

Grana Y Montero

ISIN CODE: PEP736581005

Overall score **52/100**

Sector: Heavy Construction
Emerging Market

Information rate: 66% (Sector average: 45%)
Company cooperation level: Not responsive *

General information

Grana y Montero is a group consisting of 26 engineering and infrastructure service companies operating in several countries in Latin America. The Company is headquartered and incorporated in Peru, which is its main market along with Chile and Colombia. The Company is facing an allegation related to a corruption scandal on which it communicates transparently.

Main Economic Segment**	Turnover 2016
Engineering and construction	74.6 %
Technical services	14.7 %
Infrastructure: Toll roads	5.0 %

CORPORATE GOVERNANCE		
	2015	2017
Score		52
Allegations		No
Rating		+
Risk management		Robust

Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo's 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

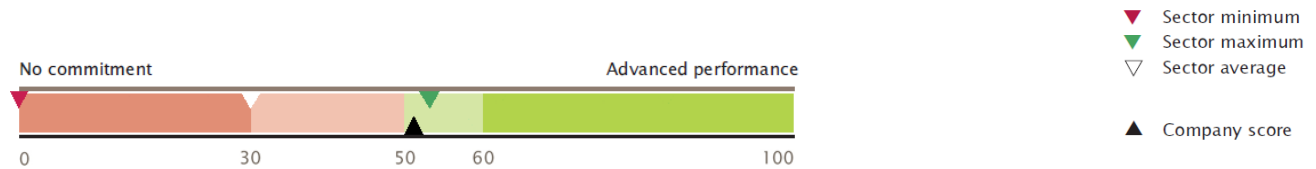
- The Company's performance in the Corporate Governance domain is robust in absolute terms, which is consistent with the previous review.
- The Company has set up a Risk, Compliance and Sustainability Committee and CSR issues are reviewed, but information indicates that the focus is on business ethics and not other relevant CSR issues. The same is evident in regards to internal controls and the management of CSR risks. The general internal controls system is comprehensive.

Corporate Governance

Score : 52

CGV1.1 Board of Directors

(score: 51, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.
The Board is in charge of director nomination.

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 Risk, Compliance and Sustainability Committee is composed of the Chairman of the Board of Directors and four independent directors.

Share of independent shareholder-elected Board members

In accordance with standards advocated by Vigeo, the Board is more than 50% independent. 5 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:
- Board members with demonstrated professional experience in the company's sector of activities: Carlos Montero has been engaged in the sector and has been an executive in the company.*

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

Performance is evaluated regularly, but with no disclosure on the results.
The Board of Directors undertakes an annual self-evaluation.

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. Furthermore, only few of the relevant CSR issues appear to be discussed at Board level:
- Business ethics: The Risk, Compliance and Sustainability Committee is part of the Board, but information indicates that the committee has a focus on business ethics.

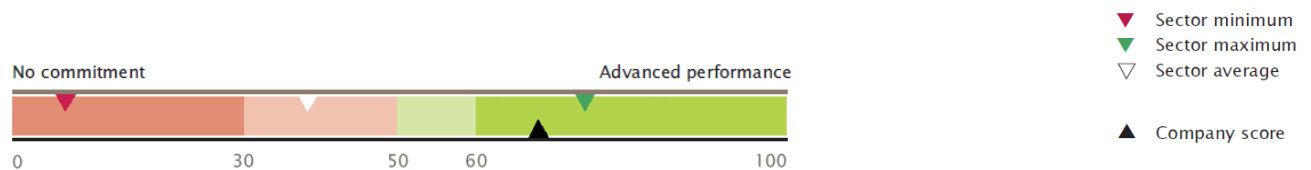
Regularity of and attendance at Board meetings

Regular meetings are held, and attendance rates are above 90%
8 Board meetings were held during the fiscal year 2015 and the attendance rate was 98%.

