

Politics

New administration &
reforms

For more information, please read the full notice
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NEW ADMINISTRATION





SECTION 1



Personal, educational and background (summarized version) of Jair Bolsonaro and Hamilton Mourão

	Personal	Educational	Political
 <p>Jair Bolsonaro (PSL) President</p>	<ul style="list-style-type: none"> • 63 years old • Campinas - SP 	<ul style="list-style-type: none"> • Specialization: Officers enhancement (EsAO) • Specialization: Paratrooper (Parachute Infantry Brigade) • Specialization: Physical Education (Army Physical Education School) • BS: Military Sciences (Artillery) (Agulhas Negras Military Academy) 	<ul style="list-style-type: none"> • Congressman (Federal Representative of Rio de Janeiro) - 1991-present • City councilor of Rio de Janeiro (RJ) - 1989-1991
 <p>General Hamilton Mourão (PRTB) Vice-president</p>	<ul style="list-style-type: none"> • 65 years old • Porto Alegre - RS 	<ul style="list-style-type: none"> • Specialization: Politics, Strategy and High Military Administration (ESG) • Specialization: High Military Studies (ECEME) • Specialization: Officers enhancement (EsAO) • Specialization: Paratrooper and Jumpmaster (Parachute Infantry Brigade) • BS: Military Sciences (Artillery) (Agulhas Negras Military Academy) 	<ul style="list-style-type: none"> • Secretary of Economy and Finance of the Brazilian Army: 2016-2017 • General Commander of the Southern Army: 2014-2016





Already confirmed ministries of Jair Bolsonaro

Current ministries	Ministries of Bolsonaro	Education	Background
<p>Finance Planning, Development and Management Industry, Trade and Services</p> 	<p>Economy Paulo Guedes</p>	<ul style="list-style-type: none"> • MSc and PhD: Economics (University of Chicago) • MSc: Economics (Getulio Vargas Foundation - FGV/EPGE) • BS: Economics (Federal University of Minas Gerais - UFMG) 	<ul style="list-style-type: none"> • Founder of Millenium Institute • Founder and CEO of Bozano Investimentos • Founder of BR Investimentos • Founder of JGP • CEO and majority shareholder of IBMEC • Founder of Pactual Bank • Professor at PUC-Rio, FGV and IMPA
<p>Chief of Staff of the Presidency of the Republic</p> 	<p>Chief of Staff of the Presidency of the Republic Onyx Lorenzoni</p>	<ul style="list-style-type: none"> • BS: Veterinary Medicine (Santa Maria Federal University) 	<ul style="list-style-type: none"> • Congressman (Federal Representative of Rio Grande do Sul): 2003-present • State Representative of Rio Grande do Sul (RS): 1995-2003
<p>Ministry of Science, Technology, Innovation and Communication</p> 	<p>Ministry of Science and Technology Marcos Pontes</p>	<ul style="list-style-type: none"> • MSc: System Engineer (Naval Postgraduate school - Monterrey, California) • BS: Aeronautic Engineer (Institute of Aeronautical Technology - ITA) • BS: Public Administration (Air Force Academy - AFA) • BS: Aeronautical Sciences (Air Force Academy - AFA) 	<ul style="list-style-type: none"> • UN ambassador for Industrial Development: 2001-present • First Brazilian astronaut - NASA • Fighter pilot (Brazilian air force): +2000 hours flying
<p>Ministry of Agriculture, Livestock and Food Supply</p> 	<p>Ministry of Agriculture Tereza Cristina</p>	<ul style="list-style-type: none"> • BS: Agronomic Engineer (Federal University of Viçosa - UFV) 	<ul style="list-style-type: none"> • Congressman (Representative of Mato Grosso do Sul): 2015-present • Secretary of Agrarian Development, Production, Industry, Commerce and Tourism of Mato Grosso do Sul: 2007-2014





Already confirmed ministries of Jair Bolsonaro

Current ministries	Ministries of Bolsonaro	Education	Background
Justice Public Security	Justice Sérgio Moro	<ul style="list-style-type: none"> • Course: Lawyers training program (Harvard Law School) • PhD: Law (Federal University of Paraná - UFPR) • MSc: Law (Federal University of Paraná - UFPR) • BA: Law (State University of Maringá) 	<ul style="list-style-type: none"> • Professor at UFPR and UniCuritiba • Federal Judge of the 13th Federal Criminal Court of Curitiba
Defense	Defense General Fernando Azevedo e Silva	<ul style="list-style-type: none"> • Specialization: Politics, Strategy and High Military Administration (ESG) • Specialization: High Military Studies (ECEME) • Specialization: Officers enhancement (EsAO) • BS: Military Sciences (Infantry) (Agulhas Negras Military Academy) 	<ul style="list-style-type: none"> • Army Chief of Staff: 2016-2018 • General Commander of the Eastern Army • Responsible for 2016 Olympic Games security • President of the Olympic Public Authority: 2013-2015
Institutional Security	Institutional Security General Augusto Heleno Pereira	<ul style="list-style-type: none"> • Specialization: High Military Studies (ECEME) • Specialization: Officers enhancement (EsAO) • BS: Military Sciences (Cavalry) (Agulhas Negras Military Academy) 	<ul style="list-style-type: none"> • Head of the Army's Department of Science and Technology • General Commander of the Amazon Army • Secretary of Public Security of the Ministry of Justice and Public Security • Commander at UN-MINUSTAH mission
Foreign Affairs	Foreign Affairs Ernesto Fraga Araújo	<ul style="list-style-type: none"> • MSc: Diplomacy (Brazilian Diplomatic Academy - Instituto Rio Branco) • BA: Literature and Linguistics (University of Brasília - UnB) 	<ul style="list-style-type: none"> • Deputy chief of ministry and minister-counselor at the Brazilian Embassy (Ottawa and Washington, respectively) • Head of the Division for Services, Investment and Financial Policy and the Division for Extra-Regional Negotiations of Mercosur at the Ministry of External Relations • Responsible for Mercosur-EU negotiations: 1991-1995 • Director of the Department for the U.S. and Canada at Itamaraty




Already confirmed ministries of Jair Bolsonaro

Current ministries	Ministries of Bolsonaro	Education	Background
Transparency and Comptroller Ministry	 Transparency and Comptroller Ministry Wagner Rosário	<ul style="list-style-type: none"> • MSc: Anti-corruption and Rule of Law (Salamanca University) • MSc: Physical Education (Catholic University of Brasilia) • Specialization: Exercise Physiology (Gama Filho University) • Specialization: Officers enhancement (EsAO) • Specialization: Physical Education (Army Physical Education School) • BS: Military Science (Infantry) (Agulhas Negras Military Academy) 	<ul style="list-style-type: none"> • Transparency and Comptroller Ministry: 2017-present • Federal Auditor of Finance and Control: 2009 - present
Health	 Health Luiz H. Mandetta	<ul style="list-style-type: none"> • Specialization: Child Orthopedic Medicine (Scottish Rite Hospital for Children - Atlanta) • Major: Orthopedic Medicine (Federal University of Mato Grosso do Sul - UFMS) • BS: Medicine (Gama Filho University) 	<ul style="list-style-type: none"> • Congressman (Federal Representative of Mato Grosso do Sul): 2011-present • President of Unimed Campo Grande: 2001-2014 • Health Secretariat of Campo Grande (MS): 2005-2010
General Secretariat of the Presidency	 General Secretariat of the Presidency Gustavo Bebianno	<ul style="list-style-type: none"> • BA: Law (Pontifical University of Rio de Janeiro) 	<ul style="list-style-type: none"> • Former president of PSL party
Education	 Education Ricardo Vélez Rodríguez	<ul style="list-style-type: none"> • Post-Doctorate: Philosophy (Centre de Recherches Politiques Raymond Aron) • Doctorate: Philosophy (Gama Filho University) • MSc: Philosophy (Pontifical University of Rio de Janeiro) • BA: Theology (Pontifical University Javeriana) • BA: Philosophy (Pontifical University Javeriana) 	<ul style="list-style-type: none"> • Emeritus professor of Command school and army staff • Writer of more than 30 books • Philosophy Professor





Already confirmed ministries of Jair Bolsonaro

Current ministries	Ministries of Bolsonaro	Education	Background
Tourism	 <p>Tourism Marcelo Álvaro Antônio</p>	<ul style="list-style-type: none"> • BS: Civil Engineer – not concluded (University of Belo Horizonte - UniBH) 	<ul style="list-style-type: none"> • Congressman (Representative of Minas Gerais): 2015-present • City Councilor for Belo Horizonte (MG): 2012-2014
<p>Cities</p> <p>National Integration</p>	 <p>Regional Development Gustavo Canuto</p>	<ul style="list-style-type: none"> • BS: Computer Engineering (University of Campinas - UNICAMP) • BS: Business (University Center of Brasília - UniCeub) 	<ul style="list-style-type: none"> • Executive secretary of the Ministry of National Integration • Effective servant of the Ministry of Planning
<p>Transportation, Ports and Civil Aviation</p>	 <p>Infrastructure Tarcísio Gomes de Freitas</p>	<ul style="list-style-type: none"> • MBA: Project Management (Getulio Vargas Foundation - FGV) • BS: Civil Engineer (Military Institute of Engineering - IME) • BS: Military Science (Engineering) (Agulhas Negras Military Academy) 	<ul style="list-style-type: none"> • Legislative counselor at the House of Representatives • Executive Director of National Department of Transport Infrastructure - DNIT • Finance and Control Analyst of CGU • Head of Technical Section at UN-MINUSTAH mission
<p>Social Development</p> <p>Sport</p> <p>Culture</p>	 <p>Citizenship Osmar Terra</p>	<ul style="list-style-type: none"> • BS: Medicine (Federal University of Rio de Janeiro - UFRJ) 	<ul style="list-style-type: none"> • Congressman (Representative of Rio Grande do Sul): 2001-present • Minister of Social Development: 2016-2018 • State Health Department of Rio Grande do Sul (RS): 2003-2006 and 2007-2010



Already confirmed ministries of Jair Bolsonaro

Current ministries	Ministries of Bolsonaro	Education	Background
Government Secretary	 <p>Government Secretary General Carlos Alberto dos Santos Cruz</p>	<ul style="list-style-type: none"> • Specialization: High Military Studies (ECEME) • Specialization: Officers enhancement (EsAO) • Specialization: Jungle War & Commando (CIGS) • BS: Civil Engineer (Pontifical University of Campinas) • BS: Military Sciences (Infantry) (Agulhas Negras Military Academy) 	<ul style="list-style-type: none"> • Secretary of Public Security of the Ministry of Justice and Public Security • Commander of UN-MONUSCO mission • Commander of UN-MINUSTAH mission
Federal Attorney-General (AGU)	 <p>Federal Attorney-General (AGU) André Luiz de Almeida Mendonça</p>	<ul style="list-style-type: none"> • Post-Doctoral: Law (University of Brasilia) • MSc: Law (Salamanca University - Spain) • BA: Law (Bauru Law University) 	<ul style="list-style-type: none"> • Lawyer at AGU: 2000-present
Mines and Energy	 <p>Mines and Energy Admiral Bento Costa Lima Leite de Albuquerque Junior</p>	<ul style="list-style-type: none"> • MBA: Public Administration (Getulio Vargas Foundation - FGV) • Postgraduate: Political Sciences (University of Brasilia) 	<ul style="list-style-type: none"> • Director of the Nuclear and Technological Development of the Brazilian Navy • Chief of staff of the commander of the Brazilian Navy • Secretary of Science and Technology and Innovation of the Navy • Commander of the Submarine Force • Parliamentary Chief Adviser to the Office of the Navy Commander • Head of the Secretariat of Science and Technology and Innovation of the Navy

Heads of key government entities

Head	Education	Background
 <p>BANCO CENTRAL DO BRASIL</p> <p>Central Bank Roberto Campos Neto</p>	<ul style="list-style-type: none"> • Postgraduate: Economics & Finance (University of California - UCLA) • BS: Economics & Finance (University of California - UCLA) 	<ul style="list-style-type: none"> • Head of Treasury & National and International Markets at Santander: 2010-present • Head of local trading at Santander: 2006-2010 • Portfolio Manager at Santander Claritas: 2004-2006 • Head of international fixed income trading at Santander: 2000-2003 • Head of international fixed income trading at Bozano Simonsen Bank: 1999 • Derivatives, fixed income, debt and exchange trader at Bozano Simonsen Bank: 1996-1998
 <p>BNDES</p> <p>National Bank of Development (BNDES) Joaquim Levy</p>	<ul style="list-style-type: none"> • PhD: Economics (University of Chicago) • MSc: Economics (Getulio Vargas Foundation - FGV/EPGE) • BS: Marine Engineering (Federal University of Rio de Janeiro - UFRJ) 	<ul style="list-style-type: none"> • World Bank Chief Financial Officer (CFO): 2016-2018 • Minister of Finance: 2015 • Superintendent Director at Bradesco Asset Management 2010-2014 • Secretary of the National Treasury: 2003-2006 • Economist - European Central Bank: 1999-2000 • Economist - International Monetary Fund: 1992-1999 • Professor at FGV
 <p>TESOURO NACIONAL</p> <p>Secretary of the National Treasury Mansueto Almeida</p>	<ul style="list-style-type: none"> • PhD: Public Policy (Massachusetts Institute of Technology - MIT) – not concluded • MSc: Economics (University of São Paulo) • BS: Economics (Federal University of Ceará) 	<ul style="list-style-type: none"> • Secretary of the National Treasury: 2018 • Economist - Institute for Applied Economic Research (IPEA)
 <p>PETROBRAS</p> <p>Petrobras Roberto Castello Branco</p>	<ul style="list-style-type: none"> • Post-Doctoral: Economics (University of Chicago) • PhD: Economics (Getulio Vargas Foundation - FGV/EPGE) 	<ul style="list-style-type: none"> • Petrobras board member: 2015-2016 • Investor Relations and Chief Economist at Vale: 1999-2014 • Brazil Central Bank Director: 1985 • Professor at FGV

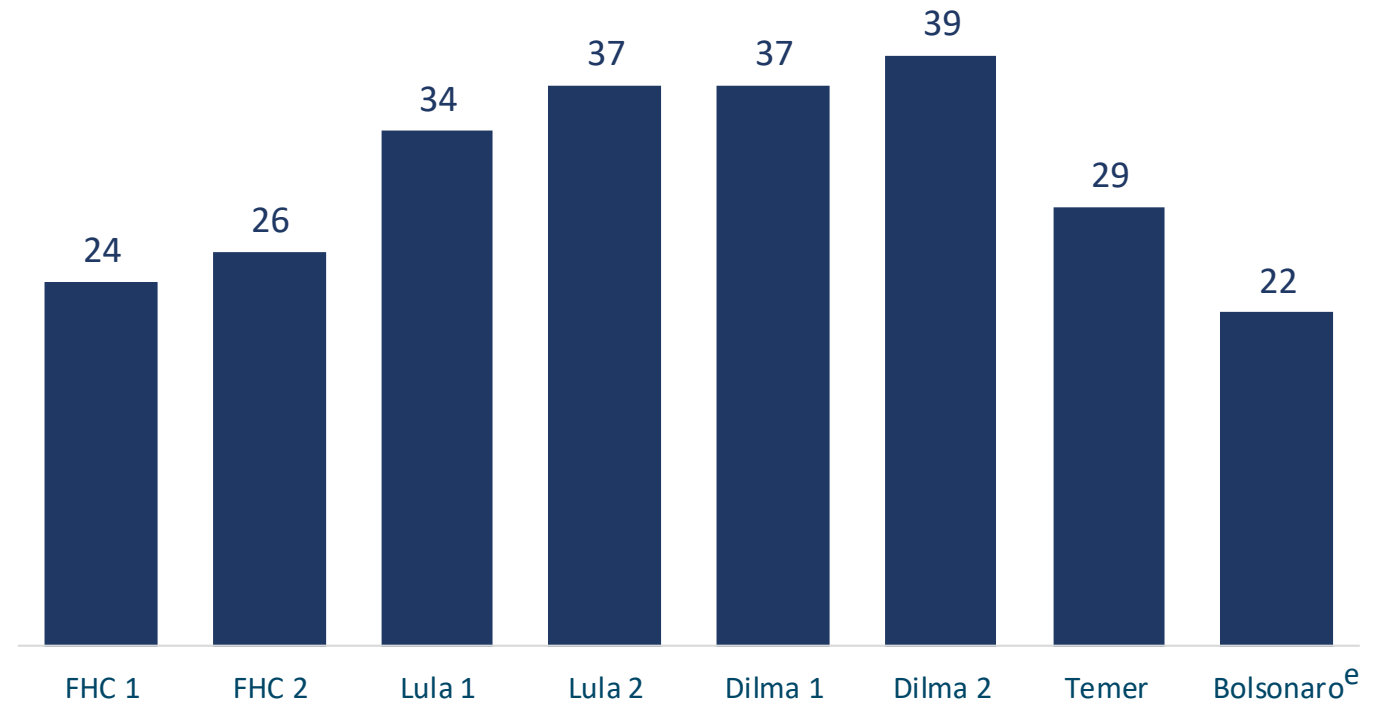
Heads of key government entities

Head	Education	Background
 CAIXA ECONÔMICA FEDERAL Caixa Econômica Federal Pedro Guimarães	<ul style="list-style-type: none"> • PhD: Economics (University of Rochester) 	<ul style="list-style-type: none"> • Privatization specialist - worked on Banespa's privatization • Partner at Brasil Plural
 BANCO DO BRASIL Banco do Brasil Rubem Novaes	<ul style="list-style-type: none"> • PhD: Economics (University of Chicago) 	<ul style="list-style-type: none"> • Professor at FGV • Economist at the National Development Bank (BNDES) • President of the Brazilian Association Supporting Micro and Small Enterprises (Sebrae) • Writer of economic books
Secretary of Privatizations Sallim Mattar	<ul style="list-style-type: none"> • BS: Business 	<ul style="list-style-type: none"> • Founder and CEO of Localiza • Counselor of Millenium Institute

Reduction in the number of the ministries

- Number of ministries declined significantly in Temer's administration (to 29, from 39 in Dilma's second term). The number of ministries is expected to decline to 22 in the next presidential mandate.
- Bolsonaro has already appointed 20 ministers by December 3. Another two ministries will be announced in the first week of December: the Environmental Ministry and the Human Rights, Family and Women's Ministry, bringing the number of ministries to 22.

