

Ferreycorp

ISIN CODE: PEP736001004

Overall score 43/100

Sector: Industrial Goods & Services Emerging Market

Information rate: 78% (Sector average: 53%)
Company cooperation level: Proactive *

General information

Ferreycorp was founded in 1922 and is headquartered in Lima, Peru, where it is mainly active along with Chile, Ecuador, Colombia, Guatemala, Belize, Honduras, Salvador, Nicaragua and Bolivia. The Company distributes machinery and equipment, including mining trucks, loaders, tractors, motor graders, excavators, electric and hydraulic face shovels, track-drills and rotary drills, low-profile loaders for underground mining, marine engines and electricity generating sets, among others.

Main Economic Segment**	Turnover 2017
Heavy Equipment, Spare Parts and Services	79.5 %
Others	9.2 %
Vehicles, Spare Parts and Services	5.4 %

CORPORATE GOVERNANCE				
	2015	2016	2018/03	2018/08
Score				43
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 executive and company interests.

Company performance

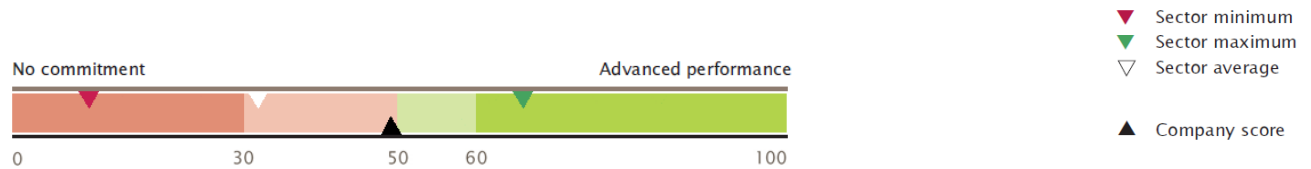
- Ferreycorp's absolute performance in the Corporate Governance domain is limited and represents an improvement compared to the previous review.
- The Board of Directors' level of independence is still below the recommended level and the Board lacks on diversity, with no female representation. The roles of Chairman and CEO are combined and there is no senior independent Director. On a more positive side, shareholders rights appear to be overall respected, Ferreycorp respects the "one share - one vote" principle and no reference to anti-takeover devices was found. The Audit Committee has a comprehensive role in overseeing internal and external controls, yet CSR risks are apparently still not covered by the Company's internal controls system. Finally, executive remuneration remains an area for improvement, as the Company appears to be overall silent on this topic.

Corporate Governance

Score : 43

CGV1.1 Board of Directors

(score: 49, 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.

Independence of the Board Chairman

The roles of Chairman and CEO are combined and there is no senior independent director.

Responsibility allocated over CSR issues

There is a CSR committee that is part of the Board.
The head of Corporate Communication is in charge of the company's social responsibility issues and reports directly to the CEO. The company has informed Vigeo Eiris that it has a Sustainable development committee.

Share of independent shareholder-elected Board members

[LISTED COMPANIES] The Board is between 34 and 50% independent, which is less than the recommended level.
4 members 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

Board members with demonstrated professional experience in the company's sector of activities: Some directors appear to have experience in company's sector of activities, as example, Jorge Ganoza Durant has been co-founder and President of the Board of Directors of Atico Mining Corporation; Humberto Nadal is Chairman and Director of Cementos Pacasmayo, as well as Chairman and Vice President of Inversiones ASPI, holding company in control of Cementos Pacasmayo; Javier Otero is reported to be member of the Board of Directors of Milpo Mining Company and Atacocha Mining Company.

Training and expertise provided to board members

Training is provided upon joining the Board.
The company reports that it carries out induction programmes for new members.

Regular election of Board members

[LISTED COMPANIES] Board members are elected at least every three years and these elections are not staggered.

Evaluation of Board's functioning and performance

Performance is evaluated regularly by a third party.
Board evaluation is conducted every year, and an external evaluation takes place every two years. However, results do not appear to be disclosed.

Review of CSR issues at Board meeting

Most of the relevant CSR issues for the company are discussed at Board level.

- Product safety
- Supply chain management
- Labour relations
- Health & Safety
- Environmental impacts from the use and disposal of products
- Climate change (production processes)

The company has informed Vigeo Eiris that its sustainability report has been presented to the board and the document covers these main issues.

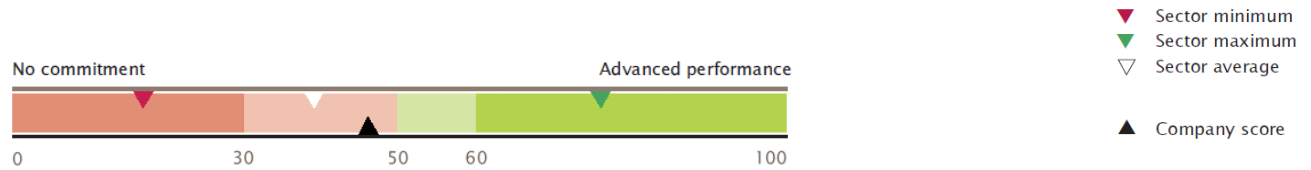
Regularity of and attendance at Board meetings

Regular meetings are held, and attendance rates are disclosed, but these are below 90%.
16 Board meetings were held during 2017 and the attendance rate was 89%.

