

# Grupo Pao de Acucar

ISIN CODE: BRPCARACNPRO

Overall score 27/100

## Sector: Supermarkets Emerging Market

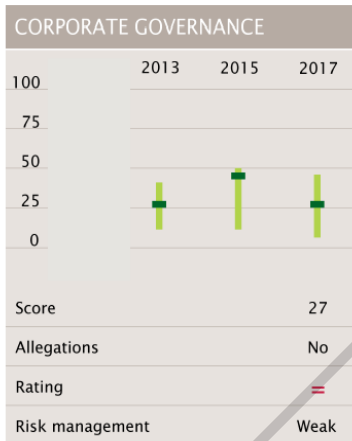
Companies in sector panel: 18

Information rate: 63% (Sector average: 39%)  
Company cooperation level: Not responsive \*

### General information

Grupo Pao de Acucar ("GPA") engages in the retail of food, clothing, home appliances and other products through its chain of hypermarkets and supermarkets. The Company was founded in 1948 and is headquartered in Sao Paulo, Brazil.

Main Economic Segment**	Turnover 2016
Food	53.8 %
Non Food	46.2 %



#### 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

- GPA's performance in the Corporate Governance is weak in absolute terms, a deterioration from Vigeo's previous review.  
- This decrease is mainly due to the absence of updated information on the Audit Committee's members as well as the decrease in the Board's level of Independence, as only 36% of the Board's members are considered independent. Moreover, the Company lacks disclosure on most of the elements of executives' remuneration and none of the Human Resources and Compensation Committee members are considered independent. On a positive note, there is a CSR committee that is part of the Board and There is no reference to anti-takeover devices.

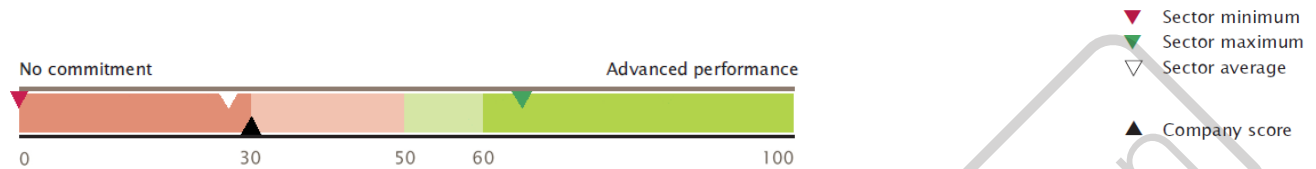
\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
\*\* See detailed economic indicators in Selected financial data section  
\*\*\* Based on the most recent Index at the date of publication

## Corporate Governance

Score : 27

### CGV1.1 Board of Directors

(score: 30, 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.  
*None of the 4-member Human Resources and Compensation Committee is considered independent.*

#### Independence of the Board Chairman

The roles of Chairman and CEO are combined and there is no senior independent director.

#### Responsibility allocated over CSR issues

There is a CSR committee that is part of the Board.  
*Luiz Augusto Castro Neves, an independent director is the Chair of the Committee.*

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

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

Information obtained from company and public sources regarding training provided to board members is insufficient.

#### Regular election of Board members

*Board members are eligible for re-election following 2-year terms*

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

Performance is evaluated regularly, but with no disclosure on the results.  
*The Board conducts an annual self-evaluation.*

#### Review of CSR issues at Board meeting

*Information obtained from company and public sources regarding the review of CSR issues at board meetings is insufficient.*

