

Colbun

ISIN CODE: CLP3615W1037

Overall score 36/100

Sector: Electric & Gas Utilities
Emerging Market

Information rate: 63% (Sector average: 61%)
Company cooperation level: Not responsive *

General information

Colbun is engaged in the production, transport, distribution and provision of electricity and natural gas to regulated and deregulated customers in Chile and Peru. The Company also provides advisory engineering services.

Main Economic Segment**	Turnover 2016
Generation and sales of electric energy	100 %

CORPORATE GOVERNANCE				
	2014/03	2014/09	2016	2018
Score				36
Allegations				No
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

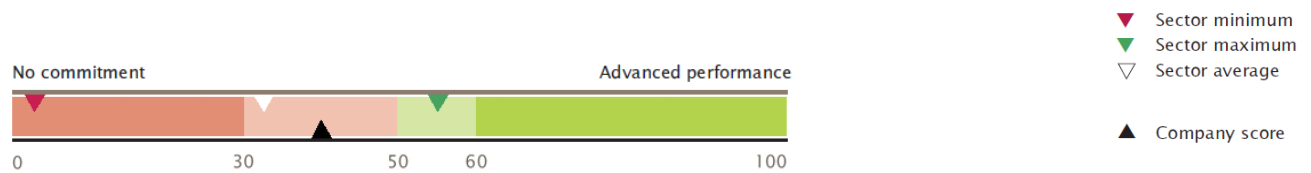
- The Company's performance in the Corporate Governance domain is limited in absolute terms, which is an improvement compared to the previous review.
- At least 30% of directors are women, and one Board member have a demonstrated expertise on CSR issues. However, the Audit Committee has a limited role in overseeing internal and external controls, and CSR issues do not seem to be integrated in the internal control system. At last, limited transparency is displayed with regard to shareholders' rights and executive remuneration.

Corporate Governance

Score : 36

CGV1.1 Board of Directors

(score: 40, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

Information disclosed on this subject is insufficient or not relevant.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, and the Chairman is considered independent.

Responsibility allocated over CSR issues

The Head of CSR department/functions reports directly to the CEO/Board. *There is a Risk and Sustainability Committee that is composed by the Company's Chief Executive Officer and Main Executives. However it is not part of the Board. The CEO report directly to the Board.*

Share of independent shareholder-elected Board members

The Board is between 34 and 50% independent, which is less than the recommended level. Four members of the nine-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
- 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
 - At least 30% of directors are women: three members of the nine-member Board are women.
 - Board members with demonstrated professional experience in the company's sector of activities: The Chairman of the Board has managerial experience in Electric & Gas companies. Also, a former CEO of the Company is currently a member of its Board.
 - Board members with demonstrated expertise on CSR issues: a Board member is also a member at The Council for Transparency. Previously, she served as Executive Secretary of the National Energy Commission and Executive Director of the National Environmental Commission.

Training and expertise provided to board members

Training is provided through regular updates, but it does not cover CSR issues. In 2016, two training sessions for the board of directors were held by external specialists. the training addressed Reputation Risks Management and Corporate Governance Issues.

Regular election of Board members

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

Evaluation of Board's functioning and performance

Performance is evaluated regularly, but with no disclosure on the results. The Company reports that the Board of Directors undertakes a formal procedure for the continuous improvement of its operation as a chartered body. This self-assessment procedure must be executed annually and is led by the Chairman of the Board.

Review of CSR issues at Board meeting

Only few of the relevant CSR issues appear to be discussed at Board level.

- Health & safety
- Climate change
- Pollution prevention
- Anti-competitive practices
- Corruption
- Community relations

In the board meeting, the General Manager informs about the monthly management of the Company in its main social activity, presenting the most relevant indicators of the business

Regularity of and attendance at Board meetings

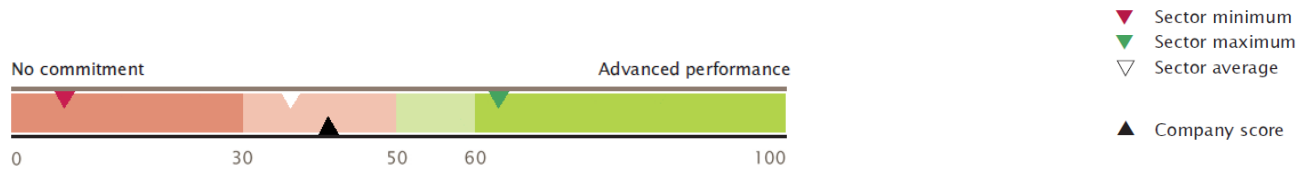
Information obtained from the company and public sources regarding the regularity of and attendance at board meetings is insufficient.

