

ITAÚ ASSET MANAGEMENT

ISIN CODE: VIGEIRIS0348

Overall score 39/100

Sector: ALAS20 investors

Companies in sector panel: 34

Information rate: 58% (Sector average: 34%)
Company cooperation level: Not responsive *

General information

Itaú Asset Management Brazil (Itau AM) operates as the major management fund company of Brazil, managing BRL 386.6 bn (about USD 113.2 bn) in assets. The company manages equity, fixed income and hedge funds. Itau AM is based in Sao Paulo, Brazil.

Main Economic Segment**

Turnover

CORPORATE GOVERNANCE	
	2016 2017
Score	39
Allegations	No
Rating	++
Risk management	Limited

■ 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

- The Company's performance in the Corporate Governance domain is limited in absolute terms.

- As the Company does not have any proper Board nor Corporate Governance structure because it is fully integrated in Itau Unibanco, the assessment of the Board entailed in the Corporate Governance domain is the assessment of Itau Unibanco's Board. The Bank's performance is hampered by the lack of disclosure on issues related to executive remuneration coupled to the restrictive rights of shareholders. The board of directors is 25% independent, which is less than the recommended level. However, Itau Unibanco reports that regular Board meetings are held throughout the year, during which ESG issues are reviewed. In terms of internal controls, the Company has a sound management of ESG risks with a clear materiality assessment and reporting system to the board of these issues.

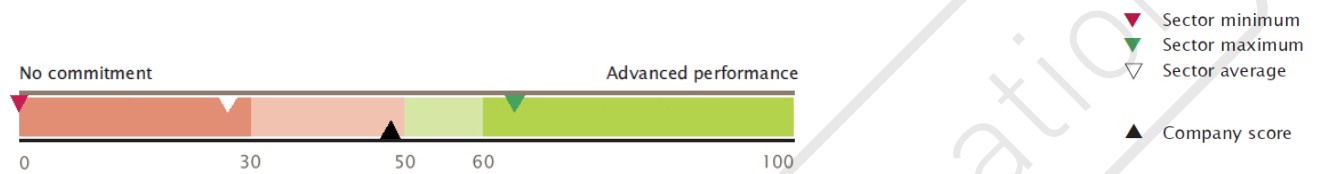
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 39

CGV1.1 Board of Directors

(score: 48, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

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

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. In addition the Head of ESG department makes regular reports to the committee. The Sustainability Supervision Committee is composed of members of the board. It meets annually and provides support for long term strategies to the board in sustainability issues reporting in the Board meeting what they reviewed in the Sustainability Supervision Committee meeting.

Share of independent shareholder-elected Board members

The Board is between 21 and 33% independent, which is less than the recommended level. Three members of the 12-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.
- Board members with demonstrated expertise on ESG issues: Fabio Colletti has participated in the boards of Un Fundation in USA and in the Board of fundacao OSEPS as Chairman in Brazil.

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 1-year term.

Evaluation of board functioning and performance

Performance is evaluated regularly, by a third party.
Itaú Unibanco carries out annually a performance evaluation of its Board of Directors, its Chairman as well as the Board Committees. An independent person is responsible for conducting the evaluation process, supported by the Nomination and Corporate Governance Committee.

Review of CSR issues at Board meeting

*Only few of the relevant ESG issues appear to be discussed at Board level:
- Climate change
In addition, in the Strategy Committee discussed about the 2030 Agenda of the United Nations (UN) and the global risks 2015 report of the World Economic Forum.*

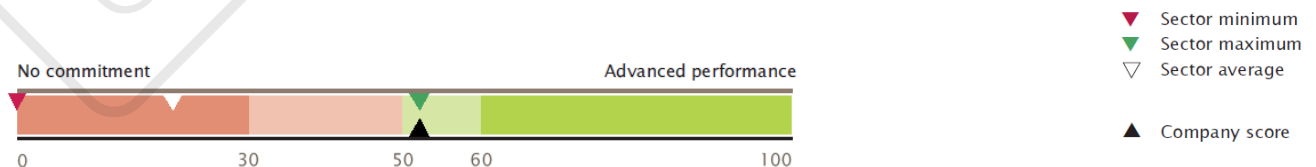
Regularity of and attendance at Board meetings

Regular meetings are held, but no attendance rates are disclosed.
According with the Board of Directors internal Charter, the Board shall hold ordinary meetings eight times annually to be held according to the annual calendar set by its Chairman.

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
Pedro Moreira Salles	Chairman		X			X	
Roberto Egydio Setub	CEO [[SC]] President of Compensation Committee	X	X			X	
Alfredo Egydio Setub		X	X			X	
Amos Genish							
Fábio Colletti B.							
Geraldo J Carbone			X				
Gustavo Laboissiere	President of Audit Committee		X				
João Moreira Salles						X	
José Galló							
Marco A. Crespi		X					
Pedro L Bodin			X				
Ricardo Villela		X	X				

CGV2.1 Audit & Internal Controls

(score: 52, 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:

- Business ethics: corruption.
- Environmental & climate change risks in credit decisions & other banking activities.

