

BACKUS Y JOHNSTON

ISIN CODE: PEP218025000

Overall score 17/100

Sector: Beverage Emerging Market
Companies in sector panel: 16

Information rate: 58% (Sector average: 48%)
Company cooperation level: Not responsive *

General information

Backus & Johnston (Backus) is a Peru-based company engaged in the production, packaging and distribution of alcoholic and non-alcoholic beverages. Its main product is beer, and Backus owns a majority of the brands available in Peru and distributes the Coca-Cola Company's brands in Peru. In October 2016, Backus, a subsidiary of the British SabMiller, became a subsidiary of Belgian Anheuser-Busch InBev when the acquisition of the former by the latter was completed.

Main Economic Segment**	Turnover 2016
Beer	90.6 %
Carbonated drinks	4.2 %
Water	4.1 %



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

- Backus' performance in the Corporate Governance domain is weak in absolute terms, which is consistent with the previous review.
- This is due to an overall lack of reporting on relevant information regarding the Board of directors and executive remuneration. Moreover, CSR issues do not seem to be taken into account by the Company's internal control systems nor does the Company report on CSR risk management. Additionally, voting rights restrictions for shareholders have been identified.

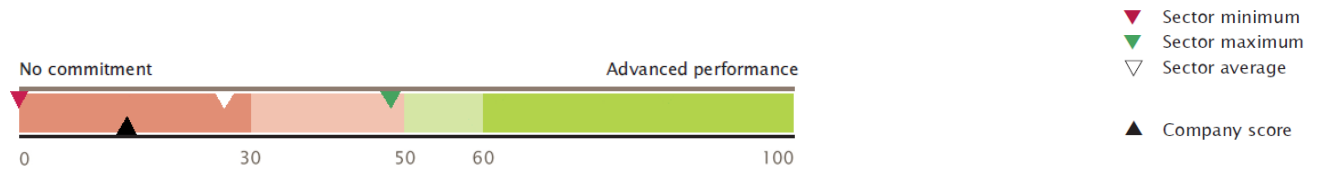
* On a 4-level scale: proactive, responsive, partially responsive, not responsive
** See detailed economic indicators in Selected financial data section
*** Based on the most recent Index at the date of publication

Corporate Governance

Score : 17

CGV1.1 Board of Directors

(score: 14, 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 combined.

Responsibility allocated over CSR issues

Information on the responsibilities allocated over CSR issues is insufficient.

Share of independent shareholder-elected Board members

Information obtained from company and public sources regarding detailed biographical information for all members of the Board of Directors is insufficient. The company only discloses the new Board members and reports on biographies for some of them. Most of elements are not disclosed as to be able to assess their independence.

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: several of the directors have either worked for InBev or SABMiller.*

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. Board members are eligible for re-election following 3-year terms.

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

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

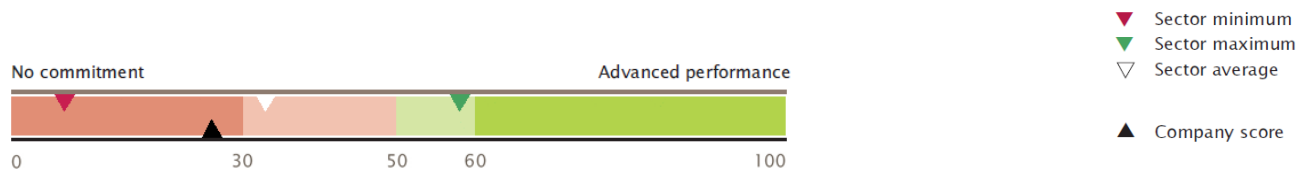
Regularity of and attendance at Board meetings

Information obtained from 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
Rafael Alvarez	Chairman and CEO	X						X						
Ricardo Frangatos			X											
Ricardo Meyer			X											X
Carmen Graham			X											X
Juan Berrios			X											
Maria Saenz			X											
Marco Zaldivar			X											

CGV2.1 Audit & Internal Controls

(score: 26, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

The company states that the Audit Committee is formed by three non-executive directors, but does not disclose further details on the committee composition to allow the assessment of its overall independence.

Skills and backgrounds of Audit Committee members

Information disclosed on this subject is insufficient or not relevant. *It is unclear who is part of the Audit Committee.*

Operational and CSR risks covered by the company's internal controls system

Information disclosed on this subject is insufficient or not relevant.

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.

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

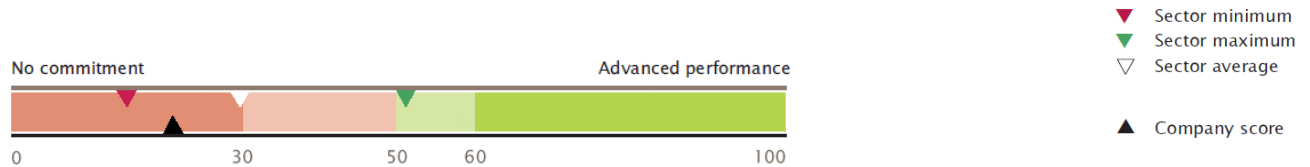
The company publishes significant CSR reporting on key material issues.

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 08/2017, BACKUS Y JOHNSTON 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.
Backus has three categories (A,B and investing actions) of shares listed on the market, including 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 add items to the agenda of the AGM.
Shareholders need to own more than 5% of Classe A shares in order to add items to the agenda of the AGM.

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
- Executive remuneration

Presentation of CSR strategy to shareholders and investors

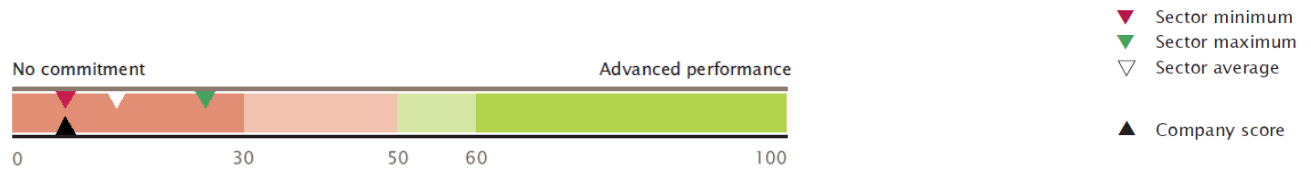
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

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 08/2017, BACKUS Y JOHNSTON did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 7, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

Information disclosed on this subject is insufficient or not relevant.
It is unclear from the company's reporting if there is a committee that is responsible of executive remuneration.

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.
Backus reports that there is a variable component to executive remuneration, however there is no information on whether these are short term or long term incentive plans nor on the performance conditions attached.

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.
Backus reports that there is a variable component to executive remuneration, however there is no information on whether these are short term or long term incentive plans nor on the performance conditions attached.

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.

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 08/2017, BACKUS Y JOHNSTON did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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