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
Oscar Espinosa	CEO, Chairman	X			X	X	X		X					
Carlos Ferreyros	Vice President	X			X	X	X		X					
Manuel Bustamante			X									X	Vice President of La Positiva Seguros y Reaseguros	
Jorge Ganoza Durant			X											X
Humberto Nadal	Chair of the Nomination, Remuneration, Corporate Governance and Sustainability Committee		X		X		X							X
Gustavo Noriega			X		X	X	X							X
Javier Otero	Chair of the Audit Committee		X			X								X
Juan Manuel Peña			X		X	X	X		X			X	president of La Positiva Seguros y Reaseguros and La Positiva Vida, Seguros y Reaseguros	
Andreas v. Wedemeyer			X		X	X	X		X					

CGV2.1 Audit & Internal Controls

(score: 46, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

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

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 system covers the standard issues related to financial, operational, and legal risks.

- Product safety
- Supply chain management
- Climate change (production processes)
- Environmental impacts from the use and disposal of products
- Health & Safety
- Business ethics

The company mentions it has a Risk Policy but it does not appear to be publicly disclosed.

Of note, the company has provided Vigeo Eiris with its "Statute of the Internal Audit Activity" where it is specified the internal audit on its internal control system and risk management.

Role of the Audit Committee in overseeing internal and external controls

There is a confidential reporting system in place for accounting issues. In addition, 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

The company has informed Vigeo Eiris that it has a confidential reporting system in place for accounting issues.

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

- Reporting system to the Board: the Committee of Audit and Risks has presented a Compliance Report to the Board, which assesses the level of compliance with the regulations on critical aspects of the business including the Code of Ethics, asset laundering, transparency for public procurement, tax declaration and payment, and labour rights.

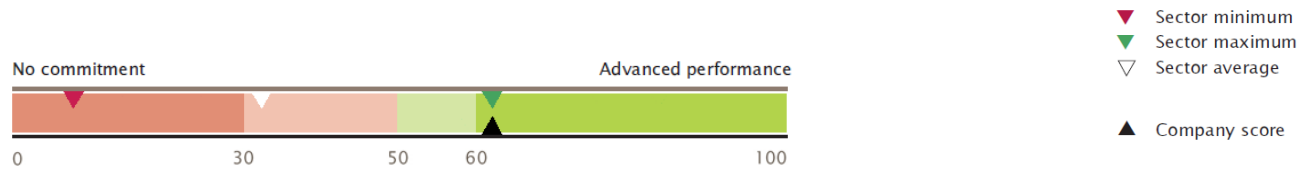
Independence of the firm's external auditors The audit firm receives non-audit fees, but these represent only 25% or less of total fees.
Non-audit fees represented 24.6% of total fees paid to PricewaterhouseCoopers in 2016.

Inclusion of CSR issues in the company's reporting The company publishes significant CSR reporting on key material issues.

Stakeholders' feedback *As of 08/2018, Ferreycorp did not appear to be involved in any controversy related to this sustainability driver.*

CGV3.1 Shareholders

(score: 62, 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.

Safeguards on transactions with major shareholder(s) Less than half of the board is independent. However, there are other safeguards in place to monitor transactions between the company and its major shareholder(s).
Ferreycorp states it has procedures and policies at Board level to assess, approve and disclose certain operations between the corporation and related parties.

Ability to add items to the agenda of the AGM and to convene an EGM No major restrictions have been identified.

Access to voting at General Meetings There are no major restrictions on shareholders' ability to vote, and it is possible to vote using online services.

Ability to vote on relevant issues in separate resolutions at AGM Not all major items are put to a shareholder vote.
It appears that the following item is not put to a vote at the AGM:
- Executive remuneration

Presentation of CSR strategy to shareholders and investors

The company has presented to shareholders and investors its CSR strategy but this covers a limited part of the most relevant CSR issues.

- Product safety
- Supply chain management
- Climate change
- Environmental impacts from the use and disposal of products
- Health & Safety

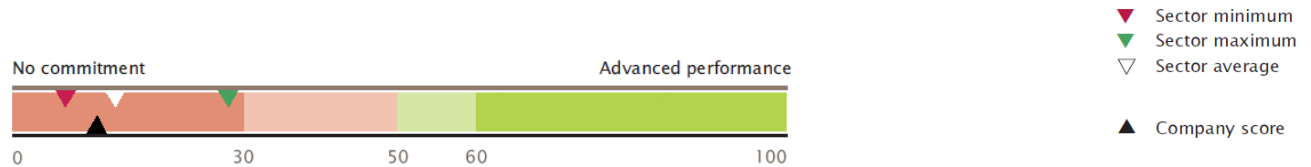
The Company has informed Vigeo Eiris that the Annual Report is presented to the investors, which contains a section on the company's progress in terms of CSR.

Stakeholders' feedback

As of 08/2018, Ferreycorp did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 11, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

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

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.

The company reports that the variable component is first determined according to the company's results and then considering the person's performance. Criteria such as accomplishment of goals, value generation impact, constant improvement contribution, as well as leadership elements, interpersonal relationships and communication skills are considered.

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.

Of note, the company states that it does not pay its executives in stock options.

Link between variable remuneration and CSR performance of the company

Variable remuneration is said to be linked to CSR performance objectives, but these are not disclosed.

- Product safety*
- Supply chain management*
- Health & Safety*
- Human resources development*
- Climate change*
- Business ethics*

The company reported to Vigeo Eiris that, amongst the corporate objectives that are used for determining executives' variable remuneration, there are some linked to the company's performance in terms of CSR management, however no further details are provided.

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 company does not appear to disclose its employee wages and salaries neither CEO's compensation.

Stakeholders' feedback

As of 08/2018, Ferreycorp did not appear to be involved in any controversy related to this sustainability driver.

Contacts

Analyst : Antonia Latapiat • antonia.latapiat@vigeo-eiris.com
Sector Lead: Daniele Spagnoli • daniele.spagnoli@vigeo-eiris.com

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