

ESG
SERIES

INVESTOR RELATIONS

2019 Annual Study

Performance of Latin American Companies

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LETTER OF GOVERNART

Latin America has been and will continue to be an attractive destination for international investors, a fact that imposes significant challenges for companies in the region: on the one hand, their investor relations teams are faced with the growing need for professionalization and sophistication in their communications and relations with the capital market; on the other hand, financial analysts and investment teams, mainly from European and North American institutional investors, carry out constant scrutiny of companies to understand the corporate context in which they operate, as well as the risks and opportunities of their businesses.

Since our previous Investor Relations 2017 Annual Study, we have witnessed how institutional investors who invest in Latin America have been incorporating extra financial variables that can have an impact on the long-term returns of their investments, that is, they have been more active in seeking that the present value of future flows of its risk-adjusted investments include environmental, social and corporate governance (ESG) risks.

This has resulted in investors becoming increasingly active in “looking, analyzing and evaluating” the financial and extra financial considerations of the companies where they invest.

This new perspective enhances the role and function of investor relations, whose investor relations managers go from being an area of financial information delivery to the market, to being a key area in the interaction and in the establishment of relations with more active investors, both in the delivery of timely and quality financial and ESG information, and in the interaction with the board members of their own companies.

In this context, for a second time we provide to the financial analysts, institutional investors, and the investor relations and corporate sustainability teams the main results of our evaluation of 74 Latin American companies that were rated in their investor relations, between 2016 and 2018.

This Study tries to put into perspective the performance of the teams of investor relations of companies with a stock market presence in Latin America, for which we carry out an exhaustive analysis focused on the main challenges facing the professionals in charge of this area:

ESG Information: We evaluate the strengths and abilities in the measurement and communication of corporate ESG performance by the investor relations teams, which entails identifying the depth of their interaction with the main corporate governance body - the Board - and with the area in charge of sustainability in the company.

Engagement with Investors: We assess the depth and understanding of investor relations teams about the role of “engagement” and “prospecting” of investors, particularly those using responsible investment strategies.

Business ethics: We review how the understanding of the ethical dimensions in the role of investor relations is manifested in the opportunity, transparency and quality of the information delivered to the market.

Information Technology: We evaluate how investor relations teams use information technologies in their interaction with financial analysts, institutional investors, and with key players in the capital market.

This document, which we have called the “2019 Annual Study of Investor Relations”, constitutes the continuation of the pioneering research that we started in 2017 in Latin America, since it provides new information on the evolution and progress of investor relations practices in the region, as well as providing examples and relevant cases in this field.

I invite you to read this Study, to learn how companies in Brazil, Chile, Colombia, Mexico and Peru are doing, and especially to identify those who lead good practices of investor relations in Latin America.



Germán Heufemann L.
Managing Partner
GovernArt

LETTER OF VIGEO EIRIS



Fanny Tora
Head of South American Markets
Vigeo Eiris

The highlights of this second study on Investor Relations in Latin America are overall encouraging.

Companies are understanding more and more the expectations of investors, international ones in particular, on the content of the information they wish to receive, as well as on the way to communicate.

A growing attention of investors is put on information related to the Environmental, Social and Governance (ESG) aspects of companies' performance and strategies. This has led the Investor Department representatives to get familiar with the ESG strategy and KPIs of the organisations they represent, and to develop the related skills to communicate them in an "investor friendly" language. This has also allowed companies to identify internal synergies and new opportunities to value their global performance.

Several Latin American companies have benefited from these good practices through the issuance of green or social bonds, or the contracting of ESG linked loans, whose interest rate varies every year depending on the ESG performance of the company. The development and success of these innovative financial instruments is a good illustration of financial opportunities directly resulting from advanced ESG strategies and engagements. International investors are eager to find new companies and projects that comply with their ESG requirements, and Latin American companies have a clear opportunity here to access new and long term investment partners.

On the other hand, we see that local investors in Latin America are aligning more and more their expectations, in terms of ESG integration for instance, to the expectations of international investors. In the last two years, a growing number of investors, especially in Chile, Mexico and Colombia, have engaged themselves to become signatories of the United Nation Principles for Responsible Investment (UN PRI). These investors are thus starting to challenge companies in the region on their ESG practices, strategies and KPIs.

