

# Embraer S.A.

ISIN CODE: BREMBRACNOR4

Overall score 30/100

## Sector: Aerospace Emerging Market

Companies in sector panel: 3

Information rate: 75% (Sector average: 42%)  
Company cooperation level: Not responsive \*

## General information

Embraer SA is a Brazil-based holding company primarily engaged in the manufacture of aircrafts. The Commercial Aviation segment is involved in the development, production and sale of commercial jets, as well as in the provision of support services, with emphasis on the regional aviation industry and aircraft leasing. The Defense and Security Business segment mainly includes the research, development, production and modification of defense aircrafts as well systems and software design. The Company was founded by Ozires Silva on August 19, 1969 and is headquartered in Sao Jose dos Campos, Brazil.

Main Economic Segment**	Turnover 2014
Commercial aviation	50.3 %
Executive aviation	25.3 %
Defence and security	23.2 %

CORPORATE GOVERNANCE		
	2014	2016
Score		30
Allegations		No
Rating		=
Risk management		Limited

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

### Key issues

Corporate governance is critical for 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 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, the protection of Shareholders Rights and the establishment of Executive Remunerations which align executives' and company's interests.

### Company performance

- In the Corporate Governance domain, Embraer displays a limited absolute performance.
- This performance has remained stable compared to the previous review of the Company.
- The Company's Board is 45% independent and its chairman is considered to be independent. In addition, the Company reports to provide training to its Directors. The Audit Committee is mostly independent and has a comprehensive role in overseeing internal and external controls, yet CSR risks are not covered. Concerning the respect of shareholders' rights, anti-takeover devices and major voting rights restrictions have been identified. Finally, the Company fails to reports on executive remuneration which lowers its weakens its performance.
- The Company has not faced allegations in the period under review according to stakeholders' sources.

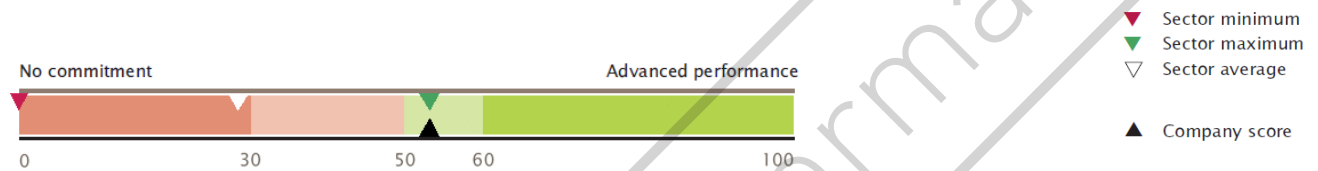
\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
 \*\* See detailed economic indicators in Selected financial data section  
 \*\*\* Based on the most recent Index at the date of publication

## Corporate Governance

Score : 30

### CGV1.1 Board of Directors

(score: 53, weight: 3)



#### Existence and independence of Nomination Committee

*A specific committee is in place, however information disclosed on its members is insufficient as the information reported in the website and the annual report do not match.*

#### Independence of board Chairman

In accordance with standards advocated by Vigeo, the roles of Chairman and CEO are separated, and the Chairman is considered independent.

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

The board is between 34 and 50% independent, which is slightly less than the recommended level.  
*Five of the 11-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

Training is provided upon joining the board.  
*At the time a new Director is elected, he or she will undergo a training program, coordinated by the Human Resources Committee, in order to gain a basic knowledge about the Company, its business, products, culture, as well as the strategies in place and the issues that are relevant to the company.*

#### Regularity of and attendance at board meetings

Regular meetings are held, but no attendance rates are disclosed.  
*The company indicates that Board meetings are held eight times during each year.*

#### Regular election of board members

Board members are elected at least every 3 years.  
*Board members are eligible for re-election following 2-year terms.*

**Evaluation of board functioning and performance**

Performance is evaluated regularly, but with no disclosure on the results.  
*The company reports that every year a formal evaluation will be conducted to assess the performance of each Director, including the Chairman of the Board, the Board as a corporate body, and its Committees. Such evaluation will be carried out by the Human Resources Committee with the help of an outside expert adviser, and the procedures to be followed will be endorsed by the Board. The basis for evaluation of the proficiency of a Director includes familiarity with the By-laws of the Company, basic knowledge of corporate finance and knowledge of the domestic and international economy.*