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
Juan Eduardo Garcia	Chairman of the Board		X			X	X							X
Vivianne Soza			X											X
María Pereira			X			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
Luz Granier Bulnes			X			X	X							X
Bernardo Matte								X	X			X		
Andrés Bromley			X										Considered non independent by the Company	
Jorge Matte			X									X		
Francisco Matte			X									X		
Arturo Iñiguez			X										Considered non independent by the Company	

CGV2.1 Audit & Internal Controls

(score: 41, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

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

Skills and backgrounds of Audit Committee members

Members appear to have financial and/or 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.

- Health & safety
- Climate change
- Pollution prevention
- Anti-competitive practices
- Corruption
- Community relations

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 the 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*

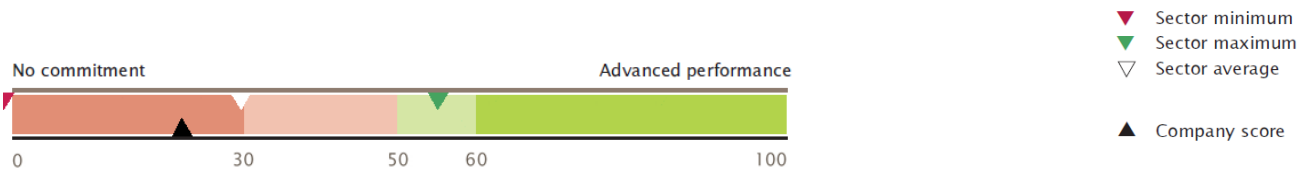
Independence of the firm's external auditors Information obtained from the company and public sources regarding the independence of the firm's external auditors is insufficient.

Inclusion of CSR issues in the company's reporting The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited/moderate level of the assurance.
KPMG Auditores y Consultores Ltda. have made a limited review of the information and data related to the GRI indicators and other sustainability issues included in the "Integrated Annual Report 2016" of the Company.

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: 22, 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 the 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 All major items are voted upon in separate resolutions, in accordance with standards advocated by Vigeo.

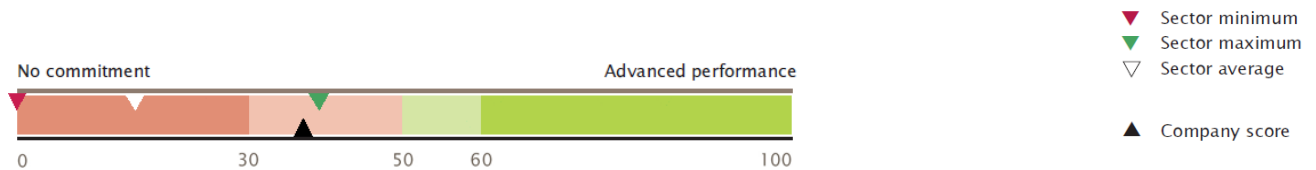
Presentation of CSR strategy to shareholders and investors Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

- Climate change*
- Pollution prevention*
- Corruption*
- Health & safety*
- Community relations*
- Anti-competitive practices*

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: 37, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee All members are independent non-executive directors.
All the three members of the 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 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.

- Health & Safety
- Climate Change
- Pollution Prevention
- Customer Satisfaction
- Other

Severance pay for senior executives

Severance pay represents 1 year's base salary or less, in accordance with standards advocated by Vigeo, although the company does not seek to mitigate these costs.

According to Chilean Law, employees holding contracts of indefinite duration are entitled to a basic payment of one-month's salary for each year (or a six month portion thereof) worked, subject to a limit of a total payment of a maximum of 11 months' pay for employees hired after August 14, 1981.

Evolution of CEO-to-employee compensation ratio

Information obtained from the company and public sources regarding the compensation of CEO and the average employee salary is insufficient.

The CEO compensation is not disclosed, and employees wages remained stable at USD 62 Millions between 2015 and 2016.

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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