To be able to benefit from these opportunities coming from international and local investors, Latin American companies need to show proactiveness in the way they communicate with them. Having good ESG strategies, KPIs, measuring the environmental and social impacts of their new projects to be financed, but also implement modern communication tools to proactively share them with investor, not only answering investors' entering requests.

For companies and for investors, it has become unsustainable not to address sustainability and the risks related to it. Tomorrow's leaders will be the ones who demonstrate this understanding to the market.

GENERAL DIRECTION AND AUTHORSHIP

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GovernArt

GovernArt provides ESG services to companies and investors in Latin America. Our relationship service provides comprehensive ESG consulting, ratings, financial and ESG communications, and executive training solutions, together with industry expertise and a history of innovation. GovernArt is a signatory of the Principles of Responsible Investment supported by the United Nations, PRI, www.unpri.com, an initiative that facilitates the understanding of sustainable development for investments and supports investors to incorporate ESG into their decisions, so that they are translated in good proprietary practices. By implementing the Principles, investors contribute to the development of a sustainable financial system.

Vigeo Eiris

Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations, with operations in Santiago, Chile. The agency undertakes risk assessments and evaluates the level of integration of sustainability factors within the strategy and operations of organisations, and conducts risk assessment to support companies and investors in their decisions. Vigeo Eiris provides a wide range of services, such as ESG ratings for investors, ESG assessments and Second Party Opinion of Sustainable Bonds, among others. In April 2019, Moody's acquired majority stake in Vigeo Eiris.



