

B3

ISIN CODE: BRBVMFACNOR3

Overall score 45/100

**Sector: Financial Services -
General Emerging Market**

Information rate: 61% (Sector average: 55%)
Company cooperation level: Not responsive *

General information

B3 S.A. - Brasil, Bolsa, Balcão organizes, develops, and operates free and open securities markets for spot and future settlements in Brazil. The Company was formerly known as BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros and changed its name to B3 S.A. - Brasil, Bolsa, Balcão in June 2017. The Company is headquartered in São Paulo, Brazil.

Main Economic Segment**	Turnover 2016
BM&F	40.7 %
Bovepsa	37.9 %
Other	21.4 %

CORPORATE GOVERNANCE				
	2013	2013	2015	2017
	100	75	50	25
	0	0	0	0
Score				45
Allegations				Yes
Rating				+
Risk management				Limited

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

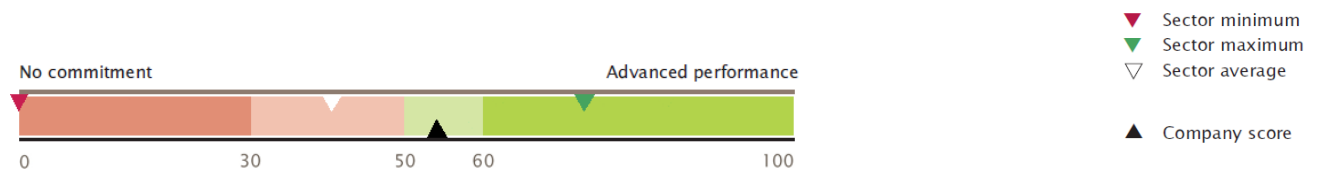
- The Company's performance in the Corporate Governance domain is limited in absolute terms which is in line with the previous review.
- The Board is independent at 57%, and sound Board functioning mechanisms are in place. In addition, the audit committee seems to have a comprehensive role in overseeing internal and external controls. No restrictions have been identified on shareholders' voting rights but not all major items are put to vote at the AGM. B3 is not sufficiently transparent on key aspects related to its executives' remuneration.
- The Company is involved in a merger accounting case and on which it reacts transparently.
- Overall, the Company ranks above its peers.

Corporate Governance

Score : 45

CGV1.1 Board of Directors

(score: 54, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

All members are non-executive directors and the majority, including the committee's chairman, are independent.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, and the Chairman is considered independent.

Responsibility allocated over CSR issues

Information on the responsibilities allocated over CSR issues is insufficient.

Share of independent shareholder-elected Board members

In accordance with standards advocated by Vigeo, the Board is more than 50% independent. 8-members of the 14-members 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 elected at least every three years and these elections are not staggered. Board members are eligible for re-election following two-year terms.

Evaluation of Board's functioning and performance

Performance is evaluated regularly, but with no disclosure on the results.

Review of CSR issues at Board meeting

The formal CSR reporting has been signed by CEO/Chairman/Board, but there is no evidence that relevant CSR issues are reviewed at Board meetings.

- Business ethics
- Human capital
- Responsible customers relations
- Climate change

The formal CSR reporting has been signed by the Chairman.

Regularity of and attendance at Board meetings

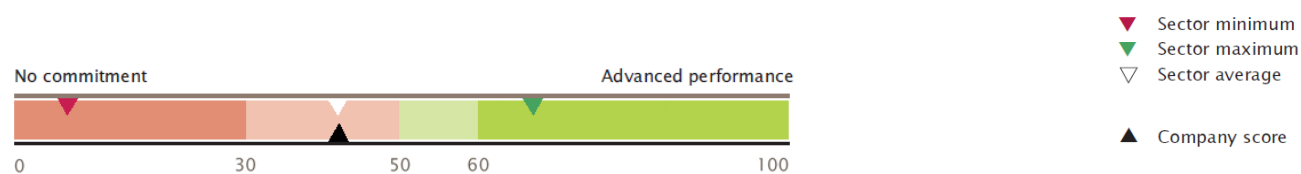
Regular meetings are held, but no attendance rates are disclosed.
Twelve Board meetings were held during the last fiscal year.

