

Wal-Mart de Mexico

Overall score 27/100

ISIN CODE: MX01WA000038

Sector: Supermarkets Emerging Market

Information rate: 66% (Sector average: 39%)
Company cooperation level: Responsive *

Companies in sector panel: 20

General information

Wal-Mart de México y Centroamérica is Wal-Mart Inc.'s largest division outside of the USA, operating various stores under its own name as well as Bodega Aurrerá, Sam's Club and Superama. The company sells a range of general products, including apparel, electronic goods, groceries, hardware, homeware, pharmaceuticals and small appliances.

Main Economic Segment**	Turnover 2016
Retail	97.0 %
Other	3.0 %



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

- As at the previous review, Walmart de México y Centroamérica's performance in the Corporate Governance domain is weak.
- The Company still does not appear to have a specific Nomination Committee, and fewer than a third of Board members are independent. Furthermore, executive remuneration is not put to shareholder vote and no information is being communicated on basic shareholders' rights. External auditor independence cannot be assessed because a breakdown of fees has not been provided. Finally, the Company is silent on the rules guiding executive remuneration.
- During the period under review, the Company continues to be involved in controversy relating to defrauding shareholders over its handling of bribery allegations in Mexico, on which it does not communicate.

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

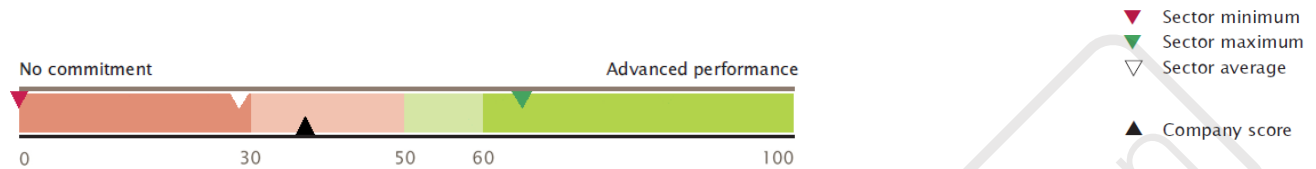
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 27

CGV1.1 Board of Directors

(score: 37, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.

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

The Company's Corporate Responsibility Committee comprises the CEO and VPs for each area of the Company, and it reports directly to the Board.

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 eleven-member Board are considered independent.

Diversity of the skills and backgrounds of the Board

The Board of Directors diversity appears to be robust:

- At least 30% of directors are women,
- The majority of Board members have significant experience in the retail sector and are either current or former professionals within the industry.

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 annually.

Evaluation of Board's functioning and performance

The Company states that Board members are evaluated but does not provide further information.

Review of CSR issues at Board meeting

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

Regularity of and attendance at Board meetings

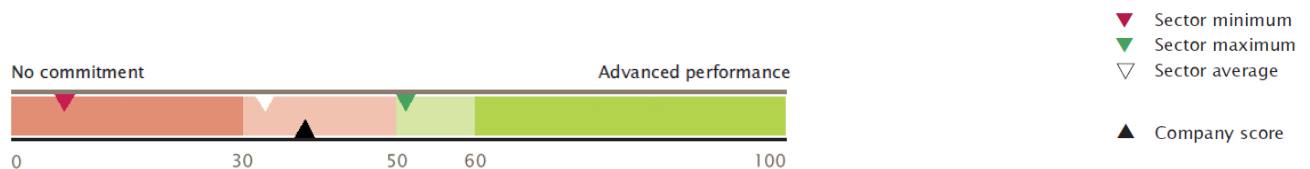
Regular meetings are held, but no attendance rates are disclosed.
Six Board meetings were held in the last fiscal year.