INVESTOR
RELATIONS
ANALYSIS

HIGHLIGHTS



INVESTOR RELATIONS 2019 Annual Study

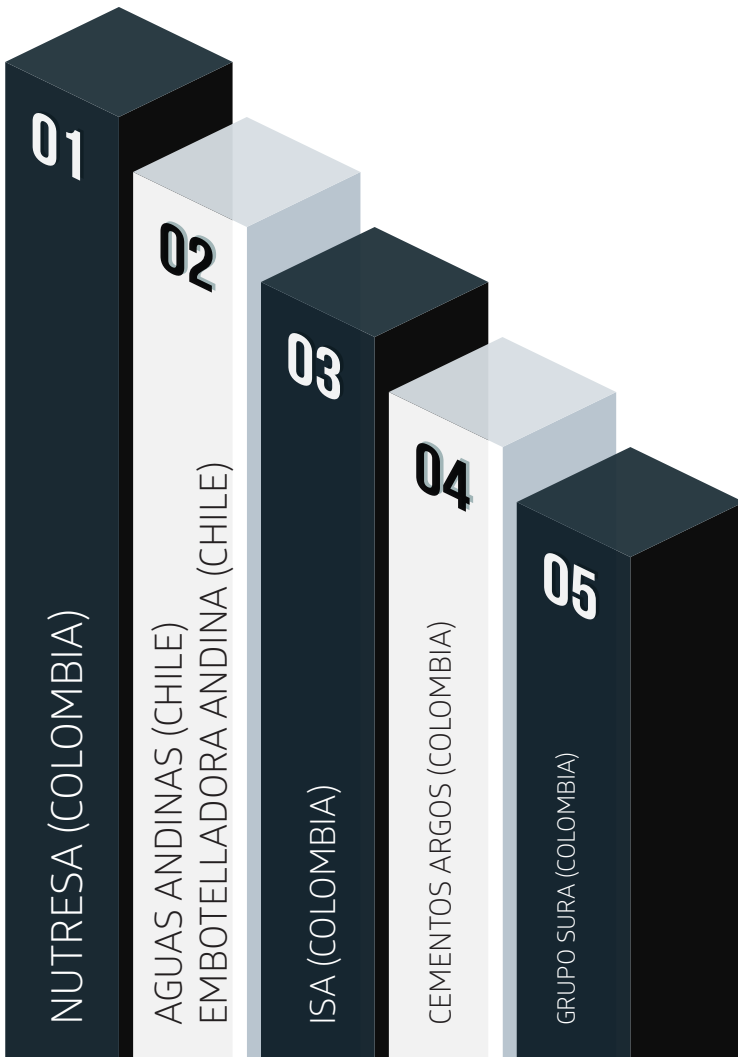
Performance of Latin American Companies



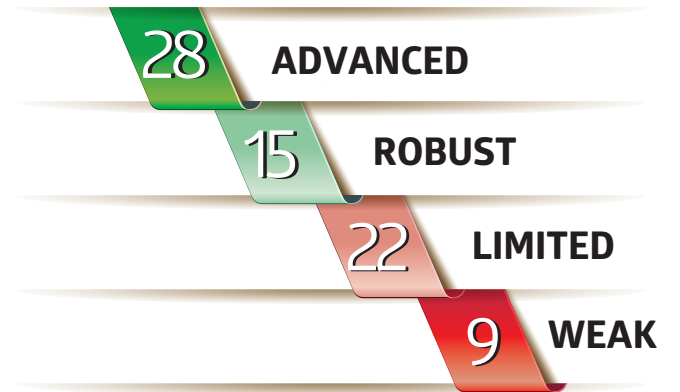
AVERAGE SCORE PER COUNTRY (0-100)



COMPANY'S TOP 5 IN LATIN AMERICA (2019)



NUMBER OF COMPANIES PER PERFORMANCE RANGE (2019)



OF THE 74 COMPANIES...



HIGHLIGHTS



INVESTOR RELATIONS 2019 Annual Study

Performance of Latin American Companies



LANGUAGE

In 2018, all the companies assessed in Brazil, Chile, Colombia and Mexico provide an English version of its reports and/or website. It shows that companies are generally aware of the relevance of making important information available and understandable to their international shareholders. However, 60% of the Peruvian nominees in 2018 fails to report in English either in its Annual/Sustainability Report or in its website.

COMMUNICATION TOOLS

In 2018, 77% of the companies have a webcast system to ensure the remote assistance of international stakeholders to important corporate events. However, only 35% of the companies under study demonstrate to have a Q&A session in their financial results presentations and none of the companies have a formal feedback process to receive opinions from its stakeholders about the way the company presents the results. In addition, only in 4% of the companies top executives (CFO or CEO) present the financial strategy of the company to their investors. Proactive tools to communicate with investors increase opportunities to reach new investors. It also allows companies to collect and address new and specific investor needs and being updated on the latest trends and investor requirements.

FINANCIAL BENCHMARK

While in 2016 just 41% of the evaluated companies reported a financial benchmark analysis in their reports, in 2018 it increased to 66% of companies. In terms of financial parameters, this demonstrates greater transparency to investors about the competitiveness of the companies compared to their industries.

ESG MATERIALITY

For a company, the assessment of ESG factors of higher materiality, considering its operations and stakeholders, is important to addressing the potential impacts of these factors and define a relevant ESG strategy. If ESG material factors are not well managed, they can represent operational, legal, human capital, compliance risks among others. Brazilian, Chilean, Colombian and Mexican companies under study have at least 80% of their companies reporting on materiality assessment. Colombian and Mexican companies shown a significant improvement in the 2016-2018 period, since only the 30% and 55% of the Colombian and Mexican companies reported its materiality assessment in 2016. Only 1 Peruvian company has reported its materiality assessment in 2018.

ESG REPORT AUDITED

Transparency towards investors is a key issue to generate and keep trust in the company-investor relation. One of the measures to ensure transparency in the data reported is that they benefit from external assurance. In this regard, the share of companies which audit their ESG report has increased from 37.5% in 2016 to 60% in 2018. However, in 2018 no Peruvian company has their report audited in terms of ESG information. Therefore, excluding Peruvian companies, for 2018 the share of companies with ESG information audited increased to 77%.

ESG TARGETS

The disclosure of ESG targets allows identifying the strategy of the company for the future and whether key ESG indicators reported are selected to provide an accurate and unbiased information on the companies' performance. Only some companies disclose their ESG objectives through the disclosure of goals for certain KPIs, although a slightly positive trend has been identified in this regard over the 2016-2018 period. No Peruvian company has reported ESG targets, while Chilean and Mexican companies remain with a stable trend of 30% of companies reporting targets for some ESG KPIs. All Brazilian companies studied in 2018 reported targets in this regard, while Colombian companies display an improvement during the 2016-2018 period, from 40% of the companies reporting ESG targets to 80% in 2018.

