

Banco do Brasil

ISIN CODE: BRBBASACNOR3

Overall score 30/100

Sector: Diversified Banks Emerging Market

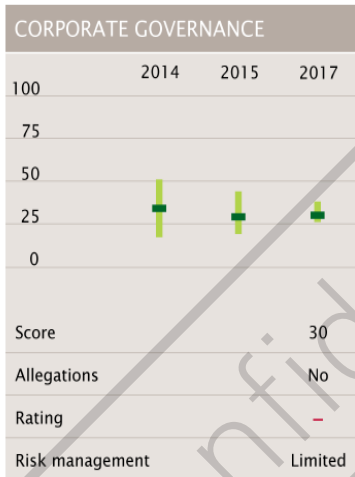
Companies in sector panel: 12

Information rate: 74% (Sector average: 61%)
Company cooperation level: Not responsive *

General information

Banco do Brasil is a Brazil-based financial institution primarily engaged in the banking sector. The Bank's activities are divided into five business segments: Banking, which offers deposits, loans and other banking services in the retail, corporate, wholesale and public sectors; Investments, which focuses on the structuring and distribution of debt and equity instruments in Brazilian primary and secondary capital markets; Fund management, which is mainly responsible for the purchase, sale and custody of securities, as well as portfolio management; Insurance, which provides products and services related to life, property and automobile insurance, private pension and capitalization plans, and Electronic payments, which includes services related to administration of credit and debit cards, such as capture, transmission, processing and financial settlement. The Bank operates through several subsidiaries in the domestic and international market.

Main Economic Segment**	Turnover 2016
Banking	97.0 %
Insurance	2.7 %
Payment Methods	0.2 %



Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. 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). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

Company performance

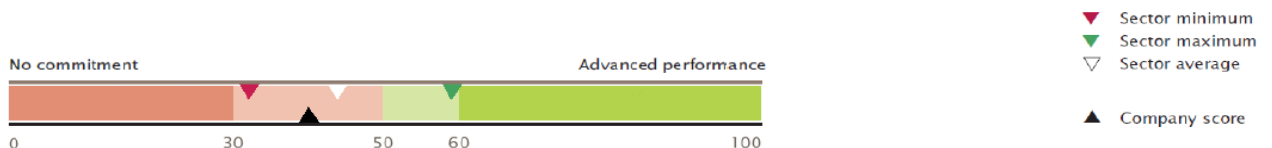
- Banco do Brasil's performance in the Corporate Governance domain is limited in absolute terms, and has slightly improved since the previous review.
- This slight improvement can be explained by the fact that Internal controls cover some of the CSR risks (business ethics) that are also managed through monitoring of key risk indicators, risk mapping, and materiality assessment. However, less than 50% of the board's members is independent. With regard to shareholders' rights, minor voting rights restrictions have been identified. Margins for improvement remain also in the reporting on the rules guiding short term and long term incentives allocated to executives.
Overall, the Bank performs below the sector average.

Corporate Governance

Score : 30

CGV1.1 Board of Directors

(score: 40, weight: 3)



* 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

[LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, but the chairman is not considered independent.

Responsibility allocated over CSR issues

Banco Do Brazil has State Ethics Committees in each state of the Federation and the Federal District in Brazil, working with the following objectives: to disseminate the ethical principles adopted by BB in Jurisdictional areas of the state, decide on the implementation of management measures and sanctions, and propose improvements in business processes involving corporate ethical principles.

Share of independent shareholder-elected Board members

The Board is between 21 and 33% independent, which is less than the recommended level. Among the eight members of the board, 2 members are elected by the AGM, six members are appointed by the state, and 1 member by the employees. For the seven members elected by the AGM and appointed by the state, two members of the seven- shareholders member Board are considered independent.

Diversity of the skills and backgrounds of the Board

The Board of Directors diversity appears to be robust:
- Employee representative(s) sitting on the Board: one director is appointed by the employees of Banco Do Brasil
- Board members with demonstrated professional experience in the company's sector of activities

Training and expertise provided to board members

Training is provided occasionally.
A training programme for the Board of Directors is reported to be in place. A book including approximately 20 courses open class, is offered by renowned national and international business schools, on corporate governance, business environment, and management for results and innovation management topics.

Regular election of Board members

Board members are elected at least every three years and these elections are not staggered.
Board members are eligible for re-election following two-year terms.