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
Adolfo Cerezo	Chairman of the Audit Committee and Corporate Practices Committee		X			X	X							X
Ernesto Cervera			X			X	X							X
Lori Flees			X										Walmart Inc. Senior VP. Declared non-independent by Company.	
Guilherme Loureiro		X											Walmart México President and CEO.	
Rafael Matute			X					X	X					
Richard Mayfield			X										Walmart International Executive VP and CFO. Declared non-independent by Company.	
Anne Myong			X										Walmart Inc. eCommerce CFO and Senior VP. Declared non-independent by Company.	
Roberto Newell			X			X	X							X
Enrique Ostalé	Chairman		X					X					Walmart Inc. Regional CEO for UK, Latin America and Africa.	
Gisel Ruiz			X										Sam's Club (Walmart Inc. Subsidiary) Executive VP.	
Blanca Treviño			X			X	X		X					

Copyright Vigeo 2017 - Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provisions of the French Intellectual Property Code.

CGV2.1 Audit & Internal Controls

(score: 38, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are non-executive directors, and the majority, including the committee's chair, are independent. Three members of the four-member Audit Committee are considered independent.

Skills and backgrounds of Audit Committee members

Members appear to have financial 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.

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

Information obtained from company and public sources regarding the management of the CSR risks is insufficient.

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

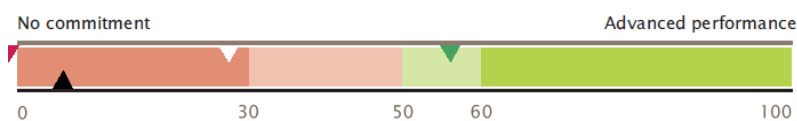
The company publishes significant CSR reporting on key material issues.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

CGV3.1 Shareholders

(score: 6, weight: 2)



Nonexistence of voting rights restrictions

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

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. The Audit and Corporate Practices Committees, which are composed by a majority of independent members, are in charge of reviewing and approving transactions with related parties.

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

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

The following items are not put to a vote at the AGM:
- 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.

Board's attitude towards CSR-related shareholder resolutions

Information obtained from company and public sources, regarding the Board's attitude toward legitimate CSR related shareholder resolutions is insufficient.



Stakeholders' feedback

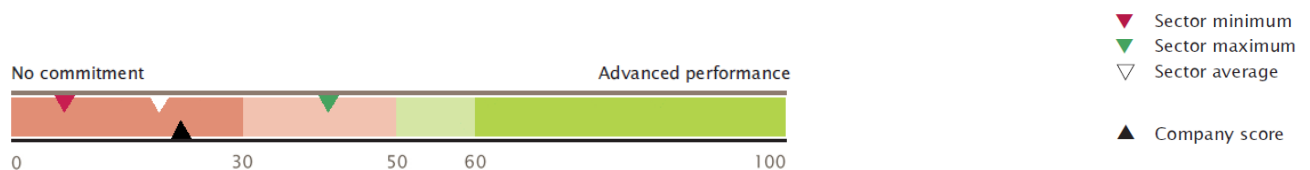
A review of stakeholder sources revealed that the Company is involved in isolated or occasional controversies of high or critical severity
As of 09/2017, Wal-Mart de Mexico was involved in 1 controversy
- Case 1 (11/05/2017): Wal-Mart CEO can be deposed in a securities class action over Wal-Mart's alleged Mexican bribery scheme
A complete analysis of the severity of each case mentioned is available in Vigeo Controversy Product.

Company's responsiveness

Overall, the company is non-communicative

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 Remuneration Committee are considered independent.

Disclosure of senior executives' individual remuneration

Executive remuneration is disclosed on a collective rather than 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.

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.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

Contacts

Analyst : John Forster • John.Forster@eiris.org
Sector Lead: Céline Bonnenfant • celine.bonnenfant@vigeo.com

Disclaimer

Copyright Vigeo 2017

Reproduction of this document in whole or in part is prohibited without the express written authorization of Vigeo and is protected by the provision of the French Intellectual Property Code.

The information in this document results from the application of Vigeo's Equities methodology and is based on sources which Vigeo believes to be reliable. However, the accuracy, completeness and up-to-dateness of this report are not guaranteed, and Vigeo shall under no circumstances be responsible for the strategy choices, management decisions and, more generally, decisions of any nature taken by the reader in reliance upon the information contained in this document.

Confidential Information