

Alfa

ISIN CODE: MXP000511016

Overall score 28/100

Sector: Chemicals Emerging Market

Information rate: 56% (Sector average: 55%)
Company cooperation level: Not responsive *

General information

Alfa, headquartered in Monterrey Mexico, is an independent producer of complex aluminium components for the automotive industry, and a producer of polyester (PTA, PET and fibres). The Company operates through 5 basic operation segments: Alpek in the petrochemical and synthetic fibers industry, Sigma in the refrigerated foods sector, Nematik in the automotive industry sector, Axtel in the telecommunications sector and Newpek in the exploration and exploitation of natural gas and oil fields. Alfa has productive operations in 27 countries across America, Europe and Asia-Pacific.

Main Economic Segment**	Turnover 2016
Petrochemical and synthetic fibers	30.4 %
Refrigerated foods	35.9 %
Automotive industry	26.7 %

CORPORATE GOVERNANCE			
	2014	2016	2018
Score			28
Allegations			No
Rating			=
Risk management			Weak

Key issues

Corporate governance is critical to ensuring that a well functioning system of checks and balances protects the interests of all of the company's stakeholders. The effectiveness of the Board of Directors is a key issue to be addressed: this can be gleaned from information on Board composition (independence and competencies) and its way of functioning (regularity of Board meetings, evaluation of performance). Other important corporate governance factors include the effectiveness of the Audit and Internal control system, the protection of Shareholders Rights and the establishment of Executive Remunerations which align executives' and company's interests.

Company performance

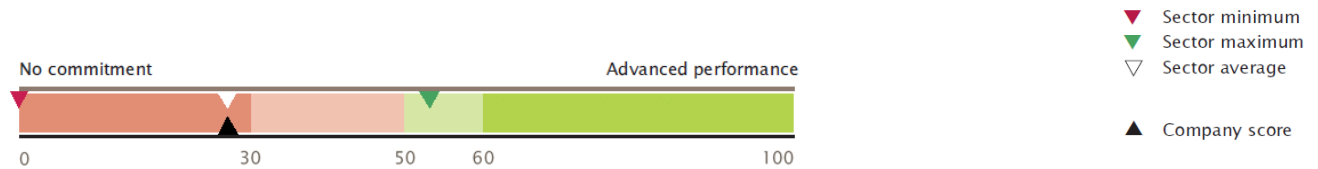
- Alfa's performance in the Corporate Governance domain is weak in absolute terms, which is a deterioration compared to the previous review.
- Less than half of the Board of Directors and its related committee members are considered independent, and while the roles of Chairman and CEO are separated the Chairman is not considered independent. The Audit Committee seems to have a comprehensive role for monitoring financial, operational and legal risks, but the internal control system does not seem to cover CSR issues. With respect to shareholders rights, Alfa respects the "one share - one vote" principle and does not make references to anti-takeover devices. Finally, disclosure of individual executive remuneration data for senior executives is insufficient.
- No allegations for the Company were identified in the period under review

Corporate Governance

Score : 28

CGV1.1 Board of Directors

(score: 27, 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, 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

[LISTED COMPANIES] The Board is between 21 and 33% independent, which is less than the recommended level.
Three members of the 11-member Board are considered independent.

Diversity of the skills and backgrounds of the Board

Information obtained from company and public sources regarding the diversity of skills and backgrounds of board members is insufficient.

- 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

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

[LISTED COMPANIES] Board members are elected every year.

Evaluation of Board's functioning and performance

Information obtained from company and public sources regarding the evaluation of board functioning and performance is insufficient.

Review of CSR issues at Board meeting

Information obtained from company and public sources regarding the review of CSR issues at board meetings is insufficient.

- Employee safety
- Product responsibility
- Climate change
- Pollution prevention
- Societal impacts of products/services (when relevant)
- Bio-based/renewable chemicals

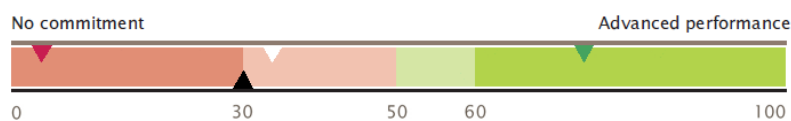
Regularity of and attendance at Board meetings

Regular meetings are held, and attendance rates are above 90%
Six Board meetings were held during the last fiscal year, and average attendance rate was 96.6%.

