

Companhia de Bebidas das Américas (Ambev)

Overall score 26/100

ISIN CODE: BRABEVACNOR1

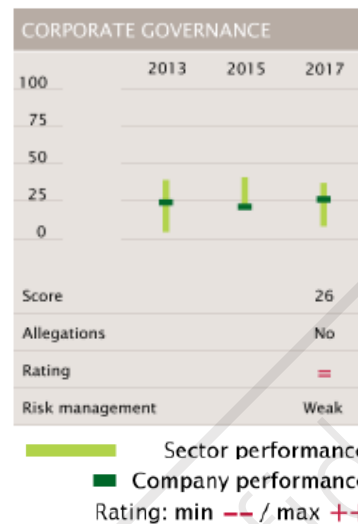
Sector: Beverage Emerging Market
Companies in sector panel: 16

Information rate: 57% (Sector average: 48%)
Company cooperation level: Not responsive *

General information

Ambev, headquartered in São Paulo, Brazil, produces and sells beer, draft beer, soft drinks, other non-alcoholic beverages, malt and food in general. In 2016, the Company, through its subsidiary Labatt Breweries, in Canada, acquired the Company Archibald Microbrasserie. Furthermore, in Brazil, it acquired 66% of the company Sucos do Bem, as well as Cachoeira de Macacu Bebidas Ltda., a Brazilian provider of beers and nonalcohol beverages.

Main Economic Segment**	Turnover 2016
Beverage	100 %



Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo Eiris' framework has been adapted to capture the level of integration of CSR topics at Board-level, supplementing traditional signals on efficient governance practices. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics (CGV1.1). The audit and internal controls system is examined regarding the efficiency and reach of its risk management (CGV2.1). Shareholders are expected to have fair voting rights and access to all relevant information on material CSR issues (CGV3.1). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

Company performance

- Ambev's performance in the Corporate Governance Domain is weak, in absolute terms, which is consistent with the last review.
- Only 15.4% of Board of Directors are considered independent. In addition, CSR risks do not appear to be covered by the Company's internal controls. Regarding shareholders' rights, major restrictions have been identified to add items to the agenda of the AGM. Finally, the Company lacks transparency in terms of executive remuneration.

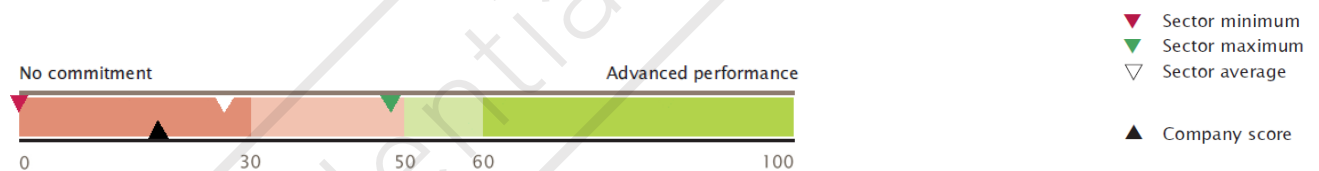
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 26

CGV1.1 Board of Directors

(score: 18, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.
The law in Brazil does not require companies to have a nomination committee.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, but the chairman is not considered independent.
Both Co-chairmen have served in the Board for more than 9 years

Responsibility allocated over CSR issues

Information on the responsibilities allocated over CSR issues is insufficient.

Share of independent shareholder-elected Board members

The Board is between 0 and 20% independent, which might raise concerns. Two members of the 13-member Board are considered independent.

Diversity of the skills and backgrounds of the Board

*The Board of Directors diversity appears to be partial:
- Board members with demonstrated professional experience in the company's sector of activities: Some members of the board appear to have demonstrated professional experience in the company's sector of activities, such as Marcell Hermann Telles, who served as CEO of Brahma.*

Training and expertise provided to board members

Information obtained from company and public sources regarding training provided to board members is insufficient.

Regular election of Board members

Board members are elected at least every three years but these elections are staggered. Board members are eligible for re-election following 3-year terms.

Evaluation of Board's functioning and performance

Information obtained from company and public sources regarding the evaluation of board functioning and performance is insufficient.

Review of CSR issues at Board meeting

The formal CSR reporting has been signed by CEO, but there is no evidence that relevant CSR issues are reviewed at Board meetings.

Regularity of and attendance at Board meetings

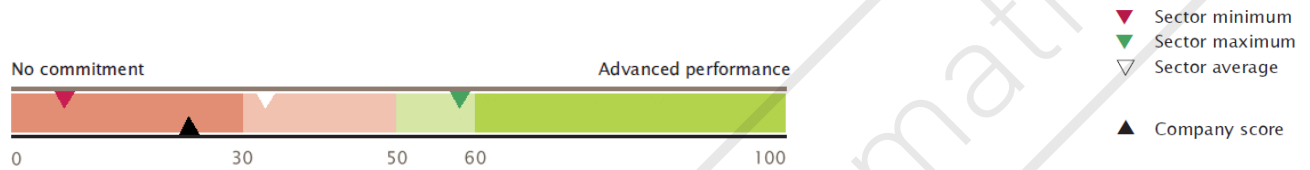
Regular meetings are held, but no attendance rates are disclosed.
The article of association states the Board shall meet, ordinarily at least once each quarter.