Number of ministries over the last presidential terms











NEW ADMINISTRATION PROPOSALS









SECTION 2



Proposals of the elected President

General 	Social Security Reform 	Tax Reform 	Political Reform 
<ul style="list-style-type: none"> Plans to maintain macroeconomic tripod (fiscal- and inflation-targeting regime plus floating exchange rate) and simplify Brazil's tax system. Plans to reduce public debt by 20% via privatizations, concessions and sale of federal government real estate. Plans to eliminate primary public deficit in first year of government and convert it into a surplus in second year. 	<ul style="list-style-type: none"> Plans to gradually change pension model from distribution to capitalization. New participants would be able to choose between the two systems. Those who opt for capitalization would 'earn' the benefit of lower labor charges. Shortage of resources caused by transition from one regime to another will be remedied by creating a fund to strengthen social security financing and offset the reduction of social security contributions in the old system. 	<ul style="list-style-type: none"> Defends simplifying and unifying federal taxes and decentralizing and 'municipalizing' taxes. Opposes taxing large fortunes and inheritances and new taxes on entrepreneurs. 	<ul style="list-style-type: none"> Expand government support, approving solutions to the problems of caucuses – e.g. backing 'ruralists' with land property issues. Reduce the number of ministries.
Privatizations 	Fiscal Policy 	Inflation 	External Sector 
<ul style="list-style-type: none"> Plans to implement a wide-sweeping privatization program. All resources from privatizations and concessions must be used to pay public debt. 	<ul style="list-style-type: none"> Reduce the primary deficit to zero in 2019 and turn it into a surplus during the second year of government. Promote a Tax Reform to unify taxes and simplify the national system. Reduce the tax burden whilst creating room to rein in expenditures. Reduce debt via spending control and less red tape. Reduce the size of the State. 	<ul style="list-style-type: none"> Will preserve inflation-targeting regime. Defends autonomy and independence of Central Bank, with 4-year regimes that do not coincide with the 4-year term of Brazil's President. Critical of Petrobras' daily price adjustment. 	<ul style="list-style-type: none"> Defends stronger trade ties with China and US and closer ties with Chile. Reduce importance of Mercosur in international trade. Plans to promote greater openness of the economy.

Proposals of the elected President

Public Banks 	Infrastructure 	Agribusiness 	Social Programs 
<ul style="list-style-type: none"> Doesn't plan to privatize Banco do Brasil or Caixa Econômica Federal. 	<ul style="list-style-type: none"> Less bureaucracy and privatization of infrastructure projects, generating low regulatory risk for investments. Integrate Northeast region with the country's developed regions. Increase port efficiency. Promote investments in railways, waterways and improvements in the quality of highways. 	<ul style="list-style-type: none"> Create a new federal agricultural structure, with a dedicated agricultural policy. Centralize agribusiness demands at a single ministry. Create specific policies to consolidate and open up new external markets. 	<ul style="list-style-type: none"> Plans to keep social programs such as 'Bolsa Familia', ensuring a minimum level of subsistence for families. Defends a family planning program to control birth rates.
Health 	Education 	Public Security 	Additional proposals 
<ul style="list-style-type: none"> Create the National Electronic Record with the aim of integrating the national health system. Establish neonatal programs (including dental check-ups) throughout the country. Include physical education professionals in family health program. 	<ul style="list-style-type: none"> Defends distance learning, from basic to higher education. Militarization of education with military schools. Initially, create schools in São Paulo – Campo de Marte. Invest in university research. Against quota policy in universities. Defends schools without political influence from teachers. 	<ul style="list-style-type: none"> Reduce minimum criminal age to 16. Ease gun ownership rules. Promises to restructure the Disarmament Statute. Provide legal backing to security officers and to anyone who reacts to a crime or property invasion. End the progression of prison sentences and temporary releases. Restructure the human rights policy. Reinforce the role of Brazil's Armed Forces in combating organized crime. 	<ul style="list-style-type: none"> Plans to create Economy Ministry, covering functions currently performed by the Finance, Planning and Trade Ministries, as well as the Executive Secretariat of the PPI (Investment Partnership Program).

SOCIAL SECURITY REFORM

SECTION 3



Procedural passage of the main legislative rules

One of the main obstacles to the approval of the Social Security Reform is that the proposal requires changes in the text of the Constitution. The criteria for approval of a constitutional amendment are much stricter than for approval of statutory legislation.

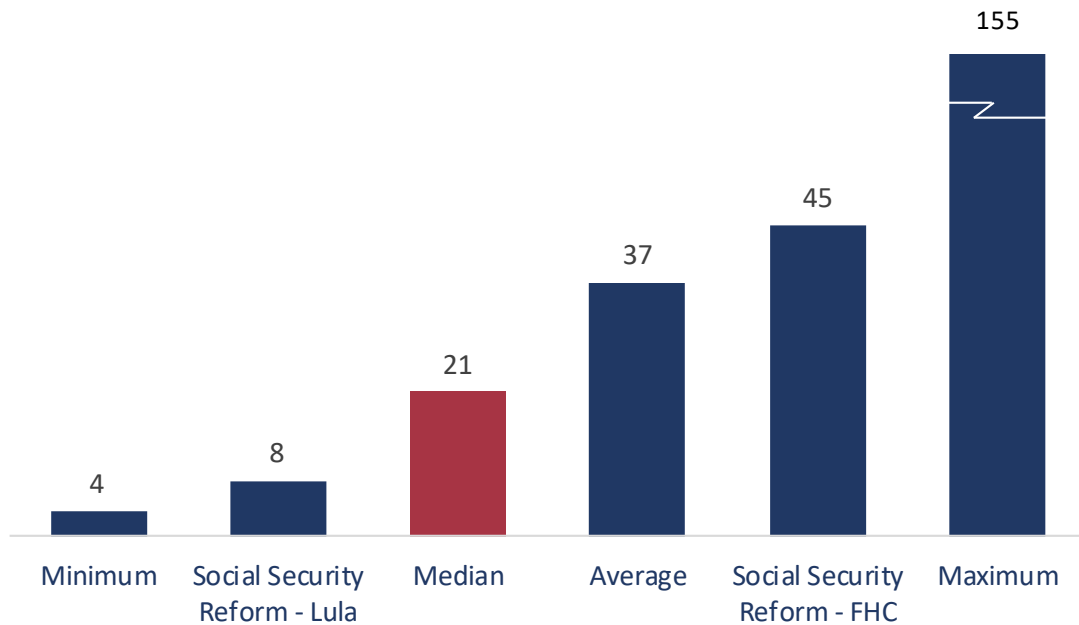
	Constitutional Amendment (EC)	Statutory Law (LO)	Supplementary Law (LC)	Provisional Measure (MP)
Votes required for approval	<p>3/5</p> <p>(308 federal deputies and 49 senators)</p>	<p>Simple majority</p> <p>(more than 50% of total votes, excluding abstentions. An absolute majority must be present for the bill to be voted)</p>	<p>Absolute majority</p> <p>(257 federal deputies and 41 senators)</p>	<p>Simple majority</p> <p>(more than 50% of total votes, excluding abstentions. An absolute majority must be present for the bill to be voted)</p>
Processing	<p>Legal Committee in the House of Representatives (CCJC)¹</p> <p>⋮</p> <p>Special Committee (CE)</p> <p>⋮</p> <p>2 rounds in House of Representatives</p> <p>⋮</p> <p>CCJ³</p> <p>⋮</p> <p>2 rounds in the Senate</p> <p>⋮</p> <p>Enactment</p>	<p>Thematic committees</p> <p>(may have a conclusive nature²)</p> <p>⋮</p> <p>Legal Committee in the House of Representatives (CCJC)¹</p> <p>⋮</p> <p>1 round in House of Representatives</p> <p>⋮</p> <p>Thematic committees</p> <p>(may have a conclusive nature²)</p> <p>⋮</p> <p>CCJ³</p> <p>⋮</p> <p>1 round in Senate</p> <p>⋮</p> <p>Signed into law or vetoed by president</p>	<p>Thematic committees</p> <p>(may have a conclusive nature²)</p> <p>⋮</p> <p>Legal Committee of the House of Representatives (CCJC)¹</p> <p>⋮</p> <p>1 round in House of Representatives</p> <p>⋮</p> <p>Thematic committees</p> <p>(may have a conclusive nature²)</p> <p>⋮</p> <p>CCJ³</p> <p>⋮</p> <p>1 round in Senate</p> <p>⋮</p> <p>Signed into law or vetoed by president</p>	<p>Joint congressional committee</p> <p>⋮</p> <p>1 round in House of Representatives</p> <p>⋮</p> <p>1 round in Senate</p> <p>⋮</p> <p>Signed into law or vetoed by president</p>

¹ If rejected, one-third of deputies may call a floor vote. ² This means that the bill would not need to be put to a floor vote. ³ If rejected, one-third of senators may call a floor vote. CCJC: Commission on Constitution, Justice and Citizenship in the House of Representatives; CE: Special Committee; and CCJ: Commission on Constitution and Justice in the Senate.

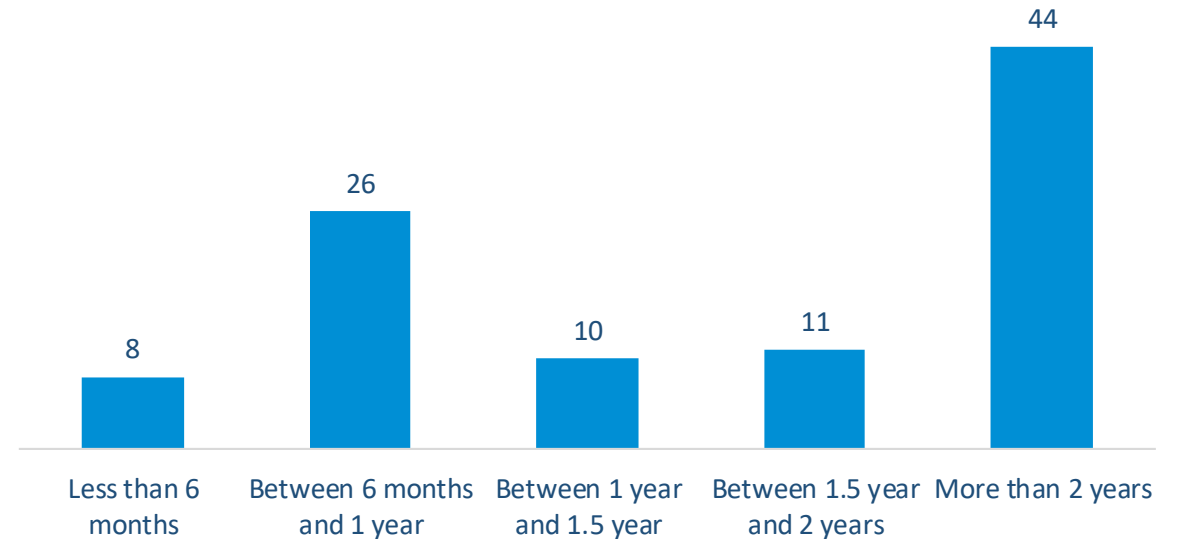
Median time of approval of Constitutional Amendment is 21 months

- The fastest approval of a constitutional amendment occurred in 4 months, while the longest approval is 155 months. The median time is 21 months. The Social Security reform approved by the Fernando Henrique Cardoso (FHC) administration took 45 months to be approved. The reform approved by the Lula administration, which was much narrower than that of the FHC government, took 8 months.
- The procedural passage track record of PECs suggests that approval of the Social Security reform in the first half of 2019 would be atypical. Only 8 of the 99 amendments were approved within six months

Procedural passage time (months)



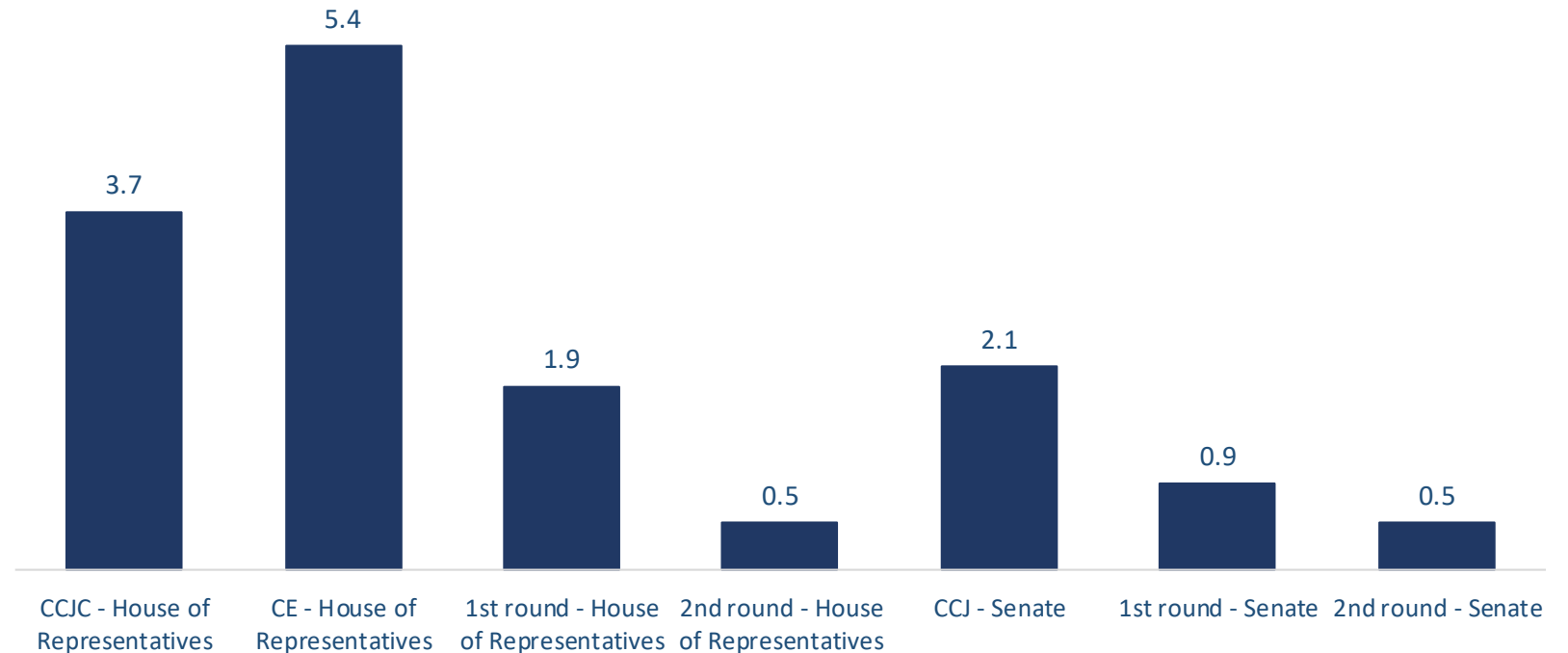
Procedural passage time - Median (months)



Approval of Constitutional Amendment is slower in the Lower House

- The median time of a Constitutional Amendment in the House of Representatives was 14 months, while in the Senate the median time was 3 months. Discussions in the committees of the House of Representatives tend to demand the longest time of all stages. The median CCJC treatment was 3.7 months, while in the CE it was 5.4 months, much higher than the processing time in the following stages. If the reform proposed by the Temer government were put on the agenda for voting next year, it would save time for processing, since it has already been approved in the two committees of the House of Representatives.

Procedural passage time - Median (months)



Social Security Reform in FHC's administration for RGPS – private-sector employees

Constitution of 1988	Proposal	Approved
<p>Retirement value Same as the average of the last 36 contribution salaries. Retirement for contribution time of 35/30 years of service (men/women)</p>	<p>Retirement value De-constitutionalizing criteria for defining benefit amounts (always greater than 1 minimum wage) and eligibility, which would be established via complementary law</p>	<p>Retirement value The benefit calculation rule is no longer determined by the constitution, but rather by a specific law that must observe criteria preserving the actuarial balance of the system. Established ceiling of R\$1,200 for benefits, adjusted to preserve its real value</p>
<p>Proportional retirement Men and women can retire with 30 years and 25 years of service, respectively, having his/her retirement benefits proportionately discounted</p>	<p>Allocation of contributions Income from social security contributions by the employer and the employee would be earmarked exclusively for the RGPS</p>	<p>Retirement by time of contribution Replacement of time of service by time of contribution</p>
<p>Teachers Retirement with 30/25 years (men/women) of contribution time</p>	<p>Heterogeneous contribution rates Rates and calculation base on contributions may differ depending on the economic activity</p>	<p>Proportional retirement Extinct, but with transition rule for people over 53/48 (men/women)</p>
<p>Allocation of contributions Not linked to social security pensions</p>		<p>Teachers Time of contribution equal to that of other RGPS policyholders</p>
		<p>Allocation of contributions Proposal was accepted</p>
		<p>Heterogeneous contribution rates Proposal was accepted</p>

Social Security Reform in FHC's administration for RPPS – civil servants

Constitution of 1988	Proposal	Approved
<p>Enforceability Scheme would cover any civil servant (e.g. commissioned posts)</p> <p>Minimum service time Nonexistent</p> <p>Minimum Age Nonexistent</p> <p>Value of the benefits Equal</p> <p>Accumulation principle Salary and retirement accumulation allowed</p> <p>Proportional retirement Could retire with 30/25 years of service (men/women), with his/her retirement benefits proportionately discounted</p>	<p>Value of the benefits De-constitutionalizing criteria for determining the benefit amount (always greater than 1 minimum wage) and eligibility, which would be defined by the same complementary law of the RGPS</p> <p>Cumulativity Prohibits cumulative benefits of civil servants</p> <p>Readjustment of pensions/retirements Readjustment according to inflation</p>	<p>Enforceability Only for civil servants eligible for lifelong career stability</p> <p>Minimum service time 10 years of public service and 5 years in the effective position in which retirement occurs</p> <p>Minimum Age Minimum age of 65/60 years (men/women) for full retirement contribution time and 60/55 years for proportional retirement</p> <p>Value of the benefits Benefit ratio shall not exceed the remuneration of the respective civil servant in the effective position in which the retirement occurred, and will continue corresponding to his/her total remuneration</p> <p>Proportional retirement Extinguished, but with a transition rule for people aged over 53/48 (men/women)</p> <p>Readjustment of pensions/retirements Proposal was rejected</p>

