

Cementos Pacasmayo

ISIN CODE: PEP239501005

Overall score 38/100

Sector: Building Materials
Emerging Market

Information rate: 73% (Sector average: 65%)
Company cooperation level: Not responsive *

General information

Cementos Pacasmayo SAA engages in the production and marketing of cement, quicklime, aggregates, ready-mix concrete, precast concrete products, and construction materials. The company was founded in 1949 and is headquartered at Lima, Peru.

Main Economic Segment**	Turnover 2017
Cement, Concrete and Blocks	88.0 %
Quicklime	6.6 %
Supplies for the Construction	5.4 %

CORPORATE GOVERNANCE		
	2016	2018
Score		38
Allegations		No
Rating		=
Risk management		Limited

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

- The Company's performance in the Corporate Governance domain remains limited in absolute terms and stable since the last review.
- Less than half of Board members are considered to be independent. Directors are elected every three years and evaluated regularly, with no disclosure of results. Furthermore, Board diversity is only partial, with no significant participation of women. There are also minor voting rights restrictions in the form of investment shares. Although executive remuneration is disclosed, it's not on an individual basis.

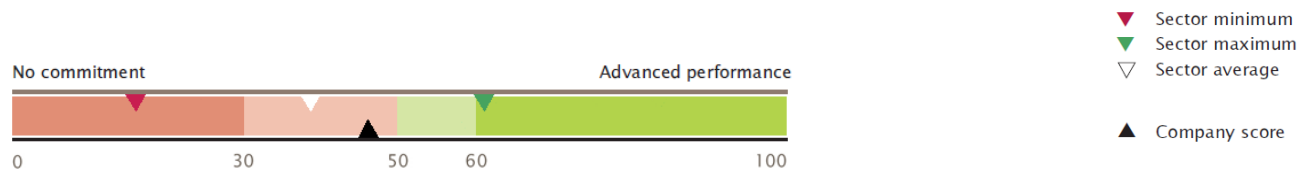
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Corporate Governance

Score : 38

CGV1.1 Board of Directors

(score: 46, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

A specific committee is in place, but at least one executive is part of it, which might raise concerns.
One member of the four-member 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

There is a CSR committee that is part of the Board.
The company has an Antitrust Best Practices Committee, which is responsible for informing Cementos Pacasmayo's employees regarding best practices towards its competitors, and for monitoring compliance of such practices, including compliance with antitrust regulations. This committee is comprised by Board members.

Share of independent shareholder-elected Board members

[LISTED COMPANIES] The Board is between 34 and 50% independent, which is less than the recommended level.
Five 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: the Board has several members that are or were executives of the company and have experience in the company's sector.

Training and expertise provided to board members

Training is provided upon joining the Board.
The General Manager is responsible for providing the Directors with the necessary tools and information to perform their functions.

Regular election of Board members

[LISTED COMPANIES] 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

Performance is evaluated regularly, but with no disclosure on the results.
The Corporate Governance Committee is responsible for assisting in the implementation of the committee and board self-assessment surveys.

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.
- Business ethics
 - Human capital
 - Responsible customers relations
 - Climate change

Regularity of and attendance at Board meetings

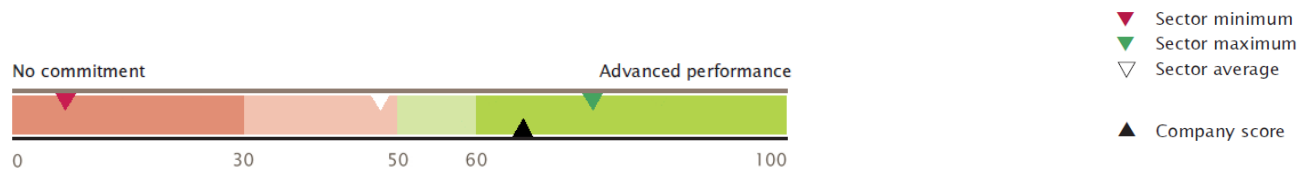
Regular meetings are held, and attendance rates are above 90%
Five Board meetings were held during 2017, with an attendance rate of 100%.

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
Eduardo Hochschild	Chairman of the Board	X			X				X					
Raimundo Morales			X						X					
Juan F. Correa			X											X
Carlos Hereen			X											X
Humberto Nadal	CEO	X			X				X					
Hilda Ochoa	Audit Committee Chairman		X			X								X
Roberto Dañino			X		X				X					
Marco Zaldivar			X			X								X

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
Robert Bredthauer			X						X					
Manuel Ferreyros		X							X					
Felipe Ortiz	Corporate Governance Committee Chairman		X		X	X								X

CGV2.1 Audit & Internal Controls

(score: 66, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are independent non-executive directors.
All three members of the Audit Committee are considered independent.