ABOUT ESG SERIES

Vigeo Eiris and GovernArt have been promoting ESG integration by investors and companies in Latin America for more than 5 years. Thanks to several initiatives led together, like the ALAS20 one, and to the development of ESG ratings in Latin America, we count today with count with a broad database of ESG ratings of companies and investors from this region.

For the second time, in partnership with the Adolfo Ibáñez University, we make publicly available the results of these ratings through the ESG Series. These studies aim to highlight the main strategies, practices, and trends observed in companies and investors from Brazil, Mexico, Colombia, Chile and Peru, when it comes to integrate ESG aspects in their investment and management strategies.

Topics addressed through the ESG Series are: Investor Relations, Responsible Investment, and Environmental, Social and Governance (ESG) performance.

THE ESG BUSINESS CASE

The integration of ESG (Environmental, Social, and Governance) factors in investment and savings decisions all continue to grow, as they are critical issues to be taken into account in investors and companies' strategies, to ensure long term sustainable growth and mitigate risks.

The influence of ESG criteria on the security and valuation of investments is no longer arguable. Integration procedures vary, but all are part of a broader approach towards risk management and sustainable value creation. Taking them into account is to welcome opportunity and innovation, while ignoring them poses major risks.



METHODOLOGY


Corporate transparency is a key process to attract investors and get them to invest and stay in a company. When financial statements are not transparent and key information on performance is lacking, investors can never be sure about a company's fundamental business principles and true risk. For instance, a firm's growth prospects could positively affect the investor's decision to invest in that firm, while less information means less certainty for investors, and therefore affects negatively the same investment decision.

Furthermore, from a corporate point of view, being transparent with information helps these companies keeping documented and updated information regarding their performance which on the long-run, can help them make the right strategic decision.

For companies of the Latin American region, disclosing corporate information in a transparent manner could contribute to attracting international investors from Europe or North America mainly.

This study is about the exhaustiveness and the depth of information communicated by companies of the Latin American region to investors. The information analysed to realize this assessment was gathered from the companies' website and came from direct communication with them. It covered the period running from September 2016 to September 2018.

The performance of 74 different companies in five countries was assessed in a three year period¹. The number of companies that have been nominated through the ALAS20 initiative for the 2016-2018² period is the following:

COUNTRY	2016	2017	2018
 BRAZIL	12	9	5
 CHILE	12	9	10
 COLOMBIA	10	9	10
 MEXICO	9	10	10
 PERU	13	9	10

The issues under review in this report are aligned to what is generally expected from international investors and market place organisers in terms of information disclosure, as presented by the Investor Relations Society³⁻⁴⁻⁵:

- Organisation and accessibility of the Investor Relations department.
- Transparency over key corporate governance issues.
- Exhaustiveness of the description of the company's business context and environment.
- Existence and comprehensiveness of the content of the Annual Report.
- Existence and exhaustiveness of the content of ESG reporting.
- Tools implemented to communicate over financial results and corporate financial events.
- Tools implemented to communicate over the company's ESG strategies and performances.

Except for the *Organisation and accessibility of the Investor Relations department* issues, the information considered had to be reported in English, otherwise, it was not considered for the study.

The research for this study has been carried out by Vigeo Eiris, based on the assessment methodology developed jointly by GovernArt and Vigeo Eiris, in the framework of the ALAS20 initiative.