Social Security Reform in Lula’s administration for RPPS – civil servants

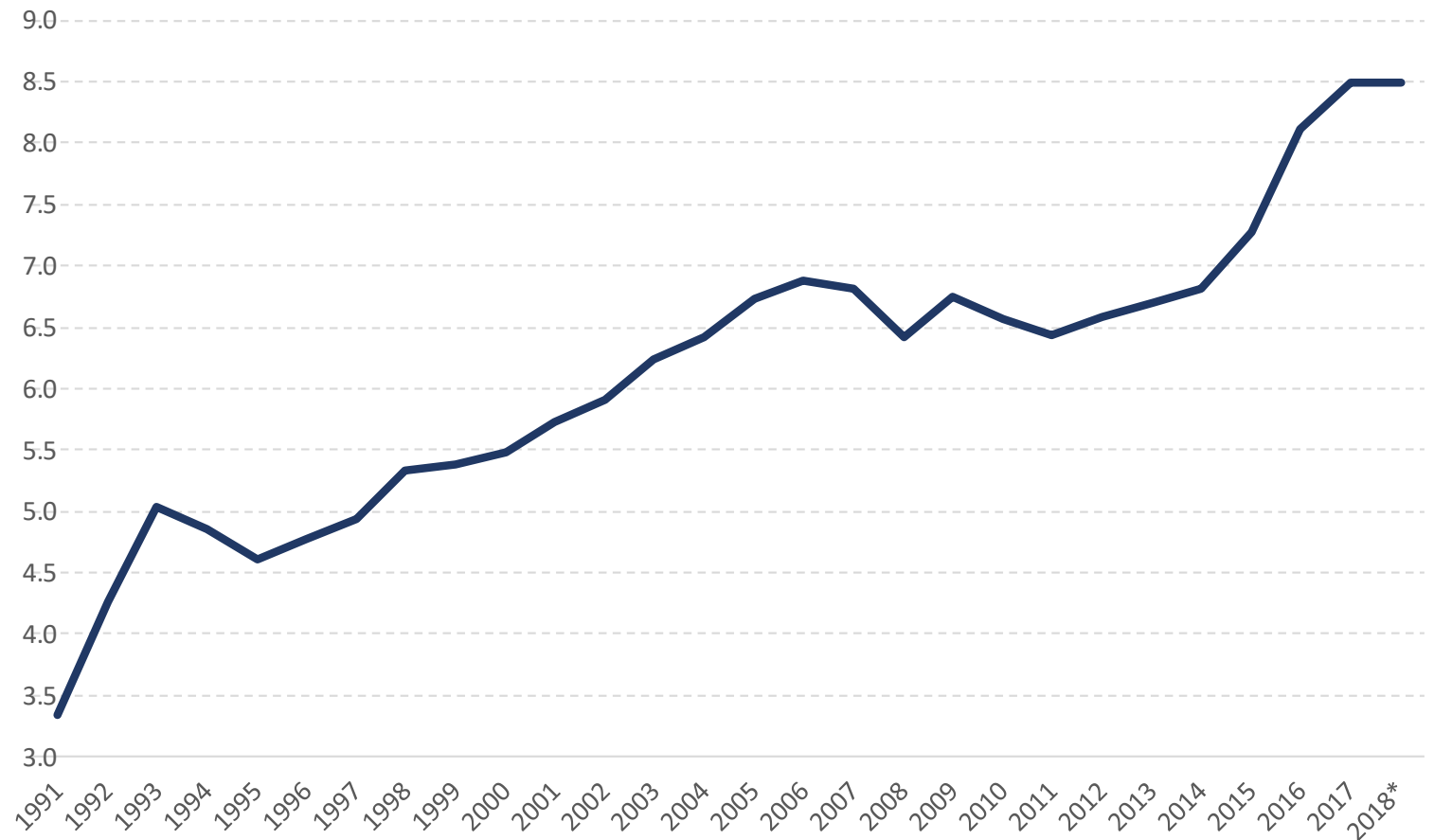
Proposal	Approved
<p>Value of the benefits Will be calculated in proportion to the remuneration used as the contribution base, and shall not exceed the RGPS ceiling</p>	<p>Value of the benefits It has deconstitutionalized the value of benefits but did not stipulate a ceiling. In other words, the benefits are not tied to the last salary, but could be higher than the RGPS ceiling</p>
<p>Readjustment of pensions/retirements Only by inflation</p>	<p>Readjustment of pensions/retirements Proposal accepted</p>
<p>Contribution over retirement Contribution will be paid on the retirement benefits and pensions granted that surpass the RGPS ceiling</p>	<p>Contribution over retirement Proposal accepted</p>
<p>Staying-on bonus Contribution paid by a civil servant eligible for retirement is reversed in his/her benefit</p>	<p>Staying-on bonus Proposal accepted</p>
<p>Death pension Supplementary law will provide criteria for granting amounts for death pensions. Until it is enacted, the pension amount would be 70% of the total remuneration</p>	<p>Pension by death Law on the criteria for granting a death pension. The amount of the pension is determined by the total remuneration with a reduction of 30% in the surplus in relation to the RGPS ceiling</p>

The social security reform of Lula’s administration focused exclusively on the civil servant system

A social security reform is urgent

- Social security expenditures have increased significantly in recent years, resulting in a sharp rise in the primary expenditures of the public sector. If a social security reform is not approved, this dynamic will intensify in the coming years, leading to an unsustainable public debt trajectory in Brazil.
- Central government primary expenditures, excluding transfers to states and municipalities, increased from 11.1% of GDP in 1991 to 19.5% of GDP in 2017. The main driver of this movement was the sharp increase in social security expenditures.
- Social security expenditures of private-sector employees (RGPS) increased from 3.3% of GDP in 1991 to 8.5% of GDP in 2017 (the same level as the 12-month period ending in October 2018).

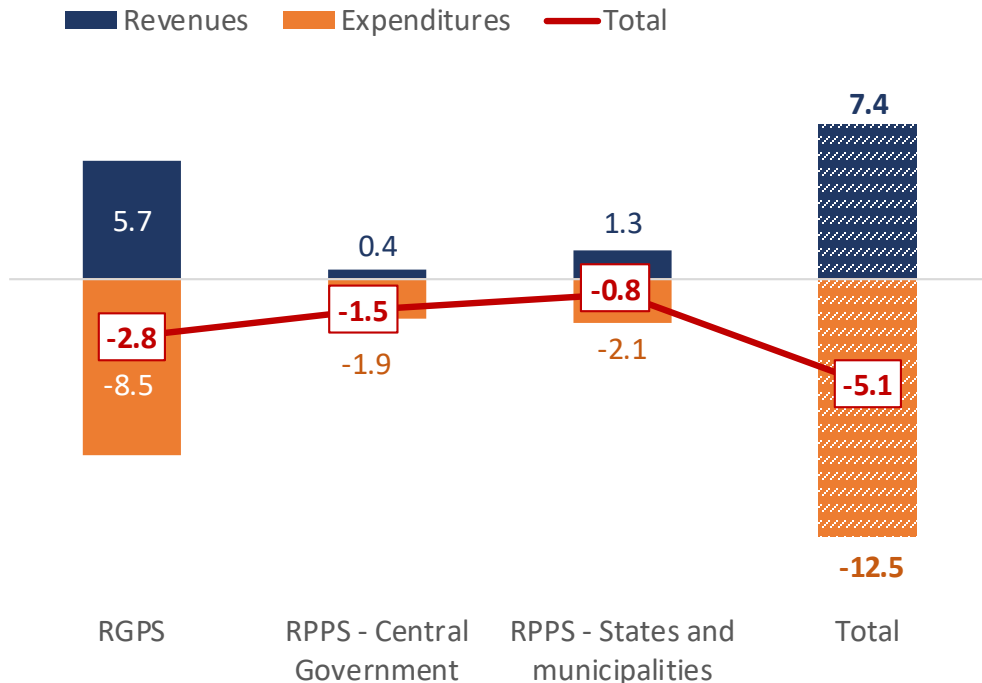
Expenses with the social security benefits of private employees – RGPS (% of GDP)



Social security deficit is higher in RGPS

Total social security expenditures reached 12.5% of GDP in 2017, while the revenues totaled 7.4% of GDP. As a result, social security posted a deficit of 5.1% of GDP in the year.

Social security result (% of GDP)



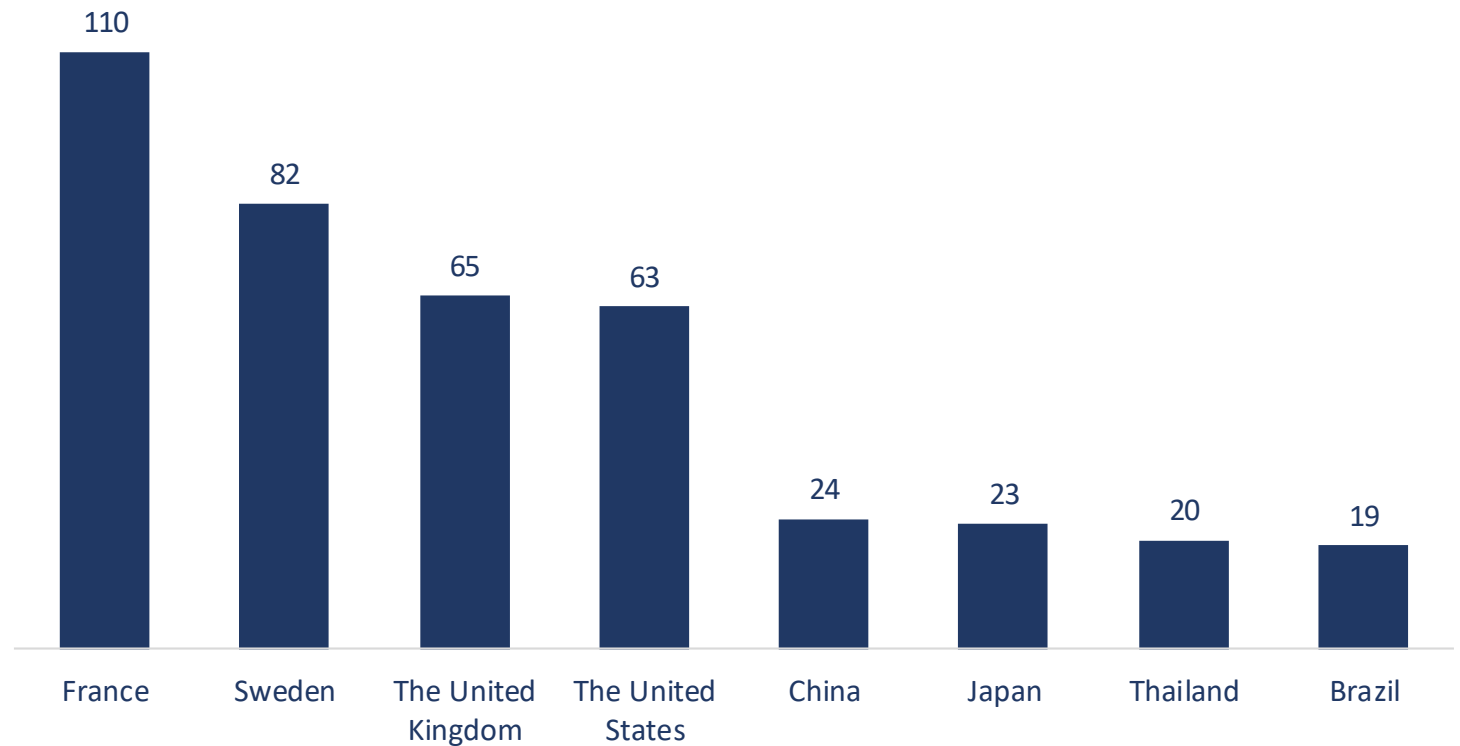
Social security result (% of GDP, billion)

	% of GDP				BRL billion			
	2014	2015	2016	2017	2014	2015	2016	2017
RGPS								
Revenues	5.8	5.8	5.7	5.7	338	350	358	375
Expenditures	6.8	7.3	8.1	8.5	394	436	508	557
Total	-1.0	-1.4	-2.4	-2.8	-57	-86	-150	-182
RPPS - Central Government								
Revenues	0.3	0.3	0.3	0.4	17	18	19	26
Expenditures	1.6	1.7	1.8	1.9	92	102	113	125
Total	-1.3	-1.4	-1.5	-1.5	-75	-84	-94	-98
RPPS - States and municipalities								
Revenues	1.2	1.2	1.2	1.3	69	72	75	85
Expenditures	2.1	2.1	2.2	2.1	121	126	138	138
Total	-0.9	-0.9	-1.0	-0.8	-52	-54	-63	-52
Aggregate								
Revenues	7.3	7.3	7.2	7.4	424	440	452	486
Expenditures	10.5	11.1	12.1	12.5	608	664	758	820
Total	-3.2	-3.7	-4.9	-5.1	-184	-224	-306	-333

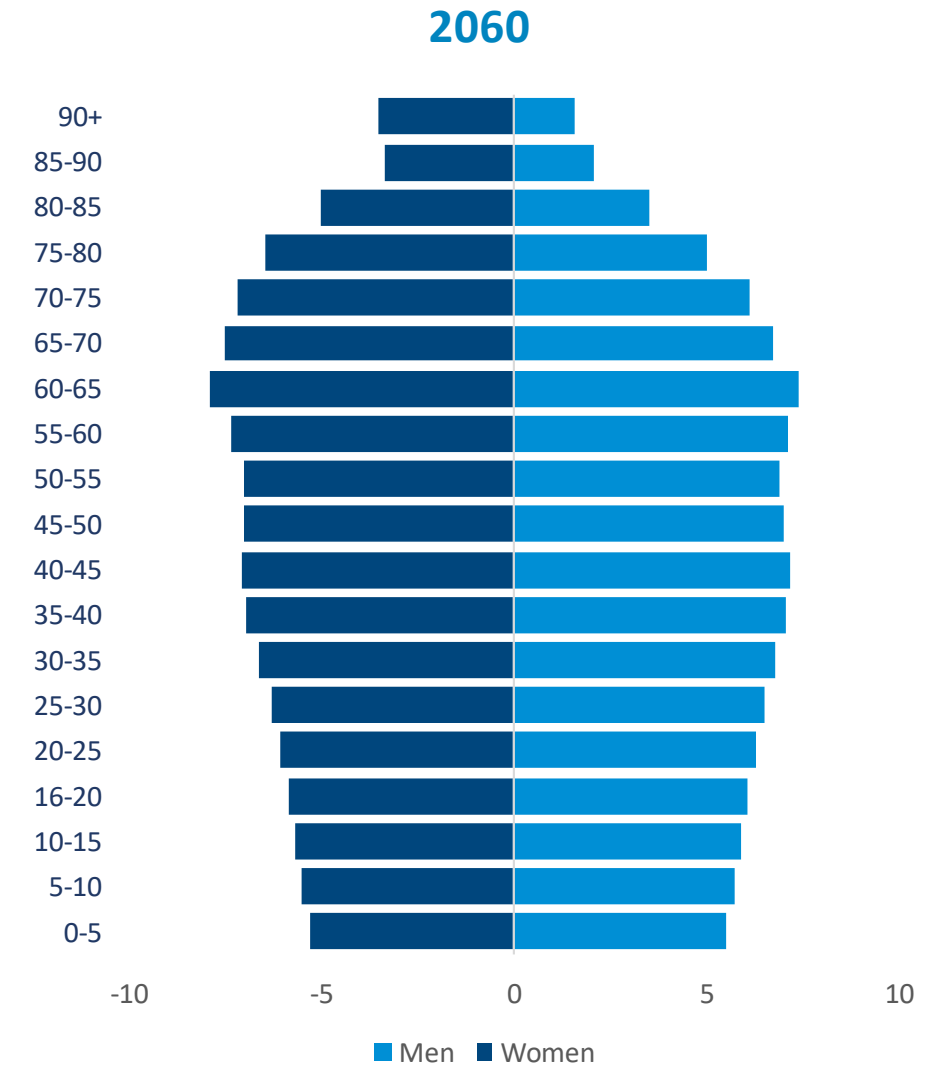
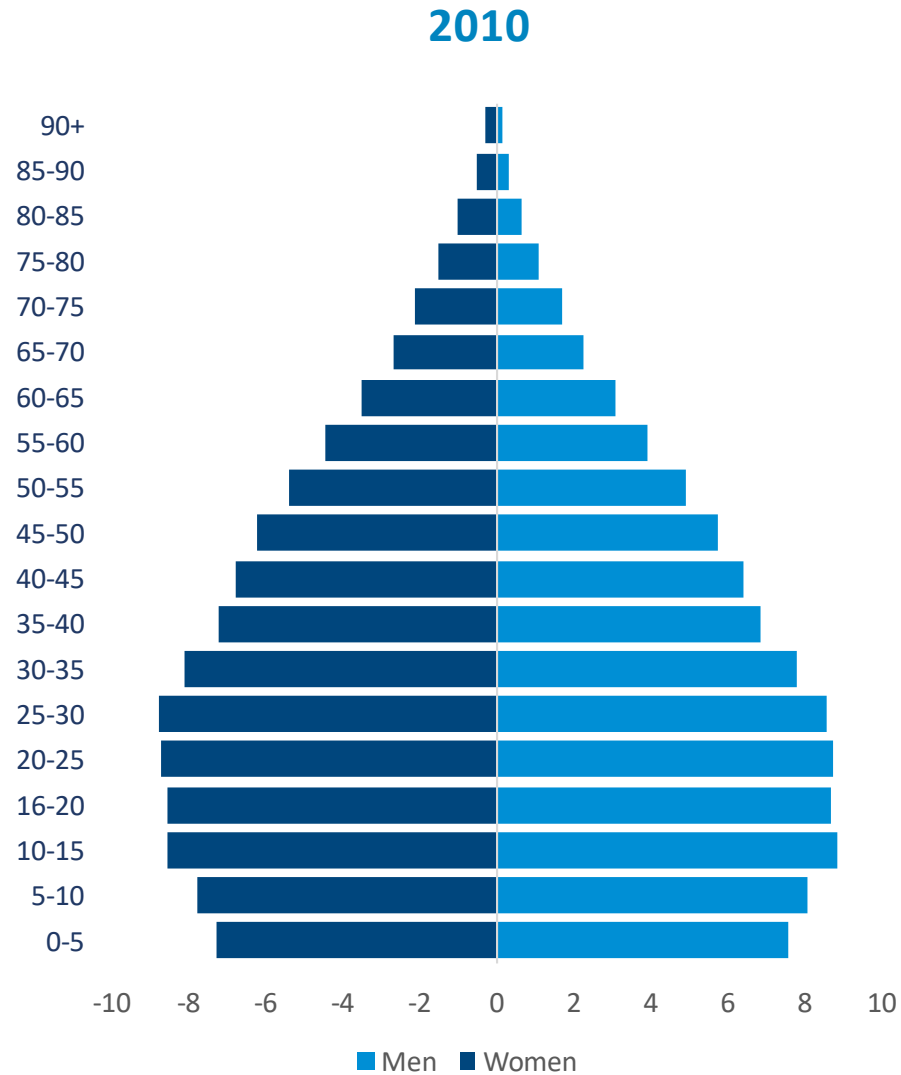
Demographic transition in Brazil will be fast

- Brazil's demographic transition will take place at a particularly strong pace. The time required to move from 7% to 14% of the elderly population in Brazil will be only 19 years. As an example, France took 110 years; Sweden 82 years; the United Kingdom 65 years; the United States 63 years; China, 24 years; Japan, 23 years; and Thailand, 20 years to go through this transition.

