

# Banco Santander (Brazil) S/A

Overall score 38/100

ISIN CODE: BRSANBACNOR8

Sector: Retail & Specialised Banks Emerging Market

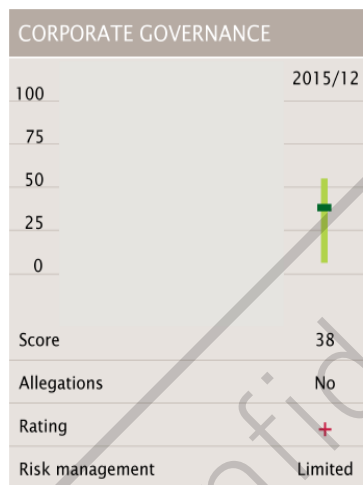
Information rate: 76% (Sector average: 47%)  
Company cooperation level: Proactive \*

Companies in sector panel: 77

## General information

Santander began its activities in Brazil in 1982 with a representation office, and today it is the third largest private sector bank in Brazil and the largest foreign bank in operation in the country, with total assets of BRL 590 billion and a client base more than 31 million. With head-quarter in Sao Paulo, the bank relies on a service network throughout the Brazilian territory comprised of 3,412 branches, 14,856 owned ATMs and 18,203 shared ATMs, in addition to technology and consumer service centers and areas dedicated to culture.

Main Economic Segment**	Turnover 2014
Corporate	40.0 %
Individuals	32.0 %
Consumer finance	15.0 %



### Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo's 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

- The Company's performance in the Corporate Governance domain is limited in absolute terms.
- The domain's score has remained stable compared to the previous review.
- The level of independence of the Board and of the Board committees is low. On a positive note, a Corporate Governance and Sustainability Committee as well as risk committee have been appointed at board level. Also, the internal control system covers social and environmental risks. On the other hand, the Company provides little disclosure on shareholders' rights, where however minor voting rights restrictions have been identified. Concerning the the executive remuneration, bonuses and long-term incentives are linked to performance conditions.

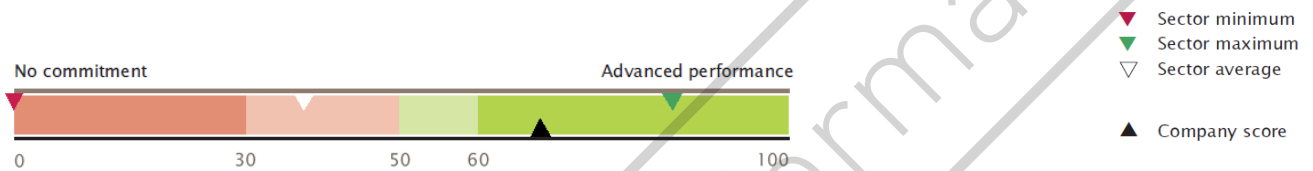
\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
 \*\* See detailed economic indicators in Selected financial data section  
 \*\*\* Based on the most recent Index at the date of publication

## Corporate Governance

Score : 38

### CGV1.1 Board of Directors

(score: 68, weight: 3)



#### [LISTED COMPANIES] Existence and independence of Nomination Committee

All members are independent non-executive directors.  
*All four members of the Nomination Committee are considered independent.*

#### Independence of board Chairman

The roles of Chairman and CEO are separated, and the Chairman is considered independent.

#### Responsibility allocated over CSR issues

There is a CSR Committee that is part of the Board. In addition the Head of CSR Department makes regular reports to the Committee.  
*The sustainability office reports directly to the Board of Directors.*

#### Share of independent shareholder-elected Board members

*The Board is between 34 and 50% independent, which is less than the recommended level.  
Five members of the ten-member Board are considered independent.*

#### Diversity of the skills and backgrounds of the Board

*The Company's Board of Directors diversity appears to be partial:  
- Board members with demonstrated professional experience in the company's sector of activities.*

#### 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 and these elections are not staggered.  
Board members are eligible for re-election following two-year terms.*

**Evaluation of Board's functioning and performance**

Performance is evaluated regularly, by a third party.  
*The Board of Directors, including its Chairman and Advisory Committees undergo a performance assessment by a consulting firm on an yearly basis, considering given criteria in line with good corporate governance practices.*

**Review of CSR issues at Board meeting**

*The company's reports that on 19 of November, 2014, its board approved the CSR policy and its implementation. Some of the relevant CSR issues discussed at board level are as follow:*  
- *Environment and climate change: indirect impacts, the board of directors evaluates circumstances that may lead to the review in business as a result of environmental impacts.*  
- *Business ethics (corruption / lobbying / taxes): the board of directors ensures the provisions of the Code of Ethics.*