1 Considering that a same company can be nominated for 2016, 2017 and/or 2018.

2 ALAS20 initiative is described in Appendix, page 25.

3 Investor Relation Society's Best Practices Guidelines on Annual Report and Accounts – released in April 2013

4 Investor Relation Society's Best Practices Guidelines on Corporate websites – released in April 2013

5 Investor Relation Society's Best Practices Guidelines on Online presentations – released in April 2013

RATED COMPANIES 2019

BRAZIL	CHILE	COLOMBIA	MEXICO	PERU
<ul style="list-style-type: none"> · B3 · Banco Bradesco · Banco do Brasil · Banco Santander Brazil · Companhia de Bebidas das Américas (Ambev) · Companhia Energetica de Minas Gerais (Cemig) · CPFL Energia · EDP Energias do Brasil · Eletrobras · Embraer · Fibria Celulose · Gol Linhas Aereas · Itau Unibanco Holding · Localiza Rent A Car · Natura Cosmeticos · Souza Cruz 	<ul style="list-style-type: none"> · AES Gener · Aguas Andinas · Banco de Chile · Banco Santander Chile · Colbun · Embotelladora Andina · Empresas Copec · Enel Chile · Falabella · Latam Airlines · Parque Arauco · SAAM · Viña Concha y Toro 	<ul style="list-style-type: none"> · Almacenes Éxito · Avianca Holdings · Banco Davivienda · BanColombia · Celsia · Cementos Argos · Ecopetrol · Grupo Argos · Grupo de Inversiones Suramericana (SURA) · ISA · ISAGEN · Nutresa · Protección 	<ul style="list-style-type: none"> · Alsea · America Movil · Bolsa Mexicana de Valores · Cemex · Coca-Cola Femsa · El Puerto de Liverpool · Grupo Aeroportuario del Pacifico · Grupo Bimbo · Grupo Carso · Grupo Financiero Banorte · Grupo Mexico · Industrias Peñoles · Kimberly-Clark Mexico · OHL Mexico · Santander de México · Walmart Mexico 	<ul style="list-style-type: none"> · Alicorp · Austral Group · BBVA Banco Continental · Cementos Pacasmayo · Compañía Minera Milpo · Credicorp · Enel Distribucion Peru · Enel Generacion Peru · Ferreycorp · Graña y Montero · Intercorp Financial Services · Luz del Sur · Minas Buenaventura · Rimac Seguros y Reaseguros · UCP Backus & Johnston · Volcan

INVESTOR RELATIONS:

Ranking of Latin American Companies Performance

Symbology: ● Colombia ● Brazil ● Chile ● Mexico ● Peru

» Hold position ↑ Up ↓ Down

N/A: The company did not participate in Study 2017

POSITION STUDY 2019	POSITION STUDY 2017	CHANGE IN POSITION
#1 NUTRESA	#1	»
#2 AGUAS ANDINAS	#12	↑
#2 EMBOTELLADORA ANDINA	#7	↑
#3 ISA	#3	»
#4 CEMENTOS ARGOS	N/A	N/A
#5 GRUPO DE INVERSIONES SURAMERICANA (SURA)	#5	»
#6 ITAU UNIBANCO HOLDING	#6	»
#7 BANCO SANTANDER BRAZIL	#10	↑
#7 NATURA COSMETICOS	#3	↓
#7 COCA-COLA FEMSA	#7	»
#7 CELSIA	N/A	N/A
#7 GRUPO ARGOS	N/A	N/A
#8 LATAM AIRLINES	#7	↓
#9 COLBUN	#10	↑
#10 CEMEX	#6	↓
#10 GRAÑA Y MONTERO	#4	↓
#11 VIÑA CONCHA Y TORO	#9	↓
#11 ECOPETROL	#2	↓
#12 ENEL CHILE	N/A	N/A
#12 PARQUE ARAUCO	#8	↓
#12 EDP ENERGIAS DO BRASIL	#6	↓
#12 ALSEA	N/A	N/A
#13 COMPANHIA DE BEBIDAS DAS AMÉRICAS (AMBEV)	#6	↓
#14 BANCO SANTANDER CHILE	#20	↑
#14 BANCO BRADESCO	#12	↓
#14 EMBRAER	N/A	N/A
#14 FIBRIA CELULOSE	#10	↓
#14 AVIANCA HOLDINGS	#16	↑
#15 EMPRESAS COPEC	#18	↑
#15 COMPANHIA ENERGETICA DE MINAS GERAIS (CEMIG)	#11	↓
#16 WALMART MEXICO	#14	↓
#16 ALMACENES ÉXITO	#17	↑
#17 B3	N/A	N/A
#17 BANCO DAVIVIENDA	N/A	N/A
#18 SAAM	N/A	N/A
#18 BANCO DO BRASIL	N/A	N/A
#19 GRUPO FINANCIERO BANORTE	N/A	N/A