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independency
Victorio C de Marchi	Co-Chairman		X				X	X	X					
Carlos A. de Brito	Co-Chairman		X					X	X					
Marcel H. Telles			X				X		X					
Roberto Thompson M			X				X		X					
José H. A. Gracioso			X						X					
Vicente Falconi			X						X					
Luis F. Pedreira D.			X				X	X	X					
Joao M. de Caatro	Alternate Director		X					X						
Nelson Jose Jamel	Alternate Director		X					X						
Cecilia Sicupira			X											
Alvaro A. Cardoso			X					X						

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
Marcos de Barros			X											X
Antonio c. Ribeiro B			X											X

CGV2.1 Audit & Internal Controls

(score: 23, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

No specific committee is in charge of audit issues, which might raise concerns. *The company has a Fiscal Council, in compliance with Brazilian law, that operates independently from management and the independent public accounting firm.*

Skills and backgrounds of Audit Committee members

The Company has an Audit Committee in place; however, it is not part of the Board.

Operational and CSR risks covered by the company's internal controls system

The system covers the standard issues related to financial, operational, and legal risks.

Role of the Audit Committee in overseeing internal and external controls

The Company has an Audit Committee in place; however, it is not part of the Board.

Management of the CSR risks

Information obtained from company and public sources regarding the management of the CSR risks is insufficient.

Independence of the firm's external auditors

The audit firm receives non-audit fees, but these represent only 25% or less of total fees. *Non-audit fees represented 12.3% of total paid fees to PricewaterhouseCoopers in the fiscal year ended December 31, 2016.*

Inclusion of CSR issues in the company's reporting

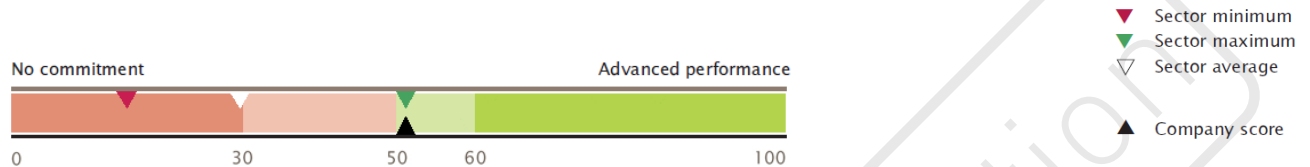
The company publishes significant CSR reporting on key material issues.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 09/2017, Companhia de Bebidas das Américas (Ambev) did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 51, weight: 2)



Nonexistence of voting rights restrictions

The company respects the "one share - one vote" principle.

Safeguards on transactions with major shareholder(s)

Less than half of the board is independent. However, there are other safeguards in place to monitor transactions between the company and its major shareholder(s).
Controlling shareholders and related persons are prohibited from trading in the following cases:
- before a material act or fact occurring in the business is disclosed to the market
- whenever an option or proxy for the purchase or sale of shares, by the company itself or its controlled companies, affiliated companies or another company under common control is in effect or has been granted
- whenever there is an intention to carry out a merger, full or partial spin-off, consolidation, transformation into other company type or material corporate reorganisation

Ability to add items to the agenda of the AGM and to convene an EGM

Major restrictions have been identified to add items to the agenda of the AGM.
General meetings can be convened by Ambev's shareholders as follows:
- by any shareholder if, under certain circumstances set forth in the Brazilian Corporate Law, the directors take more than 60 days to convene a general shareholders' meeting.
- by shareholders holding at least 5% of Ambev's total capital stock if, after eight days, the directors fail to call a general shareholders' meeting that has been justifiably requested.
- by shareholders holding at least 5% of either Ambev's voting capital stock or Ambev's non-voting capital stock if, after eight days, the directors fail to call a general meeting for the purpose of installing a Conselho Fiscal that has been requested by such shareholder

Access to voting at General Meetings

Information obtained from the Company and public sources regarding the access to voting at the AGM is insufficient.

Ability to vote on relevant issues in separate resolutions at AGM

All major items are voted upon in separate resolutions, in accordance with standards advocated by Vigeo.

Presentation of CSR strategy to shareholders and investors

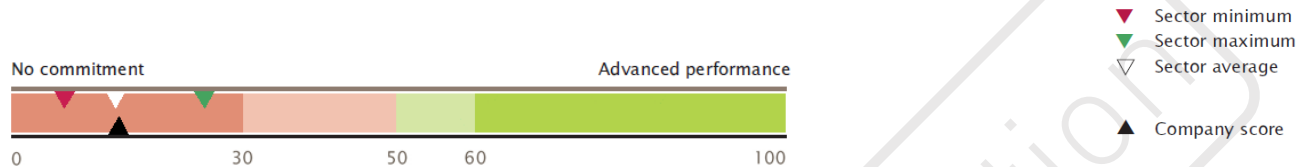
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
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CGV4.1 Executive Remuneration

(score: 14, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

No executive is a member of the committee, but half or fewer are independent.
None of the 4-member Remuneration Committee are considered independent.

Disclosure of senior executives' individual remuneration

Executive remuneration is disclosed, but on a collective rather than on an individual basis.

Link between Short Term Incentive Plans and the performance of the company

Bonuses are said to be linked to predetermined economic and/or operational performance indicators, but these are not disclosed.

Link between the main Long Term Incentive Plan and the performance of the company

Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

Link between variable remuneration and CSR performance of the company

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

Severance pay for senior executives

Information obtained from the Company and public sources regarding severance pay for senior executives is insufficient.

Evolution of CEO-to-employee compensation ratio

Information obtained from company and public sources regarding the compensation of CEO and the average employee salary is insufficient.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 09/2017, Companhia de Bebidas das Américas (Ambev) did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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