

Alsea

ISIN CODE: MXP001391012

Overall score 28/100

Sector: Hotel, Leisure Goods & Services Emerging Market

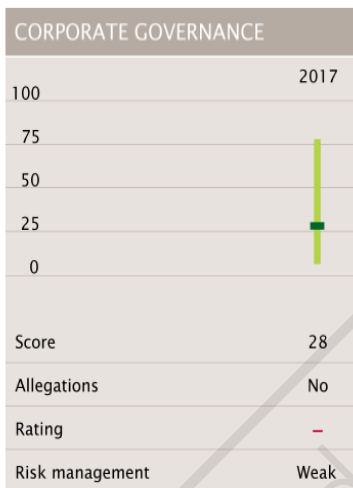
Companies in sector panel: 57

Information rate: 37% (Sector average: 90%)
Company cooperation level: Not responsive *

General information

Alsea is a multi-brand restaurant operator located in Mexico City, including fast-food, casual dining and cafeteria services. It operates in Latin America and Spain with more than 3,200 units and more than 67,000 employees in Mexico, Argentina, Chile, Colombia, Brazil and Spain. In April 2016, Alsea concluded the acquisition of Archie's Colombia S.A.S. In June 2017, Alsea announced the sale of its minority interest in Grupo Axo.

Main Economic Segment**	Turnover 2016
Quick Service	38.0 %
Casual Dining	23.0 %
Coffee Shops	22.0 %



█ 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. 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

- Alsea's performance in the Corporate Governance domain is weak in absolute terms.
- The Company's Audit Committee has a limited role and the internal controls system does not seem to cover CSR risks. In addition, reporting lacks transparency on voting rights of shareholders as well as on individual executive remuneration. However, six members of the twelve-member Board are considered independent and there is a Sustainability Committee that is part of the Board.

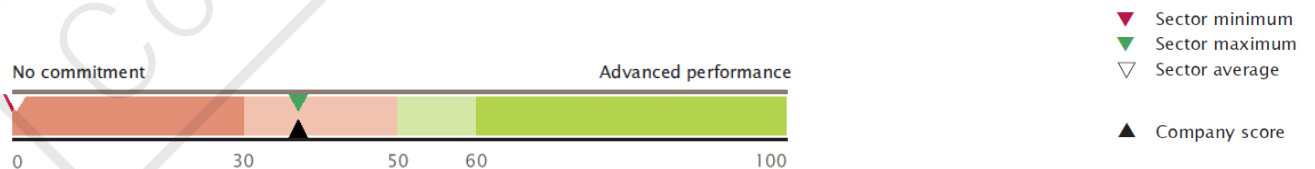
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 28

CGV1.1 Board of Directors

(score: 37, 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.

Three members of the four-member Corporate Practices Committee are considered independent. Of note, the company reports on a combined Nomination and Remuneration Committee.

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.
The company's Sustainability Committee is lead by the Chairman of the Board and is furthermore composed by other Directors and the CEO.

Share of independent shareholder-elected Board members

The Board is 50% independent, which is less than the recommended level. Six members of the twelve-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

4: A majority of directors has professional experience in the hospitality sector.

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

Information obtained from company and public sources regarding the regular election of board members is insufficient.

Evaluation of Board's functioning and performance

Information obtained from company and public sources regarding the evaluation of board functioning and performance is insufficient.

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.

- Human rights and privacy
- Water consumption
- Social dialogue and Working hours
- Corruption and money laundering
- Customer safety and information

Regularity of and attendance at Board meetings

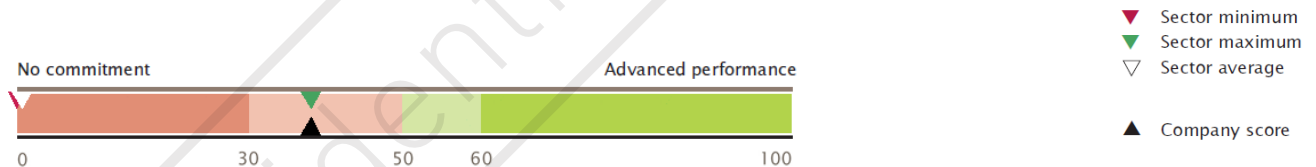
Information obtained from company and public sources regarding the regularity of and attendance at board meetings is insufficient.