POSITION STUDY 2019	POSITION STUDY 2017	CHANGE IN POSITION
#19 BANCOLOMBIA	#15	↓
#19 ISAGEN	#13	↓
#20 GRUPO BIMBO	#19	↓
#21 FALABELLA	#23	↑
#22 LOCALIZA RENT A CAR	#16	↓
#22 COMPAÑÍA MINERA MILPO	#19	↓
#23 CPFL ENERGIA	#11	↓
#23 AMERICA MOVIL	#14	↓
#24 KIMBERLY-CLARK MEXICO	N/A	N/A
#25 GOL LINHAS AEREAS	#19	↓
#25 GRUPO AEROPORTUARIO DEL PACIFICO	N/A	N/A
#25 FERREYCORP	#21	↓
#26 BANCO DE CHILE	#14	↓
#27 CREDICORP	#11	↓
#28 ELETROBRAS	N/A	N/A
#28 CEMENTOS PACASMAYO	#22	↓
#28 INTERCORP FINANCIAL SERVICES	#22	↓
#29 ALICORP	#29	»
#29 VOLCAN	#24	↓
#30 MINAS BUENAVENTURA	#28	↓
#31 GRUPO MEXICO	#25	↓
#32 GRUPO CARSO	#27	↓
#33 AES GENER	#26	↓
#33 INDUSTRIAS PEÑOLES	#26	↓
#33 OHL MEXICO	N/A	N/A
#33 SANTANDER DE MÉXICO	#26	↓
#34 AUSTRAL GROUP	N/A	N/A
#35 SOUZA CRUZ	N/A	N/A
#36 ENEL DISTRIBUCION PERU	#30	↓
#36 ENEL GENERACION PERU	#32	↓
#37 EL PUERTO DE LIVERPOOL	N/A	N/A
#37 BOLSA MEXICANA DE VALORES	N/A	N/A
#38 LUZ DEL SUR	#31	↓
#39 BBVA BANCO CONTINENTAL	#33	↓
#40 PROTECCIÓN	#34	↓
#40 UCP BACKUS & JOHNSTON	N/A	N/A
#41 RIMAC SEGUROS Y REASEGUROS	N/A	N/A

GLOBAL ANALYSIS

Several measures and tools are being commonly implemented across all five countries...

Investor Relations Department: In Brazil, Chile and Colombia, 100% of the companies assessed in 2018 has an established a dedicated Investor Relations team and at least 70% of these departments are under the responsibility of the CEO or the CFO. In Mexico and Peru, 90% and 70% of the companies has a dedicated Investor Relations team, and 50% and 40% of the IR department are under the responsibility of the CEO or the CFO respectively.

Presentation of ESG KPI: Compared to 2016, the disclosure of ESG KPIs in reports and websites has improved. In 2016, 60.7% of the companies reported ESG KPIs compared to 77.7% in 2018. In 2018, more than 90% of the companies nominated from Brazil, Chile, Colombia and Mexico had, at least, 90% of reports presenting ESG KPIs, while Peru is much less transparent in this regard, with 30% of its companies reporting ESG KPIs.

Communication on Financial Results: 80% of Chilean, Colombian and Brazilian companies evaluated in the 2016-2018 period keep on announcing formally their financial results through a press release and presenting their financial results in an interactive format. Mexican companies implementing these practices have increased from 55% in 2016 to 80% in 2018. Peruvian companies nominated in 2016-2018 have remained stable in this regard, with 60% of the companies announcing formally their financial results through a press release and presenting their financial results in an interactive format.

General Context on companies' activities: In 2018, most of the companies nominated in all the countries studied made a description of the markets where they participate. In Brazil, Chile, Colombia and Mexico 100% of the companies nominated describe their markets, similarly 80% do so in Peru. In addition, excluding Peruvian companies, 97% of the companies report about their risks and uncertainties. In Peru this percentage represents only 10%.

... While other measures and tools are scarcely set up by companies.

Disclosure of executives' remuneration: As in the past edition of this study, no company among the 74 under study discloses the individual remuneration of their top executives during the 2016-2018 period. Only 17% in 2018 report on whether executives' variable remuneration is tied to the company's performance and how. Implementing and communicating on a sound remuneration policy is considered as a key driver for the operational efficiency of a company as it provides insurance to investors that executives' performances are aligned with the company's business strategy, objectives, values and long-term interests.

Disclosure Financial KPIs targets: Most companies in the five countries fail to disclose financial KPI targets for the future. In 2018 about 6% of the companies disclosed this information. This makes difficult to assess whether companies have defined a clear strategy for the future along with clear financial objectives, and whether the key indicators reported are chosen in order to provide an accurate and unbiased information on companies' performance.