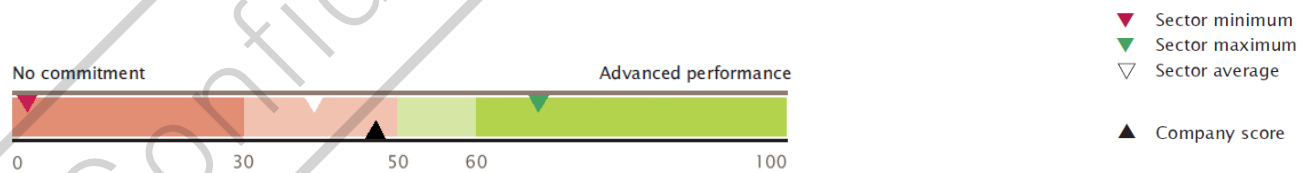
**Review of CSR issues at board meetings**

*CSR issues were formally reviewed at the board level during the last fiscal year; however it is unclear whether non-executive board member are part of the Sustainability Committee.*

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
Antonio Franciscangelis Neto	Human Resources Committee						Represents the Brazilian Government
Arno Hugo Augustin Filho							Considered non-independent by the company
Ernani de Almeida Ribeiro Junior							Considered non-independent by the company
Paulo Roberto de Oliveira							Considered non-independent by the company
Samir Zraick	Audit and Risk Committee		X				
Vitor Paulo Camargo Gonçalves							Considered non-independent by the company

**CGV2.1 Audit & Internal Controls**

(score: 47, weight: 2)



**Existence and independence of Audit Committee**

All members are non-executive directors, and the majority are independent.  
*Three members of the 4-member Audit Committee are considered independent.*

**Skills and backgrounds of Audit Committee members**

*Members appear to have financial and audit experience as well as 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.

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

The Audit Committee does not oversee CSR risks but 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

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

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

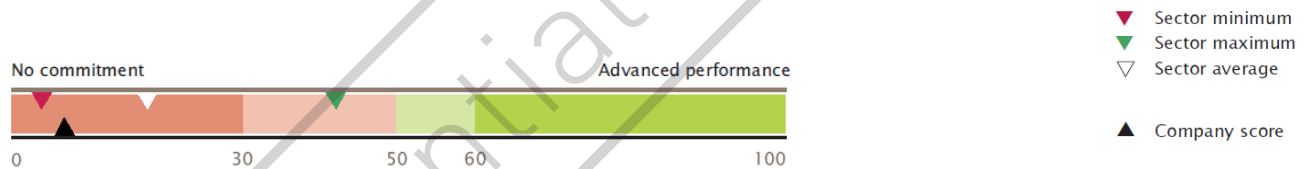
**Inclusion of CSR issues in company reporting**

*The company publishes significant social and environmental reporting, with quantitative indicators, but this reporting is not reviewed by a 3rd party.*

**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: 7, weight: 2)



**Voting rights restrictions**

Major voting rights restrictions have been identified.  
*The golden share, held by the Federative Republic of Brazil, is entitled to the same voting rights as the holders of common shares. In addition, the golden share entitles the holder thereof to veto rights over several corporate actions.*

**Existence of anti-takeover devices**

Anti-takeover devices have been identified.  
*The golden share entitles the holder thereof to veto rights over the transfer of control.*

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

*Information obtained from the 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, however there is no possibility of voting through online services.

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

Not all major items are put to a shareholder vote. In particular, shareholders are not given the opportunity to express an opinion on executive remuneration through a (non-binding) shareholder vote.

*The following items are not put to a vote at the AGM:*

- Changes in capital (increases, buy-backs)
- Changes to bylaws
- Selection of external auditors

**Voting results of the latest AGM**

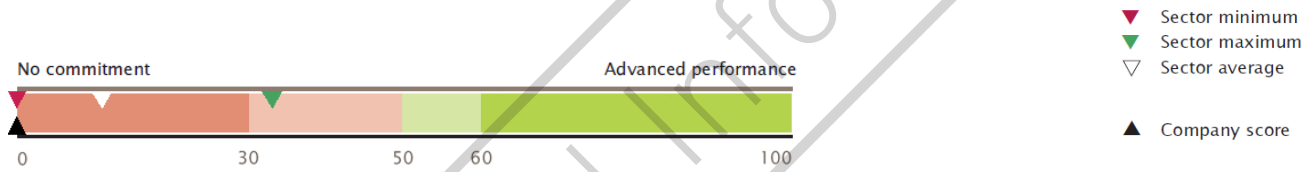
*Information obtained from the company and public sources regarding voting results of the latest AGM is insufficient.*

**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: 0, weight: 2)



**Existence and independence of Remuneration Committee**

No specific committee is in charge of executive remuneration, which might raise concerns.

**Disclosure of senior executives' individual remuneration**

Disclosure of individual executive remuneration data for senior executives is insufficient.

**Link between Short Term Incentive Plans and the economic and CSR 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.

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

There is no disclosure on what rules guide the company in allocating stock options and other long-term incentives to senior executives, and what performance conditions are attached to the right to exercise these incentives.

**Severance pay for senior executives**

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

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## Contacts

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