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	Independency
Alberto Torrado	Chairman	X							X				Member of the Board since 1989.	
Cosme Torrado			X		X		X		X				Member of the Board since 1989.	

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
Armando Torrado			X						X				Member of the Board since 1989.	
Fabían Gosselin			X					X	X				Member of the Board since 1991.	
Federico Tejado		X							X				Member of the Board since 1997.	
Diego Gaxiola		X												
Raúl Méndez			X			X								X
Iván Moguel	Chairman of the Audit Committee		X			X								X
León Kraig			X		X		X							X
Julio Gutiérrez	Chairman Corporate Practices Committee		X		X	X	X							X
Carlos Piedrahita			X		X		X							X
Steven J. Quamme			X											X

CGV2.1 Audit & Internal Controls

(score: 38, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are independent non-executive directors.
All three members of the Audit Committee are independent.

Skills and backgrounds of Audit Committee members

Members appear to have financial and audit 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.

- Human rights and privacy
- Water consumption
- Social dialogue and Working hours
- Climate change
- Corruption and money laundering
- Customer safety and information

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

- Information obtained from company and public sources regarding the management of the CSR risks is insufficient.
- Balanced scorecard
 - Risk-related training
 - Monitoring of key risk indicators
 - Reporting system to the Board
 - Risk mapping/materiality assessment
 - A Board Risk Committee with no executive part of it

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.

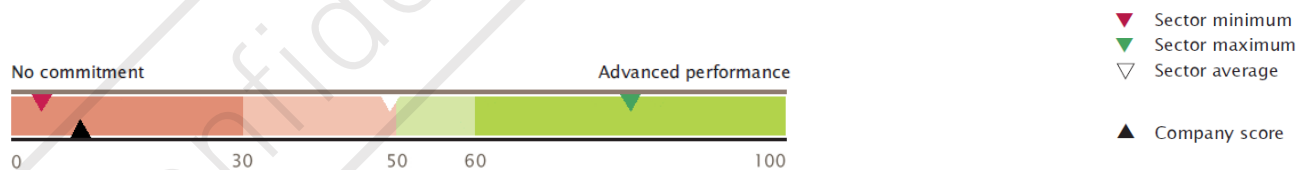
Inclusion of CSR issues in the company's reporting

The company publishes significant CSR reporting on key material issues.

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 07/2017, Asea did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders
(score: 9, weight: 2)



Nonexistence of voting rights restrictions

Information disclosed on voting rights restrictions is insufficient or not relevant.

Nonexistence of anti-takeover devices

The company does not publish any information on shareholders' rights.

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

Information obtained from company and public sources, regarding the ability to add items to the agenda of the AGM and to convene an EGM, is insufficient.

Access to voting at General Meetings

Information obtained from company and public sources regarding the access to voting at the AGM is insufficient.

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:

- Election of board members (a separate resolution for each member).
- Selection of external auditors
- Changes in capital (increases, buy-backs)
- Changes to bylaws
- Extraordinary transactions

Presentation of CSR strategy to shareholders and investors

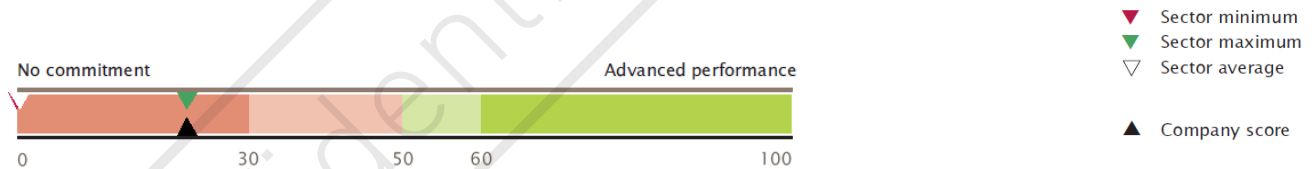
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

- Climate change
- Human capital

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 07/2017, Alsea did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration
(score: 22, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

All members are non-executive directors, and the majority, including the committee's chair, are independent.
Three members of the four-member Corporate Practices Committee are considered independent. Of note, the company reports on a combined Nomination and Remuneration Committee.

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

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.

- Climate change*
- Customer satisfaction*

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.
The company does not report on senior executive remuneration and on employee wages and benefits.

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 07/2017, Asea did not appear to be involved in any controversy related to this sustainability driver.



Contacts

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