

Interconexion Electrica SA Overall score 31/100

ESP

ISIN CODE: COE15PA00026

Sector: Electric & Gas Utilities
Emerging Market

Information rate: 69% (Sector average: 61%)
Company cooperation level: Not responsive *

General information

Interconexion Electrica (ISA) is engaged in the transmission of electric power. The Company operates a network of high-voltage transmission circuits in Colombia, Peru, Bolivia and Brazil, and manages the facilities of the National Interconnected System (SIN). Interconexion Electrica is also involved in infrastructure projects, which include the development of high-voltage and fiber-optic transmission networks.

Main Economic Segment**	Turnover 2016
Energy Transmission Services	85.9 %
Road Concessions	10.2 %
Telecommunications	2.8 %

CORPORATE GOVERNANCE				
	2014/03	2014/03	2016	2018
Score				31
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

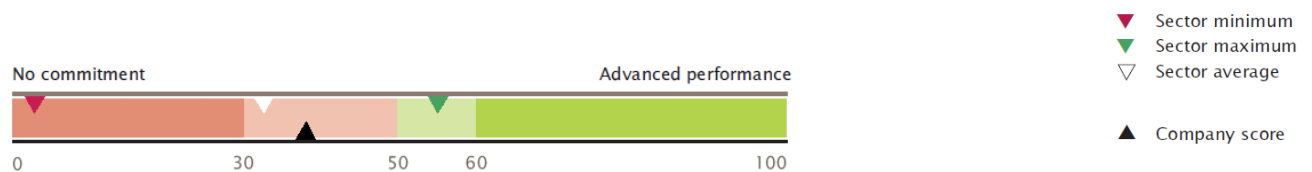
- The Company's performance in the Corporate Governance domain has decreased but remains limited in absolute terms.
- This change is mainly due to the fact that only minority of the Board and none of the related Committee members are considered independent. There is also no evidence that CSR issues are reviewed at Board meetings. However, the roles of Chairman and CEO are separated and Board's performance is assessed annually. ISA's internal control system cover CSR risks such as corruption but there is no disclosure about climate change or health and safety risks. In addition, major restrictions have been identified in terms of shareholders' ability to convene an EGM. Finally, it is not clear what rules guide the Company in allocating incentives to its executives.

Corporate Governance

Score : 31

CGV1.1 Board of Directors

(score: 38, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No executive is a member of the committee, but half or fewer are independent.
None of the five-member of the Board and Corporate Governance Committee is considered independent.

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. One member of the 9-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
- Some Board members have experience in the energy sector.

Training and expertise provided to board members

Training is provided upon joining the Board.
Board members receive training on ISA's business and sectors upon joining the Board.

Regular election of Board members

Board members are elected every year.

Evaluation of Board's functioning and performance

Performance is evaluated regularly, with disclosure on the results.
The Company conducts annual evaluations to the Board of Directors. The results related to the members' individual performance highlight: knowledge, rigor, commitment and active participation. Results related to the group performance are disclosed: diversity of opinions and knowledge, capacity to reach agreements, respect for other members and management, and adequate spaces for the participation of independent members. There were also identified areas of improvement such as the need to address strategic and innovation topics constantly and to improve the members' timeliness.

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.

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

Regularity of and attendance at Board meetings

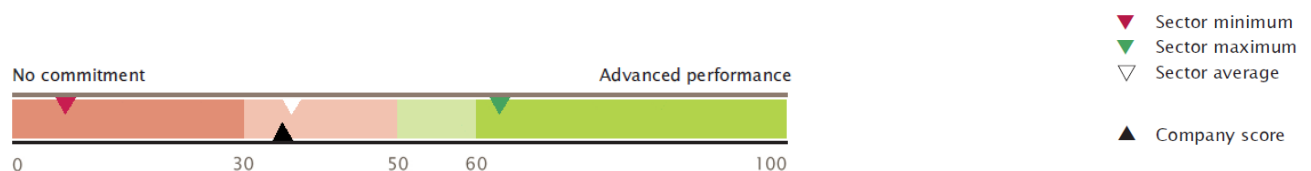
Regular meetings are held, and attendance rates are above 90%
There were 15 Board meetings during FY2016 with an attendance rate of 96%.

