

# EDP-Energias do Brasil S. A. Overall score 45/100

ISIN CODE: BRENBRACNOR2

Sector: Electric & Gas Utilities  
Emerging Market

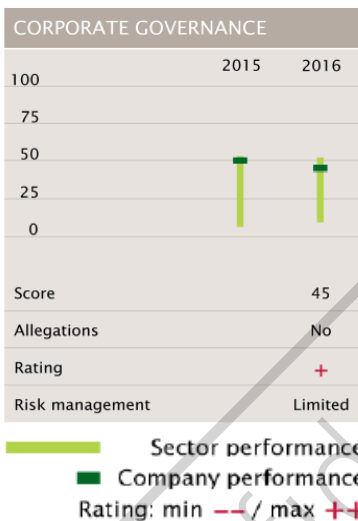
Information rate: 76% (Sector average: 50%)  
Company cooperation level: Proactive \*

Companies in sector panel: 46

## General information

EDP Energias do Brasil SA operates as a holding company, which engages in the generating, distributing and selling of electric energy. The Company was founded on July 24, 2000 and is headquartered in Sao Paulo, Brazil.

Main Economic Segment**	Turnover 2014
Distribution	56.6 %
Trading	28.8 %
Generating	14.4 %



### 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

- 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 board of directors is only 33% independent and it has a Sustainability and Corporate Governance Committee that is responsible of CSR issues. The Audit Committee has a comprehensive role and shareholders' have no restrictions on voting. The executive remuneration is disclosed but on a collective basis and bonuses are linked to predetermined and disclosed economic performance indicators.

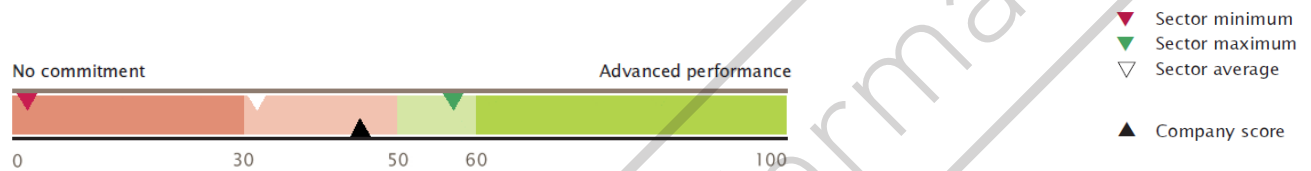
\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
 \*\* See detailed economic indicators in Selected financial data section  
 \*\*\* Based on the most recent Index at the date of publication

## Corporate Governance

Score : 45

### CGV1.1 Board of Directors

(score: 45, weight: 3)



#### 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.

*Miguel Nuno Simões Nunes Ferreira, CEO, is a member of the committee. Three members of the 8-member Nomination Committee are considered independent.*

#### Independence of board Chairman

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

#### Total % of independent shareholder-elected board members

*The Board includes between 33% and 50% of non-executive directors. Three members of the 9-member Board are considered independent.*

#### Skills and backgrounds of non-executive board members

Non-executive board members have complementary and relevant skills and backgrounds.

#### Training and expertise provided to board members

*The mother company, EDP Portugal, states that Board members are provided training and participate in conferences and seminars, but it is unclear if this applies to the directors of EDP Brasil as well.*

#### Regularity of and attendance at board meetings

Regular meetings are held, but no attendance rates are disclosed. *Seventeen Board meetings were held during the last fiscal year, 2014.*

#### Regular election of board members

*Board members are eligible for re-election following 1-year terms.*

**Evaluation of board functioning and performance**

Performance is evaluated regularly, but with no disclosure on the results.  
*Performance is evaluated by the Corporate Governance committee.*

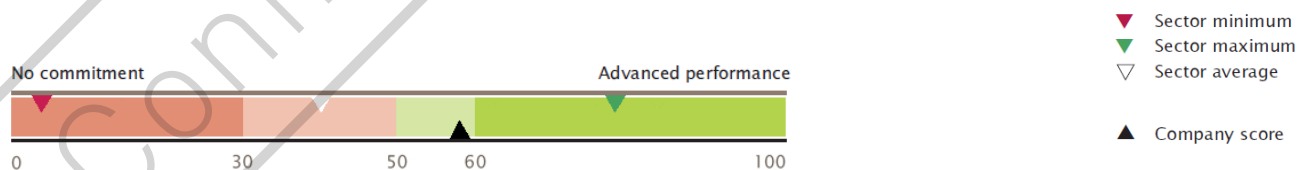
**Review of CSR issues at board meetings**

One or more non-executive directors is responsible for oversight of CSR issues within the board.  
*The company has a Sustainability and Corporate Governance Committee and none of its three members is an executive director.*

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
Miguel Nuno Simões Nunes Ferreira	CEO Nomination Committee	X					
Nuno Maria Pestana Alves	Audit Committee Compensation Committee Nomination Committee		X				
Modesto Souza Barros Carvalhosa	Audit Committee Sustainability and Corporate Governance Committee Nomination Committee		X				
Jorge Manuel Pragana da Cruz Morais	Former executive Nomination Committee	X				X	board member of EDP Internacional S.A.
Ana Maria Machado Fernandes	Chairman Former executive at EDP Portugal Sustainability Committee Corporate Governance Committee	X					
Pedro Sampaio Malan	Sustainability and Corporate Governance Committee Audit Committee Compensation Committee Nomination Committee		X				

