

# Aguas Andinas

ISIN CODE: CL00000000035

Overall score 48/100

Sector: Waste & Water Utilities  
Emerging Market

Information rate: 93% (Sector average: 55%)  
Company cooperation level: Proactive \*

## General information

Aguas Andinas, a Chile-based company, is involved in delivering potable water, sewerage and wastewater treatment services to residential, commercial, and industrial customers in Chile. The Company is engaged in the production and distribution of potable water and collection and treatment of waste water. The Non-water division notably includes services related to environmental analysis, engineering services, as well as distribution of equipment for sanitation and energy projects.

Main Economic Segment**	Turnover 2016
Water	95.3 %
Non-Water	4.7 %

CORPORATE GOVERNANCE			
	2014	2015	2017
100			
75			
50			
25			
0			
Score			48
Allegations			Yes
Rating			++
Risk management			Limited

### Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo Eiris' 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. The audit and internal controls system is examined regarding the efficiency and reach of its risk management. Shareholders are expected to have fair voting rights and access to all relevant information on emerging ESG risks. Executive remuneration is assessed for transparency and alignment with balanced stakeholder interests.

### Company performance

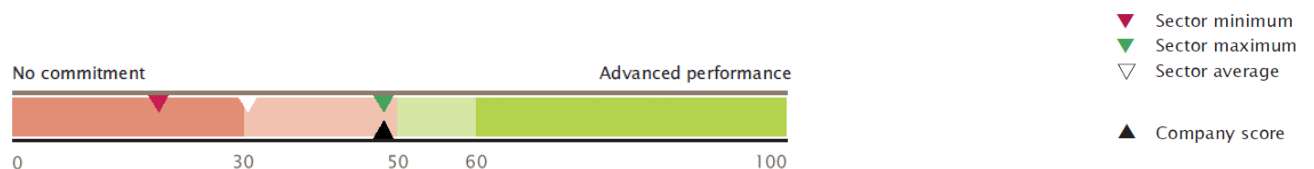
- The Company's performance in the Corporate Governance domain is limited and remained stable compared to the last review.
- The Company provides training to the board of directors. Furthermore, performance evaluation is conducted twice a year but with no disclosure on the results. During 2016, 15 sessions were held by the board of directors, and the attendance rate reached 98%. The Audit Committee has a comprehensive role, and its members appear to have financial and audit experience and relevant operational experience. However, the Company does not have a Nomination Committee. The Nomination of Directors is the responsibility of Shareholders, and top management is selected by the Administration. Furthermore, the Board of Directors diversity appears to be partial since there is no women in board. The Board is considered to be 28% independent, and the executive remuneration is not disclosed on an individual basis and not voted upon at the AGM.
- Aguas Andinas has faced two allegations during the period under review. The Company communicates transparently on both of the cases.
- Overall, the Company's performance stands far above the sector performance

## Corporate Governance

Score : 48

### CGV1.1 Board of Directors

(score: 48, weight: 3)



#### [LISTED COMPANIES] Existence and independence of Nomination Committee

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

*The company does not have a Nomination Committee. The Nomination of Directors is the responsibility of Shareholders as they select and nominate Board Members in the Shareholders Meeting. Top Management is selected by the Administration.*

#### 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 CSR department/functions reports directly to the CEO/Board.  
*The Company reports that Narciso Berberana is the one responsible for CSR issues.*

**Share of independent shareholder-elected Board members**

[LISTED COMPANIES] The Board is between 21 and 33% independent, which is less than the recommended level.  
*Two members of the seven-members 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
  - *Board members with demonstrated professional experience in the Company's sector of activities: Guillermo Pickering and Laureano Cano have both worked in the water utility sector. Additionally, the rest of Board Members have works in professional areas where there knowledge compliments the sector's activities (taxation, law, board members in companies of other regulated sectors, etc).*
  - *Board members with demonstrated expertise on CSR issues: Pedro Sierra Bosh previously worked as the advisor of the Development and Sustainability Vice-President of Codelco. Additionally, the rest of the Board Members have also been exposed to CSR issues, not only by being part of Aguas Andinas' Board of Directors but also by being part of other Board of Directors in Chile and through their industry experience.*

**Training and expertise provided to board members**

Training is provided through regular updates, but it does not cover CSR issues.  
*According to Aguas Andinas' Corporate Governance Policies and Procedures Compendium, Board Members receive induction training when the Board is renewed and additionally, once a year, during the third quarter of the year, refresher training is also provided.*

**Regular election of Board members**

[LISTED COMPANIES] 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.  
*The board's performance is evaluated once every two years.*

**Review of CSR issues at Board meeting**

All of the relevant CSR issues for the company are discussed at Board level.

