

SCOTIA FONDOS (Peru)

Overall score 29/100

ISIN CODE: VGO000249

Sector: ALAS20 investors

Information rate: 46% (Sector average: 34%)
Company cooperation level: Not responsive *

Companies in sector panel: 34

General information

Scotia Fondos is an investment manager. The company manages mutual funds and investment funds. Scotia Fondos operates as a subsidiary of Scotiabank Peru, which is part of the Scotiabank Group Canada. The company is based in Lima, Peru.

Main Economic Segment**

Turnover

CORPORATE GOVERNANCE			
	2015	2016	2017
Score			29
Allegations			No
Rating			+
Risk management			Weak

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

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 (CGV1.1) 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 (CGV2.1), the protection of Shareholders Rights (CGV3.1) and the establishment of Executive Remunerations (CGV4.1) which align executives' and company's interests.

Company performance

- Scotia Fondos' performance in the Corporate Governance domain is weak.
 - As the Company does not have any proper Board nor Corporate Governance because it is fully integrated in Scotia Bank Peru, the assessment of the Board entailed in the Corporate Governance domain is the assessment of Scotia Bank Peru's Board. The company has established a formalized corporate governance framework covering most of the relevant features. However, the members of the Board appear to be, for the majority, non-independent. An Audit Committee is in place but it has only a limited (!) role, while the internal control system covers some ESG risks inherent to the company's business such as corruption and money laundering. Although the company seems to respect the "one share-one vote" principle, not all major items are put to a shareholder vote. Moreover, Scotia lacks of transparency on the company's policy for Executive Remuneration. Overall, the Company does not disclose information on how ESG considerations may have been integrated in the Corporate Governance structure.

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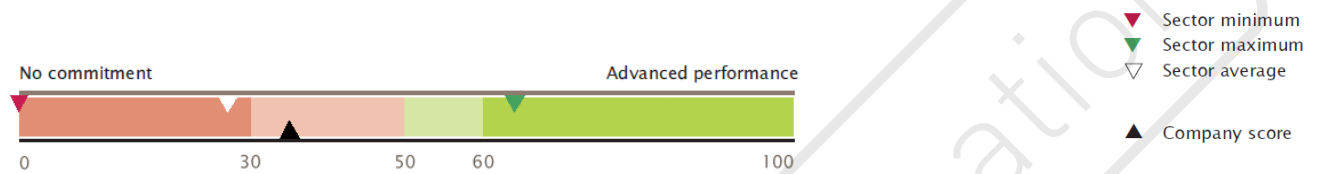
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
 ** See detailed economic indicators in Selected financial data section
 *** Based on the most recent Index at the date of publication

Corporate Governance

Score : 29

CGV1.1 Board of Directors

(score: 35, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

Information disclosed on this subject is insufficient or not relevant.

Independence of board Chairman

The roles of Chairman and CEO are separated, but the chairman is not considered independent.

Responsibility allocated over CSR issues

Information on the responsibilities allocated over CSR issues is insufficient.

Share of independent shareholder-elected Board members

*The board is between 21 and 33% independent, which is less than the recommended level.
Two members of the seven-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
Six out of seven board members have worked in financial institutions or in the majority; banks.*

Training and expertise provided to board members

Training is provided upon joining the board.

Regular election of Board members

*Board members are elected every year.
Board members are eligible for re-election following one-year terms.*

Evaluation of board functioning and performance

Performance is evaluated regularly, with disclosure on the results.

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.

- Business ethics
- Responsible customers relations
- Energy efficiency / climate change
- Human Capital
- Promotion of the social and economic development/ financial inclusion
- Social and environmental considerations in investments

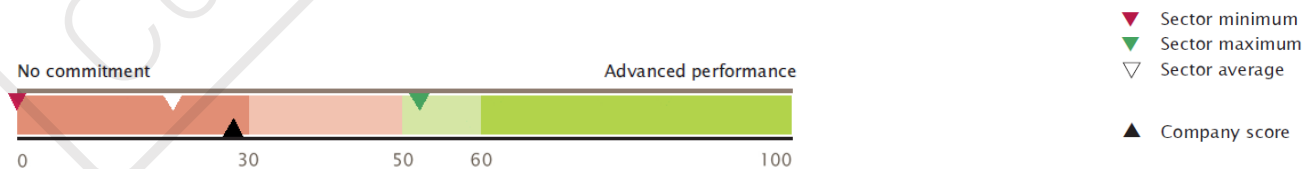
Regularity of and attendance at Board meetings

Regular meetings are held, and attendance rates are above 90%
Twelve Board meetings were held during the last fiscal year and the attendance rates were 97.62%

