

# Embotelladora Andina

ISIN CODE: CLP3697S1034

Overall score 39/100

## Sector: Beverage Emerging Market

Companies in sector panel: 16

Information rate: 70% (Sector average: 48%)  
Company cooperation level: Partially responsive \*

## General information

Embotelladora Andina S.A. (Andina), headquartered in Santiago, Chile, produces, sells and distributes a large range of products of The Coca-Cola Company. In 2016, the Company incorporated a closed joint-stock company called Coca-Cola Del Valle New Ventures S.A. and completed its merger with Embotelladoras Coca-Cola Polar S.A. which is a Coca-Cola bottler with operations in Argentina and Chile.

Main Economic Segment**	Turnover 2016
Softdrinks	73.8 %
Other Beverages	25.8 %
Packaging	0.4 %

CORPORATE GOVERNANCE		
	2015	2017
Score		39
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'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

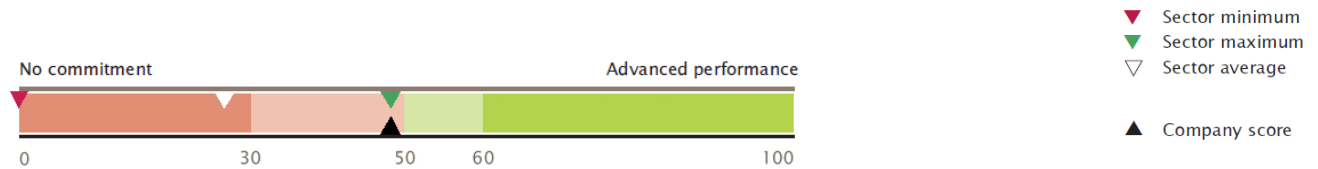
- Andina obtains a limited absolute performance in the Corporate Governance domain, in line with the previous review.
- A majority of board members is considered to be independent and a dedicated CSR Committee is reportedly in place. The audit committee is said to have a comprehensive role in overseeing internal and external controls and the system covers some of the CSR risks inherent to the company's business operations, notably including water. Some restrictions have been identified regarding shareholders' rights and the Company lacks transparency on executive remuneration.

## Corporate Governance

Score : 39

### 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.

**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**

There is a CSR committee that is part of the Board.  
*The company has a Corporate Sustainability Committee that is composed including of the Chief Executive Officer and Chief Financial Officer. The responsibilities of this Committee cover definition of goals and objectives, approval of plans and projects, and ensure the connection to sustainability pillars. This Committee prepares periodic reports to be reviewed by the Board of Directors, regarding plans, goals and accomplishments.*

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

*In accordance with standards advocated by Vigeo Eiris, the Board is more than 50% independent. 8 members of the 14-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: some of the company's Board members either are or have been part of organizations with similar activities and have background in the sector.*

**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 at least every three years and these elections are not staggered.*

**Evaluation of Board's functioning and performance**

Performance is evaluated regularly, but with no disclosure on the results.  
*The Board conducts self-evaluation once a year.*

**Review of CSR issues at Board meeting**

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

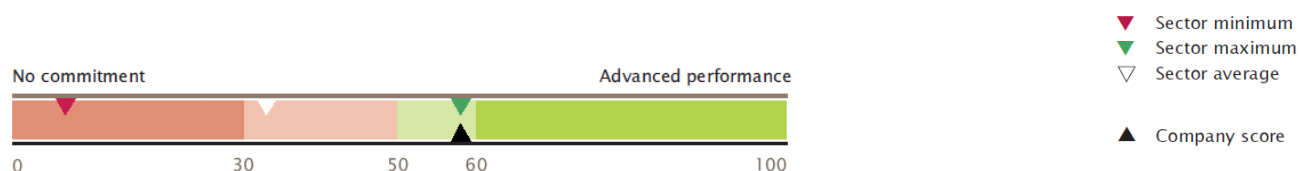
**Regularity of and attendance at Board meetings**

Regular meetings are held, but no attendance rates are disclosed.  
*The board of directors schedules at least, one meeting per month.*

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
Juan Claro	Chairman of the Board	X							X					
Arturo Majlis		X				X	X		X			X		
Eduardo Chadwick		X										X		
Pilar Lamana														X
Enrique Rapetti														X
Juan Andrés Fontaine														X
Mariano Rossi														X
Salvador Said		X				X	X		X			X		
Gonzalo Said		X							X			X		
José Antonio Garcés		X							X			X		
Gonzalo Parot	Chairman of Directors' Committee					X	X							X
Georges De Bourguign														X
Karim Yahi														X
Susana Tonda														X

**CGV2.1 Audit & Internal Controls**

(score: 58, weight: 2)



**[LISTED COMPANIES] Existence and independence of Audit Committee**

A specific committee is in place, but at least one executive is part of it, which might raise concerns.  
*1 member of the 3-member Audit Committee is 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 internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers some of the CSR risks inherent to the company's business operations.*

- Water: the company's internal controls cover under their risk list water as all the company's bottling plants comply with researches on vulnerability of sources and the company periodically analyzes the geological and hydrological context, land uses and characteristics that may affect water sources.*
- Fundamental human rights: human rights are part of the company's corporate risk management.*
- Product safety/Information to customers: the company's risk management covers safety of products and appropriate information and these are assessed through specific audits and other means.*