Differentiation of risks (importance and relevance): Even though most of the companies under study disclose their main risks and uncertainties, very few companies make a differentiation of the risks in terms of importance and relevance for its business. Excluding Colombian companies nominated, in 2018, only 8% of the companies nominated report a differentiation by importance or relevance. Colombian companies have shown a better performance in this regard, since 50% of them comply with this recommendation. Investors need to identify and grasp quickly the main risks faced by companies to evaluate whether the companies they may want to invest in will achieve the targets they had set at the beginning of the risk analysis.

Polling system: In 2018, no company reported on the existence of a formal audience feedback process, such as a polling system during the corporate financial results presentation to investors. This is an important issue to consider to provide a continuous improvement process in the presentation of financial results to investors and to generate engagement with them.





COLOMBIA PROFILE

Company's Performance

Average Scores:

Colombia

70

Brazil

69

Chile

65

Mexico

54

Peru

28



SCORE: ● **ADVANCED:** 100 A 60 POINTS | ● **ROBUST:** 59 A 50 POINTS | ● **LIMITED:** 49 A 30 POINTS | ● **WEAK:** 29 A 0 POINTS

Colombian companies have demonstrated and improvement of the performance in the 2016-2018 period, increasing from an overall score of 57 points to 70 points.

SCORE
2017

57



SCORE
2019

70

The average score of 2017 and 2019 are composed only with the scores of the companies evaluated in those years (chart page 11).

Best performance company in the Annual Study 2019:

Nutresa 81/100

- Provides targets on Financial and ESG KPIs for the future.
- Provides relevant information about the context of the business, including benchmarks, trends and outlooks and risks differentiated by relevance and importance.
- Publishes a five-year financial record on their website.

Most common practices implemented

- Investor Relations team is identified and under the responsibility of CEO or CFO. In addition, most of the companies publish the telephone number and the email of the IR team in their websites.
- Most of the companies publish relevant biographies of the members of the Board of Directors and of senior managers.
- Colombian companies report in detail the context of their market. Most of them report drivers of operational performance at a geographical and product/service level.
- Most of the companies have a dedicated sustainability website, provide ESG KPIs, targets for the future in this regard and ESG materiality assessment. In addition, the assurance of most of ESG reports under study were audited by a third party.
- Many of the companies count with a calendar in their investor websites, including the identification of dividend payment dates.

Most common areas of improvement

Systematic lack of transparency on executive remuneration, and only few companies disclose the rules guiding variable remuneration to their senior management.

This would be a precedent for investors to verify that executives' performance objectives are aligned with the company's goals.

Few Colombian companies publish in their websites a five-year financial record.

Very few companies have an interactive tool in their website with relevant financial information and with the possibility of exporting this information to interactive format (excel for instance).

Although companies display significant tools to communicate on their corporate financial events, none of them publish information about their investor's day in the 2017-2018 period.

Lack of presentations made specifically by the company's senior management.

Messages from the CEO or CFO about the financial strategy of the company are means through which investors' trust can be built to incite them to invest in the company with a long-term approach to this investment.



PERFIL BRASIL

Desempeño de Inversionistas

Colombia

Brasil

Chile

México

Perú

Puntajes

Promedio:

70

69

65

54

28



CALIFICACIÓN: ● AVANZADO: 100 A 60 PUNTOS | ● ROBUSTO: 59 A 50 PUNTOS | ● LIMITADO: 49 A 30 PUNTOS | ● DÉBIL: 29 A 0 PUNTOS

All of the Brazilian companies under study in 2018 have an advanced performance. In the 2016-2018 period the average score of the companies increased from 59 points to 69 points.



The average score of 2017 and 2019 are composed only with the scores of the companies evaluated in those years (chart page 11).

Best performance company in the Annual Study 2019:

Itaú Unibanco Holding 74/100

- Discloses a link between the performance of the company and the variable remuneration of the senior management.
- Provides targets on ESG KPI for future.
- Makes a clear description of the outlooks and trends of its industry.

