

# BRADESCO ASSET MANAGEMENT

Overall score 27/100

ISIN CODE: VIGEIRIS0339

Sector: ALAS20 investors

Information rate: 56% (Sector average: 34%)  
Company cooperation level: Responsive \*

Companies in sector panel: 34

## General information

Bradesco Asset Management (BRAM) manages investment funds and portfolios for retail, prime, private, corporate, companies and institutional investors. The company manages over than BRL 537.8 bn (about USD 166 bn) in assets and is owned by Banco Bradesco. BRAM was founded in 2001 and is based in Sao Paulo, Brazil.

Main Economic Segment\*\*

Turnover

CORPORATE GOVERNANCE		
	2016	2017
Score		27
Allegations		Yes
Rating		+
Risk management		Weak

■ Sector performance  
■ Company performance  
 Rating: min -- / max ++

### Key issues

Corporate governance is critical to ensuring that a well-functioning system of checks and balances protects the interests of all of the company's stakeholders. The effectiveness of the Board of Directors (CGV1.1) is a key issue to be addressed: this can be gleaned from information on Board composition (independence and competencies) and its way of functioning (regularity of Board meetings, evaluation of performance). Other important corporate governance factors include the effectiveness of the Audit and Internal control system (CGV2.1), the protection of Shareholders Rights (CGV3.1) and the establishment of Executive Remunerations (CGV4.1) which align executives' and company's interests.

### Company performance

- Bradesco Asset Management absolute score in the Corporate Governance domain is weak.  
 - As the Company does not have any proper Board nor Corporate Governance structure because it is fully integrated in Bradesco, the assessment of the Board entailed in the Corporate Governance domain is the assessment of Bradesco's Board. The Bank's main weaknesses identified include the absence of independent Directors within the Board, weak information on the Board's functioning rules and no disclosure on rules guiding executive remunerations. On a positive side, Bradesco describes efficient audit and internal control systems covering also ESG issues and made in 2016 a materiality assessment of sustainability issues which was validated by the Executive Board and involved stakeholders consultation.

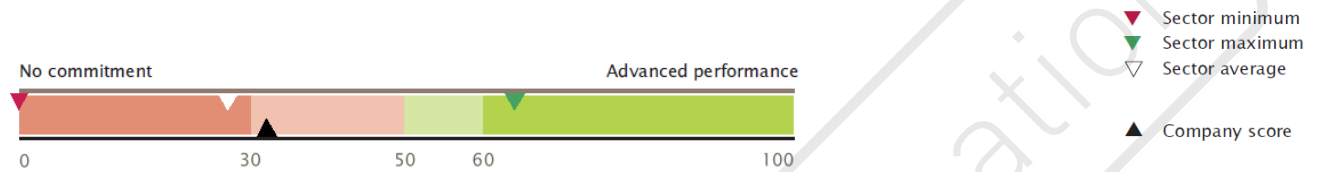
\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
 \*\* See detailed economic indicators in Selected financial data section  
 \*\*\* Based on the most recent Index at the date of publication

## Corporate Governance

Score : 27

### CGV1.1 Board of Directors

(score: 32, weight: 3)



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

A specific committee is in place, but at least one executive is part of it, which might raise concerns.

**Independence of board Chairman**

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

**Responsibility allocated over CSR issues**

*There is a ESG committee that is part of the Board. The Sustainability Committee supervises the effective implementation of the relevant environmental and social guidelines, as well as aiding the Board of Directors in exercising its attributions related to fostering sustainability strategies. It is composed of 17 members including 4 members of the Board of directors.*

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

*The board is between 0 and 20% independent, which might raise concerns. None members of the eight-member Board is 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.*

**Training and expertise provided to board members**

Training is provided occasionally.  
*The Board of Directors may, whenever it deems necessary, offer the Board members a training or technical instruction program before or during the course of their offices. These programs may take in account the Board member's functions, graduation and experience.*

**Regular election of Board members**

*Board members are eligible for re-election each year.*

**Evaluation of board 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**

Only few of the relevant ESG issues appear to be discussed at Board level:  
- Business ethics  
- Social and environmental considerations in investments.