Population aging pace in selected economies - necessary time for the % of elderly in the country to increase from 7 to 14



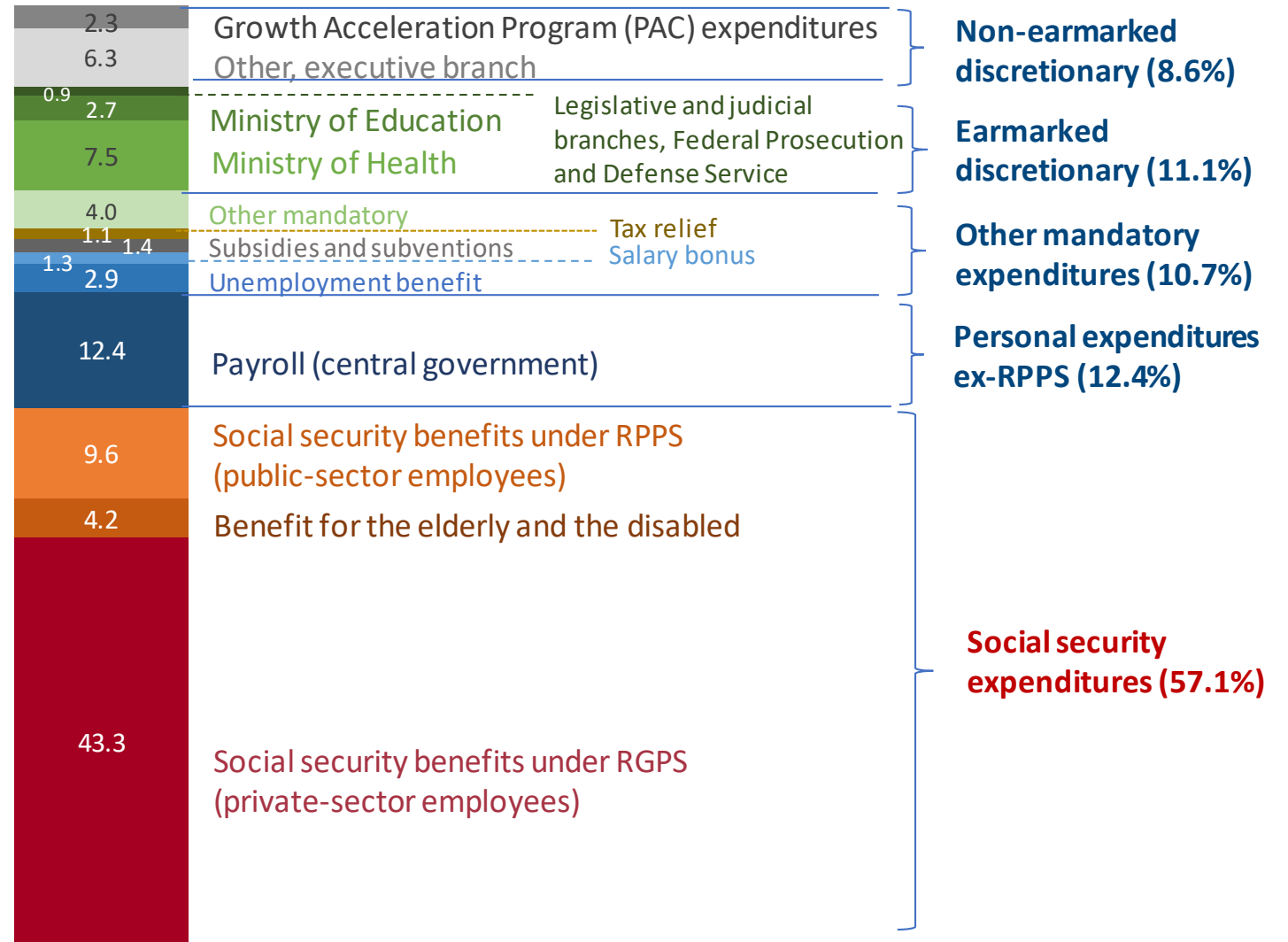
Demographic structure – age pyramid



Social security accounts for more than half of primary expenditures

- If a social security reform is not approved in 2019, it is unlikely that the law of the spending cap ceiling (Constitutional Amendment 95/2016) will be fulfilled from 2021. This law establishes that the primary expenditures cannot increase in real terms.
- Social security accounts for 57% of primary expenditures. With the high level of growth of expenses with the social security benefits, other expenditures have to be cut. However, only 9% of primary expenditures (non-earmarked discretionary) can be cut without changes in the law. Social security expenditures, other personal expenditures, other mandatory expenditures, and discretionary expenditures for healthcare, education and other areas, account for more than 90% of the total.

Primary expenditures (% of total)

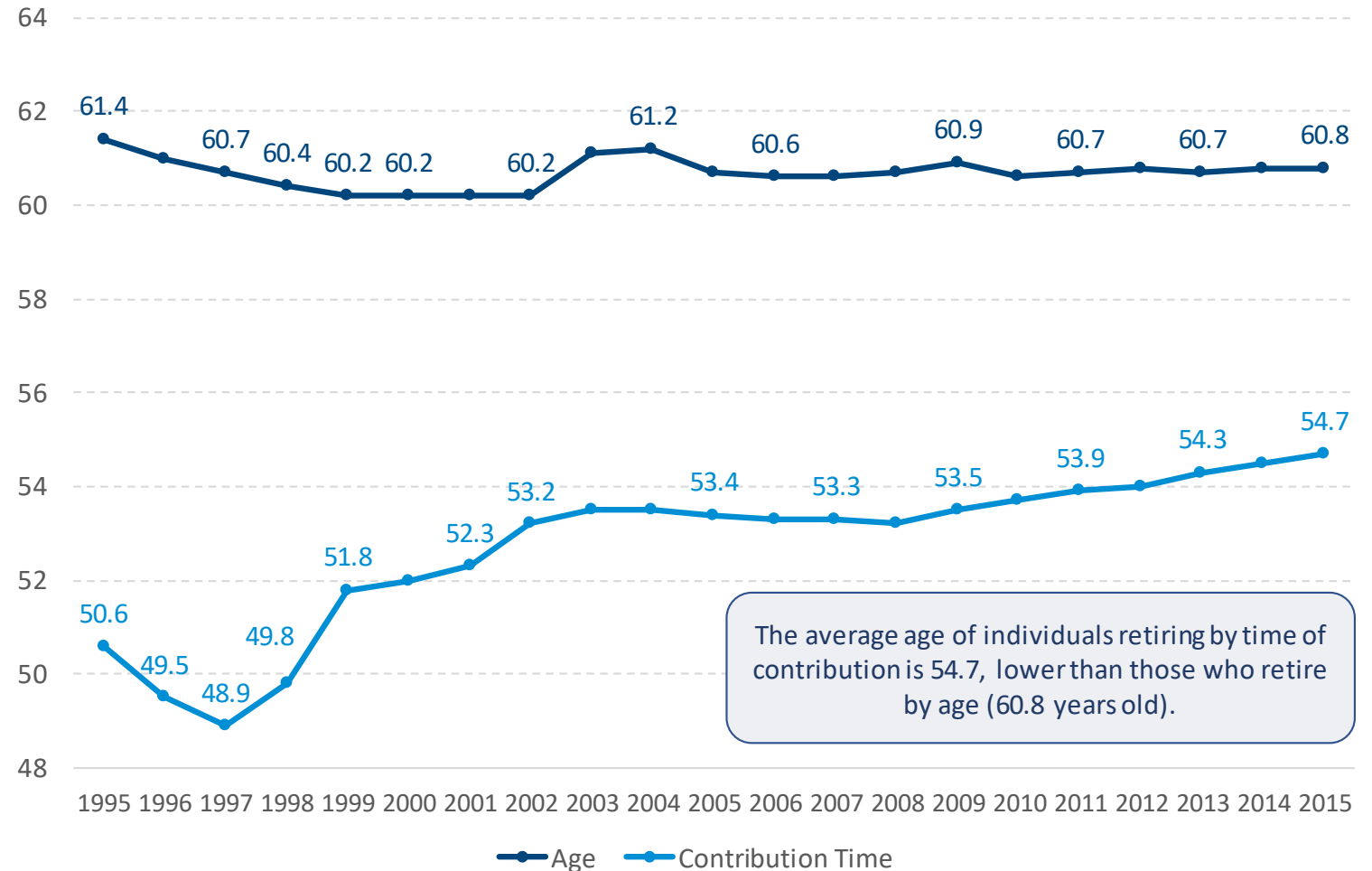


2017

Minimum age requirement is necessary

- Only Brazil and a small set of countries have a type of retirement that depends exclusively on time of contribution, without any minimum age requirement. In 2017, R\$158bn was spent on this retirement, representing 28% of total social security expenditures. This kind of retirement is restricted to the population with a high level of education and high income, and occurs, on average, at the age of 54.7. Most Brazilians, usually the poorest, retire by age, at the age of 60.8.
- The establishment of a minimum retirement age is one of the main pillars of the social security reform proposals currently under discussion in the country. It is one of the indispensable points of a pension reform, and one of the main contributors to reduce social security expenditures.

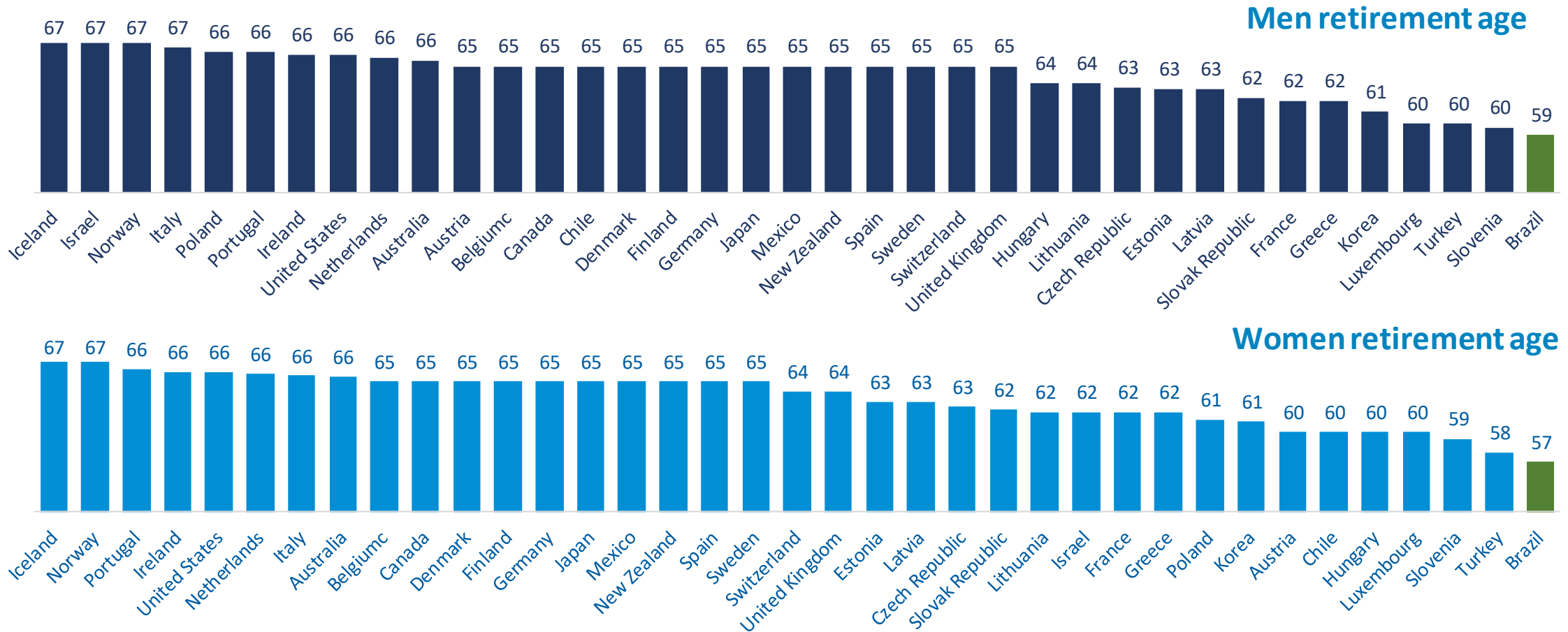
Average age in the concession of pensions (RGPS)
- Age and time of contribution



Average retirement age in Brazil is low

The average retirement age in Brazil is lower than all OECD countries for men and women. Special pensions and contribution time mean the country's average retirement age is right at the bottom of the international range.

Retirement age for OECD countries (2017)



Social Security Reform proposed by president Temer's administration for RGPS – employees of private sector (PEC 287/2016)

	Original proposal of the president Temer's administration	Version approved in Special Committee in May/2017	New version of the proposal - submitted in Nov/2017
Minimum age of retirement and time of contribution	Men: 65 years old Women: 65 years 25 years of minimum contribution for both. The minimum age would be adjusted automatically based on the elevated expectation of survival at 65 years.	Men: 65 years old Women: 62 years 25 years of minimum contribution for both. The law will define the minimum age adjustment rule.	Men: 65 years old Women: 62 years 15 years of minimum contribution for both
Rule of transition	Men over 50 and women over 45 would continue to retire under current rules, but with an additional 50% of the time remaining until the minimum contribution time.	There is no minimum age to enter the transition. 30% toll on the time left for retirement under the current rules (35 years for men and 30 years for women), respecting the minimum age of 55 for men and 53 for women. Increase of 1 year every two years for the woman and for the man, from 2020, stopping to expand to the insured on the date he meets the toll.	Same as the version approved in May/2017
Calculation of the benefit	Replacement of the social security factor by benefit defined as 51% of the average of wages and salaries on which social security contribution was charged, plus 1pp per contribution year, respecting the lower limits of a minimum wage and above 100% of the aforementioned average.	Benefit value: 70% of the average salary, added to: + 1.5pp per year if he/she contributes 5 years beyond the mandatory 25. + 2.0pp per year if he/she contributes between 5 and 10 years beyond the mandatory 25. + 2.5pp per year if he/she contributes between 10 and 15 years beyond the mandatory 25. The integrality of the average salary is returned with 40 years of contribution.	Benefit value: 60% of the average salary, added to: + 1.0 pp per year, if he/she contributes 10 years beyond the 15 obligatory. + 1.5 pp per year if he/she contributes between 10 and 15 years beyond the 15 obligatory. + 2.0 pp per year if he/she contributes between 15 and 20 years beyond the 15 obligatory. + 2.5 pp per year, if he/she contributes between 20 and 25 years beyond the 15 obligatory. Thus, the integrality of the average salary is replaced with 40 years of contribution.

Social Security Reform proposed by president Temer's administration for RGPS – employees of private sector (PEC 287/2016)

	Original proposal of the president Temer's administration	Version approved in Special Committee in May/2017	New version of the proposal- submitted in Nov/2017
Rural retirement	Equalization of the retirement criteria between rural and urban workers whose age is less than 50 years (men) and 45 years (women). For workers older than these limits, an additional period of 50% over the remaining time would be applied to reach 180 months of rural activity.	<p>Minimum age: 60 years for men and 57 for women. There will be a transition for women (the minimum age will increase by 1 year, every 2 years) until reaching 57 established in the PEC 287/2016.</p> <p>Value of the contribution will be levied on the minimum wage, based on the rates established for the RGPS.</p>	Maintenance of current rules
Pensions	<p>It prohibits the accumulation of pensions by death and retirement or of two pensions of this modality.</p> <p>Rule of calculation of the pension amount to be equal to 50% of the value of the benefit added to 10pp per dependent. The untying of pensions would occur from the minimum wage.</p>	<p>It prohibits the accumulation of two pensions by death, but allows the individual to receive pension and retirement in cases in which the two benefits, added, do not exceed two minimum wages.</p> <p>Rule of calculation of the pension value equal to 50% of the value of the benefit added to 10pp per dependent. The maximum value is subject to the RGPS ceiling; and the minimum, tied to the minimum wage.</p>	Same as substitute
Benefit for the elderly and the disabled (BPC)	<p>Increase of the minimum age of access to the benefit for 70 years (for both the disabled and the elderly).</p> <p>The value of the benefit would be disconnected from the minimum wage.</p>	<p>The disabled can access the BPC at any age. The elderly will have the right to access it at the age of 68. The other rules of access to the BPC will be regulated by law.</p> <p>The benefit amount will remain equal to a minimum wage</p>	Maintenance of current rules
States and municipalities	State and municipal servers would be subject to the same rules applicable to federal servers.	The states and municipalities will have six months, from the publication of the Constitutional Amendment, to reform their own pension plans. After the deadline, the rules of PEC 287/2016 will prevail.	-

Social Security Reform proposed by president Temer's administration for RPPS – civil servants (PEC 287/2016)

Original proposal of the president Temer's administration	Version approved in Special Committee in May/2017
<p>Up to 2003</p> <p>Calculation of benefit: 51% of the average contribution salary, plus one percentage point of that average for each contribution year. Minimum age: Men: 65 years old/Women: 65 years Contribution time: 25 years for men and women Transition rule: Men over 50 and women over 45 will continue to retire under current rules (completeness and parity), but with an additional 50% of the time remaining until the minimum contribution time (from 35 years for men and 30 years for women).</p>	<p>Calculation of the benefit: 100% of the average salary since 1994 or from the competence of the beginning of the contribution. Minimum age: progressive. Men: 60 years to 65 years (from 2028) Women: 55 years to 62 years (from 2032) Contribution time: 25 years for men and women Transition rule: For any employee that joins the public service until the approval of the reform - a 30% toll on the time remaining for retirement under current rules, respecting the minimum age of 55 for women and 60 for men. Completeness and parity will only be guaranteed for retirees who are over 65 (men) and 62 (women). Increase of 1 year every two years for women and men, from 2020, until the start date of the toll.</p>
<p>2004 a 2013</p> <p>Calculation of benefit: 51% of the average contribution salary, plus one percentage point of that average for each contribution year. Minimum age: Men: 65 years old/ Women: 65 years Contribution time: 25 years for men and women Transition rule: Men over 50 and women over 45 will retire with the benefit of 100% of the average salary since 1994 or from the competence of the start of the contribution, but with an additional period of 50% of the remaining time until the minimum contribution time (35 years for men and 30 years for women).</p>	<p>Calculation of benefit: 70% of the average of all salaries since 1994, plus 1.5pp each year that exceeds 25 years of contribution, plus 2pp for each year that exceeds 30 years of contribution and a further 2.5pp for each year after 35 years, reaching 100% at 40 years of contribution. Minimum age: progressive. Men: 60 years to 65 years (from 2028) Women: 55 years to 62 years (from 2032) Contribution time: 25 years for men and women Transition rule: For any employee that joins the public service until the approval of the reform - a 30% toll on the time remaining for retirement under current rules, respecting the minimum age of 55 for women and 60 for men. Increase of 1 year every two years for women and men, from 2020, until the start date of the toll.</p>
<p>From February 2013</p> <p>Calculation of benefit: 51% of the average contribution salary, plus one percentage point of that average for each contribution year. Minimum age: Men: 65 years old/ Women: 65 years Contribution time: 25 years for men and women Transition rule: Men over 50 and women over 45 retire under current rules, but with an additional 50% of the time remaining until the minimum contribution time (35 years for men and 30 years for women).</p>	<p>Benefit calculation: The same rule applies to those who joined between 2004 and 2013. The amount will be limited to the INSS ceiling (of BRL5,531), if the state or municipality has established a supplementary fund. Minimum age: progressive. Men: 60 years to 65 years (from 2028) Women: 55 years to 62 years (from 2032) Contribution time: 25 years for men and women Transition rule: For any employee that joins the public service until the approval of the reform - a 30% toll on the time remaining for retirement under current rules, respecting the minimum age of 55 for women and 60 for men. Increase of 1 year every two years for women and men, from 2020, until the start date of the toll.</p>

Some changes in the pension system do not require Constitutional Amendment

In the RGPS, some points could be changed via draft laws, such as the value of the benefits and the death pension. In the RPPS, almost the entire reform would require a change in the Constitution.

Main points of the reform	Legislative rule required for RGPS	Legislative rule required for RPPS
Minimum age	Constitutional Amendment	Constitutional Amendment
Value of benefits	Statutory/Supplementary Law	Constitutional Amendment and Statutory/Supplementary Law ¹
Pension by death	Statutory/Supplementary Law	Constitutional Amendment and Statutory/Supplementary Law ²
Contribution - rural retirement	Constitutional Amendment	
Benefit for the elderly and the disabled (BPC)	Constitutional Amendment	
Lack of retirement age	Statutory/Supplementary Law	Constitutional Amendment

¹ Constitutional Amendment: for servers that have joined the public service until 2013. Statutory/Supplementary Law: for servers that joined the public service after 2013. ² Constitutional Amendment: for changing in the criteria for determining the value of the death benefit. Statutory/Supplementary Law: for accumulation of benefits.

