

# Avianca Holdings

ISIN CODE: US05367G1004

Overall score 30/100

Sector: Travel & Tourism Emerging Market

Information rate: 70% (Sector average: 56%)  
Company cooperation level: Not responsive \*

## General information

Avianca Holdings SA (Avianca) is a Panama-based company engaged, through its subsidiaries, in the provision of air transportation services for passengers and commercial purposes. The Company was originally established as a strategic alliance between Aerovias del Continente Americano SA (AVIANCA) and Grupo TACA Holdings Limited (GTH).

Main Economic Segment**	Turnover 2017
Passenger Transportation	80.0 %
Cargo and other	20.0 %

CORPORATE GOVERNANCE		
	2015	2018
100		
75		
50		
25		
0		
Score		30
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 (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

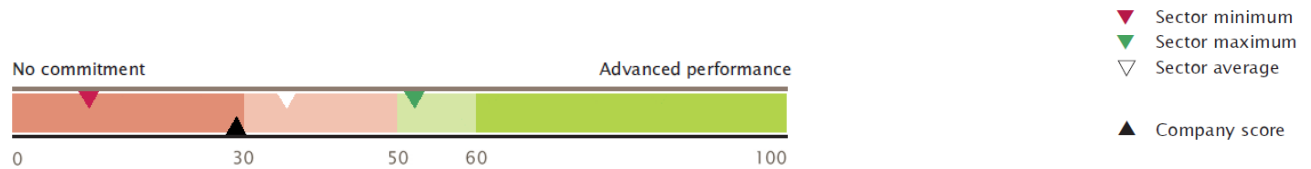
- The Company's performance in the Corporate Governance domain is limited in absolute terms which is a deterioration compared to the previous review.
- No specific committee is in charge of director nomination and less than 20% of Directors are considered independent. A robust score is reached on audit and internal controls, thanks to a fully independent Audit Committee that has a comprehensive role, also its internal control system oversee some CSR risks. The score is hampered by the lack of transparency on rules determining executive remuneration, and restrictions to shareholders' voting rights, such as preferred shares without voting rights.

## Corporate Governance

Score : 30

### CGV1.1 Board of Directors

(score: 29, 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**

Information on the responsibilities allocated over CSR issues is insufficient.

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

*The Board is between 0 and 20% independent, which might raise concerns. Two members of the 11-member 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: Mr Robert Kriete has experience in the airline industry as founder and board member of Volaris in Mexico; Chairman of the Board and CEO of Grupo TACA and President of the Latin American and Caribbean Air Transport Association (ALTA).

**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 eligible for re-election every year.*

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

Performance is not evaluated regularly.

**Existence and relevance of the review of CSR issues at board meeting**

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

- Contractual customer rights
- Working time models
- Social dialogue
- Energy efficiency
- Operations safety

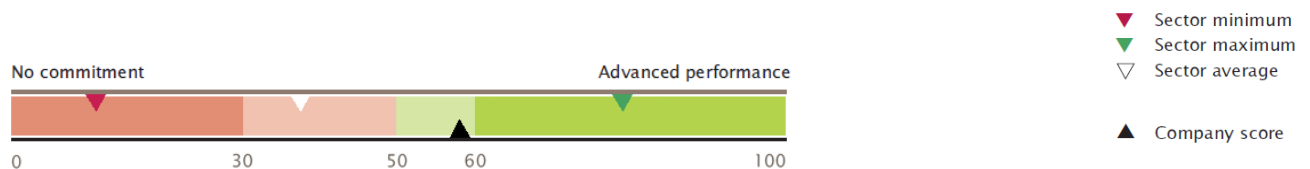
**Regularity of and attendance at Board meetings**

Regular meetings are held, and attendance rates are above 90%  
16 Board meetings were held during 2016 and the attendance rate was 98,7%

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
Germán Efromovich	Chairman		X						X			X		
José Efromovich			X				X		X			X		
Roberto Kriete	Member of the Finance Committee		X				X		X			X		
Alexander Bialer	Member of the Finance Committee		X						X			X		
Raúl Campos			X						X			X		
Isaac Yanovich			X			X	X		X					
Álvaro Jaramillo	Member of the Finance Committee		X						X					
Juan Guillermo Serna	Member of the Finance Committee		X			X			X					
Ramiro Valencia			X						X					
Oscar Darío Morales	Member of the Finance Committee		X			X								X
James Peter Leshaw			X											X

**CGV2.1 Audit & Internal Controls**

(score: 58, weight: 2)



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

*One members of the three-member 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 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.