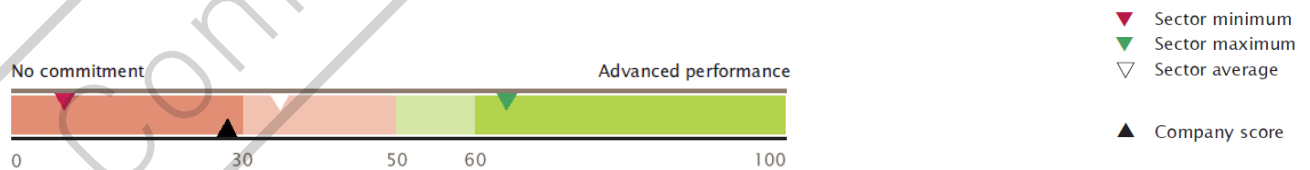
**Regularity of and attendance at Board meetings**

Regular meetings are held, but no attendance rates are disclosed.  
*The company reports that its board of directors meets regularly four times a year and extraordinarily as often as required.*

Non-independent board members (excl. employee representatives)	Role	Current or Former Executive	More than 9 years on board	Stock options or warrants	Paid >1/2 executive salary	Owens or represents >3% company's shares	Other
Jesús María Zabalza Lotina.	CEO	X					Considered non-independent by Company
Conrado Engel	Senior Vice President Executive Officer	X					Considered non-independent by Company
José Antonio Alvarez Alvarez						X	Considered non-independent by Company
José María Nus Badía	Risk Director and Senior Executive Vice President Officer	X					Considered non-independent by Company
José de Paiva Ferreira	Senior Executive Vice President Officer	X					Considered non-independent by Company

**CGV2.1 Audit & Internal Controls**

(score: 28, weight: 3)



**[LISTED COMPANIES] Existence and independence of Audit Committee**

*An Audit Committee is in place, but not all members are elected among the Board of Directors.*

**Skills and backgrounds of Audit Committee members**

Information disclosed on this subject is insufficient or not relevant.

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

The internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers most of the CSR risks inherent to the company's business operations:

- Business ethics: non-compliance, tax avoidance, corruption
- Environmental & climate change risks in credit decisions & other banking activities
- Social & human right risks in credit decisions & other banking activities.

**Governance of risks**

The company adopted only some of the recommended measures for a sound risk management:

- The Chairman of the Audit Committee is a member of the Risk Committee.

**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
- Nominate the statutory auditor
- Oversee the work of the external auditor.

**Management of the CSR risks**

Limited processes dedicated to management of CSR risks appear to be in place:

- Monitoring of key risk indicators: the company monitors the compliance risks as well as the social and environmental risks.
- Reporting system to Board: the company has a sustainability office that is in charge of providing technical support to other areas in the advancement and execution of good sustainability practices. The sustainability office reports to the CEO, the Executive Committee and the Board of Directors.
- Risk mapping/materiality assessment: the information in connection with the Bank's sustainability reporting in 2014 was drawn from an update of a materiality study prepared in 2013 in order to find, review and include any issues that may be relevant to Santander Brazil. Indeed, the analysis to identify the key topics and material aspects for Banco Santander Brasil report was conducted both quantitatively and qualitatively, in steps that include analyses and dialogues.

**Supervision of material risk-takers**

Information disclosed on this subject is insufficient.

**Leverage ratio of the bank**

Information disclosed on this subject is insufficient or not relevant.

**Independence of the firm's external auditors**

Information obtained from company and public sources regarding the independence of the firm's external auditors is insufficient.

**Inclusion of CSR issues in company reporting**

The company publishes significant CSR reporting on key material issues.

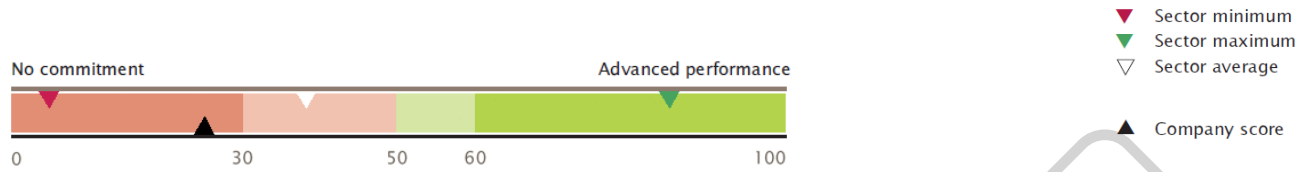
**Reliability of the company's internal controls system**

A review of stakeholder sources did not reveal any allegations for internal control failures against the company during the period under review: stakeholders' feedback is neutral.