Expenditures Reduction or Accumulated Economy in 10 years of the original proposal of the Social Security Reform of president Temer's administration (PEC 287/2016)

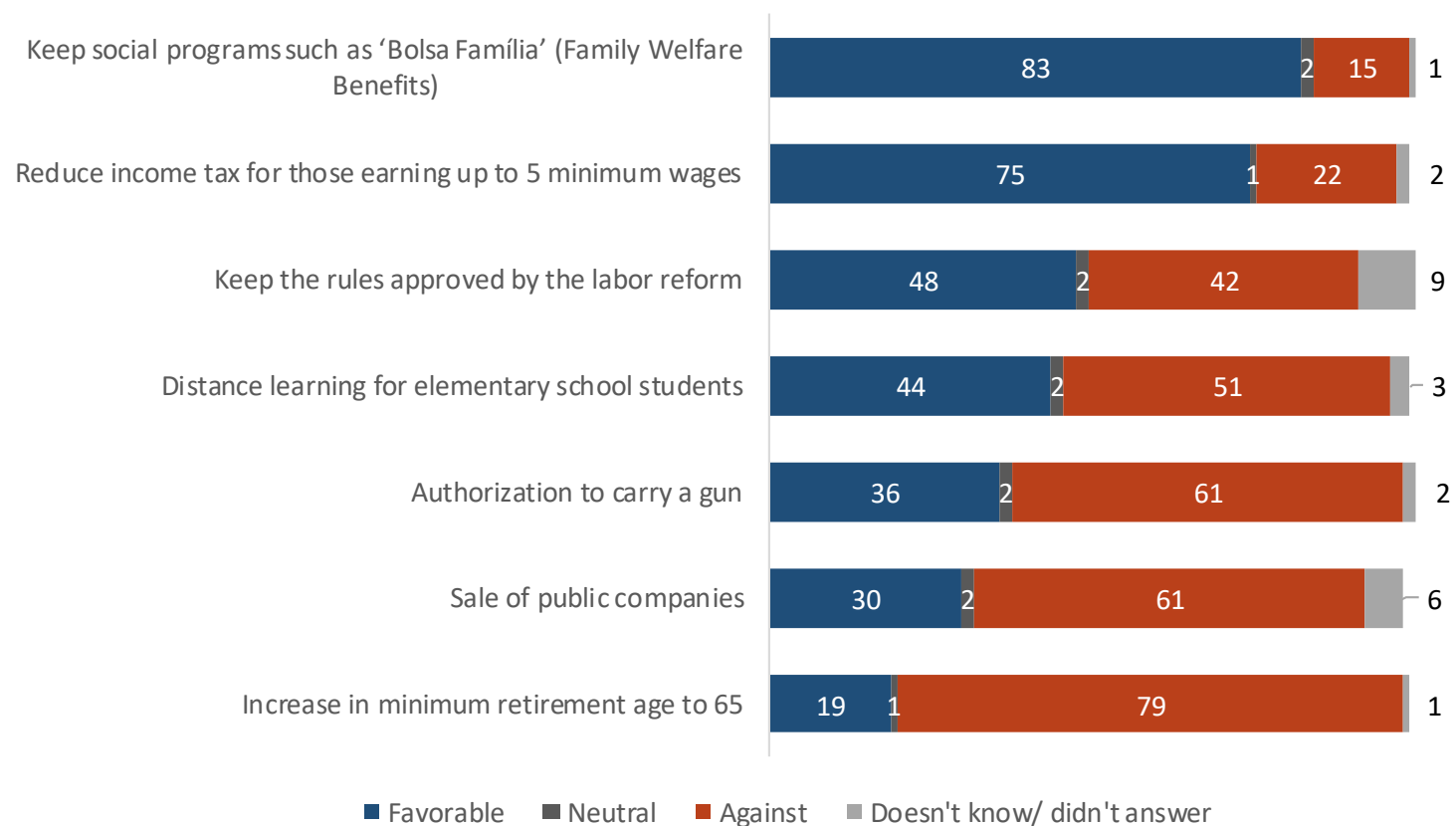


Accumulated Economy in 10 years (BRL billion)	
RGPS	689
Others	113
Total	802

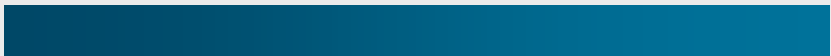
Social security reform is unpopular

- The vast majority of respondents (79%) are against the increase in the minimum retirement age to 65. The main difficulty in approving the social security reform is its unpopularity.
- Most respondents (61%) are also against privatizations. The same percentage of respondents (61%) is also against the authorization for people to carry weapons.

Approval of public policies (%)



TAX REFORM



SECTION 4



Value-added tax could increase productivity of Brazilian companies

- The Bernard Appy proposal (of the Fiscal Citizenship Center - CCI_F) replaces 5 taxes (PIS, Cofins, IPI, ISS and ICMS) with VAT, a tax on goods and services (IBS). To complement this, there would be a selective, federal tax (extra-fiscal) levied on goods and services. This proposal is one of the most likely to be put to a vote in the next government.
- A tax reform, like this one, would be an enormous gain in terms of productivity and competitiveness for Brazilian companies. This is because the current tax system has a complex structure and is not transparent, among several other distortions. For example, according to the World Bank, a Brazilian company spends 1,958 hours a year to pay taxes, while the OECD average is 160 hours.

Main points of the Tax Reform proposal¹

Unification of PIS, Cofins, IPI, ICMS and ISS in the Tax on Goods and Services (IBS)

Non-cumulative collection on a broad base of goods and services

Financial credit system

Exemption of exports and investments

Charge "outside" on prices of goods and services

Return accumulated credits within 60 days. In 180 days in case of fraud investigation

Single initial rate of 1%, with reduction of Cofins rate to offset the tax burden

Ten-year transition for taxpayers in relation to the unification of the five taxes

50-year transition for distribution of the part of states and municipalities in the revenue of the new tax

¹ PIS: Social Integration Program Cofins: Contribution to the Financing of Social Security; IPI: Industrialized Products Tax; ICMS: Tax on Circulation of Goods and Services; ISS: Services Tax.

Main features of Tax on Goods and Services (IBS)

Non-cumulative impact on a broad base of goods and services, including intangible assets

Complete exemption from exports

Comprehensive and Immediate Credit for Investments

Comprehensive credit on all goods and services used in business activity

Timely repayment of credits (60 days)

Effect on the net price of taxes

Central collection

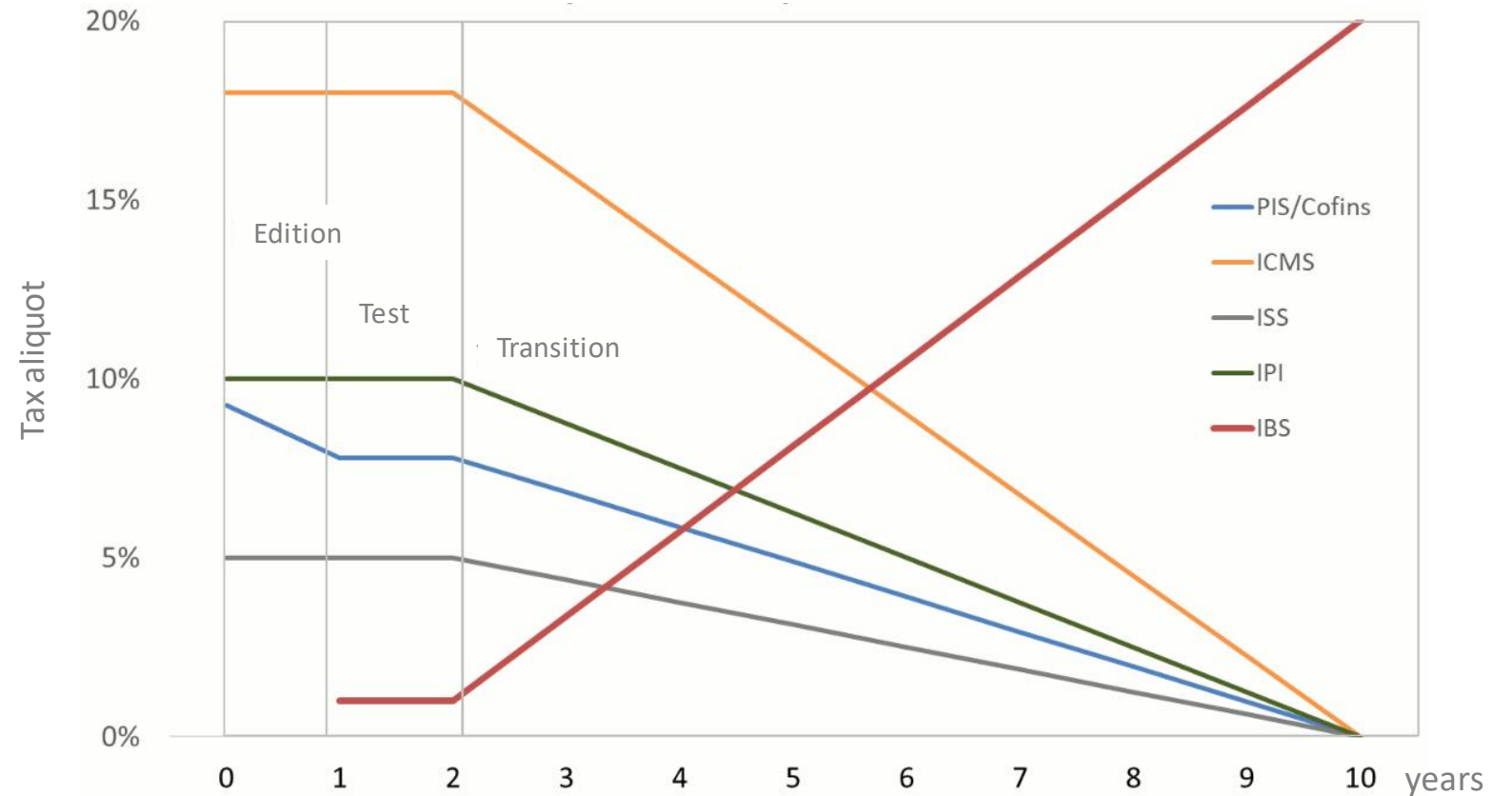
Characteristics of the new value-added tax - Tax on Goods and Services (IBS)

- The IBS will have one rate for all goods and services, “like the best VAT in the world”. There will be no tax benefit or special minimum regimes.
- States and municipalities will have autonomy in setting their portion of the IBS – this rate may be set above or below the reference rate (i.e. the rate guaranteeing maintenance of ICMS and ISS revenues).
- In interstate and inter-municipal operations, the tax rate will be the final destination rate.
- The revenue distribution, after the transition, will be proportional to consumption (‘final destination principle’), based on the tax calculated by state or municipality, adjusted by interstate and inter-municipal transactions.
- The total rate would be around 25%. If in need of resources, states and municipalities could raise their individual rates.

Transition in the introduction of IBS would take 10 years

- The transition would have a test period of 2 years, at a rate of 1%, with a reduction of Cofins in this period in order to not increase the tax burden and not harm states and municipalities.
- Then there would be another 8-year period, with a reduction of one eighth of the five taxes per year and an equivalent increase in the new tax. As a result, the tax burden would be constant. In its analysis, this transition period would not cause any 'corporate traumas' in relation to the investments made and would be short enough for new investments to be made on the basis of the IBS.

Transition in the introduction of IBS



PIS: Program Social integration; Cofins: Contribution to the Financing of Social Security; IPI: Industrialized Products Tax; ICMS: Tax on Circulation of Goods and Services; ISS: Services Tax; IBS: Tax on Goods and Services.

ELECTION RESULTS

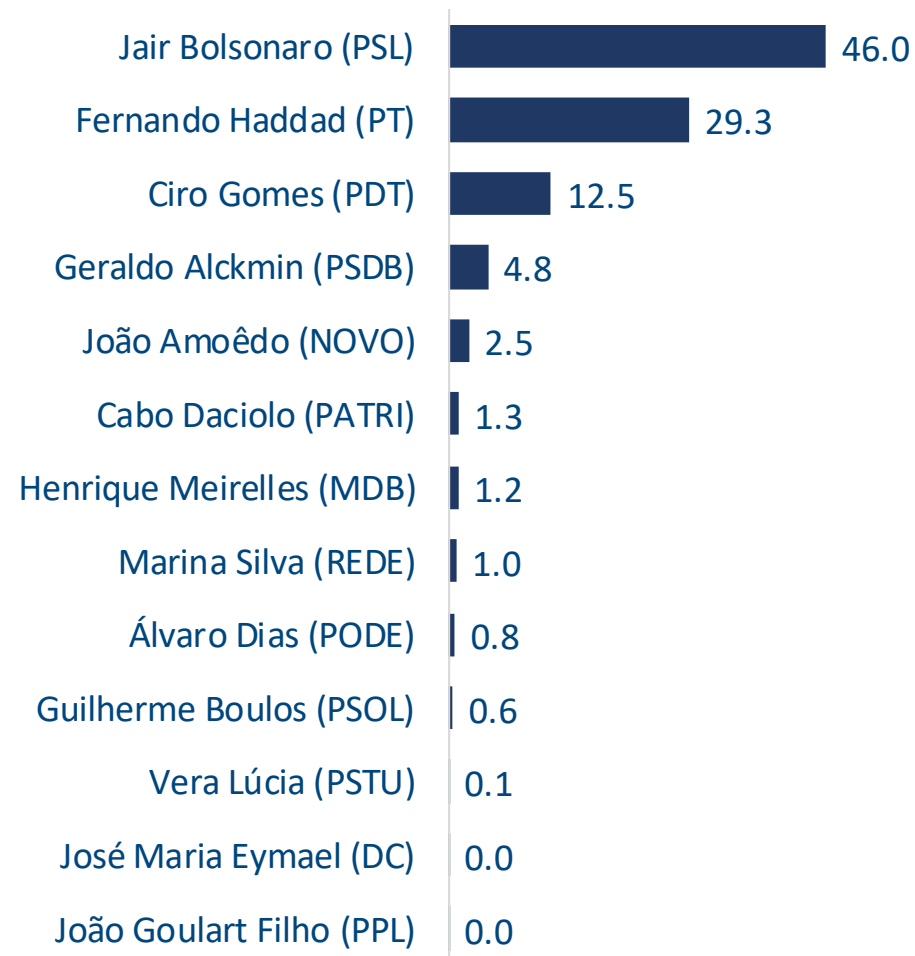
SECTION 5



Bolsonaro got 46% of votes in the first round of the election

- In the first round of Brazil's 2018 presidential election, Jair Bolsonaro (PSL) posted a strong performance, obtaining 46.0% of the valid votes, short of the 50% +1 votes needed to win in the first round. As a result, he faced Fernando Haddad (PT) in the second round of the election, who got 29.3% of the valid votes. PSDB candidate Geraldo Alckmin obtained just 4.8%, the worst percentage ever obtained by his party in the presidential race. It was the first time since 2002 that the PSDB won't participate in the second round (in 1994 and 1998, PSDB candidate Fernando Henrique Cardoso won the election in the first round).

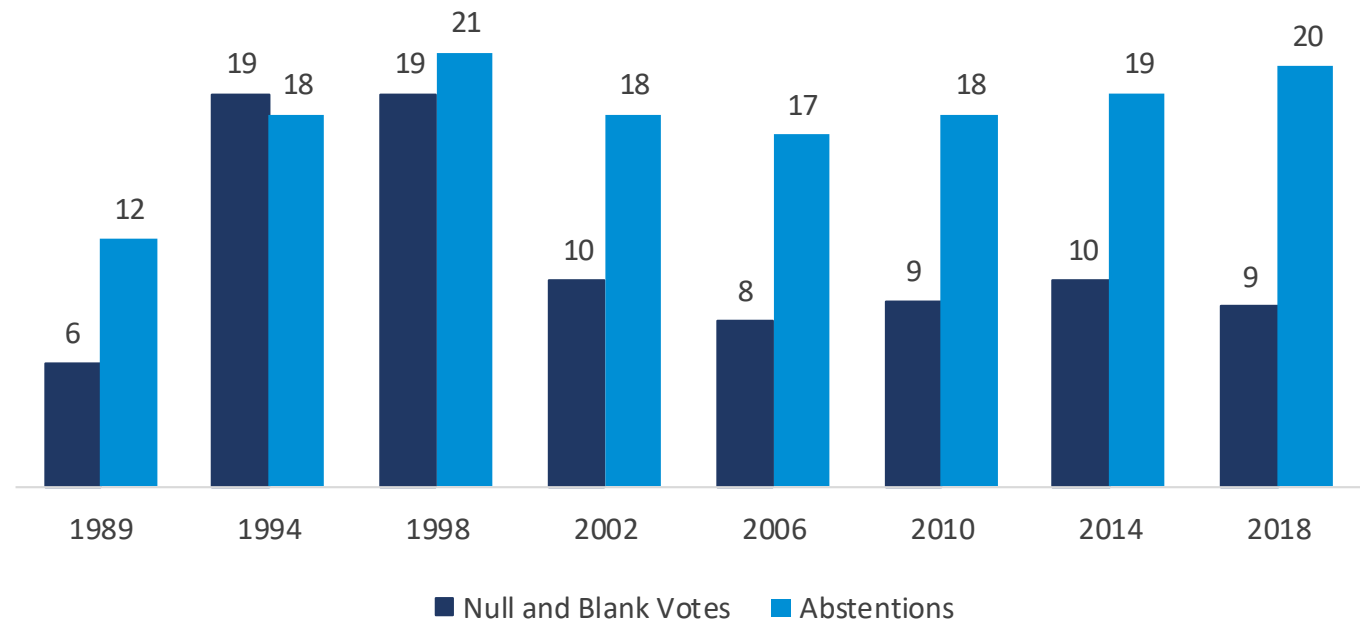
Valid votes for presidential candidates in first round of 2018 election (%)



Abstention levels have hovered around 20% since 1994

- The percentage of abstentions in the first round of presidential election has been close to 20% since the 1994 election, while the percentage of blank and null votes has remained around 10% of valid votes since 2002.

Abstentions and blank and null votes in past presidential elections 1st round (%)

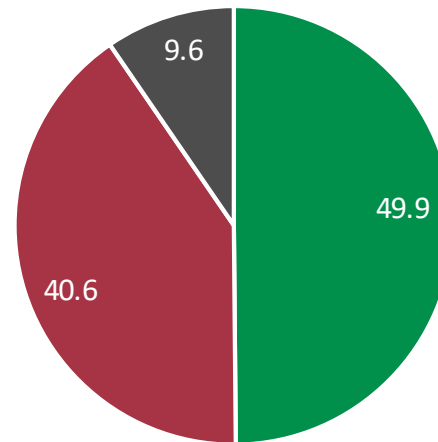


Bolsonaro won 2018 presidential election

- Jair Bolsonaro (PSL) won Brazil's 2018 presidential election, with 55.1% of the valid votes. Fernando Haddad (PT) got 44.9%. After 13 years running the country, the PT was defeated in the ballot boxes.