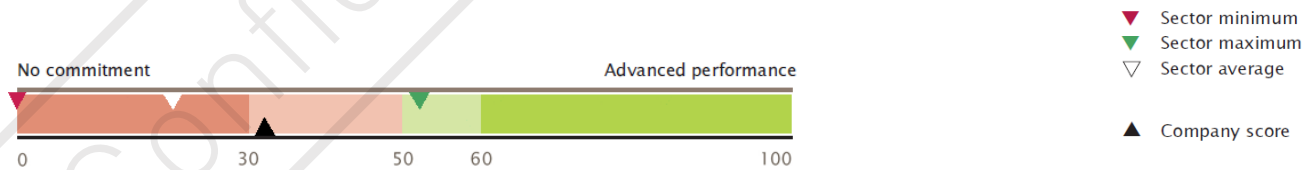
**Regularity of and attendance at Board meetings**

Information obtained from company and public sources regarding the regularity of and attendance at board meetings is insufficient.

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	Owns or represents >3% company's shares	Other
L. de Mello Brandão	Chairman	X					
L.C. Trabuço Cappi	CEO	X					
D. Aguiar Alvarez						X	Officer in the parent company.
Joao Aguiar Alvarez						X	Officer in the parent company.
C.A Rodrigues		X					
Milton Matsumoto	Chairman of the Audit Committee	X					
J.A. Munhoz		X					
A. Conrado Boni		X					

**CGV2.1 Audit & Internal Controls**

(score: 32, weight: 3)



**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 some of the ESG risks inherent to the company's business operations:  
- ESG policies: the Company developed a Social & Environmental rating methodology to calculate the level of risk involved in its investments.  
- Business ethics: the Corporate Security Department is charged with the governance of information security, which encompasses managing identity and access, policies and standards, awareness and assessment of related risks, as well as fraud prevention and security in electronic channels.



**Stakeholders' feedback**

*A review of stakeholder sources revealed that the Company is involved in occasional controversies of high severity:*

*As of 07/2017, Banco Bradesco was involved in 2 controversies*

- Case 1 (27/03/2015): Banco Bradesco suspected of the Brazilian tax fraud*
- Case 2 (14/07/2017): UPDATE: Brazil court clears Bradesco CEO in tax probe*

*A complete analysis of the severity of each case mentioned is available in Vigeo Controversy Product.*

**Company responsiveness**

*For each of the above mentioned cases, Banco Bradesco's response is considered:*

- case 1: The Company is non communicative: it does not appear to react to the controversy.*
- case 2: The company is reactive: the Company reports in a detailed way on its position to the case*

*The analysis of Banco Bradesco management of each case is available in Vigeo's controversy profile.*

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

*No executive is a member of the committee, but half or fewer are independent. Of note, the statutory Audit Committee is composed by 3 members but only one member is part of the Board and is not independent. The other two members are external members.*

**Skills and backgrounds of Audit Committee members**

*Members appear to have financial and audit experience and relevant operational experience.*

**Governance of risks**

*There is a risk specific Board committee but it includes executives and it composed of non independent members.*

**Role of the Audit Committee in overseeing internal and external controls**

*The Audit Committee has a comprehensive 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*
- Approve the type of audit and non-audit services provided and fees paid to the external auditor*

**Management of the CSR risks**

Relevant processes dedicated to management of CSR risks are in place:

- Risk mapping/materiality assessment: For the 2016 reporting cycle, Bradesco reviewed its Relevance Matrix via a process that took into account quantitative and qualitative assessments and analysis of these results, in three stages proposed by the GRI- Global Reporting Initiative G4 guidelines:
  - 1) Understanding the sustainability context and reflecting business strategy. Establishment of the topics through analysis of the context and situations in which Bradesco works, mapping of the relations between stakeholders and classification in accordance with the capitals.
  - 2) Assessment of the topics taking into account the perception of both internal and external stakeholders, applying a filter based on adherence to the Organization's strategic goals and risk management.
  - 3) The topics and respective sub-topics selected were assessed, reviewed and validated by the Executive Board. The main topics are: Managing capital risks and opportunities (risk management, climate change, tax strategy etc); Client relations and satisfaction; Innovation and technology; Governance; Adapting to the external context; Internal public; Supplier management; Financial inclusion.
- Monitoring of key risk indicators: Bradesco reports it has adopted mechanisms for identifying and monitoring emerging risks. It has set up the Risk Indicator Tracking Commission, comprising the risk, finance, treasury, economic, credit and insurance areas and which reports to the Integrated Risk Management and Capital Allocation Committee.
- Risk-related training: Face-to-face anti-corruption training was provided for senior management, employees in the areas with higher exposure to risk and for third parties

**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.

**Supervision of risk-taking staff**

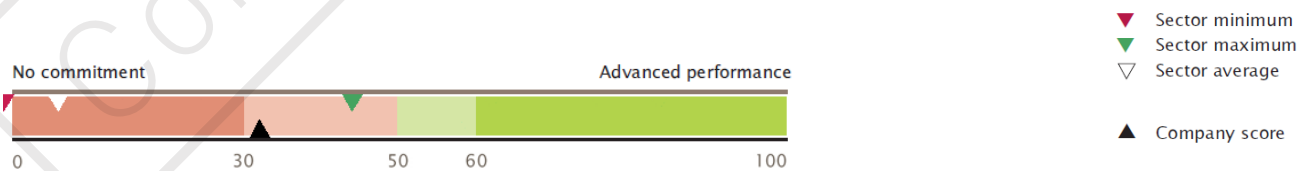
Information disclosed on this subject is insufficient or not relevant.