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
Santiago Montenegro	Chairman of the Board of Directors and Chairman of the Business Committee		X		X		X		X			X	Nominated by a shareholder with more than 3% of total voting rights	

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
Camilo Zea Gómez			X			X						X	Nominated by a shareholder with more than 3% of total voting rights	
Carlos Londoño			X		X	X	X					X	Nominated by a shareholder with more than 3% of total voting rights	
María Ximena Cadena			X		X		X					X	Nominated by a shareholder with more than 3% of total voting rights	
Jesús Aristizábal	Chairman of the Corporate Audit Committee		X			X			X			X	Nominated by a shareholder with more than 3% of total voting rights	
Carlos Mario Giraldo	Chairman of the Corporate Governance Committee		X		X		X					X	Nominated by a shareholder with more than 3% of total voting rights	
Carlos Caballero			X									X	Nominated by a shareholder with more than 3% of total voting rights	
Henry Medina			X											X
Ana Milena López			X		X		X					X	Nominated by a shareholder with more than 3% of total voting rights	

CGV2.1 Audit & Internal Controls

(score: 35, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

No executive is a member of the committee, but half or fewer are independent.
No member of the Corporate Audit Committee is considered independent.

Skills and backgrounds of Audit Committee members

All of the Audit Committee members have financial and/or audit experience and some of them have 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.

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

*Some of the CSR risks covered are: environmental, social, human capital and labour relations, and fraud.
ISA has in place a risk management policy, which provides the concept and action framework for the objective, systemic and approved implementation of actions aimed at proper management of risks in order to preserve the integrity of the corporate resources.*

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

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

The Company has a Corporate Policy of Comprehensive Risk Management which performs the identification, analysis, evaluation, monitoring and communication of 17 risks categories including CSR risks such as human rights violations, armed conflicts and natural events, biodiversity, waste management, and access to energy.

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.
The Company publishes CSR reporting in its Integrated Report on key material issues, with an independent assessment from Deloitte based on the International Standard on Assurance Engagements 3000 (ISAE 3000). The scope of this review is not clear.

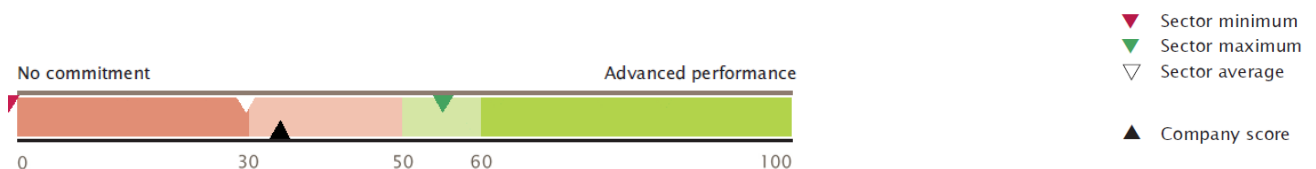
Stakeholders' feedback

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

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CGV3.1 Shareholders

(score: 34, weight: 2)



Nonexistence of voting rights restrictions

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

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. *5% share ownership is required to add items for AGM agenda. Nonetheless, the share ownership required to convene an EGM is not clear.*

Access to voting at General Meetings

Shareholders' ability to vote is restricted. *Only shareholders present at the meeting or with representative in the meeting can vote. No ability to vote through online services is available.*

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

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

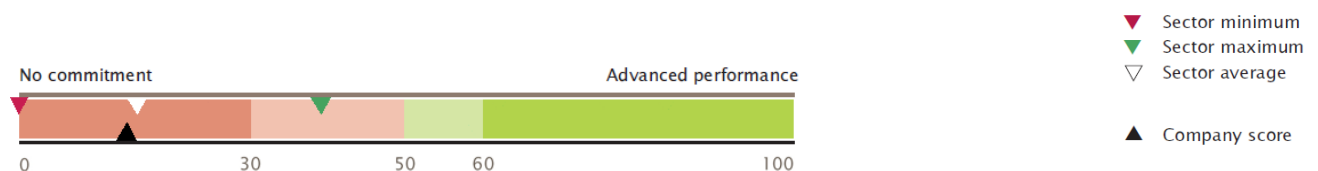
- Climate change
- Pollution prevention
- Corruption
- Health & safety
- Community relations
- Anti-competitive practices

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: 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 of the five-member Board and Corporate Governance 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

The company does not have any incentives plan for its executives linked to multi-year performance conditions.
The executives do not receive long-term benefits.

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

Information obtained from the company and public sources regarding severance pay for senior executives is insufficient.

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.
Information on CEO remuneration 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

Contacts

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