Evaluation of Board's functioning and performance

The members of the Board of Directors complete, on an annual basis, a performance self-assessment.

Review of CSR issues at Board meeting

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

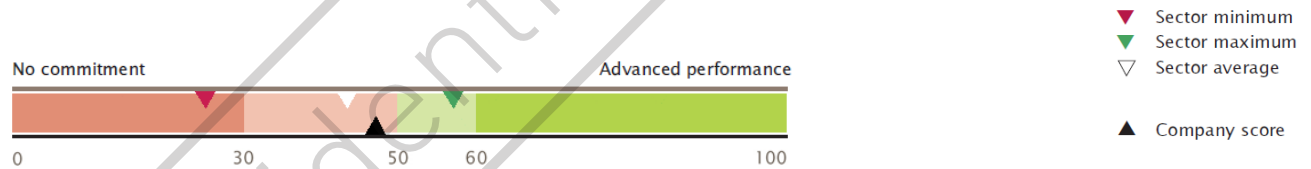
Regularity of and attendance at Board meetings

Regular meetings are held, and attendance rates are above 90%
23 Board meeting was held in 2015, with an average attendance rate of 91%.

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
E. Refinetti Guardia	Chairman		X				X						Appointed by the Ministry of State for Finance	
Paulo Rogério	CEO	X											Appointed by the Ministry of Finance	
Fabricio da Soller			X										Appointed by the Ministry of Finance	
L.S. Spinola Santo			X											X
M. Ragone de Mattos			X										Appointed by the Ministry of Finance	
Daniel Sigelmann			X						X				Appointed by the Minister of Planning, Budgeting and Management	
J. P. D. de Oliveira			X	X										
Beny Parnes			X				X							X
			X			X								

CGV2.1 Audit & Internal Controls

(score: 47, weight: 3)



[LISTED COMPANIES] Existence and independence of Audit Committee

No executive is a member of the committee, but half or fewer are independent. One member the four-member Audit Committee is considered independent. Three members are not part of the board: Antônio Carlos Correia, Elvio Lima Gaspar, Egidio Otmar Ames (Chairman of the Audit Committee).

Skills and backgrounds of Audit Committee members

Members appear to have financial experience and relevant operational experience.

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. In addition, the system covers some of the CSR risks inherent to the company's business operations. In particular, this system covers:
- business ethics: the bank has a structured model of internal controls and established standards and procedures for the treatment of potential cases of non-compliance with its Code of Ethics and Rules of Conduct, policies or regulations.

Governance of risks

Information disclosed on this subject is insufficient.

Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a limited role that includes:
 - *Oversee internal audit and internal controls*
 - *Review accounting policies and be responsible for updates*
 - *Oversee the work of the external auditor*

Management of the CSR risks

- Relevant processes dedicated to management of CSR risks are in place, including:
 - *monitoring of key risk indicators: in 2016, the bank developed the Social and Environmental Risk Indicator Manual, which contributes to the control and reporting of exposure to the hazards and sets corporate indicators and operational limits related to them.*
 - *risk mapping and materiality assessment: the Bank's challenges are mapped from the assessment of national and international trends of sustainability, market indices, demands of society in general and, especially, the connection of its business strategies with SDG. The Bank also take into account its Corporate Strategy. As a result of such evaluation, 25 challenges in sustainability distributed into five pillars of the Sustainable Development Goals have been identified: Prosperity, Partnership, People, Planet, and Peace.*

Supervision of material risk-takers

Information disclosed on this subject is insufficient.

Leverage ratio of the bank

At December 2016, the unweighted leverage ratio of the bank ((Equity - goodwill and less tangible assets)/ Total assets)) was 5.6%

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 6.1% of total fees paid to KPMG Auditores Independentes in 2016.