**CGV2.1 Audit & Internal Controls**

(score: 58, weight: 2)



**Existence and independence of Audit Committee**

*No executive is a member of the committee, but half or fewer are independent. One member of the 3-member Audit Committee is considered independent.*

**Skills and backgrounds of Audit Committee members**

Members appear to have financial and/or audit experience, but lack relevant operational experience in the sector.  
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**Operational and CSR risks covered by the company's internal controls system**

The system covers financial, operational, legal, and CSR risks, and a confidential reporting system is in place for accounting issues.  
*The system covers risks pertaining to the sustainable business growth, namely the balance between energy and environment, through the promotion of end-user efficiency, smart grids and less carbon intensive electricity production. It also covers human failures, including health and safety issues as well as legal compliance and ethical matters including those related to corruption prevention.*

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

The Audit Committee oversees CSR risks and 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

*CSR risks are related to ethics and management of EDP's Communication and Ethical Complaints Channel.*

**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.  
*EDP Brasil does not disclose the fees paid to KPMG in 2014.*

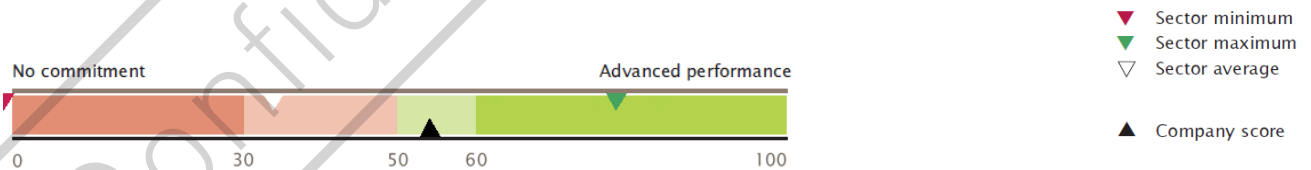
**Inclusion of CSR issues in company reporting**

The company publishes significant social and environmental reporting, with quantitative indicators, that is audited/reviewed by a 3rd party.  
*KPMG & Associados provided an external verification of sustainability reporting information in the 2014 Annual Report.*

**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.

**CGV3.1 Shareholders**  
(score: 54, weight: 2)



**Voting rights restrictions**

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

**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.**

No major restrictions have been identified.

**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.

**Governance and CSR items put to a vote at General Meetings**

Information obtained from the company and public sources, regarding which items are customarily put to a vote at the AGM, is insufficient.

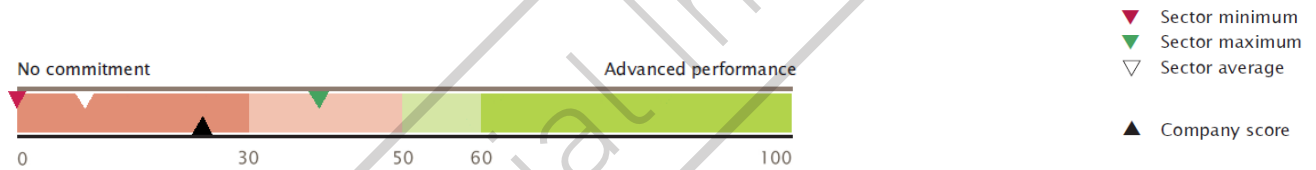
**Voting results of the latest AGM**

Information obtained from the company and public sources regarding voting results of the latest AGM is insufficient.

**Feedback from shareholders and other stakeholders on the company's corporate governance performance**

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: 24, weight: 2)



**Existence and independence of Remuneration Committee**

No executive is a member of the committee, but half or fewer are independent, contrary to standards advocated by Vigeo. One member of the 3-member Remuneration Committee is 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 economic and CSR performance of the company**

Bonuses are linked to predetermined and disclosed economic performance indicators. However the actual quantified targets are not disclosed.

Annual performance indicators are linked to total shareholder return vs. Eurostoxx utilities and PSI20, ROIC/WACC, growth in gross profit, growth in net profit, performance of EBITDA, performance do free cash-flow, Price ENBR vs vs Ibovespa IEE, and Corporate Sustainability Index.

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

Long-term incentives are linked to one demanding performance condition. Multi-annual performance indicators are linked to total shareholder return vs. Eurostoxx utilities and PSI20, ROIC/WACC, performance of EBITDA, performance do free cash-flow and sustainability performance indicator.

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**Severance pay for senior executives**

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

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**Voting results on executive remuneration at the AGM**

Information obtained from company and public sources regarding voting results on executive remuneration at the AGM is insufficient.

Confidential Information

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## Contacts

Analyst : Meryem Baskoun • meryem.baskoun@vigeo.com  
Sector Lead: Meryem Baskoun • meryem.baskoun@vigeo.com

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