

Ferreycorp

ISIN CODE: PEP736001004

Overall score 37/100

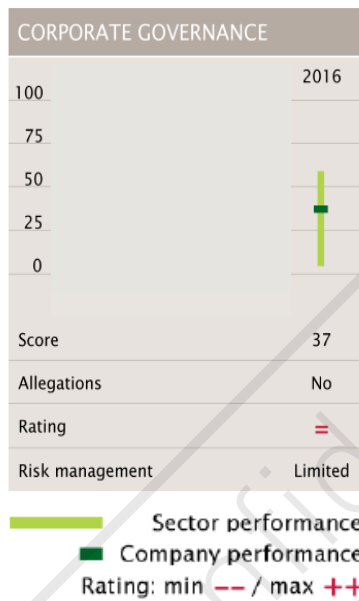
Sector: Industrial Goods & Services Emerging Market
Companies in sector panel: 21

Information rate: 58% (Sector average: 49%)
Company cooperation level: Proactive *

General information

Ferreycorp SAA (FSAA), formerly Ferreyros SAA, is a Peru-based company engaged in the import, distribution, sale, leasing and maintenance of construction, mining, agricultural and transport equipment and vehicles, such as tractors, trucks and excavators. The Company also provides light machinery and small equipment rental and workshop services.

Main Economic Segment**	Turnover 2015
Open Pit Mining	36.0 %
Construction	26.0 %
Underground Mining	14.0 %



Key issues

Corporate governance is critical to ensuring that a well functioning system of checks and balances protects the interests of all of the company's stakeholders. The effectiveness of the Board of Directors is a key issue to be addressed: this can be gleaned from information on Board composition (independence and competencies) and its way of functioning (regularity of Board meetings, evaluation of performance). Other important corporate governance factors include the effectiveness of the Audit and Internal control system, the protection of Shareholders Rights and the establishment of Executive Remunerations which align executives' and company's interests.

Company performance

- FSAA's performance in the Corporate Governance domain is limited in absolute terms.
 - Despite receiving training on a regular basis and showing some diversity in skills and backgrounds, Board members show a level of independence below recommended levels. Furthermore, even though there is an audit committee within the board, its role is not comprehensive, and the company's internal controls does not seem to cover CSR issues. As for shareholders, the "one share-one vote" appears to be respected, but there are major restrictions as to their ability to convene an EGM. Finally the company lacks transparency as regards the rules guiding its executives' remuneration.

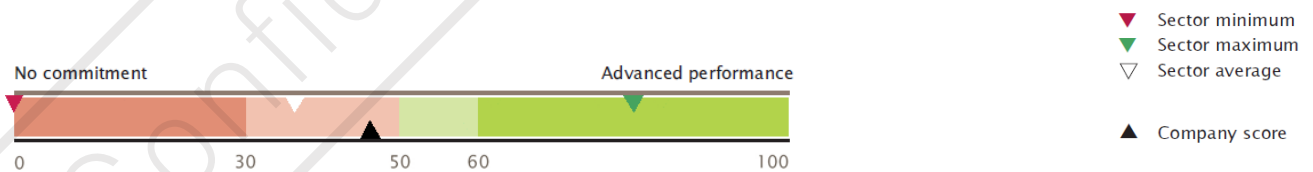
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 37

CGV1.1 Board of Directors

(score: 46, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No executive is a member of the committee, but half or fewer are independent. *2 members of the 5-member Nomination, Remuneration and Corporate Governance Committee are 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

The head of Corporate Communication is in charge of FSAA's social responsibility issues and reports directly to the CEO.

Share of independent shareholder-elected Board members

The Board is between 21 and 33% independent, which is less than the recommended level.
3 members of the 10-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: There are several directors with experience in the mining industry, which is the main client industry for the company;
- Board members with demonstrated expertise on CSR issues : Carmen Rosa Graham is the president of the association "Woman Corporate Directors Peru" and is a consultant on Corporate Governance issues.

Training and expertise provided to board members

Training is provided through regular updates, but it does not cover CSR issues. Training is provided upon joining the Board. In addition, members of the Board participate in the "Liga de directores", a platform through which directors of Latin America can exchange know-how and advices.

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 3-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 2015 Annual Report contains an appendice that is the Company's Corporate Sustainability Report of the year. The Annual Report is signed by the Company's Chairman. However there is no evidence that relevant CSR issues are reviewed at Board meetings.

