

Banco Santander Brasil

ISIN CODE: BRSANBCDAM13

Overall score 56/100

Sector: Retail & Specialised Banks
Emerging Market

Information rate: 78% (Sector average: 55%)
Company cooperation level: Proactive *

General information

Santander Brazil, the Brazilian unit of Spain's Santander, operates in three segments: commercial banking; wholesale banking; asset management and insurance. Through its commercial banking segment, Santander Brazil offers traditional banking services. Its wholesale banking division provides structured financial services and solutions to local and multinational conglomerates. Through its asset management and insurance segment, the bank manages

fixed income, money market, equity, and multi-market funds and offers insurance products to retail and small and medium-sized corporate customers. It also engages in investment activities, including debt securities. Santander Brazil operates nationwide, but is concentrated in the country's southern and southeastern regions.

Main Economic Segment**	Turnover 2016
Large Corporations	40.3 %
Individual	33.9 %
Small & Medium Enterprises	15.9 %

CORPORATE GOVERNANCE				
	2015/02	2015/03	2015/12	2017
Score				56
Allegations				No
Rating				++
Risk management				Robust

Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. 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). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

Company performance

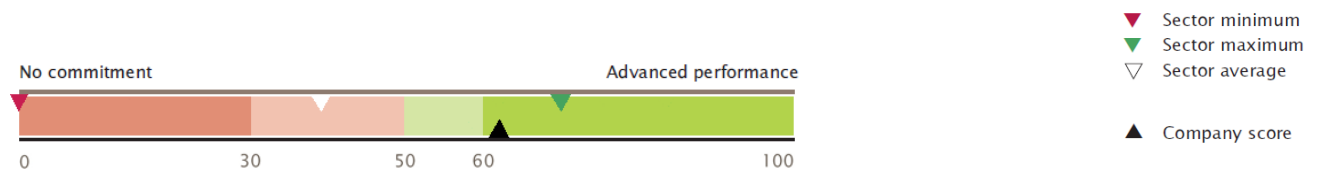
- Santander Brazil's performance in the Corporate Governance domain is robust in absolute terms which is an improvement compared to the previous review.
- Santander Brazil's improvement is mainly due to the independence of the members of the Nomination and Governance committee to establish the remuneration for executives and also because its related-party transaction policy to safeguards on transactions with major shareholder. In addition, 50% of the board is independent and some members have ESG expertise. Besides, the Bank's internal control system covers some of the CSR risks (business ethics) what is managed through some processes (materiality assessment and monitoring of key risk indicators).
- Overall, Santander Brazil ranks far above its peers

Corporate Governance

Score : 56

CGV1.1 Board of Directors

(score: 62, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

All members are independent non-executive directors.
All the three-member Nomination and Governance Committee are considered 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

There is a CSR committee that is part of the Board. In addition the Head of CSR department makes regular reports to the committee.
The sustainability committee is a consultative body (at Board level) which is responsible for advising the board of directors on subjects relating to social and sustainable development issues, including the promotion of sustainable development and other social initiatives.

Share of independent shareholder-elected Board members

The Board is 50% independent, which is less than the recommended level. Five members of the ten-member Board are considered independent

Diversity of the skills and backgrounds of the Board

The Board of Directors diversity appears to be partial:

- At least 30% of directors are women
- At least 40% of directors are women
- Employee representative(s) sitting on the Board
- Board members with demonstrated professional experience in the company's sector of activities
- Board members with demonstrated expertise on CSR issues
 - *Board members with demonstrated expertise on CSR issues: Alvaro Cardoso is member of the board of the WWF international and WWF brazil. In addition, three members of the Board are part of the IBGC (Brazilian Institute of Corporate Governance). Moreover, Mr. Penido is Vice-Chairman of the Executive Board of WBCSD – World Business Council for Sustainable Development.*

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 two-year terms

Evaluation of Board's functioning and performance

Performance is evaluated regularly, but with no disclosure on the results.
The performance of the Board and its committee is assessed annually. For this, external specialized consulting companies may be hired. The general evaluation outcome shall be shared with the entire Board and with each director individually on his/her evaluation.

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
- Social and environmental considerations in lending and investments
- Tax policy
- Financial inclusion

Regularity of and attendance at Board meetings

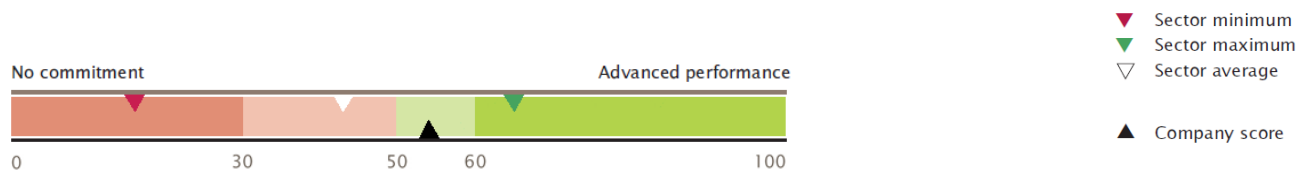
Regular meetings are held, but no attendance rates are disclosed.
12 Board meetings were held during 2016.