Stakeholders' feedback

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

[LISTED COMPANIES] Existence and independence of Audit Committee

All members are non-executive directors, and the majority are independent. However, the committee's chair is considered non-independent. Four members of the five-member Audit Committee are considered independent.

Skills and backgrounds of Audit Committee members

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

Governance of risks

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

- The Chief Risk Officer (CRO) is at par level of Chief Financial Officer (CFO).
- The CRO has direct access to the Board Risk Committee

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:

- materiality assessment: the bank created a materiality matrix with 22 relevant themes. It is also possible to check the prioritized indicators for the management of the theme, together with the type of impact on its stakeholders.
- Reporting system to the Board: Itau Unibanco has a Sustainability Governance system to report issues from the operation level, which involves to working groups and members of sustainability projects, then the Officers level (Sustainability Committee), Executive Level (Superior Ethics and Sustainability Committee) and finally at board level (Strategy Committee). The goal of this change is to ensure synergy between the different areas responsible for social and environmental challenges of the bank.
- A board committee overseeing CSR risks: the Strategy Committee is responsible for leading discussions on the main sustainability challenges and trends that may pose a reputation risk and social and environmental impact to the bank.

Independence of the firm's external auditors

The audit firm receives non-audit fees, but these represent only 25% or less of total fees.

Non-audit fees represented 9.26% of total fees paid to PricewaterhouseCoopers in 2016.

Supervision of risk-taking staff

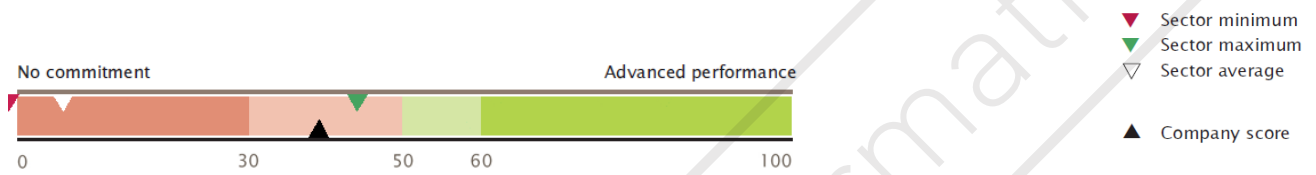
Information disclosed on this subject is insufficient or not relevant.

Inclusion of CSR issues in company reporting

The Company publishes significant 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.

CGV3.1 Shareholders

(score: 39, weight: 2)



Voting rights restrictions

Minor voting rights restrictions have been identified.
The Company has preferred shares.

Safeguards on transactions with major shareholder(s)

Less than half of the board is independent. However, there are other safeguards in place to monitor transactions between the company and its major shareholder(s).
The Company has a Transactions Policy in place, which objective is to establish rules and consolidate procedures with which Itaú Unibanco Holding S.A. must comply in connection with transactions among related parties, ensuring equality and transparency in such a manner as to guarantee to shareholders, investors and other stakeholders that Itaú Unibanco is in compliance with the best Corporate Governance practices.

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.

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:
- Selection of external auditors

Presentation of CSR strategy to shareholders and investors

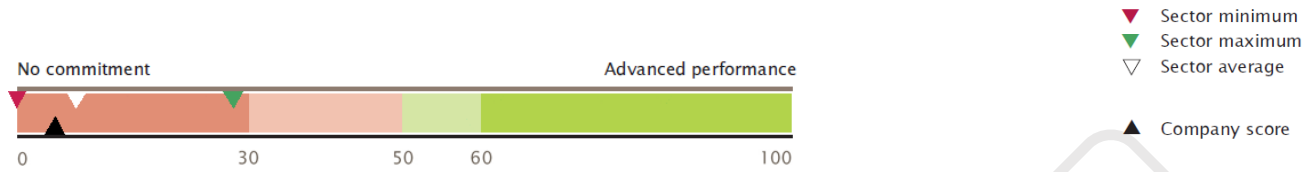
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

Stakeholders' feedback

As of 08/2017, Itaú Unibanco Holdings did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 5, 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 member of the four-member Remuneration Committee is 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

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

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 Resolution on Compensation establishes that at least fifty percent (50%) of the variable compensation of the management of financial institutions must be paid through shares or share-based instruments, and at the least forty per cent (50%) should be deferred for payment in at least three (3) years.

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, Itau Asset Management did not appear to be involved in any controversy related to this sustainability driver.

Contacts

Analyst : Gonzalo Marambio • Gonzalo.marambio@vigeo.com
Sector Lead: Céline Bonnenfant • celine.bonnenfant@vigeo.com

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