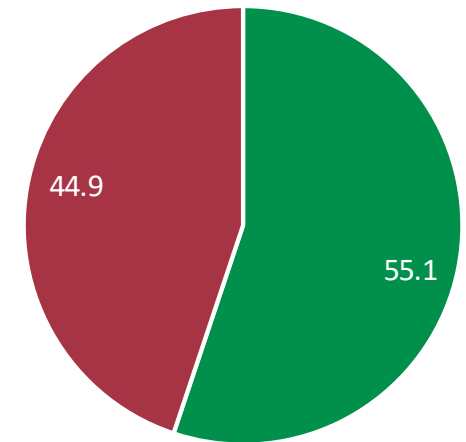
Total and valid votes for presidential candidates in second round of 2018 election (%)

Total votes



■ Jair Bolsonaro (PSL) ■ Fernando Haddad (PT)
■ Blank/null

Valid votes

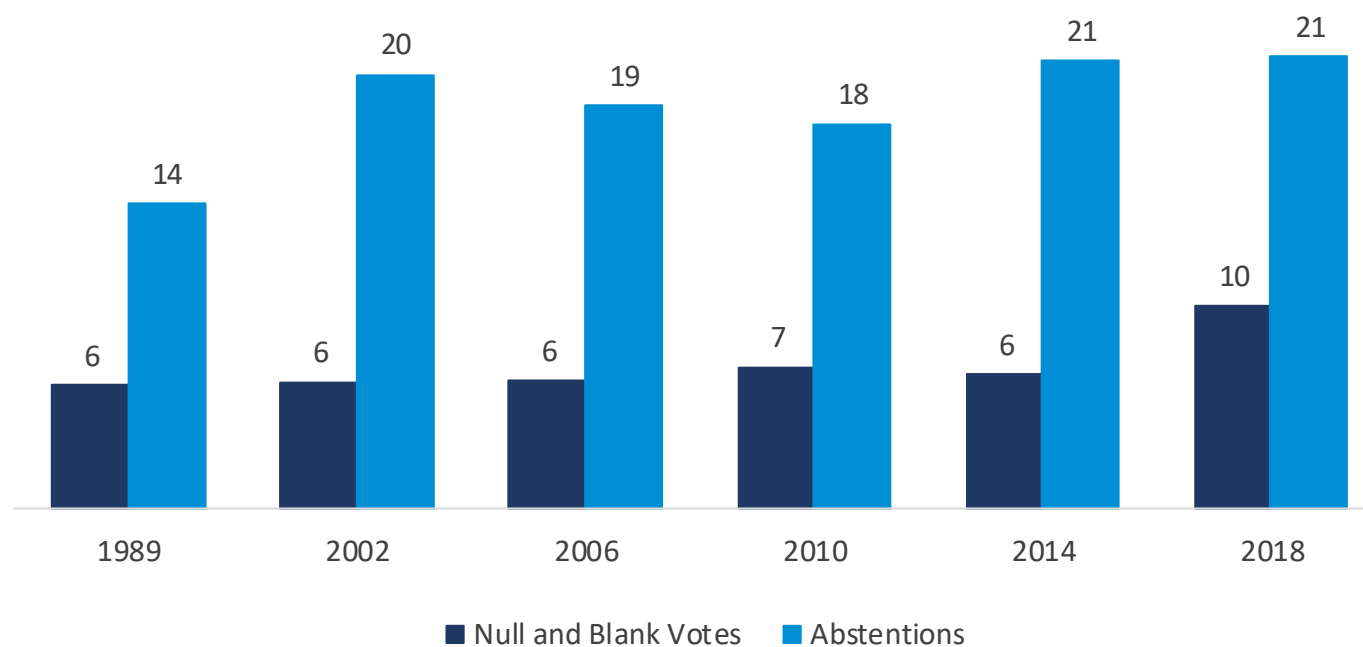


■ Jair Bolsonaro (PSL) ■ Fernando Haddad (PT)

Blank and null votes were the highest since Brazil became a democracy again

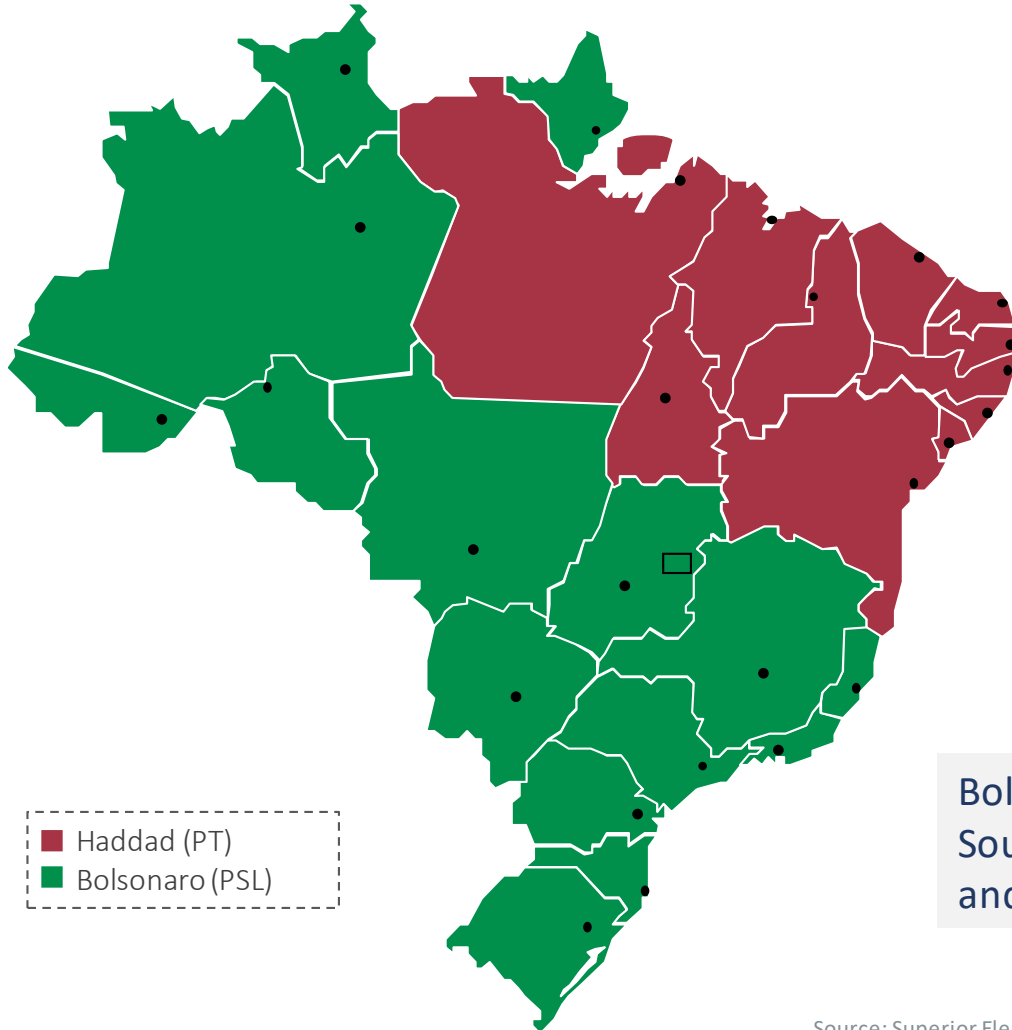
- The percentage of abstentions in the second round of elections has been close to 20% since 2002, while the percentage of blank and null votes remained around 6% of valid votes from 1989 to 2014 (there wasn't second round in 1994 and 1998 elections). In this year's election, blank and null votes rose to 10%.

Abstentions and blank and null votes in past presidential elections 2nd round (%)

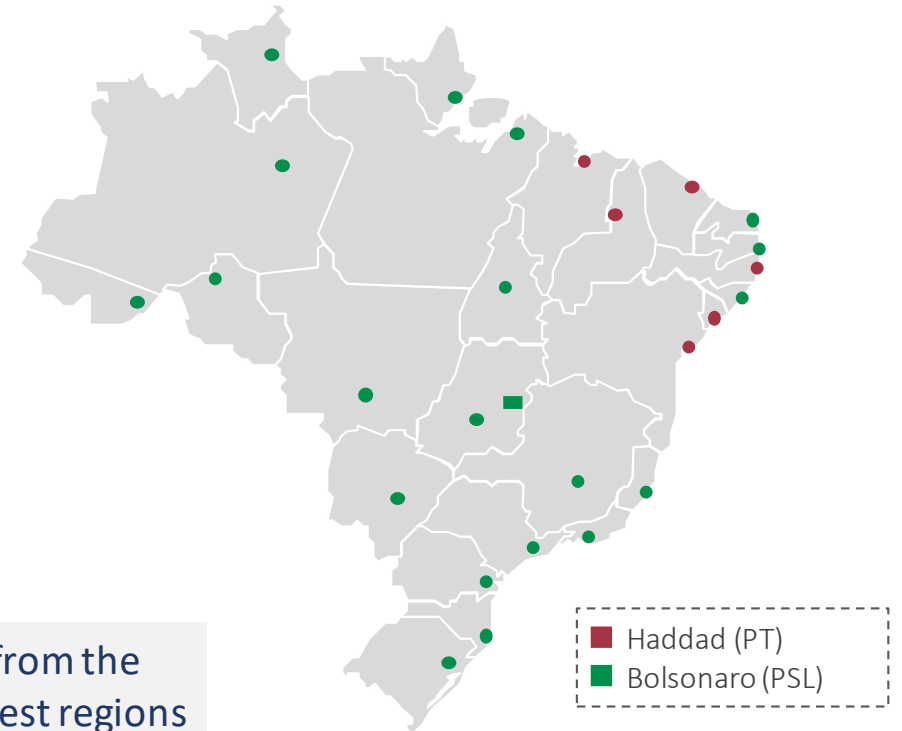


Electoral map: almost two thirds of states voted for Bolsonaro in 2018 election

Voting results per state



Voting results per state capitals



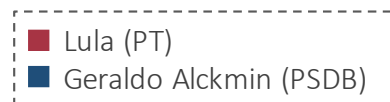
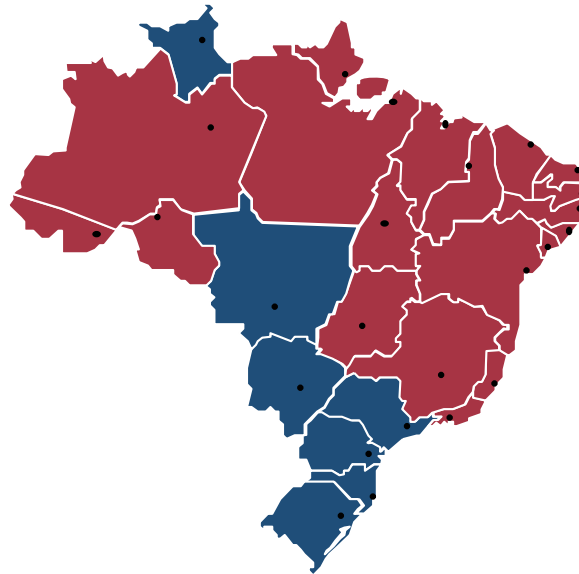
Bolsonaro won in all states from the Southeast, South and Midwest regions and in 21 of Brazil's 27 state capitals.

Election map: past elections show the PT party's loss of power

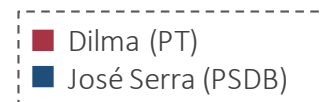
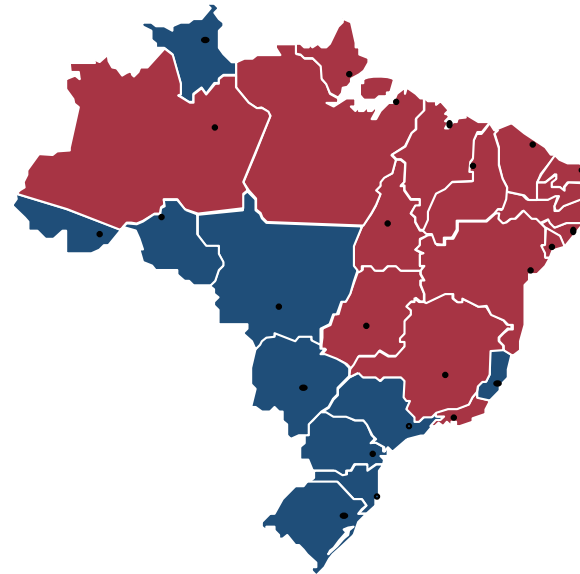
2002 elections



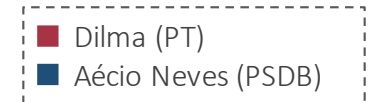
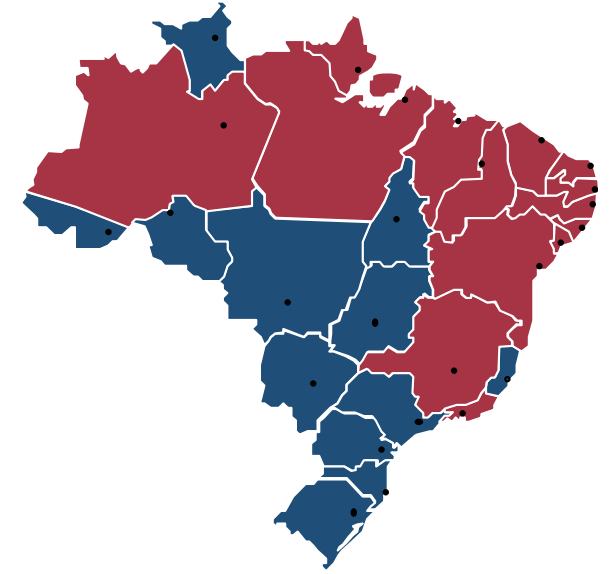
2006 elections



2010 elections



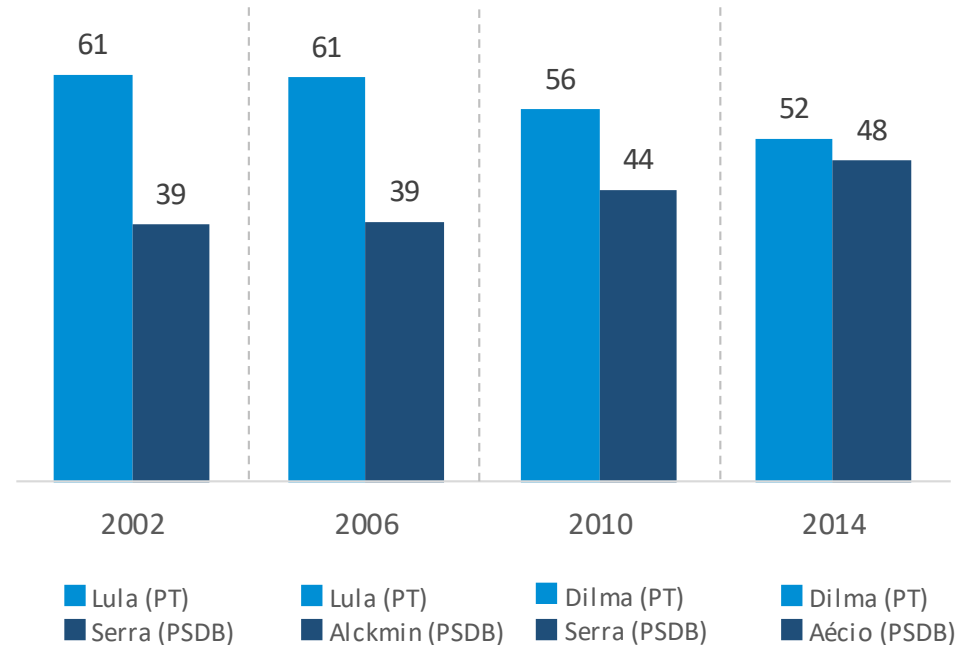
2014 elections



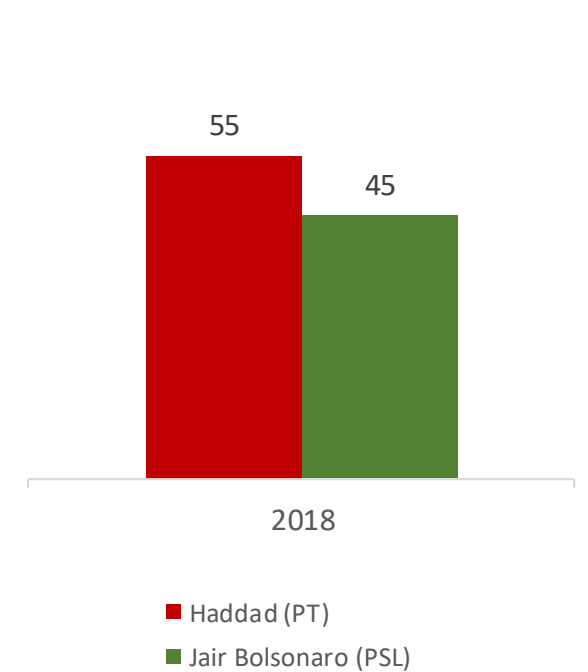
Wide voting gap between Bolsonaro and Haddad

- The gap in terms of valid votes for Bolsonaro (PSL) and Haddad (PT) in the second round of the 2018 election was higher than in 2014 election.
- It was the first time since 2002 that the PSDB won't participate in the second round (in 1994 and 1998, PSDB candidate Fernando Henrique Cardoso won the election in the first round).