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
Augusto B. Montori	Chairman of the Board		X										Considered non independent by the company.	
Roberto A. Salah			X										Considered non independent by the company.	
Alfonso G. Peschiera			X										Considered non independent by the company.	
Carlos Montero G.			X					X	X				Considered non independent by the company.	
Pedro Errazuriz			X				X							X
Alfonso de Orbegoso			X			X	X							X
Manuel Jimenez			X			X								X
Jose A. R. Dulanto			X			X								X
Rafael Vidaurre	Vice Chairman of the Board		X			X	X							X

CGV2.1 Audit & Internal Controls

(score: 68, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are independent non-executive directors.
4 members of the 4-member Audit and Processes Committee are 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 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:
- Business ethics: The Risk, Compliance and Sustainability Board Committee has a specific focus on business ethics and anti-corruption.

Role of the Audit Committee in overseeing internal and external controls

There is a confidential reporting system in place for accounting issues. The company has set up the Ethical Channel, where employees can report breaches of legislation, regulations, policies, protocols and corporate procedures and the Ethics Charter and Code of Conduct.
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.

Management of the CSR risks

Relevant processes dedicated to management of CSR risks are in place:
- Risk mapping/materiality assessment: The company has performed risk mapping and materiality assessments.
- A Board Risk Committee with no executive part of it: The company has implemented the Risk, Compliance and Sustainability Committee.

Independence of the firm's external auditors

The audit firm receives non-audit fees, but these represent 50% or less of total fees (although more than 25%).
Non-audit fees represented 34.6% of total fees paid to PriceWaterhouseCoopers in 2014.

Inclusion of CSR issues in the company's reporting

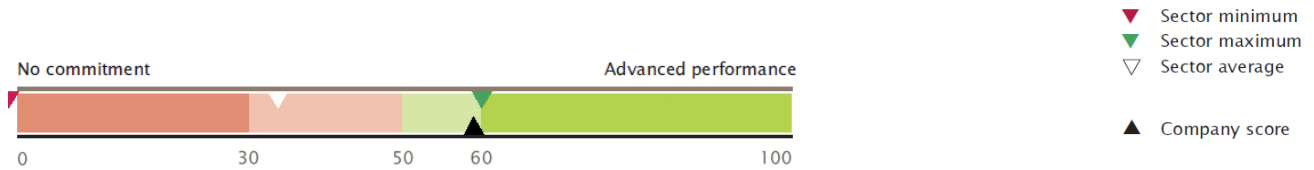
The company publishes significant CSR reporting on key material issues.

Stakeholders' feedback

As of 06/2017, Grana Y Montero did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 59, 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)

More than half of the board is independent, and in addition, there are additional safeguards in place to monitor transactions between the company and its major shareholder(s).

The Human Resources Committee has to be informed about and authorise transactions between the company and major shareholders.

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, however there is no possibility of voting through online services.

Ability to vote on relevant issues in separate resolutions at AGM

All major items are put to a shareholder vote, but shareholders are not given an opportunity to express their opinion on all elements of executive remuneration.

Presentation of CSR strategy to shareholders and investors

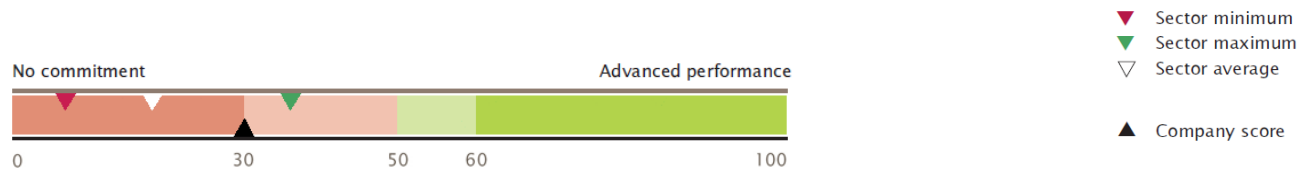
Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

Stakeholders' feedback

As of 06/2017, Grana Y Montero did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 30, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

All members are independent non-executive directors.
Three members of the three-member Human Resources Committee are 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

Bonuses are said to be linked to predetermined economic or operational performance indicators, but these are not disclosed.

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.

Severance pay for senior executives

Severance pay may exceed 2 years' base salary, contrary to standards advocated by Vigeo.
The company has not entered into agreements to provide severance pay, but under Peruvian law the company has to pay dismissed employees 1.5 times annual salary for every year the employee has been with the company but not to exceed 12 years.

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 06/2017, Grana Y Montero did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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