Non-independent board members (excl. employee representatives)	Role	Current or Former Executive	More than 9 years on board	Stock options or warrants	Paid >1/2 executive salary	Owens or represents >3% company's shares	Other
James Tully Meek	Chairman. Member of the Audit Committee.						Chairman at Scotia Peru Holdings S.A.
Miguel Uccelli Labarthe	CEO Vice President	X					Vice president Snior and Head of Retail Bank
Gianfranco Castagnola Zúñiga	Chairman of the Risk Control Committee		X				
Elena Conterno Martinelli	Chairman of the Audit Committee.						Independent Director
Santiago Perdomo Maldonado							
Raul Salazar Olivares			X				
Oscar Guillermo Espinosa Bedoya							Independent Director

CGV2.1 Audit & Internal Controls

(score: 28, weight: 3)



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. In addition, the system covers the ESG risks inherent to the company's business operations.
- Corruption and money laundering (Business ethics): Based on legal requirements, the company states that the internal control system covers money laundering and antiterrorist laws.

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

[LISTED COMPANIES] Existence and independence of Audit Committee *No executive is a member of the committee, but half or fewer are independent. One members of the three-member Audit Committee are considered independent*

Skills and backgrounds of Audit Committee members *Members appear to have financial or audit experience AND relevant operational experience. One members has worked in a financial institution and another member worked in the Economy and Finance Ministry.*

Governance of risks *The company adopted only some of the recommended measures for a sound risk management:
- 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
- Oversee the work of 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*

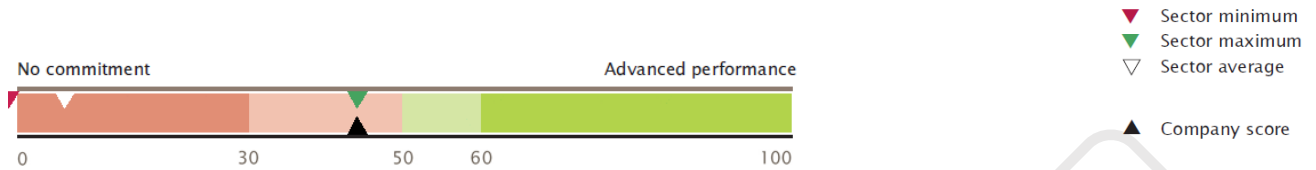
Independence of the firm's external auditors Information obtained from company and public sources regarding the independence of the firm's external auditors is insufficient.

Supervision of risk-taking staff Information disclosed on this subject is insufficient or not relevant.

Inclusion of CSR issues in company reporting *The company publishes significant CSR reporting on key material issues.*

CGV3.1 Shareholders

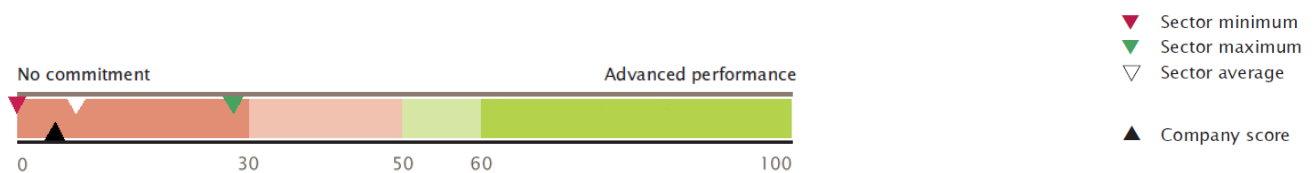
(score: 44, weight: 2)



Voting rights restrictions	<i>The company respects the "one share - one vote" principle.</i>
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.	No major restrictions have been identified.
Access to voting at General Meetings	<i>There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through 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> - 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. <input type="checkbox"/> <i>Development of green products and services</i> <input type="checkbox"/> <i>Human capital/ Diversity</i> <input type="checkbox"/> <i>Economic and social development</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.

CGV4.1 Executive Remuneration

(score: 5, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

Information disclosed on this subject is insufficient or not relevant.

Disclosure of senior executives' individual remuneration

Disclosure of executive remuneration data for senior executives is insufficient.

[LISTED COMPANIES] 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.

[LISTED COMPANIES] 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.

[LISTED COMPANIES] 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.

- Development of green products and services*
- Social and economic development / Financial inclusion*
- Customer satisfaction*
- Human resources development*

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

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.
Neither the CEO nor the personnel expenses are 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

Contacts

Analyst : Cynthia Guzman • cynthia.guzman@vigeo.com
Sector Lead: Céline Bonnenfant • celine.bonnenfant@vigeo.com

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