Comparison between PT vs PSDB votes – over past elections (%)



Comparison between PT and PSL votes – 2018 election (%)



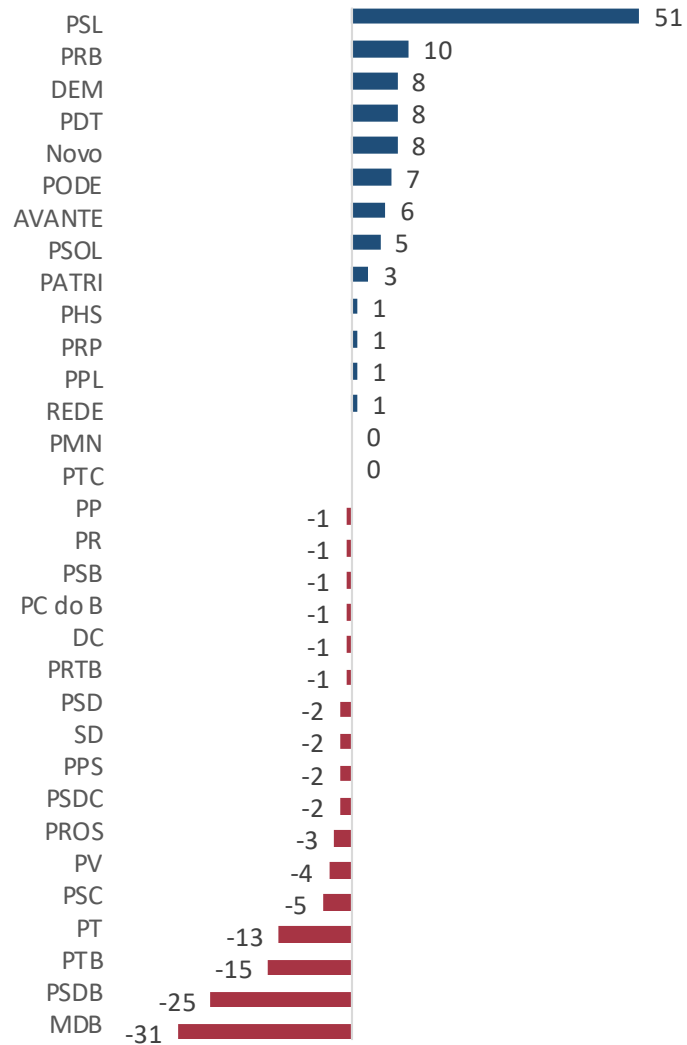
Result of 2018 election for state governors (%)

States	Victory in the first round		Victory in the second round	
	Candidate	Valid Votes (%)	Candidate	Valid Votes (%)
Acre (AC)	Gladson Cameli (PP)	54		
Alagoas (AL)	Renan Filho (MDB)	77		
Amapá (AP)			Waldez (PDT)	52
Amazonas (AM)			Wilson Lima (PSC)	59
Bahia (BA)	Rui Costa (PT)	76		
Ceará (CE)	Camilo Santana (PT)	80		
Distrito Federal (DF)			Ibaneis (MDB)	70
Espírito Santo (ES)	Renato Casagrande (PSB)	55		
Goiás (GO)	Ronaldo Caiado (DEM)	60		
Maranhão (MA)	Flávio Dino (PC do B)	59		
Mato Grosso (MT)	Mauro Mendes (DEM)	59		
Mato Grosso do Sul (MS)			Reinaldo Azambuja (PSDB)	52
Minas Gerais (MG)			Romeu Zema (Novo)	72
Pará (PA)			Helder Barbalho (MDB)	55
Paraíba (PB)	João Azevêdo (PSB)	58		
Paraná (PR)	Ratinho Júnior (PSD)	60		
Pernambuco (PE)	Paulo Câmara (PSB)	51		
Piauí (PI)	Wellington Dias (PT)	56		
Rio de Janeiro (RJ)			Wilson Witzel (PSC)	60
Rio Grande do Norte (RN)			Fatima Bezerra (PT)	58
Rio Grande do Sul (RS)			Eduardo Leite (PSDB)	54
Rondônia (RO)			Coronel Marcos Rocha (PSL)	66
Roraima (RR)			Antonio Denarium (PSL)	54
Santa Catarina (SC)			Comandante Moisés (PSL)	71
São Paulo (SP)			João Dória (PSDB)	52
Sergipe (SE)			Belivaldo (PSD)	65
Tocantins (TO)	Mauro Carlesse (PHS)	57		

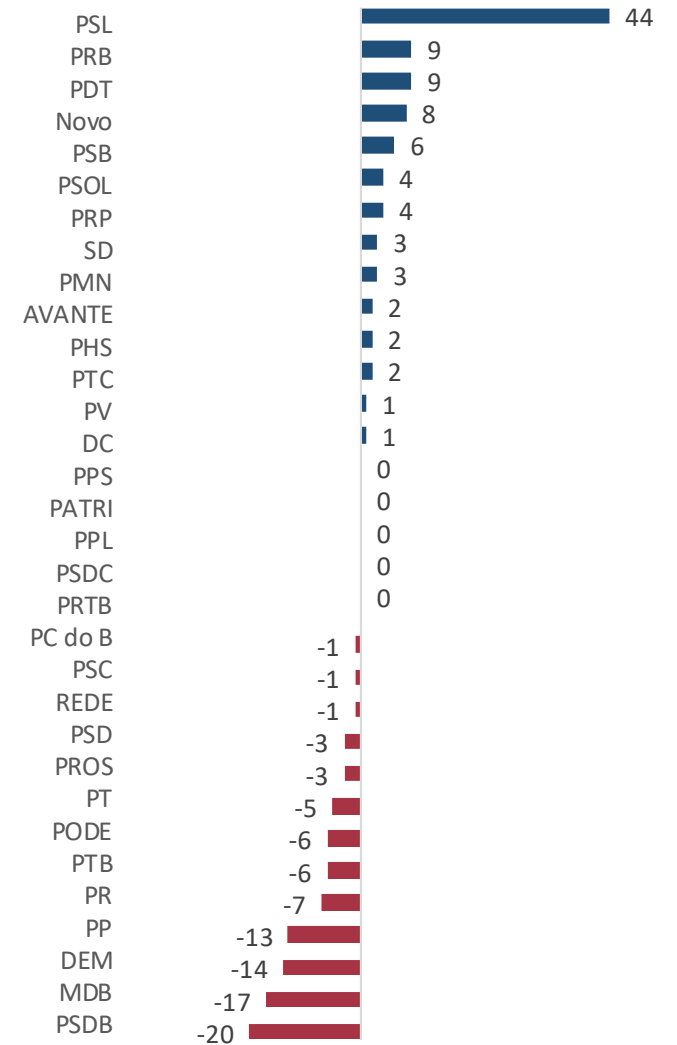
PT and PSL will be the biggest parties in Brazil's Lower House

Party	2014 election	Currently	2018 election
PT	69	61	56
PSL	1	8	52
PP	38	50	37
MDB	65	51	34
PSD	36	37	34
PR	34	40	33
PSB	33	26	32
PRB	20	21	30
PSDB	54	49	29
DEM	21	43	29
PDT	20	19	28
SD	15	10	13
PODE	4	17	11
PSOL	5	6	10
PTB	25	16	10
PC do B	10	10	9
PSC	13	9	8
PPS	10	8	8
PROS	11	11	8
Novo	0	0	8
AVANTE	1	5	7
PHS	5	4	6
PATRI	2	5	5
PV	8	3	4
PRP	3	0	4
PMN	3	0	3
PTC	2	0	2
PPL	0	1	1
DC	2	0	1
REDE	0	2	1
PSDC	2	0	0
PRTB	1	0	0
Total	513	512	513

Growth/reduction in number of seats: 2018 vs. 2014 election



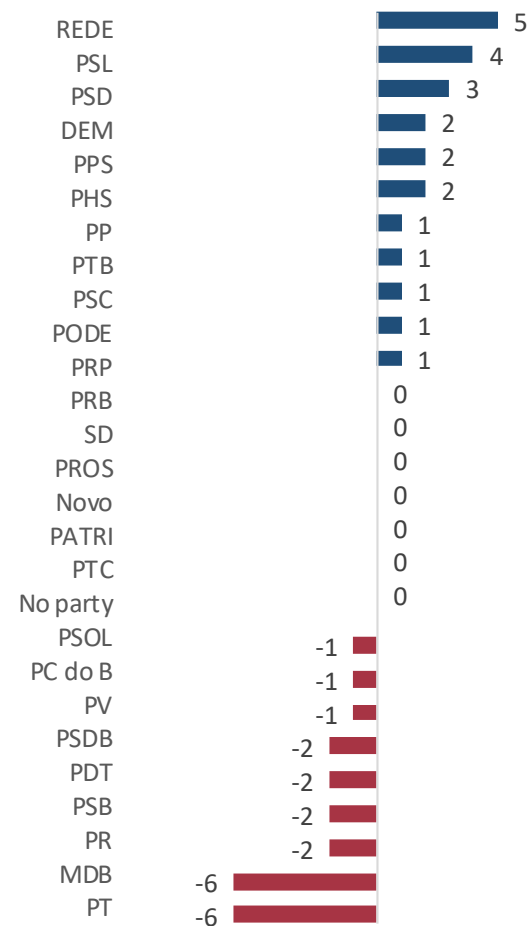
Growth/reduction in number of seats: 2018 election vs. current level



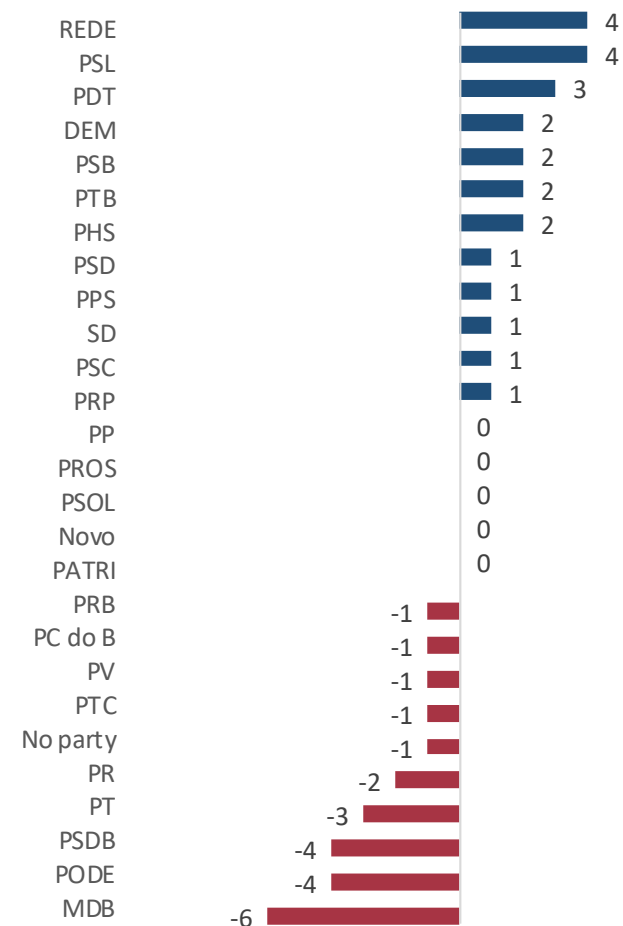
MDB lost most Senate seats in the upcoming legislature

Party	2014 election	Currently	2018 election
MDB	18	18	12
PSDB	10	12	8
DEM	5	5	7
PT	12	9	6
PP	5	6	6
PSD	3	5	6
PDT	8	3	6
PSB	7	3	5
REDE	0	1	5
PSL	0	0	4
PTB	3	2	4
PR	4	4	2
PPS	0	1	2
PHS	0	0	2
PRB	1	2	1
SD	1	0	1
PSC	0	0	1
PODE	0	5	1
PROS	1	1	1
PRP	0	0	1
PSOL	1	0	0
PC do B	1	1	0
Novo	0	0	0
PATRI	0	0	0
PV	1	1	0
PTC	0	1	0
No party	0	1	0
Total	81	81	81

Growth/reduction in number of seats: 2018 vs. 2014 election



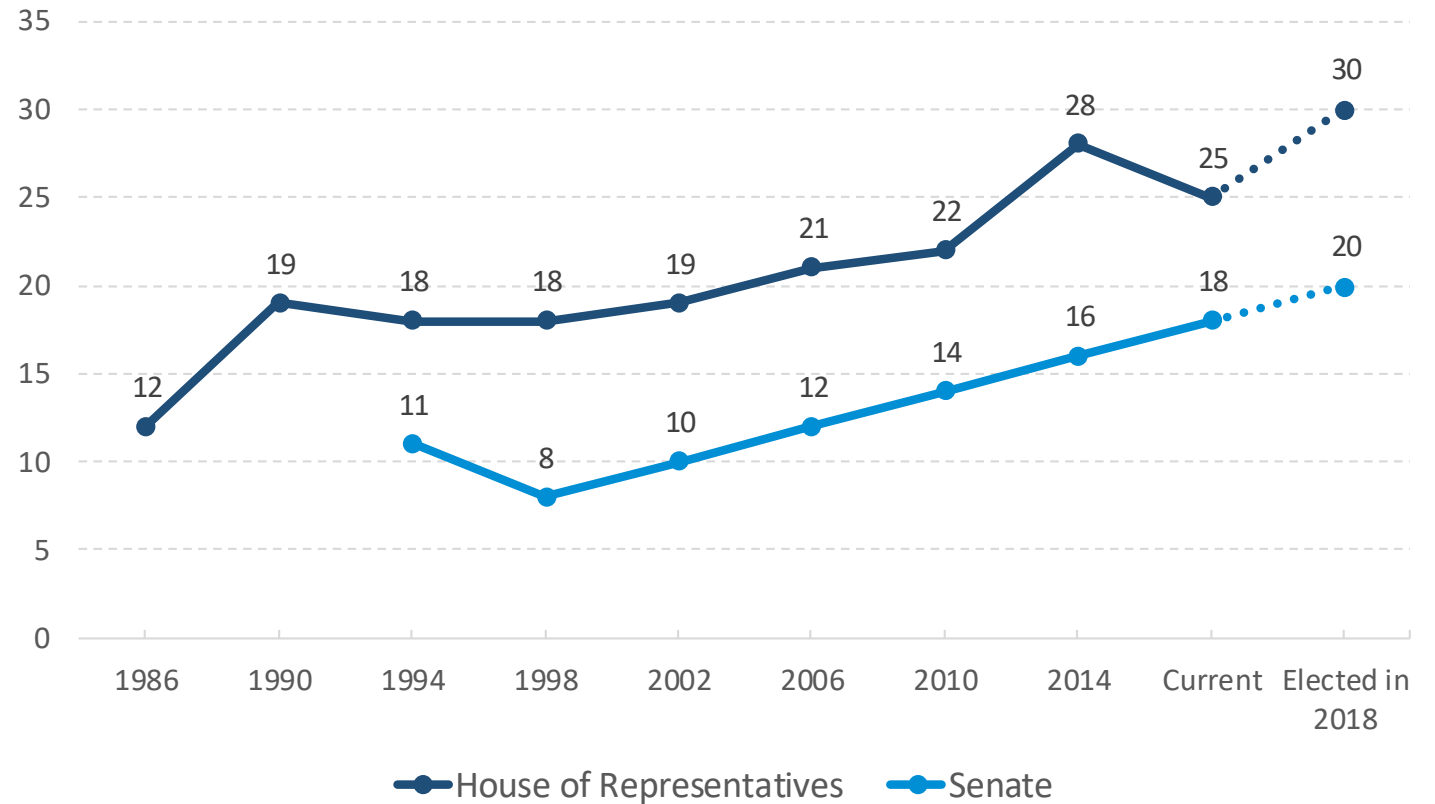
Growth/reduction in number of seats: 2018 election vs. current level



Growth in the number of parties

- The number of parties has increased significantly since 1998, signaling a greater degree of political fragmentation. In the House of Representatives, the number of parties jumped from 18 in 1998 to 30 in the 2018 election, and from 8 to 20 in the Senate, in the period.
- Due to the so-called barrier clause, which came into force this year, the number of parties in the House of Representatives will likely decline during the legislature beginning in 2019.

Number of parties in Brazil's Senate and House of Representatives



Parties and the performance clause: more than one third of the parties do not comply

Parties which comply with the performance clause

Party	# of elected deputies in 2018	Total votes (%)	# of states ¹ with more than 1% of votes	# of states ¹ which elected at least 1 deputy
PT	56	10.4	25	23
PSL	52	11.3	26	18
PPB	37	5.6	26	22
PSDC	34	5.9	26	20
MDB	34	5.6	27	18
PR	33	5.4	26	22
PSB	32	5.5	26	19
PRB	30	5.1	27	19
PSDB	29	6.1	26	15
DEM	29	4.7	24	16
PDT	28	4.7	25	17
SDD	13	2.0	23	12
PODEMOS	11	2.3	19	9
PSOL	10	2.9	13	5
PTB	10	2.1	19	8
NOVO	8	2.4	12	5
PROS	8	2.1	18	5
PSC	8	1.8	20	8
PPS	8	1.6	15	7
AVANTE	7	1.9	12	4
PV	4	1.6	17	4

Parties which do not comply with the performance clause

Party	# of elected deputies in 2018	Total votes (%)	# of states ¹ with more than 1% of votes	# of states ¹ which elected at least 1 deputy
PC do B	9	1.36	14	7
PHS	6	1.46	16	4
PATRI	5	1.47	10	4
PRP	4	0.87	8	4
PMN	3	0.65	4	2
PTC	2	0.62	7	2
REDE	1	0.84	10	1
PPL	1	0.39	3	1
DC	1	0.38	2	1
PRTB	0	0.70	9	0
PMB	0	0.23	2	0
PCB	0	0.06	0	0
PSTU	0	0.04	0	0
PCO	0	0.00	0	0

Of Brazil's 35 parties, 14 failed to reach the limit established by the so-called barrier clause (performance clause) in order to have access to the Party Fund and TV time in the legislature beginning in 2019. 32 House Representatives belong to these parties.

¹ Including Federal District

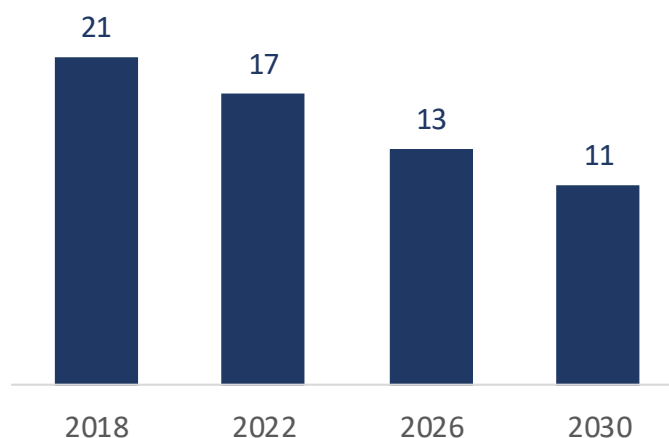
Barrier clause should reduce the number of parties

- To gain access to the Party Fund and to free radio/TV election advertising time in 2018, the barrier clause requires parties to have met one of two criteria in the previous elections: (i) 1.5% of valid votes, in at least nine states, and at least 1% of votes in each state; (ii) nine state congressmen, in at least 9 of Brazil's 27 states. This percentage rises 50bps each national election, until reaching 3% in 2030, in at least nine states, with at least 2% of votes in each.

Barrier clauses for upcoming elections

	Elections 2018	Elections 2022	Elections 2026	Elections 2030
% of valid votes	1.5	2.0	2.5	3.0
Distributed in at least nine of the federated units of Brazil, with at least the following percentage of valid votes (%)	1.0	1.0	1.5	2.0
or				
Minimum number of deputies, distributed in at least 9 of the federated units	9.0	12.0	15.0	18.0

Number of parties considering the % of votes of the 2018 election



If the 2022, 2026 and 2030 rules had been in effect in 2018, 17, 12 and 11 parties, respectively, would have had sufficient valid votes to access the Party Fund and free radio/TV election advertising time.

