Related-Party Transaction before its completion.

**Article 8.** The Key Management of the Company will be informed and instructed, from time to time, about the obligation to inform the Legal Department about any potential Related-Party Transaction of the Company that they are aware of.

**Article 9.** The Legal Department will review each reported potential Related-Party Transaction to determine whether the transaction is indeed a Related-Party Transaction subject to the procedures of this Policy.

**Article 10.** Each Related-Party Transaction reported to the Legal Department must include the information required for its review, in addition to evidence and the opinion of the responsible manager that: (a) from the point of view of the businesses of the Company, the related-party transaction is clearly justifiable; and (b) the transaction is conducted on terms at least as equally favorable to the Company as those usually available in the market or offered to, or by, a third party that is not related to the Company, in equal circumstances.

**Sole Paragraph.** Each Related-Party Transaction must be completed in writing, at Market Conditions, specifying its main terms and conditions, including: consideration pursuant to the agreement, duration and termination conditions, representations and indemnities, warranties, liability (if applicable) and the forms to assess Market Conditions for similar transactions, among others.

### **CHAPTER 4 – APPROVAL OF RELATED-PARTY TRANSACTIONS**

**Article 11.** The Board of Directors of the Company will discuss and vote any Related-Party Transactions, as set forth in the Company's Bylaws, pursuant to this Policy, and may, at its discretion, subject the approval of the Related-Party Transaction to the amendments it deems necessary for the transaction to occur on an equitable basis and in the best interest of the Company and its shareholders.

**Sole Paragraph.** Corporate reorganization transactions involving the Company and Related Parties will be submitted to the review of CAF, as applicable, pursuant to the CAF Code.

**Article 12.** In its review for the approval of a Related-Party Transaction, the Board of Directors must take into account the following factors, among others that it deems material for the appreciation of the relevant transaction:

- a. The existence of clearly confirmable reasons, from the point of view of the businesses of the Company, that justify the Related-Party Transaction.
- b. Whether the transaction is conducted at Market Conditions and pursuant to this Policy and in accordance with other practices used by the Management of the Company, including the guidelines set forth in the Code of Ethics and Conduct of the Company.
- c. Whether a procurement process was conducted for the relevant transaction, including the result of this process.
- d. Any provisions or limitations imposed on the Company and/or its subsidiaries as a result of the execution of the relevant transaction or whether the transaction involves any potential risk to the Company and/or its subsidiaries (including reputational risk).
- e. The pricing method used and other possible alternative pricing methods for the transaction.
- f. The extent of the interest of the Related Party in the transaction, taking into account the amount of the transaction, the financial condition of the Related Party, the direct or indirect interest of the Related Party in the transaction and whether the transaction is continuous or non-continuous, in addition to other aspects deemed material.

**Article 13.** Related-Party Transactions arising out of the ordinary course of business of a company operating in the sector of the Company must also be submitted to the Governance Committee of the Company for assessment of compliance with the guidelines of this Policy in the transaction process. The Governance Committee will issue an opinion about the Related-Party Transaction to support the resolution of the Board of Directors.

**Article 14.** Pursuant to the Bylaws of the Company, the Audit Committee assists the Board of Directors and the internal audit area of the Company by assessing and monitoring the compliance of completed Related-Party Transactions, proceeding with the relevant confirmations related to these transactions.

**Article 15.** The Board of Directors, as well as the Governance Committee and the Audit Committee, as applicable, at their discretion, must have access to all documents regarding Related-Party Transactions, including any opinions or technical opinions that they may have received.

**Article 16.** All persons are required to report to the Company, through the communications channels set forth in the Code of Ethics and Conduct, transactions that they become aware of and that may be deemed a Related-Party Transaction or have the potential to create a Conflict of Interest. The Governance Committee is responsible, as applicable, for the issuance of an opinion to determine whether the transaction is indeed a Related-Party Transaction or creates a Conflict of Interest and must therefore be submitted to the procedures of this Policy.

Sole paragraph. Related-Party Transactions reported to the Governance Committee must always be accompanied by all information to allow a detailed analysis.

## **CHAPTER 5 – PROHIBITED RELATED-PARTY TRANSACTIONS**

**Article 17.** Related-Party Transactions are prohibited in the following events:

- a. transactions conducted at conditions that are not Market Conditions; and
- b. transactions that involve a consideration that cannot be justified or that is disproportionate in terms of generation of value for the Company and its shareholders.

## **CHAPTER 6 – EXEMPT RELATED-PARTY TRANSACTIONS**

**Article 18.** Fixed compensation, variable compensation, share-based compensation and other benefits provided to the members of the Board of Directors and Board of Executive Officers of the Company are not subject to the procedures of this Policy; provided that the aggregate compensation amount has been approved at a Shareholders' Meeting, pursuant to Law No. 6.404/76, or by the Board of Directors, as applicable.

Paragraph 1. Transactions whose purpose is the provision of guarantees by or to the Company, under lease agreements involving the Board of Executive Officers or employees of the Company or of its subsidiaries or affiliates are equally exempt from the procedures of this Policy.