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
José Calderón			X			X			X					
Enrique Castillo			X			X								X
Francisco Fernández	Planning and Finance Committee President		X											X
Álvaro Fernández	President	X							X					
Armando Garza	Chairman		X					X	X					
Claudio González			X						X					
Ricardo Guajardo			X						X					
David Martínez			X											X
Adrián Sada	Corporate Practices Committee President		X						X					
Federico Toussaint	Audit Committee President		X			X			X					
Guillermo Vogel			X						X					

CGV2.1 Audit & Internal Controls

(score: 30, weight: 2)



- ▼ Sector minimum
- ▼ Sector maximum
- ▽ Sector average
- ▲ Company score

[LISTED COMPANIES] Existence and independence of Audit Committee

No executive is a member of the committee, but half or fewer are independent.
One member of the 3-member Audit Committee is considered independent.

Skills and backgrounds of Audit Committee members

Information disclosed on this subject is insufficient or not relevant.

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.

- Employee safety
- Product responsibility
- Climate change
- Accidental pollution
- Societal impacts of products/services (when relevant)
- Bio-based/renewable chemicals

The Company states that the Board of Directors relies on the Audit, Corporate Practices, and Planning and Finance committees to review the company's strategy, management and results, which include risk management processes for economic, environmental and social issues. However, which specific risks are considered in each of these categories is not disclosed.

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

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

Inclusion of CSR issues in the company's reporting

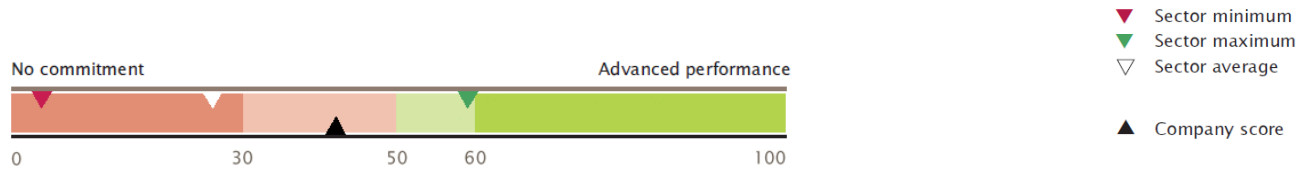
The company publishes significant CSR reporting on key material issues.
Of note, the CSR Report has not been verified by an external party.

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 01/2018, Alfa did not appear to be involved in any controversy related to this sustainability driver

CGV3.1 Shareholders

(score: 42, weight: 2)



Nonexistence of voting rights restrictions

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

Nonexistence of anti-takeover devices

There is no reference to anti-takeover devices in the company's reporting.

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 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

Information obtained from company and public sources, regarding which items are customarily put to a vote at the AGM, is insufficient.

Presentation of CSR strategy to shareholders and investors

The company's CSR strategy has not been presented to shareholders and investors.

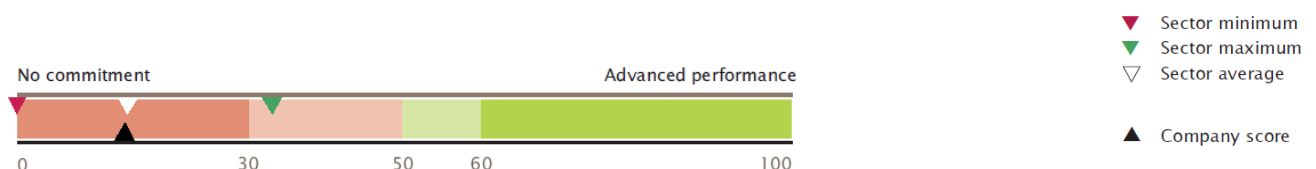
- Employee safety
- Product responsibility
- Climate change
- Pollution prevention
- Societal impacts of products/services (when relevant)
- Bio-based/renewable chemicals

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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CGV4.1 Executive Remuneration

(score: 14, weight: 2)



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[LISTED COMPANIES] Existence and independence of Remuneration Committee

No executive is a member of the committee, but half or fewer are independent.
No member of the 3-member Corporate Practices Committee is considered independent.

Disclosure of senior executives' individual remuneration

Disclosure of individual executive remuneration data for senior executives is insufficient.

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.

- Employee safety*
- Product responsibility*
- Climate change*
- Pollution prevention*
- Societal impacts of products/services (when relevant)*
- Development / Innovation in terms of bio-based and renewable materials*

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 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 01/2018, Alfa did not appear to be involved in any controversy related to this sustainability driver

Contacts

Analyst : Javier Quinteros • javier.quinteros@vigeo-eiris.com
Sector Lead: Hélène Soyer Nogueira • helene.soyer-nogueira@vigeo-eiris.com

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