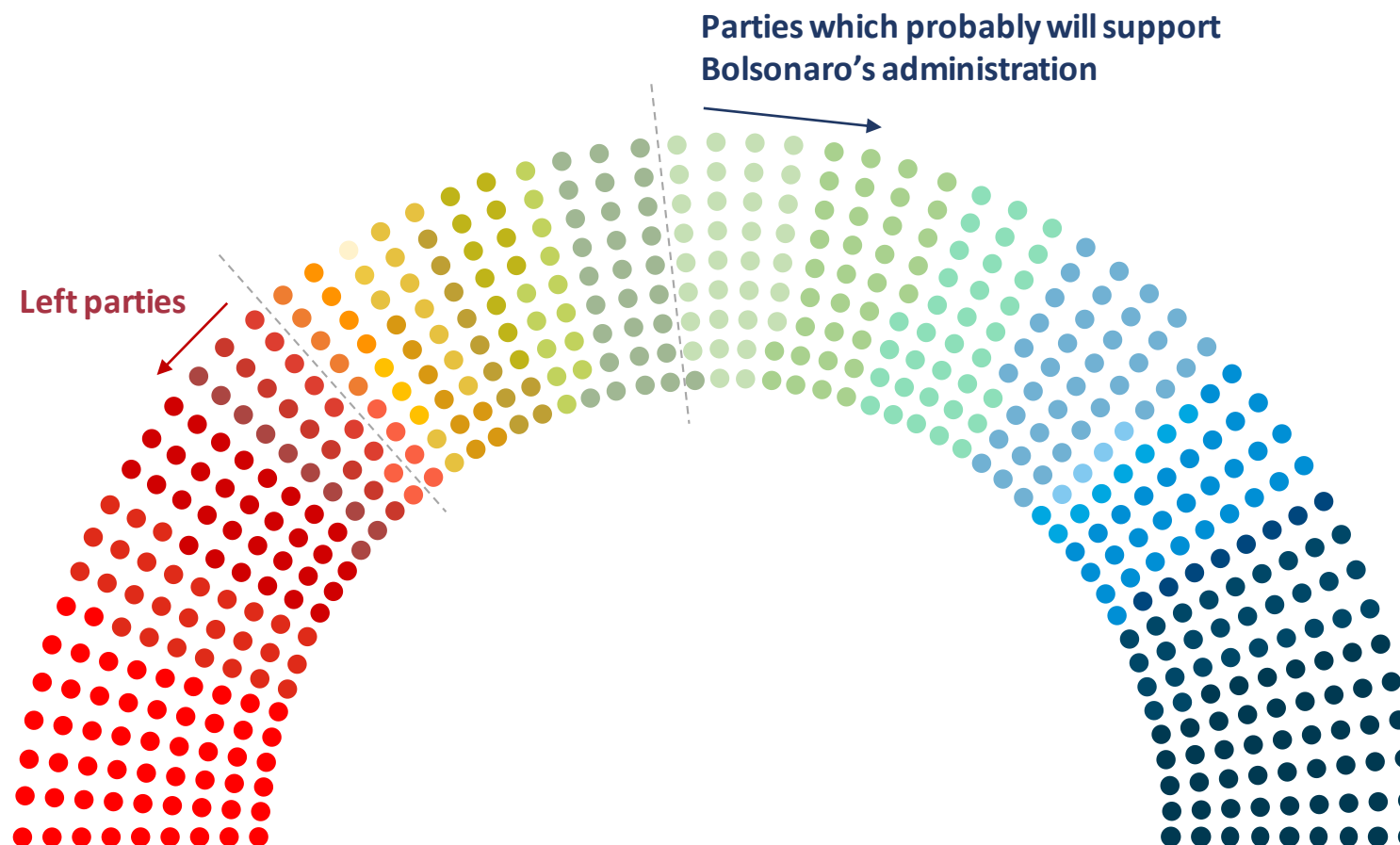
Lower House composition after 2018 election

The number of parties will remain at a high level in the next legislature (2019-22)

●	PT	56
●	PDT	28
●	PSB	32
●	PSOL	10
●	PC do B	9
●	PROS	8
●	PV	4
●	Rede	1
●	PPL	1
●	Avante	7
●	PPS	8
●	PSDB	29
●	MDB	34
●	Novo	8
●	PMN	3
●	PTC	2
●	Patriotas	5
●	PHS	6
●	DC	1
●	PRP	4
●	PSC	8
●	SD	13
●	Podemos	11
●	PTB	10
●	PR	33
●	PSD	34
●	PP	37
●	DEM	29
●	PRB	30
●	PSL	52

Left parties
148 in 2018 election
 (vs. 157 in 2014)

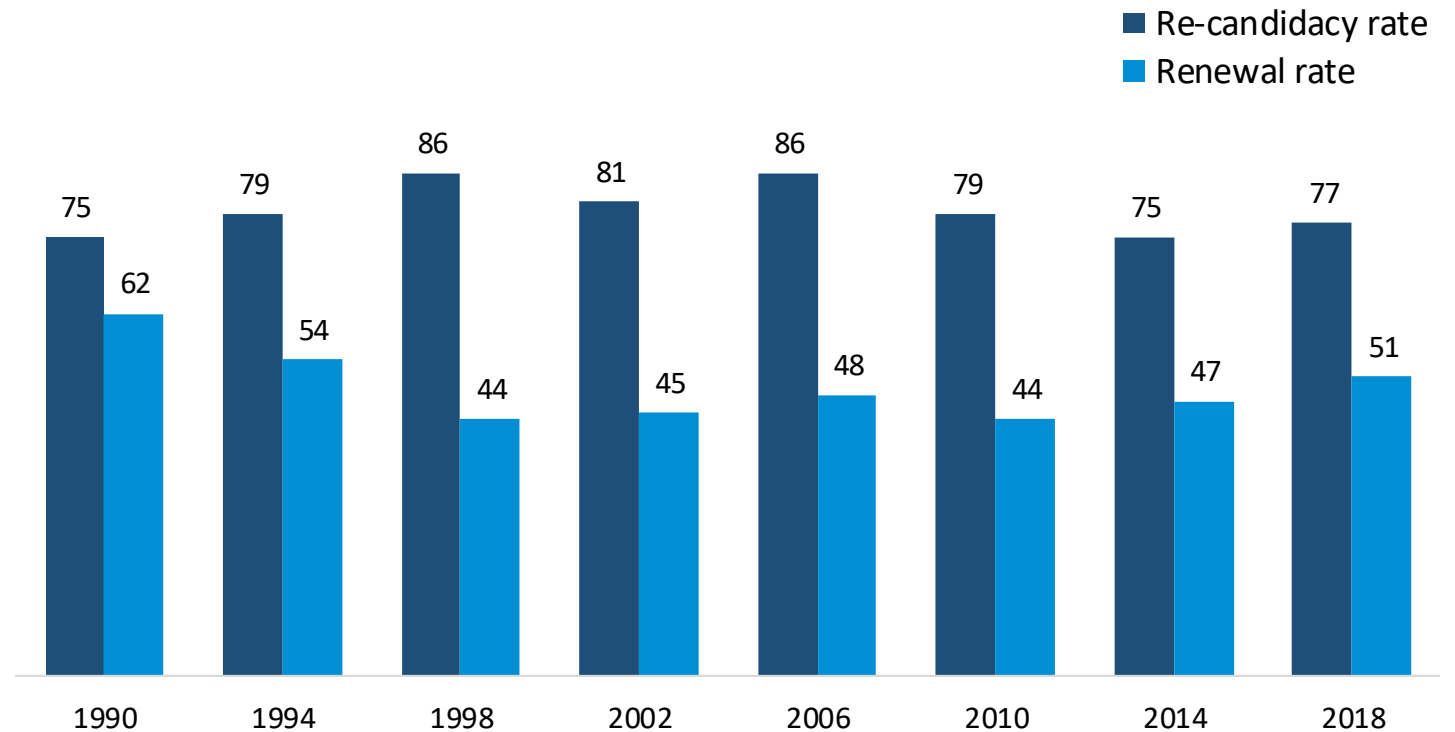
Parties which will probably support Bolsonaro's administration: 268
 in 2018 election
 (vs. 214 in 2014)



2018 renewal rate in the Lower House similar to the previous election

- Historically, the House of Representatives' re-candidacy rate in recent elections has been higher than 75%. ~50% of House Representatives are renewed after the elections.

Renewal and re-candidacy levels in House of Representatives (%)



RULES

SECTION 6



Shorter campaign in 2018

Main rule changes (Laws 13,165 of 2015, and 13,488 of 2017)

	2018	Until 2014 elections
Election program	From August 16 to October 6 (52 days)	90 days starting from July 6
Free TV/radio campaign time	From August 31 to October 5 (35 days)	45 days starting in the middle of August
Duration of free radio/TV program	25 minutes for each of the two daily blocks	50 minutes for each of the two daily blocks
Duration of radio/TV insertions	70 daily minutes, with insertions of 30 or 60 seconds	30 daily minutes, with insertions of 15, 30 or 60 seconds
Division of radio/TV time	(i) 10% distributed equally between parties (ii) 90% distributed proportionally to the number of House Representatives elected previously, considering - in coalitions for majority elections (president and governor) - the total number of congressmen of the 6 largest parties in the coalition	(i) 2/3 distributed proportionally to the number of House Representatives, considering - in the case of a coalition - the total number of congressmen of all the coalition parties (ii) of the remainder, 1/3 distributed equally between the parties and 2/3 proportional to the number of congressmen previously elected to Congress, considering - in the case of a coalition - the total number of congressmen of all the coalition parties
Participation in TV debates	Guarantee of candidate's participation if affiliated parties have at least five congressmen. Participation of other candidates is optional	Guarantee of candidate's participation if affiliated parties have at least nine congressmen. Participation of other candidates is optional
Female participation	(i) Minimum of 10% of total election program time and party insertions exclusively for women (ii) 5% to 15% of party fund for female candidates	Less stimulus
Material for election program	Up to 0.5m ² in campaign banners/stickers	Up to 4m ²

Ban on corporate campaign financing

Main rule changes (Laws 13,165 of 2015, and 13,488 of 2017)

	2018	Until 2014 elections
Affiliation, electoral domicile and party registration	Six months before elections	One year before elections
Conventions	From July 20 to August 5	From June 12 to 30
Registration of applications	Until August 15	Until July 5
Campaign funding	<p>Ban on corporate donations.</p> <p>Special Campaign Financing Fund, consisting of:</p> <ul style="list-style-type: none"> i) 30% of all parliamentary bench amendments; ii) end of TV/radio election advertising revenue waiver; <p>Donations (including self donations) limited to 10% of the individual's income in the year prior to the election.</p>	<p>Companies could make donations to parties and candidates</p> <p>Donations (including self donations) limited to 10% of the individual's income in the year prior to the election.</p>
Candidates' spending limits	<p>President: up to R\$70mn in the 1st round and, in a 2nd round, only R\$35mn.</p> <p>Governor: between R\$2.8mn and R\$21mn, depending on the number of voters in the state. The 2nd round spending ceiling will be half of the 1st round limit.</p> <p>Senator: between R\$2.5mn and R\$5.6mn, depending on the number of voters in the state.</p> <p>House Representative: each candidate may have expenses of up to R\$2.5mn.</p> <p>State representative: each candidate may have expenses of up to R\$ 1mn.</p>	Defined by parties

More insertions and less campaign ads

- Election propaganda time for presidential candidates decreased from 25min in the 2014 election to 12.5 min for each of the two blocks shown on Tuesdays, Thursdays and Saturdays. The time available for daily insertions of candidates contesting majority positions (president and governor) increased to 35min versus 15min in 2014.

Duration of campaign ads by candidate – 1st round (for each of the two daily blocks)

Election campaign		
Tuesday, Thursday and Saturday		
	Until 2014	2018
President	25'	12'30"
Governor	25'	12'30"
Monday, Wednesday and Friday		
	Until 2014	2018
Federal Deputy	18'	9'
State Deputy	18'	9'
Senator	14'	7'

Duration of insertions by candidate – 1st round (per day)

Insertions		
Everyday		
	Until 2014	2018
President and governor	15'	35'
Federal deputy, state deputy and senator	15'	35'

The total time of **insertions for presidential candidates** in the **35 days** of the TV election campaign will be **490 minutes and 30 seconds** (981 insertions of 30 seconds), much higher than the 270 minutes (540 insertions of 30 seconds) in the 45-day TV campaigns up until 2014.

Shorter TV time in second round of 2018 elections

- If the election goes to a second round, the TV/radio time will be divided into two daily periods of 10' (versus 20' in 2014). This daily slot will be equally divided.
- Daily spots will increase from 15' (minutes) in 2014 elections to 25' (minutes). These daily spots of 25' (minutes) can be for 30" or 60" (seconds) each.
- The total time of daily TV/radio advertising for presidential elections will decrease from 55' to 45'.

Election advertising period – 2nd round (time by position)

	Daily periods	
	Monday to Saturday	
	Until 2014	2018
President	20'	10'
Governor	20'	10'

	Daily spots	
	Monday to Saturday	
	Until 2014	2018
President	15'	25'
Governor	15'	25'

TV/radio time in 2nd round

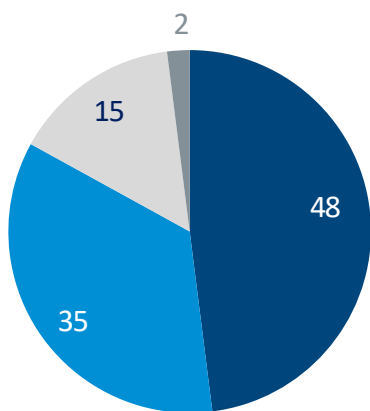
	Second round candidates	
	Candidate A	Candidate B
Share of available time	50%	50%

TV/radio election campaign time will continue to be aired during the afternoon/evening. The first candidate to present proposals will be the one with the highest share of valid votes in the first round. The two candidates will then rotate.

Election funds are a key revenue source for campaigns

Due to the ban on campaign donations, Congress created the Special Campaign Financing Fund in 2017. This is one of the main revenue sources for running campaigns in the 2018 election.

Division of Special Campaign Financing Fund (%)

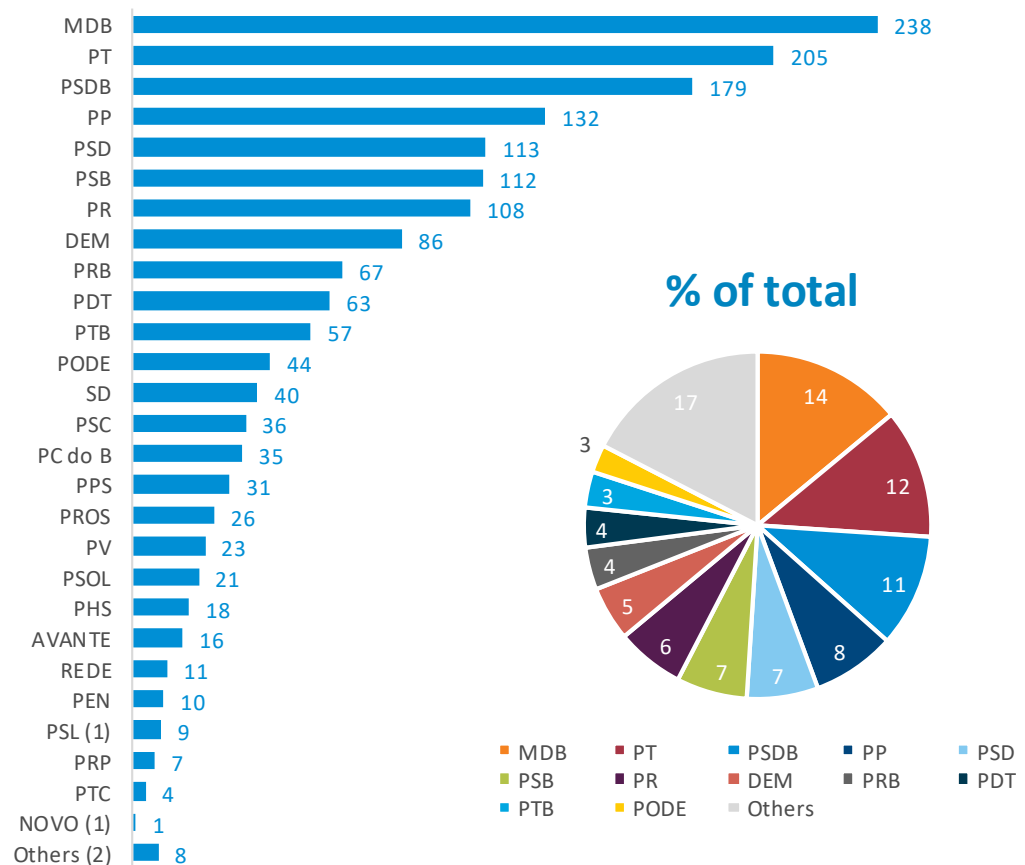


- Proportional to the # of House Representatives on August 28, 2018
- Proportional to the # of votes of the last election to the House of Representatives
- Proportional to the # of Senators on August 28, 2018
- Equally between parties

¹ NOVO and PSL gave up their funds and returned them to the government

² PMN, PMB, PSTU, PCB, PRTB, PSDC, PCO, PPL are entitled to R\$ 1 million each.

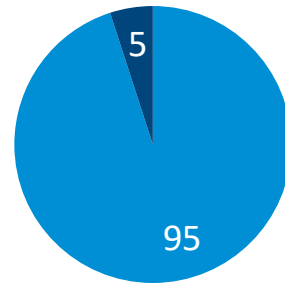
Division of Special Campaign Financing Fund (R\$m)



Five largest parties have ~50% of Party Fund

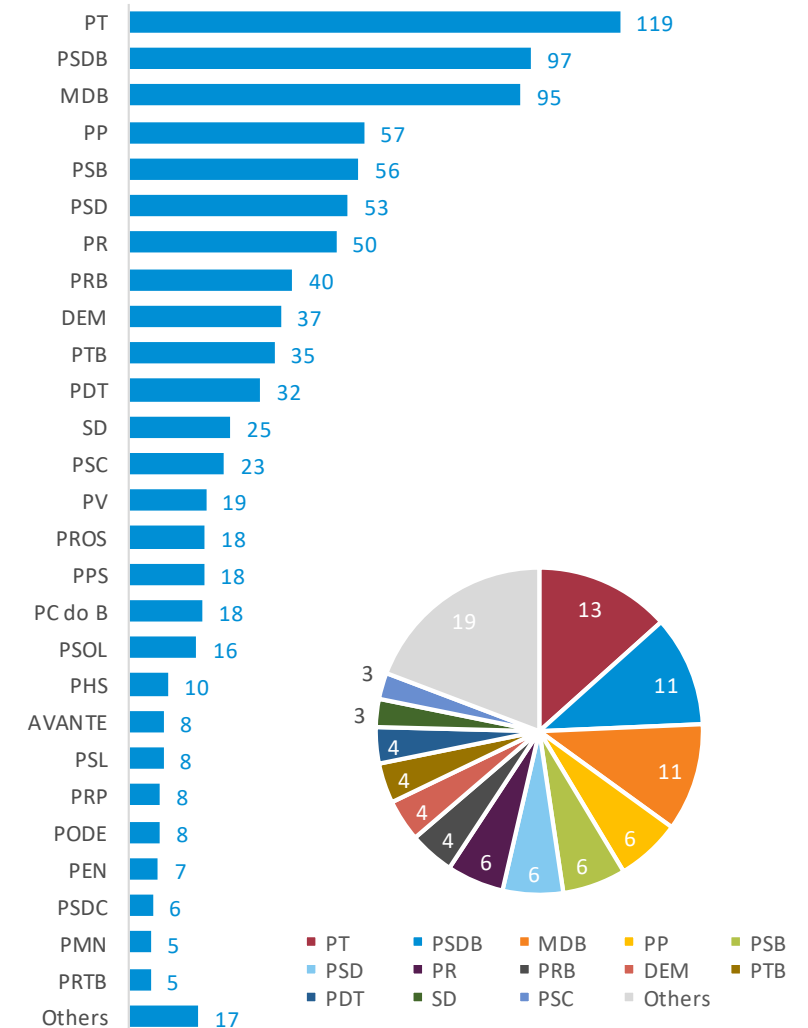
- All 35 parties registered at Electoral Court are entitled to a chunk of the Party Fund.
- Fund resources are not only used to finance campaigns. Part of the fund is used to finance parties' operations (HQ upkeep, paying staff, events, etc).

Division of Party Fund (%)



- Proportional to votes obtained by House Representatives of parties in last election
- Equally between parties

Division of Party Fund (R\$m)



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