- *Protection of water resources: The Company reports that, in March 2016, the board met to analyze and approve the 2016 Sustainability report. The measures taken by the company in the regard of water resources were part of the presentation. In March and June, the board discussed the hydraulic Efficiency Plan during the meetings;*

- *Water demand-side management: In March 2016, the board met to analyze and approve the sustainability report, and Water demand-side management was part of presentation. Additionally, In June 2016, within the items discussed in the Board Meeting, the Board discussed the Company's Communication Campaigns which included its responsible water use campaigns;*

- *Atmospheric emissions: In March 2016, the Board met to analyze and approve the 2016 Sustainability Report and the Head of Sustainable Development presented to the Board. As part of this report, the Company's emissions where reviewed;*

- *Health & safety: In August of 2016, one of the items reviewed by the Board were the Company's Health and Safety indicators against industry benchmarks as the Company received the Rosalino Fuentes Silva Award, which is a Health and Safety award given by Chile's National Council;*

- *Corruption: In April 2016, the Board of Directors approved the Company's Anti-Corruption Policy and in the extraordinary session in November, the Chief Compliance Officer presented its bi-annual report on the Company's Crime Prevention Model, the Progress of the Anti-Corruption Policy and the Compliance Model;*

- *Career management: In February 2016, the Board of Directors reviewed the advancement of the Company's Transformation Projects. In March 2016, the Board met to analyze and approve the 2016 Sustainability Report and the Head of Sustainable Development presented to the Board which includes the Company's Talent Management programs;*

- *Access to water: In January 2016, the Board discussed the Company's operations plan and in February, the Board discussed the "Prosperity Channel," project through which clean water coming out of Aguas Andinas' wastewater treatment plants would be directed to the Casablanca valley, an area with water scarcity;*

- *Water Safety: In the session in April, the Board reviewed the Company's efforts during the water cut that affected its clients due to the level of turbidity in the river. Additionally, in the sessions in May and September, the Board reviewed the progress of the Pirque Tank which is being built in order to increase the hours of autonomy in the case of turbidity to 32 hours;*

**Regularity of and attendance at Board meetings**

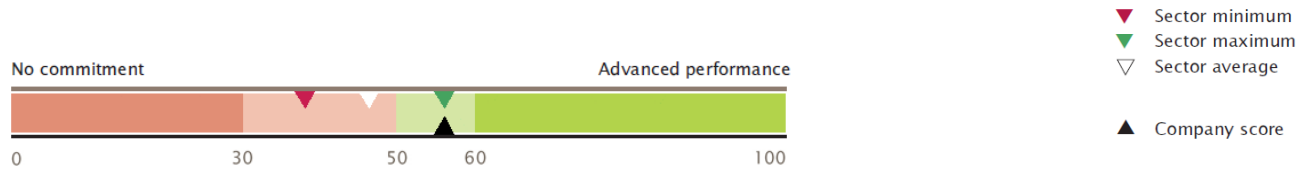
Regular meetings are held, and attendance rates are above 90%  
During 2016, the Board had 12 ordinary sessions and 3 extraordinary sessions.  
The attendance rate to the Board Meetings during 2016 was 98%.

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
Guillermo Pickering	Chairman of the board of directors	X											considered non independent by the company	
Bruno Philippi Irrar													considered non independent by the company	

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Herman Chadwick Piñe													considered non independent by the company	
Fernando Samaniego S						X	X						considered non independent by the company	
Rodrigo Manubens Mol	Chairman of the directors committee					X	X							X
Pedro Sierra Bosch						X	X							X
Ricardo Escobar Cald													considered non independent by the company	

## CGV2.1 Audit & Internal Controls

(score: 56, 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.  
*Two members of the 3-member directors Committee are considered independent.*

### Skills and backgrounds of Audit Committee members

*Members appear to have financial and/or audit experience AND relevant operational experience. In addition, at least a member has CSR skills and experience. Pedro Sierra Bosch who is a member of the Directors Committee has prior experience in the CSR field after being an advisor of the Development and Sustainability in the mining industry.*

### 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.

- Protection of water resources
- Atmospheric emissions
- Health & safety
- Corruption
- Career management
- Water safety

*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**

Strong processes dedicated to management of CSR risks are in place:

- 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

*Balanced scorecard: The Company has put in place a management by objectives system (DEO). The system defines variable compensation, according to performance. The DEO is composed of three blocks target: the global targets, objectives of areas of influence, and the individual target.*

*Risk related training: Aguas Andinas reports that in 2016, training was provided to employees and board members on health and safety issues.*

*Monitoring of key risk indicators: The Company claims to use a risk map assessment process where key indicators are developed for each risk. They are evaluated via the Company's balance scorecard.*

*Reporting system to the board: The Company reports that the direction committee defines and approves the risk map.*

*Risk mapping/materiality assessment: Aguas Andinas communicates that it has adopted a Risk Map, as a management and control tool. This latter helps the company identify, assess, prioritize and manage Company risks.*

**Independence of the firm's external auditors**

*Non-audit fees represented 31.1 % of total fees paid to Ernst & Young in the last fiscal year.*

**Inclusion of CSR issues in the company's reporting**

The company publishes significant CSR reporting on key material issues.