**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.

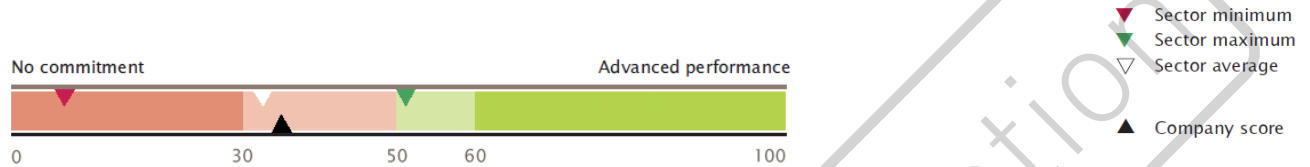
Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
Jean-Charles Naouri			X						X			X	Chairman and CEO of Casino Group, which owns 22.8% of the Company's capital.	
Arnaud Strasser	Chair of Human Resources and Compensation Committee		X		X		X					X	Member of the Board of directors of Exito Group, which owns 18.8% of the Company's capital.	
Eleazar Filho			X			X								X
Luiz Neves			X											X
Maria S. F. Santana			X											X
Yves Desjardes			X		X		X						Member of the Board of directors of Exito Group, which owns 18.8% of the Company's capital.	
Luiz Aranha do Lago			X											X
Carlos Moreno			X		X		X					X	CEO of the Exito Group, which owns 18.8% of the Company's capital and a member of Casino Group's executive committee, owns 22.8% of the Company's capital.	
Jose Herrera			X									X	International Business Vice-President of the Exito Group, which owns 18.8% of the Company's capital.	
Ronaldo labrudi	CEO, Chairman	X			X		X							
Carlos Gómez			X		X		X					X	Retail business co-head of the Exito Group, which owns 18.8% of the Company's capital.	

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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
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## CGV2.1 Audit & Internal Controls

(score: 35, weight: 2)



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

Information disclosed on this subject is insufficient or not relevant.  
*The information disclosed on the Audit Committee's members is outdated.*

### 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.*

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

There is a confidential reporting system in place for accounting issues. In addition, 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

*Information obtained from company and public sources regarding the management of the CSR risks is insufficient.*

### 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 the company's reporting

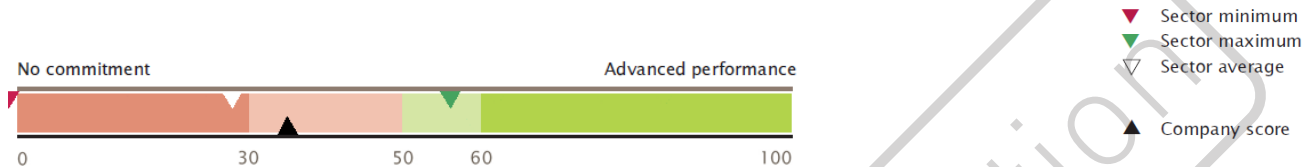
*The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited level of the assurance.*

**Stakeholders' feedback**

As of 05/2017, Grupo Pao de Acucar did not appear to be involved in any controversy related to this sustainability driver.

**CGV3.1 Shareholders**

(score: 35, weight: 2)



**Nonexistence of voting rights restrictions**

Minor voting rights restrictions have been identified.  
*The Company has preferred shares which entail no right to vote at the AGM.*

**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**

No major restrictions have been identified.

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

- Board fees
- Selection of external auditors
- Changes in capital (increases, buy-backs)
- Extraordinary transactions

**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.*

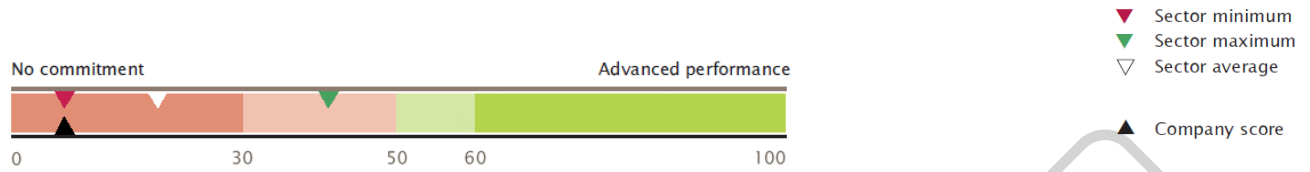
**Stakeholders' feedback**

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**CGV4.1 Executive Remuneration**

(score: 7, 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 Human Resources and Compensation 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 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 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**

*There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.*

**Severance pay for senior executives**

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

**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.

**Stakeholders' feedback**

*As of 05/2017, Grupo Pao de Acucar did not appear to be involved in any controversy related to this sustainability driver.*

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