Paragraph 2. Transactions entered into between the Company and any company whose capital stock is fully held by the Company, directly or indirectly, are also exempt from the procedures of this Policy.

## **CHAPTER 7 – IMPEDIMENTS**

**Article 19.** In the event Related-Party Transactions require approval pursuant to this Policy, persons involved in the approval process who may obtain a personal benefit or have a Conflict of Interest with the decision to be taken must declare their impediment, explaining their involvement in the transaction and, upon request, provide details on the transaction and parties involved. The impediment must be included in the minutes of the meeting of the corporate body that passes a resolution on the transaction and the relevant persons must withdraw from the discussions and resolutions.

**Article 20.** In the event Related-Party Transactions require the approval of the Board of Directors of the Company and any members of the Board of Directors are prohibited from passing a resolution on the matter due to a potential Conflict of Interest, such members must declare their impediment, explaining their involvement in the transaction and providing details about the transaction and the involved parties. The impediment must be included in the minutes of the meeting of the Board of Directors that passes a resolution on the transaction.

## **CHAPTER 8 – PROCEDURE FOR NON-APPROVED TRANSACTIONS**

**Article 21.** Any Related-Party Transaction that fails to comply with the formalization procedures set forth in this Policy and is known by the members of management or employees must be immediately submitted to the analysis of the Board of Directors, after review by the Governance Committee, as applicable.

Sole paragraph. The Board of Directors must conduct its analysis as set forth in this Policy, passing a resolution on the ratification, amendment to or termination of the transaction, always taking into account the best interest of the Company and its shareholders.

**Article 22.** The Board of Directors must examine the facts and circumstances related to the non-compliance of the transaction with this Policy and adopt the measures it deems appropriate for the situation, in order to ensure the effectiveness of this Policy.

## **CHAPTER 9 – RELATED-PARTY TRANSACTIONS REVIEW**

**Article 23.** The Board of Directors, with the support of the Audit Committee, will annually review all agreements or any other type of transaction, on a continuous basis, entered into between the Company and its Related Parties to (i) verify the interest of the Company in maintaining these transactions, as applicable, (ii) determine the termination of the transaction, or, (iii) in view of changes in Market Conditions that directly and substantially affect the transaction, determine the renegotiation of the transaction to adjust it to current Market Conditions.

## **CHAPTER 10 – DISCLOSURE OF RELATED-PARTY TRANSACTIONS**

**Article 24.** The disclosure of Related-Party Transactions will be made pursuant to applicable law, in the notes to the financial statements, clearly and accurately, in sufficient detail to identify the related parties and essential conditions inherent to the referred transactions, in order to give shareholders the option to exercise their right to inspect and monitor the acts of management of the Company.

**Article 25.** The Company will also disclose its Related-Party Transactions pursuant to the applicable Regulations of the CVM and SEC and listing rules of B3 and NYSE.

**Article 26.** The disclosure of the Related-Party Transactions of the Company must include, at least:

- a. a description of the transaction;
- b. if, when, how and to what extent the counterparty in the transaction, its partners or members of management participated in the decision-making process of the Company about the transaction; and
- c. a detailed description of the reasons why the management of the Company considered that the transaction fulfilled the commutative conditions or provided adequate compensatory payment;



a detailed description of the measures taken and procedures adopted to ensure the commutativity of the transaction; and a comparative analysis of prices, terms and conditions available in the market and related to similar transactions already entered into by the Company, the Related Party or in the market.

Sole paragraph. In case the relevant transaction is a loan granted by the Company to a Related Party, the information provided for in the head provision of this Chapter must necessarily include:

- a. an explanation of the reasons for which the Company chose to grant it instead of investing the funds in its activities;
- b. a brief analysis on the credit risk of the borrower, including a rating by an independent rating agency, if any;
- c. a description of the process for determination of the interest rate, taking into account the market risk-free rate and the credit rating of the borrower;
- d. a comparison between the interest rate of the loan and the interest rates of similar investments in the market, explaining the reasons for any differences; and
- e. a comparison between the interest rate of the loan and the interest rates of other loans obtained by the borrower, explaining the reasons for any differences.

## **CHAPTER 11 – PENALTIES**

**Article 27.** Non-compliance with the procedures of this Policy, by any person, will be examined by the Audit Committee, or, exceptionally, in case Related-Party Transactions have been entered into outside the ordinary course of business of the Company, by the Governance Committee, and an opinion with recommendations will be submitted to the Board of Directors, which may subject the offender to the appropriate disciplinary penalties, pursuant to the internal rules of the Company set forth in the Code of Ethics and Conduct, without prejudice to any administrative, civil and criminal penalties, as applicable.

## **CHAPTER 12 – POLICY UPDATE**

**Article 28.** The Governance Committee will propose updates to this Policy to the Board of Directors in case of amendments to laws or bylaws or issuance of new guidelines by self-regulatory agencies concerning this Policy.

## **CHAPTER 13 – TERM**

**Article 29.** This Policy was approved at the Meeting of the Board of Directors of Azul S.A. held on November 8, 2017 and takes effect on the date hereof.