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
Álvaro A Cardoso	Chairman of the Board[[SC]] Coordinator of Risk and Compliance Committee.		X		X		X							X
Sergio A Lires	CEO	X												
Celso C Giacometti	Coordinator of Nomination and Governance Committee.				X		X							X
Conrado Engel	Member of the Risk and Compliance committee.	X											Mr. Conrado Engel is Senior Vice President Executive Officers, and CEO of Santander Leasing.	
Deborah P Wright					X		X							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
Deborah S Vieitas	Member of the Risk and Compliance Committee													X
José A Álvarez			X									X	CEO of Santander Group.	
José Ferreira	Member of the Risk and Compliance Committee	X										X	Senior Vice President Executive Officer, responsible for the Human Resources.	
José L Duarte	Coordinator of Audit Committee.					X								X
Jose Maria Nús		X										X	Chief Risk Officer at Banco Santander, S.A	

CGV2.1 Audit & Internal Controls

(score: 54, weight: 3)



[LISTED COMPANIES] Existence and independence of Audit Committee

An Audit Committee is in place, but not all members are elected among the Board of Directors.

Skills and backgrounds of Audit Committee members

Members appear to have financial, audit and relevant operational experience. In addition, Mr. Penido, member of the Audit Committee is Vice-Chairman of the Executive Board of WBCSD – World Business Council for Sustainable Development.

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.

- Business ethics: non-compliance, tax avoidance, corruption
- Consumer privacy & data security
- Environmental & climate change risks in credit decisions & other banking activities
- Social & human right risks in credit decisions & other banking activities
- Inclusion, retention & development of staff
- Tax avoidance/evasion

- Business ethics: the Company consider as a risk the money laundering, and a bad interpretation of tax laws and regulations, topics under the oversight of the internal control system to avoid these risks.

Governance of risks

The company adopted most 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)

Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a limited 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:

- Balanced scorecard*
- Risk-related training*
- Monitoring of key risk indicators
- Reporting system to the Board*
- Risk mapping/materiality assessment
- A board committee (with no executive part of it) overseeing CSR risks*
 - *Monitoring of key risk indicators: the Company has its own risk monitoring area for the control of credit quality. This monitoring area is based on an ongoing process of observation, which ensures the early detection of any events that might arise in the development of risk, the transactions, the customers and their environment, so that preventive action may be taken.*
 - *materiality assessment: the Company assess the material topics in several aspects, and established the scope of the impacts (intern or extern) of each aspect.*

Supervision of material risk-takers

Information disclosed on this subject is insufficient or not relevant.

Leverage ratio of the bank

The leverage ratio of the bank is above 7%.
At December 2016, the unweighted leverage ratio of the bank ((Equity - goodwill + intangible assets)/ Total assets) was 8.6%.

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 8% of total fees paid to PwC in 2016.

Inclusion of CSR issues in the company's reporting

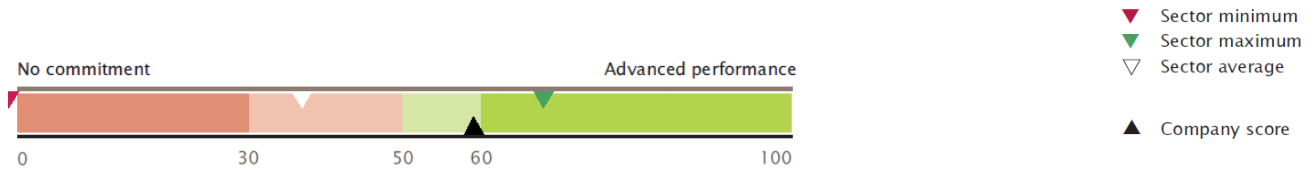
The company publishes significant CSR reporting on key material issues, with PwC assessment of the reliability of key performance indicators, with limited level of the assurance.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 12/2017, Banco Santander (Brazil) S/A did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 59, weight: 2)

