

Itau Unibanco Holdings

ISIN CODE: BRITUBACNOR4

Overall score 36/100

Sector: Diversified Banks Emerging Market

Companies in sector panel: 13

Information rate: 66% (Sector average: 61%)
Company cooperation level: Not responsive *

General information

Itau Unibanco Holding SA is a Brazil-based holding active in the banking sector, which was founded in 2008. Itau Unibanco Holding SA attracts deposits and offer retail, commercial, corporate, and private banking services. The Bank offers consumer loans, financial management, insurance, pension plans, treasury services, mortgage loans, lease financing, securities brokerage, and foreign exchange services.

Main Economic Segment**	Turnover 2016
Retail banking	75.0 %
Wholesale banking	24.1 %
Activities with the market and corporation	0.9 %

CORPORATE GOVERNANCE			
	2014	2015	2017
Score			36
Allegations			No
Rating			+
Risk management			Limited

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

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

- The Company's performance in the Corporate Governance domain is limited in absolute terms, which is consistent with the previous review.
- 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 CSR issues are reviewed. In terms of internal controls, the Company has a sound management of CSR risks with a clear materiality assessment and reporting system to the board of these issues.
- Overall, the Company ranks above its peers.

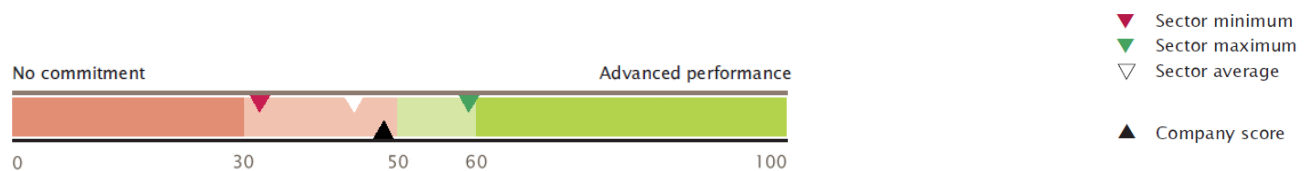
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 36

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 the 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 CSR committee that is part of the Board. In addition the Head of CSR 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 CSR issues: Fabio Colletti has participated in the boards of Un Foundation 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's functioning and performance Performance is evaluated regularly by a third party.
Itau 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 CSR 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.

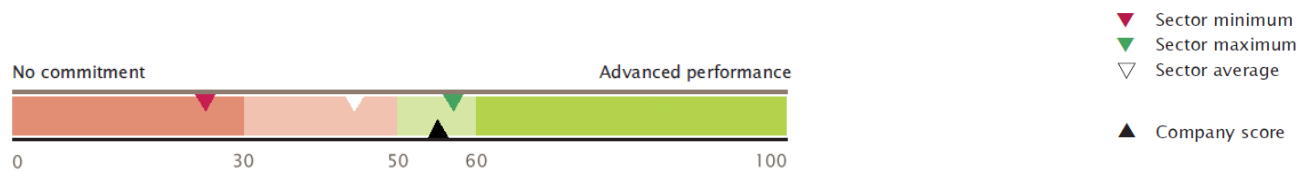
Regularity of and attendance at Board meetings Regular meetings are held, but no attendance rates are disclosed.
According with the Board of Directors internal Charter, the Board shall hold ordinary meetings eight times annually to be held according to the annual calendar set by its Chairman.

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	Independency
Pedro Moreira Salles	Chairman [[SC]] President of Appointment and Corporate Governance Committees		X		X		X		X			X		
Roberto Egydio Setub	CEO [[SC]] President of Capital and Risk Management Committee [[SC]] President of Compensation Committee	X					X		X			X		
Alfredo Egydio Setub			X		X			X	X			X	Investor Relations Officer from 2003 to 2015.	
Amos Genish			X											X
Fábio Colletti B.			X		X									X
Geraldo J Carbone	Member of Capital and Risk Management Committee		X		X				X					
Gustavo Laboissiere	President of Audit Committee		X			X	X		X					
João Moreira Salles			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
José Galló			X											X
Marco A. Crespi			X		X			X					Vice-President from 2007 to 2015[[SC]] Executive Officer from 2004 to 2007.	
Pedro L Bodin	Member of Capital and Risk Management Committee		X				X		X					
Ricardo Villela		X							X					

CGV2.1 Audit & Internal Controls

(score: 55, weight: 3)



[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.

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

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.*

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 + tangible assets)/ Total assets) was 8.7%.

Independence of the firm's external auditors

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

Inclusion of CSR issues in the company's reporting

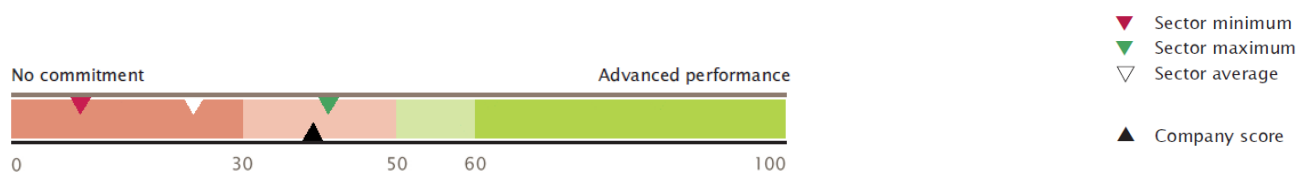
The Company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited level of the assurance.

Stakeholders' feedback

As of 07/2017, Itau Unibanco Holdings did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 39, weight: 2)



Nonexistence of 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

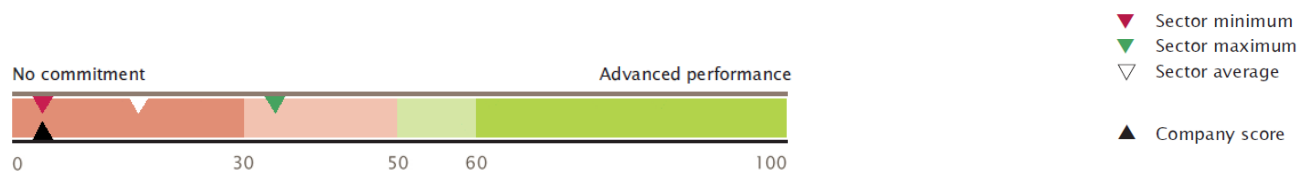
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

Stakeholders' feedback

As of 07/2017, Itaú Unibanco Holdings did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 4, weight: 3)



[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 individual executive remuneration data for senior executives is insufficient.
Executive remuneration is not disclosed.

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.

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.

Risk alignment of remuneration of material risk takers

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.

Stakeholders' feedback

As of 07/2017, Itau Unibanco Holdings did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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