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
Pedro Pullen	Chairman		X		X		X	X						X
António Quintella	Vice Chairman				X								member of the Risk and Financial Committee. Not listed by the company among the independent directors.	
Denise Pauli Pavana	Director		X											

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
Edgar Da Silva Ramos	Director		X											X
Florian Bartunek	Director		X				X							X
Guilherme Ferreira	Director		X		X		X							X
José Berenguer	Director		X										Not listed by the company among the independent directors.	
José Roberto	Director		X										Not listed by the company among the independent directors.	
Laércio de Lucena	Director		X											X
Luiz de Sampaio	Director		X											X
Luiz Figueiredo	Director and Chairman of the Risk and Financial Committee.		X										Not listed by the company among the independent directors.	
Luiz Nelson Guedes	Director and Chairman of the Audit Committee, member of the Risk and Financial Committee		X			X								X
Jose Lucas Ferreira	Director		X										Member of the Risk and Financial Committee	X
Eduardo Mazzilli	Director		X										Member of the Risk and Financial Committee	

CGV2.1 Audit & Internal Controls

(score: 42, weight: 3)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are independent non-executive directors.
*All members of the 5-member Audit Committee are considered independent.
 Of note, 3 members of the 5-members Audit Committee are external directors.*

Skills and backgrounds of Audit Committee members

Members appear to have financial and/or audit experience, but lack relevant operational experience in the sector.

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 CSR risks inherent to the company's business operations:
-Corruption and money laundering: The system considers the coverage and application of the anti-corruption law maintaining discussions with the legal office and the internal controls, compliance and corporate risk offices relating to the Anticorruption Law deployed procedures within the company.
-Human Capital: Management of compensations and benefits with the chief of human resources is part of risks considered to ensure transparent and fair criteria in this aspect.

Governance of risks

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

- No executive is part of the Board Risk Committee
- The Board Risk Committee is composed by a majority of independent members
- The Chairman of the Audit Committee is a member of the Risk Committee
- The Chief Risk Officer (CRO) is at par level of Chief Financial Officer (CFO)
- The CRO has direct access to the Board Risk Committee (including attending committee meetings)

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

- No executive is part of the Board Risk Committee.*
- The Chairman of the Audit Committee is a member of the Risk Committee.*

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

Limited processes dedicated to management of CSR risks appear to be in place:
-Risk-related training: The company offers business ethics related training.

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 the company's reporting

The company publishes significant CSR reporting on key material issues.
The company reports on its operational and corporate risk policies including areas covered such as credit, financial and reputational risk as well as internal risk operations.



Stakeholders' feedback

As of 11/2017, B3 was involved in 1 controversy

- Case 1 (02/04/2015): Brazil stock exchange fined USD 641 mln on 2008 merger accounting

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

Company's responsiveness

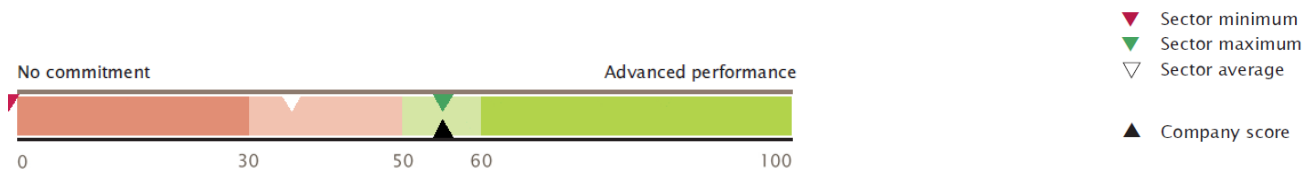
For each of the above mentioned cases, B3's response is considered:

- case 1: The company is reactive: the Company reports in a detailed way on its position to the case

The analysis of B3 management of each case is available in Vigeo's controversy profile.

CGV3.1 Shareholders

(score: 55, weight: 2)



Nonexistence of voting rights restrictions

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

Nonexistence of anti-takeover devices

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

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:
-A separate resolution for each Board member election
-Board fees
-Selection of external auditors
-Executive remuneration

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.

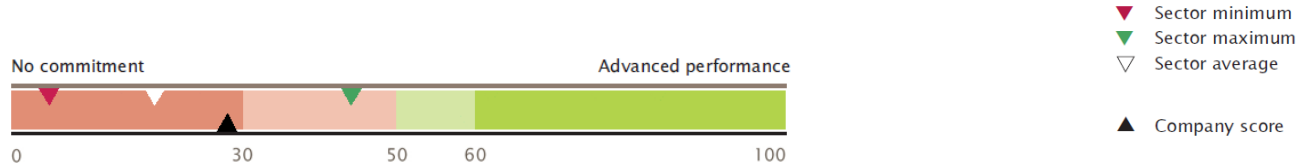
- Climate change
- Human capital

Stakeholders' feedback

As of 11/2017, B3 did not appear to be involved in any controversy related to this sustainability driver

CGV4.1 Executive Remuneration

(score: 28, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

All members are independent non-executive directors.
All member of the 3-member Compensation Committee are considered independent.

Disclosure of senior executives' individual remuneration

[LISTED COMPANIES] 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.

- Development of green products and services
- Social and economic development / Financial inclusion
- Customer satisfaction
- Human resources development

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

Information on risk adjustments of remuneration is insufficient or not relevant.

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.
There is no disclosure on the CEO's salary.

Stakeholders' feedback

As of 11/2017, B3 did not appear to be involved in any controversy related to this sustainability driver

Contacts

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