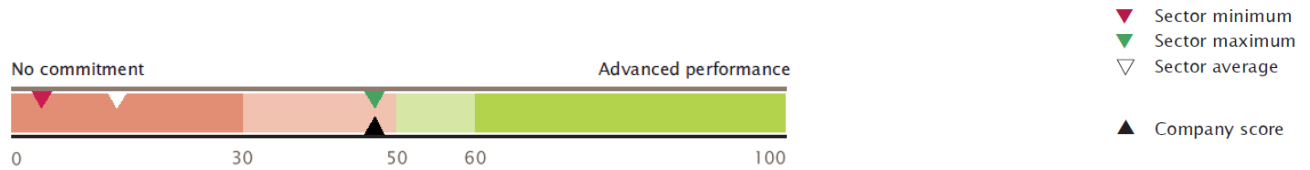


Nonexistence of voting rights restrictions	Minor voting rights restrictions have been identified. <i>The Company has preferred shares.</i>
Safeguards on transactions with major shareholder(s)	More than half of the board is independent, and in addition, there are additional safeguards in place to monitor transactions between the company and its major shareholder(s). <i>The Company established a related-party transaction policy, which is aligned with the Brazilian law, to regulate these transactions.</i>
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. <i>Since January 2017 shareholders are able to vote at AGMs and EGMs using online services.</i>
Ability to vote on relevant issues in separate resolutions at AGM	Not all major items are put to a shareholder vote. <i>The following items are not put to a vote at the AGM:</i> - Selection of external auditors
Presentation of CSR strategy to shareholders and investors	The company has presented to shareholders and investors its CSR strategy and this covers some of the most relevant CSR issues. <input checked="" type="checkbox"/> Climate change <input type="checkbox"/> <i>HRT and ENV issues in lending and investments</i> <input checked="" type="checkbox"/> Human capital <input checked="" type="checkbox"/> Responsible customer relations <input checked="" type="checkbox"/> Business ethics <input type="checkbox"/> <i>Tax policy</i> <input checked="" type="checkbox"/> Financial inclusion <i>- Climate change: the Company present its structure of its green bonds and explain that it was certified by the Climate Bonds Standard Board.</i> <i>- Human capital: the Company present its strategy and the and awards in human resources terms.</i> <i>- Responsible customer relations: the Company explain its recognitions in terms of customer relations and its customer satisfaction tracking methodology.</i> <i>- Business ethics: the Company presents to its shareholders its Governance structure, including the Risk & Compliance Committee, which is in charge of adrees issues related with business ethics.</i> <i>- Financial inclusion: the Company shown its social and financial inclusions programmes in the sustainability programmes context.</i>
Stakeholders' feedback	A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral <i>As of 12/2017, Banco Santander (Brazil) S/A did not appear to be involved in any controversy related to this sustainability driver.</i>

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CGV4.1 Executive Remuneration

(score: 47, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

All members are independent non-executive directors.
All the three-member Nomination and Governance Committee are considered independent.

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 performance of the company

Bonuses are said to be linked to predetermined economic and/or operational performance indicators, but these are not disclosed.
The Company reports that variable compensation is compatible with its financial institution's risk management policies as it uses ex-ante and ex-post risk indicators in the calculation of bonus pools.

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

Long-term incentives are linked to performance conditions, but quantified targets are not disclosed.
The Company in its Global Long-Term Incentive programme, the Company uses the assessment of the TSR of the Santander Group with the TSR of the top 15 global competitors and established the percentage of the incentive according to the position of the Santander TSR among its competitors.

Link between variable remuneration and CSR performance of the company

Some relevant CSR performance objectives are considered in the determination of senior executives variable remuneration and the performance targets are communicated.

- Business ethics
- Customer relations
- Contribution to social development & financial inclusion
- Indirect environmental and human right impacts
- Human resources development

- Customer relations: the Company established some targets in the position of some index such as "the best banks according to client satisfaction" to establish its incentives.
- Indirect environmental impacts: the Company gives monetary rewards to its management if they reach targets in its environmental impacts. In 2017, the target is reduce 5% energy consumption in their performance evaluation, and are rewarded proportionally if targets are achieved.
- Human resources development: the Company established some targets in the position of some index such as "the best banks to work" to establish its incentives.

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

60% percent of variable remuneration of the company's top senior executives is deferred over a period of five years. Also, payments made under the Deferral Program are subject to total or partial cancellation, or claw back, in cases of: (i) unsatisfactory financial performance (financial results audited lower than defined in company's business plan or loss in the period); (ii) failure to comply with internal policies, especially policies for risk management (with the need for reclassification of operations or revision of provisions), (iii) substantial change in financial condition, unless arising from changes in accounting standards (damages, financial loss); or (iv) significant changes in company's capital base.

Risk alignment of remuneration of material risk takers

At least 60% of the variable remuneration of the company's material risk takers (including individual traders, trading desk and credit officers) is deferred over a period which is between three to five years. In addition, claw back should be used in circumstances of misstatement and misconduct.

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Evolution of CEO-to-employee compensation ratio

The information about the CEO compensation is not disclosed.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral. As of 12/2017, Banco Santander (Brazil) S/A did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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