**Stakeholders' feedback**

A review of stakeholders' sources revealed that the Company is involved in isolated or occasional controversies of minor or significant severity

*As of 09/2017, Aguas Andinas was involved in 2 controversies*

- Case 1 (21/09/2017): RESPONSIVENESS UPDATE: Super Sanitation Services fines Aguas Andinas over misinformation
- Case 2 (17/08/2017): RESPONSIVENESS UPDATE: SISS files charges against Aguas Andinas over Santiago 2016 pipe break

*A complete analysis of the severity of each case mentioned is available in Vigeo Controversy Product.*

**Company's responsiveness**

Overall, the company is reactive

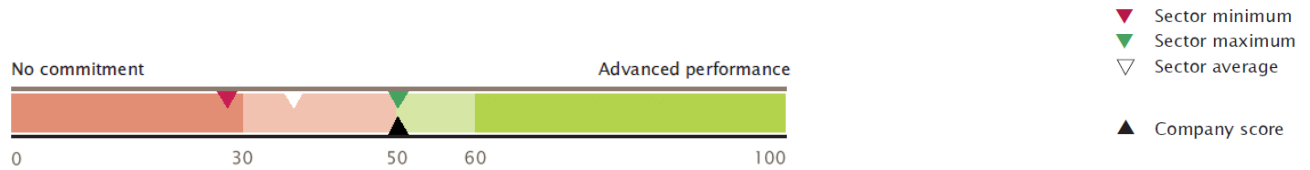
*For each of the above mentioned cases, Aguas Andinas's response is considered:*

- case 1: The company is reactive: the Company reports in a detailed way on its position to the case
- case 2: The company is reactive: the Company reports in a detailed way on its position to the case

*The analysis of Aguas Andinas management of each case is available in Vigeo's controversy profile.*

### CGV3.1 Shareholders

(score: 50, weight: 2)



**Nonexistence of voting rights restrictions**

The company respects the "one share - one vote" principle.

**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).

**Ability to add items to the agenda of the AGM and to convene an EGM**

Major restrictions have been identified to add items to the agenda of the AGM and to convene an EGM.

*The board must convene a regular or special meeting when so requested by shareholders representing at least 10% of the issued voting capital.*

**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.

*Shareholders may vote in person or through Proxy Voting. Any voting which is conducted in a General Shareholders Meeting must be conducted through a system that ensure simultaneous voting or secret voting.*

**Ability to vote on relevant issues in separate resolutions at AGM**

Not all major items are put to a shareholder vote.

*The following item is not put to a vote at the AGM:  
 - executive remuneration*

**Presentation of CSR strategy to shareholders and investors**

*The company has presented to shareholders and investors its CSR strategy and this covers some of CSR issues at stake.*

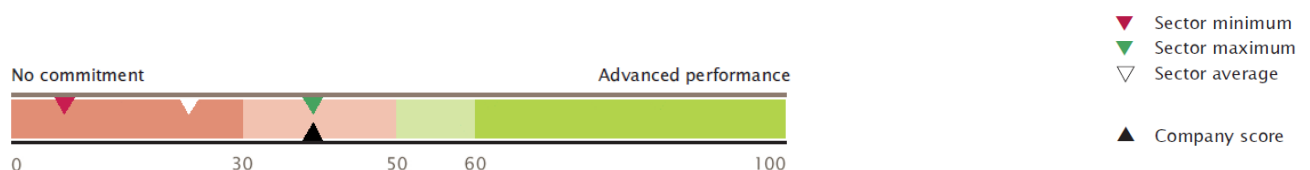
- Protection of water resources
- Health & safety
- Career management

**Stakeholders' feedback**

*As of 09/2017, Aguas Andinas did not appear to be involved in any controversy related to this sustainability driver*

### CGV4.1 Executive Remuneration

(score: 39, 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.  
*All members are non-executive directors, and the majority are independent. Two members of the 3-member directors 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 linked to predetermined and disclosed economic or operational performance indicators. However the actual quantified targets are not disclosed.*  
*- Internal Financial Success Metrics such as Net Income, EBITDA, and Company Revenue*  
*- External Perception Metrics including Customer Satisfaction.*  
*- Environmental Metrics such as environmental risk indicators, energy efficiency targets and indicators*  
*- Social figures such as the prevention of occupational hazards (corporate health and safety indicators) and the implementation of CSR programs*

**Link between the main Long Term Incentive Plan and the performance of the company**

The company does not have any incentives plan for its executives linked to multi-year performance conditions.  
*The Company states that there are no stock options nor long term incentives for senior executives.*

**Link between variable remuneration and CSR performance of the company**

CSR performance objectives are considered in the determination of variable remuneration of senior executives, but information on performance targets are not disclosed.

- Protection of water resources*
- Water demand-side management*
- Atmospheric emissions*
- Health & safety*
- Corruption*
- Career management*
- Access to water*
- Water safety*
- Social and economic development around landfills*

*CSR performance is part of the variable remuneration of senior executives through the DEO program.*

**Severance pay for senior executives**

Severance pay represents 1 year's base salary or less, and the company seeks to mitigate the costs, in accordance with standards advocated by Vigeo.

**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's had two presidents during 2016, hence it is not possible to compute the ratio of CEO-to-employee compensation in 2016.*

**Stakeholders' feedback**

*As of 08/2017, Aguas Andinas did not appear to be involved in any controversy related to this sustainability driver*



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## Contacts

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