- Contractual customer rights*
- Working time models*
- Social dialogue*
- Energy efficiency*
- Operations safety*

- *Social dialogue: the Company has integrated into its corporate risks of its risk management the labor relations. The risk management seeks to identify, analyze and monitor the risks related to this issue in order to mitigate them.*  
- *Operations safety: the Risk management is focuses on the management of risks that can generate incidents and/or operational accidents in the Company.*

**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**

Although the company has set up some measures, it has not gone beyond that to integrate CSR risks in its overall strategy.

- 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*

- *materiality assessment: Avianca Holdings conducted a materiality analysis with the purpose of identifying the issues relevant to its business vision that generate value to its stakeholders.*

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

*Non-audit fees represented 1% of total fees paid to EY in 2017.*

**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.

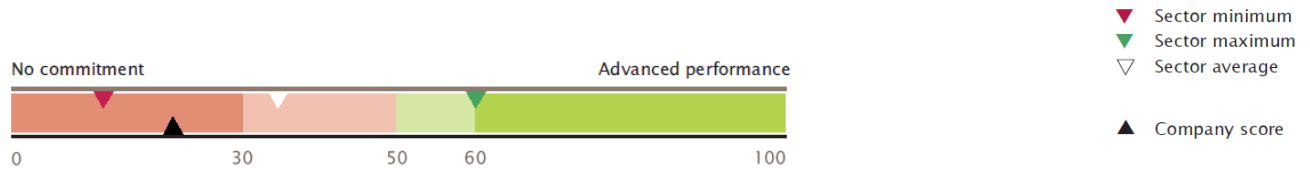
*Deloitte assessed the reliability of key performance indicators, with limited level of the assurance in accordance with ISAE 3000.*

**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 08/2018, Avianca Holdings did not appear to be involved in any controversy related to this sustainability driver*

### CGV3.1 Shareholders

(score: 21, weight: 2)



**Nonexistence of voting rights restrictions**

Minor voting rights restrictions have been identified.  
*The Company has Preferred shares, without voting 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**

Major restrictions have been identified to convene an EGM.  
*An unreasonable level of share ownership (20%) required to call an Exceptional General Meeting*

**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:*  
- Board fees  
- Selection of external auditors  
- 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.

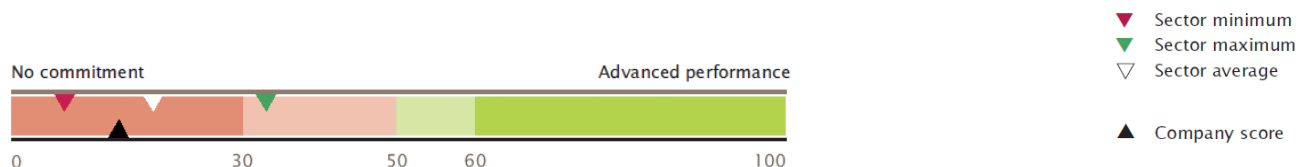
- Contractual customer rights
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- Operations safety

**Stakeholders' feedback**

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### 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.  
*None members of the three-member Remuneration Committee is 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.

- Contractual customer rights*
- Working time models*
- Social dialogue*
- Energy efficiency*
- Operations safety*

**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.  
*The CEO compensation is not 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  
*As of 08/2018, Avianca Holdings did not appear to be involved in any controversy related to this sustainability driver.*

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## Contacts

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