**Inclusion of CSR issues in company reporting**

The company publishes significant ESG reporting on key material issues.

**CGV3.1 Shareholders**

(score: 32, weight: 2)



**Voting rights restrictions**

Minor voting rights restrictions have been identified. Preferred shares have no voting rights, and entitle their holders to the following rights and privileges:

- a) priority in Capital Stock reimbursement, in the event of the Company's liquidation;
- b) dividends 10% (ten per cent) higher than those attributed to common shares;
- c) inclusion in an eventual public offering resulting from the sale of the Company's control, entitling their holders to receive a price equal to 80% (eighty per cent) of the price paid per common share that is part of the controlling capital.

**Nonexistence of anti-takeover devices**

There is no reference to anti-takeover devices in the company's reporting.

**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.**

Information obtained from company and public sources, regarding the ability to add items to the agenda of the AGM and to convene an EGM, is insufficient.

**Access to voting at General Meetings**

There are no major restrictions on shareholders' ability to vote, and it is possible to vote using 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 items are not put to a vote at the AGM:*  
- Board fees

**Presentation of CSR strategy to shareholders and investors**

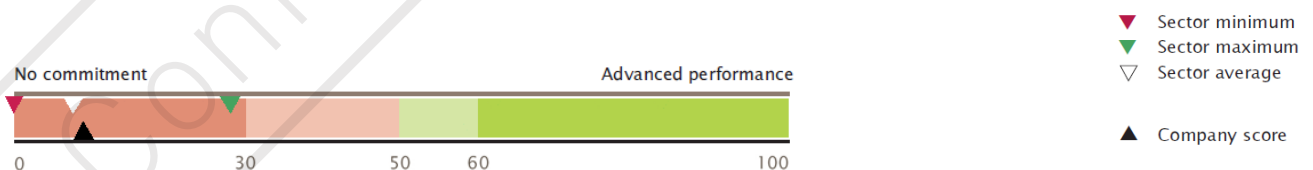
*Information disclosed from the entity and public sources regarding the presentation of ESG strategy to shareholders and investors is insufficient.*

**Stakeholders' feedback**

*As of 08/2017, Bradesco Asset Management did not appear to be involved in any controversy related to this sustainability driver.*

**CGV4.1 Executive Remuneration**

(score: 9, weight: 2)



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

A specific committee is in place, but at least one executive is part of it, which might raise concerns.  
*None of the 4-member Remuneration Committee are considered independent.*

**Disclosure of senior executives' individual remuneration**

Disclosure of executive remuneration data for senior executives is insufficient.

**[LISTED COMPANIES] Link between Short Term Incentive Plans and the performance of the company**

There is no disclosure on what rules guide the company in allocating bonuses and other short-term incentives to senior executives.

**[LISTED COMPANIES] 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.

**[LISTED COMPANIES] Link between variable remuneration and CSR performance of the company**

*ESG performance objectives are considered in the determination of variable remuneration of senior executives, but information on performance targets are not disclosed.*  
*Among the criteria mentioned to determine the variable remuneration of senior Managers, there are the performance of managers in:*  
*- actions directed to customer service: indicators that assess the results/levels of satisfaction of internal and/or external customers;*  
*- actions directed to environmental aspects: indicators that assess the degree of compliance of the objectives of the area to environmental aspects*

**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**

Less than 60% of the variable remuneration component is deferred.  
*The total Variable Compensation will be paid on a date defined by the Board of Directors, and 50% of the net value of the Variable Compensation will be allocated for the purchase of preferred shares issued by Banco Bradesco S.A., which are filed and unavailable ("Restricted Shares"). The Restricted Shares become available in 3 (three) equal, annual and successive installments.*

**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.  
*Neither the CEO nor the personnel expenses are disclosed.*

**Stakeholders' feedback**

*As of 08/2017, Bradesco Asset Management did not appear to be involved in any controversy related to this sustainability driver.*

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## Contacts

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