Regularity of and attendance at Board meetings

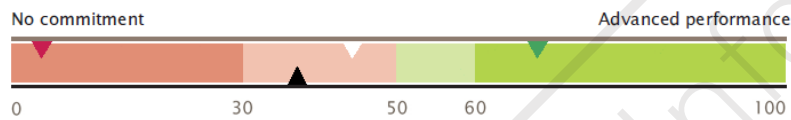
Regular meetings are held, and attendance rates are above 90%
14 Board meetings were held during the last fiscal year 2015, with a rate of attendance of 91.5%

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
Oscar Espinosa	Chairman				X	X	X		X					
Carlos Ferreyros	Vice chairman Chairman Remuneration Nomination Committee				X	X	X		X					
Ricardo Briceño														X
Manuel Bustamente						X						X	Director of La Positiva Vida	
Aldo Defilippi					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
Carmen Rosa Graham					X	X	X							X
Eduardo Montero									X					
Juan Manuel Peña									X			X		
Raúl Ortiz					X		X							X
Andreas v. Wedemeyer	Chairman Audit Committee					X			X					

CGV2.1 Audit & Internal Controls

(score: 37, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

No executive is a member of the committee, but half or fewer are independent. 1 member of the 5-member Audit and Risk Committee is 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 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.

Independence of the firm's external auditors

The audit firm does not receive significant non-audit fees.

Inclusion of CSR issues in the company's reporting

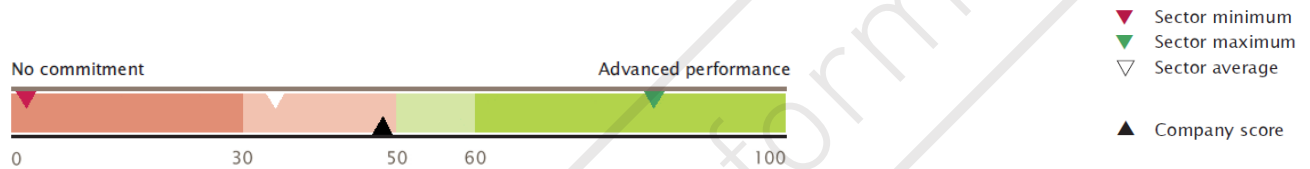
The company does not publish any significant CSR reporting on the key material issues for its sector.

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: 48, 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

Major restrictions have been identified to convene an EGM.
Only shareholders or groups of shareholders that own a total of 5% of shares or more can convene an EGM.

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.
It appears the following items are not put to a vote at the AGM:
- Board fees
- Executive remuneration.

Presentation of CSR strategy to shareholders and investors

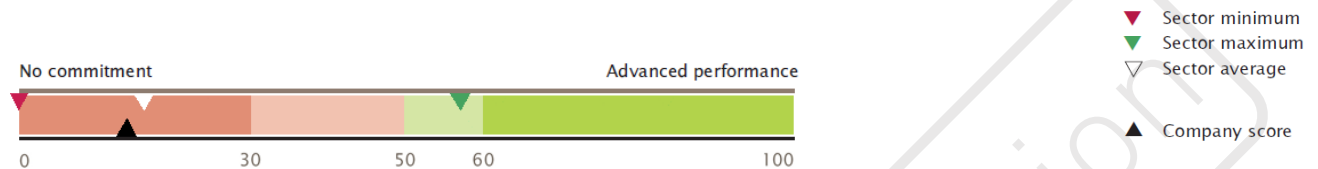
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient. Of note, the Annual Report is presented to the investors, which contains a section on the company's progress in terms of CSR, notably on topics such as climate change and health and safety.

Stakeholders' feedback

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

CGV4.1 Executive Remuneration

(score: 14, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

No executive is a member of the committee, but half or fewer are independent. 2 members of the 5-member Nomination, Remuneration and Corporate Governance Committee are considered independent.

Disclosure of senior executives' individual remuneration

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

Bonuses are said to be linked to predetermined economic and operational performance indicators, but these are not disclosed. FSAA reports that indicators linked to the company's results as well as the executive's performance are taken into account.

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. Of note, the company states that it does not pay its executives in stock options.

Link between variable remuneration and CSR performance of the company

Variable remuneration is said to be linked to CSR performance objectives, but these are not disclosed. FSAA reports that, amongst the corporate objectives that are used for determining executives' variable remuneration, there are some linked to the company's performance in terms of CSR management, however no further details are provided

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

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