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**CGV3.1 Shareholders**

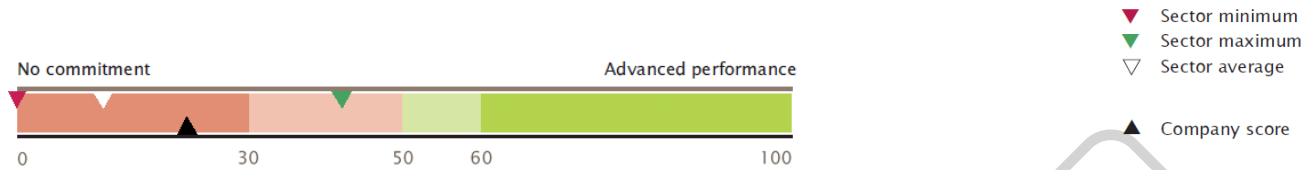
(score: 25, weight: 2)



<b>Nonexistence of voting rights restrictions</b>	Minor voting rights restrictions have been identified. <i>The holders of preferred shares are entitled to vote only on selected matters.</i>
<b>Safeguards on transactions with major shareholder(s)</b>	No safeguards appear to be in place, which might raise concerns with regard to the fairness of any such transaction.
<b>Ability to add items to the agenda of the AGM and to convene an EGM.</b>	No major restrictions have been identified.
<b>Access to voting at General Meetings</b>	There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.
<b>Ability to vote on relevant issues in separate resolutions at AGM</b>	Not all major items are put to a shareholder vote. <i>In particular, the following items are not put into vote at the AGM:</i> - Board fees - Executive remuneration.
<b>Presentation of CSR strategy to shareholders and investors</b>	<i>Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.</i>
<b>Board's attitude towards CSR-related shareholder resolutions</b>	Information obtained from company and public sources, regarding the Board's attitude toward legitimate CSR related shareholder resolutions is insufficient.
<b>Feedback from shareholders and other stakeholders on the company's corporate governance performance</b>	A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral.

**CGV4.1 Executive Remuneration**

(score: 22, weight: 2)



<b>Disclosure of the remuneration of executives and material risk takers</b>	<i>Executive remuneration is disclosed, but on a collective rather than on an individual basis.</i>
<b>[LISTED COMPANIES] Existence and independence of Remuneration Committee</b>	<i>A Remuneration Committee is in place, but not all members are elected among the Board of Directors.</i>
<b>Link between Short Term Incentive Plans and the performance of the company</b>	<p>Bonuses are linked to predetermined and disclosed economic and/or operational performance indicators. However the actual quantified targets are not disclosed.</p> <p><i>The company reports that variable compensation is compatible with its financial institution's risk management policies as it uses ex-ante and ex-post risk indicators in the calculation of bonus pools.</i></p>
<b>Link between the main Long Term Incentive Plan and the economic performance of the company</b>	<p>Long-term incentives are linked to performance conditions, but quantified targets are not disclosed.</p> <p><i>Executive officers and executives in key positions are eligible to participate in long term incentive plans. The plans last three years promoting the company's executive officers and executives' commitment to its long-term results. Plan participants must remain with the company during the term of the plan in order to be eligible to exercise their options on their corresponding Units. In the Stock Option plans, the number of Units exercisable by the participants are determined based on total shareholder return.</i></p>
<b>Link between variable remuneration and CSR performance of the company</b>	<i>There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.</i>
<b>Evolution of CEO-to-employee compensation ratio</b>	Information obtained from company and public sources regarding the compensation of CEO and the average employee salary is insufficient.
<b>Risk alignment of remuneration of top senior executives</b>	<i>Sixty percent of variable remuneration of the company's top senior executives is deferred over a period of five years. Also, payments made under the Deferral Program are subject to total or partial cancellation, or claw back, in cases of: (i) unsatisfactory financial performance (financial results audited lower than defined in our business plan or loss in the period); (ii) failure to comply with internal policies, especially policies for risk management (with the need for reclassification of operations or revision of provisions), (iii) substantial change in financial condition, unless arising from changes in accounting standards (damages, financial loss); or (iv) significant changes in company's capital base.</i>

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**Risk alignment of remuneration of material risk takers**

*Sixty percent of variable remuneration of the company's material risk takers (including individual traders, trading desk and credit officers) is deferred over a period of five years. Also, payments made under the Deferral Program are subject to total or partial cancellation, or claw back, in cases of: (i) unsatisfactory financial performance (financial results audited lower than defined in our business plan or loss in the period); (ii) failure to comply with internal policies, especially policies for risk management (with the need for reclassification of operations or revision of provisions), (iii) substantial change in financial condition, unless arising from changes in accounting standards (damages, financial loss); or (iv) significant changes in company's capital base.*

**Stakeholders feedback on the company's executive remuneration**

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

Confidentialia Information



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## Contacts

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