**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**

*Relevant processes dedicated to management of CSR risks are in place:*

- Reporting system to the Board: the Risk Committee reports to the Board of Directors including on the proper functioning of the management process, the risk matrix used by the Company as well as the main sources of risks and methodologies for the detection of new risks and the probability and impact of occurrence of these.*
- Risk mapping: the company reports on risk facing the company and these cover CSR risks.*

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

The audit firm receives non-audit fees, but these represent only 5% or less of total fees.  
*Non-audit fees represented 1% of total fees paid to PricewaterhouseCoopers in 2016.*

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

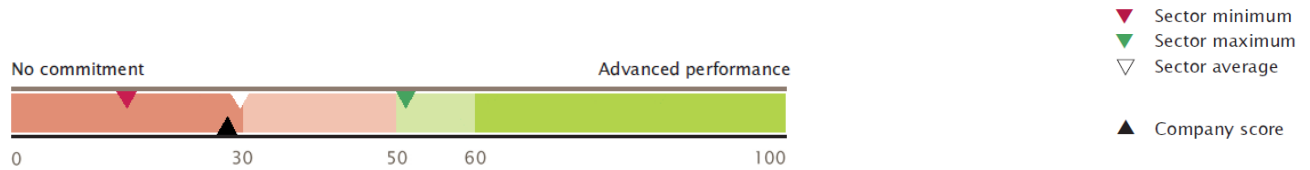
*The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited level of the assurance.*

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral  
*As of 07/2017, Embotelladora Andina did not appear to be involved in any controversy related to this sustainability driver*

**CGV3.1 Shareholders**

(score: 28, weight: 2)



**Nonexistence of voting rights restrictions**

Minor voting rights restrictions have been identified.  
*The company's capital equity is divided into Series A shares and Series B shares with some different features including:  
 The preference of Series A shares consists solely of the right to elect twelve out of the fourteen board members of the Company. Series A shares are entitled to full voting rights without limitations. Series B shares are entitled to a limited voting right, voting only with respect to the election of two board members for the Company.*

**Nonexistence of anti-takeover devices**

Anti-takeover devices have been identified.  
*The company's controlling shareholders act pursuant to a shareholders' agreement. This agreement provides for certain restrictions on the transfer of shares of the company's capital stock by the Coca-Cola Shareholders and its controlling shareholders. For example, controlling shareholders are restricted from transferring its Series A shares without the prior authorization of The Coca-Cola Company.*

**Safeguards on transactions with major shareholder(s)**

More than half of the board is independent, and in addition, there are additional safeguards in place to monitor transactions between the company and its major shareholder(s).  
*Transactions with certain affiliates and related parties are approved by the Company's Board of Directors, with the abstention of the director involved in the corresponding case. In addition, Directors' Committee is charged with evaluating transactions with related parties and to report on these transactions to the full board of directors.*

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

Major restrictions have been identified to convene an EGM.  
*Exceptional General Meetings may be called by shareholders representing at least 10% of the issued voting shares.*

**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.  
*The following items are not put to a vote at the AGM:*  
 - Executive remuneration  
 - Changes to bylaws  
 - Changes in capital (increases, buy-backs)

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

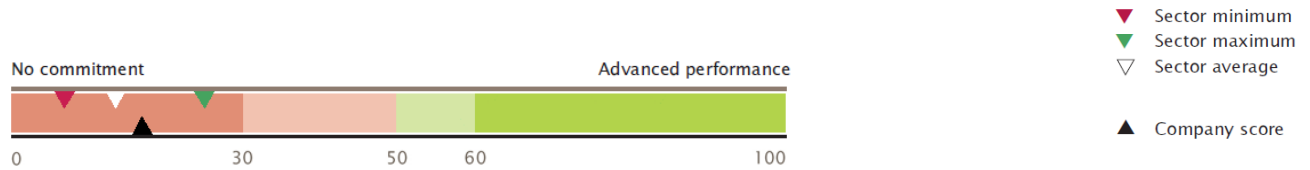
*Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.*

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral  
*As of 07/2017, Embotelladora Andina did not appear to be involved in any controversy related to this sustainability driver*

**CGV4.1 Executive Remuneration**

(score: 17, weight: 2)



**[LISTED COMPANIES] Existence and independence of Remuneration Committee**

A specific committee is in place, but at least one executive is part of it, which might raise concerns.  
*1 member of the 3-member Directors' Committee is considered independent. The Directors' Committee performs the duties of a Remuneration Committee.*

**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 performance indicators as EBITDA and Market Share. However the actual quantified targets are not disclosed.*

**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**

*CSR performance objectives are considered in the determination of variable remuneration of senior executives. The company reported to Vigeo Eiris that Water, Biodiversity, Labour standards in the supply chain, Fundamental human rights, Societal impacts of products, Product safety/Information to customers are considered in the determination of variable remuneration of senior executives. However, information on performance targets are not disclosed.*

**Severance pay for senior executives**

Severance pay may exceed 1 year's, but not 2 years', base salary.  
*Severance may represent 11 times monthly payment.*

**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  
*As of 07/2017, Embotelladora Andina did not appear to be involved in any controversy related to this sustainability driver*

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## Contacts

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