Inclusion of CSR issues in the company's reporting

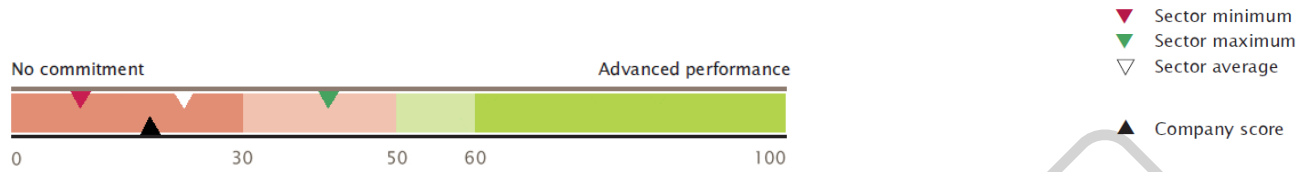
The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited/moderate level of the assurance
A limited assurance engagement is conducted by KPMG Auditores Independentes in accordance with NBC TO 3000 (ISAE 3000). Based on the applied procedures, described in 2015 report, nothing has come to the auditors' attention that leads them to believe that the information contained in the Annual Report 2015 prepared by Banco do Brasil, were not compiled, in all relevant aspects,
in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative - GRI (GRI-G4).

Stakeholders' feedback

As of 07/2017, Banco do Brasil did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 18, weight: 2)



Nonexistence of voting rights restrictions

Minor voting rights restrictions have been identified.
Each common share entitles its holder to one vote at the General Meeting's resolutions, except when adopting multiple vote for the Board of Directors' election.

Safeguards on transactions with major shareholder(s)

No safeguards appear to be in place, which might raise concerns with regard to the fairness of any such transaction.

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 and to convene an EGM.
Pursuant to article 135 of Brazilian Corporate Law, amendments to the Bylaws shall be resolved on at an Extraordinary Stockholders' Meeting, which shall be declared open in first call with the attendance of Stockholders representing at least two thirds (2/3) of the voting capital, and in second call, with any number of Stockholders.

Access to voting at General Meetings

There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.

Ability to vote on relevant issues in separate resolutions at AGM

Not all major items are put to a shareholder vote.
The following item is not put to a vote at the AGM: Selection of external auditors

Presentation of CSR strategy to shareholders and investors

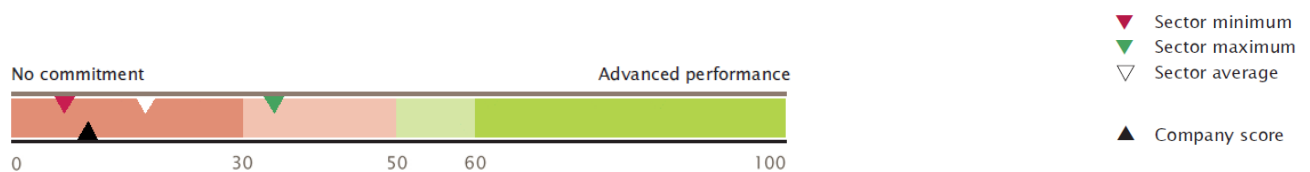
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

Stakeholders' feedback

As of 07/2017, Banco do Brasil did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 10, weight: 3)



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[LISTED COMPANIES] Existence and independence of Remuneration Committee

No executive is a member of the committee, but half or fewer are independent. *One member of the two-member Remuneration Committee is considered independent. In addition, two other members, Egidio Otmar Ames and Paulo Roberto Lopes Ricci (the chairman of the committee) are not part of the board of directors.*

Disclosure of senior executives' individual remuneration

The Bank report on the remuneration of the total remuneration of the president and Vice-President. However, their short term and long term incentives are not disclosed.

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

Bonuses are said to be linked to predetermined economic and operational performance indicators, but these are not disclosed. Criteria of individual performance, the business unit's performance, and the institution's performance for the the Management of variable Remuneration Program (RVA) must be taken into account as a whole, as well as the relationship between them and the risks assumed.

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

Variable remuneration is said to be linked to CSR performance objectives, but these are not disclosed. The variable compensation is linked to the work agreement and considers information about the efficient use of resources (water, energy, paper and selectivewaste collection) and the involvement of employees in social and voluntary causes.

Severance pay for senior executives

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

Risk alignment of remuneration of top senior executives

At least 40% of variable compensation should be deferred for future payment over a period of at least three years, defined according to the risks and activities overseen by the executive.

Risk alignment of remuneration of material risk takers

Information on risk adjustments of remuneration is insufficient.

Evolution of CEO-to-employee compensation ratio

Information obtained from the company and public sources regarding the compensation of CEO and the average employee salary is insufficient. The total yearly remuneration of the CEO is not disclosed.

Stakeholders' feedback

As of 07/2017, Banco do Brasil did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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