Skills and backgrounds of Audit Committee members

Members appear to have financial and/or audit experience, but lack relevant operational experience in the sector.
Members appear to have financial experience, but lack relevant operational experience in the sector.

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 most of the CSR risks inherent to the company's business operations.

- Corruption
- Community Issues
- Employee Safety
- Climate Change
- Environmental and/or social standards in the supply chain

- *Corruption: The company identifies, assesses and monitors corruption, bribery and money laundering risks.*
- *Employee safety: The company is subject to several industry-specific operational risks, including accidents which could lead to the injury or death of employees, which in turn could lead to delays or the interruption of production activities and monetary losses, as well as damage to the company's reputation.*
- *Climate change: The company is subject to various environmental protection laws and regulations that regulate, among other things, environmental matters. Cementos Pacasmayo is notably required to submit an environmental impact assessment to the Peruvian Ministry of Production when opening new mining sites.*

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

Limited processes dedicated to management of CSR risks appear to be in place:

- 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*

- *Risk mapping: The company has mapped the CSR issues according to their relevance in the company's sector of activity. In addition, Cementos Pacasmayo is legally required in Peru to conduct environmental and safety impact assessment when carrying new mining activities.*

Independence of the firm's external auditors

The audit firm receives non-audit fees, but these represent only 25% or less of total fees.

Non-audit fees represented 21.2% of total fees paid to Paredes, Burga & Asociados SCRL, member firm of EY, during 2017.

Inclusion of CSR issues in the company's reporting

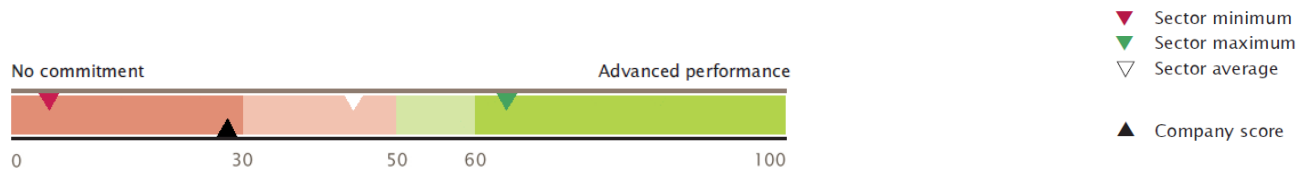
The company publishes significant CSR reporting on key material issues.

Stakeholders' feedback

As of 09/2018, Cementos Pacasmayo 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 has emitted shares called "Investment shares" that do not provide voting rights to their owners.

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

No major restrictions have been identified.

Only shareholders representing at least 5% of shares with voting rights may call for an EGM or 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.
Executive remuneration does not appear to be voted upon at the AGM but decided at Board level.

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.

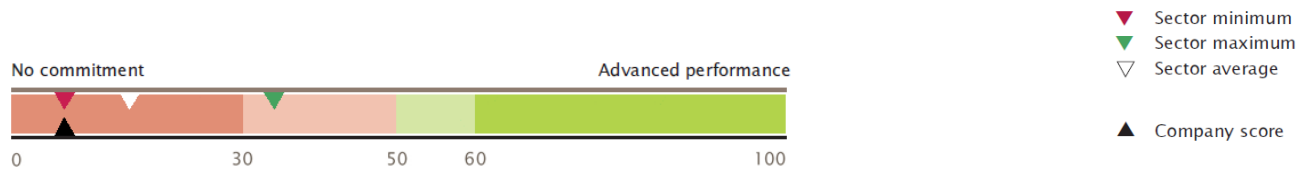
- Climate change*
- Human capital*

Stakeholders' feedback

As of 09/2018, Cementos Pacasmayo 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.

Disclosure of senior executives' individual remuneration

[LISTED COMPANIES] 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 said to be linked to predetermined economic and/or operational performance indicators, but these are not disclosed.
Short-term cash bonus incentives are tied to corporate and individual performance objectives.

Link between the main Long Term Incentive Plan and the performance of the company

Long-term incentives are linked to performance conditions, but quantified targets are not disclosed.
Long-term incentives are linked to corporate performance, but no further details are disclosed.

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.

- Human resources development*
- Health and safety*
- Compliance related to environmental regulations*
- Efficient resource utilization*

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.

Stakeholders' feedback

As of 09/2018, Cementos Pacasmayo did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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