Most common practices implemented

- Investor Relations team is identified and under the responsibility of CEO or CFO.
- Companies are transparent on their financial KPIs.
- Companies disclose their financial position in their industries through a benchmark analysis.
- Most of the companies provide ESG KPIs, related targets for the future and materiality assessment within their reports. In addition, most of the ESG reports under study were audited by a third party.
- Most of the companies provide a financial calendar, as well as the possibility to register for receiving updates and access to webcast in their websites.

Most common areas of improvement

Systematic lack of transparency on executive remuneration, and only few companies disclosing the rules guiding variable remuneration of their top executives.

This would be a precedent for investors to verify that executives' performance objectives are aligned with the company's goals.

Lack of transparency in the reporting of financial targets for the future.

It is important for investors to know the main goals and projections of the company, either on financial or on non-financial issues. In this way they can measure the negative and positive evolutions of these indicators and trust the company's ability to establish long-term strategy.

Lack of presentations made by the company's top management.

Messages from the CEO or CFO about the financial strategy of the company are means through which investors' trust can be built to incite them to invest in the company with a long-term approach to their investment.



CHILE PROFILE

Company's Performance

Average Scores:



SCORE: ● **ADVANCED:** 100 A 60 POINTS | ● **ROBUST:** 59 A 50 POINTS | ● **LIMITED:** 49 A 30 POINTS | ● **WEAK:** 29 A 0 POINTS

Chilean companies have displayed a relevant improvement of their performance in the 2016-2018 period, passing from a Robust (53 points) to an Advanced performance (65 points) in average terms.



The average score of 2017 and 2019 are composed only with the scores of the companies evaluated in those years (chart page 11).

Best performance company in the Annual Study 2019:

Aguas Andinas and Embotelladora Andina (80/100)

- Discloses a link between the performance of the company and the variable remuneration of senior management, which includes ESG parameters.
- Provides targets on ESG KPI for the future.
- Discloses the position of the company through a benchmark analysis in their respective industry.

Most common practices implemented

- Investor Relations team is identified and under the responsibility of CEO or CFO. In addition, most of the companies publish the telephone number and the email of the IR team in their websites.
- Companies publish their ESG materiality assessment. In addition, most of them report on ESG KPIs which are audited by an external party. Most of the companies also publish a contact point for questions and remarks on ESG strategies.
- Financial results are announced by a press release, and they are available in an interactive format in their website.
- Most of the companies publish a relevant biography of the members of their Board of Directors and Senior managers, including their date of appointment.

Most common areas of improvement

Systematic lack of transparency on executive remuneration, and only few companies disclosing the rules guiding variable remuneration of their senior management.

This would be a precedent for investors to verify that executives' performance objectives are aligned with the company's goals.

Very few companies report their targets on Financial and ESG KPIs.

Although most of the companies report their financial and ESG KPIs (some also audited), few companies display targets for the future. This practice would allow investors to measure the negative and positive evolutions of these indicators and trust the company's ability to establish long-term strategy.

Companies' websites lack information on the dividend payment and Investor's day.

Even though these practices are relatively common in other countries, very few companies, if none of them, publish in their website clear information of interest for their investors, such as the date of payment of dividends or where and when the companies will carry out their investor's day.

Information about the outlook, trends and risks of the industries where the companies operate is not clearly disclosed.

It is important for investors (especially for foreign investors) to have a clear context on where the company is operating. In Chile, few companies –if none– publish clear statements in their reports about the outlooks and trends of the industry or make a differentiation of company's risks according to their relevance and importance.



MEXICO PROFILE

Companie's Performance

Average Scores:

Colombia



Brazil



Chile



Mexico



Peru



SCORE: **ADVANCED:** 100 A 60 POINTS | **ROBUST:** 59 A 50 POINTS | **LIMITED:** 49 A 30 POINTS | **WEAK:** 29 A 0 POINTS

Mexico's overall performance has improved from a Limited performance in 2016 (48 points in average) to a Robust performance in 2018 (54 points).

SCORE 2017

48.2



SCORE 2019

54

The average score of 2017 and 2019 are composed only with the scores of the companies evaluated in those years (chart page 11).

Best performance company in the Annual Study 2019:

Coca-Cola Femsa 73/100

- Publishes its drivers of operational performance at product and geographical level.
- Provides quantified targets on EGS KPIs for the future.
- The IR section contains a presentation of the company's strategy made by the CFO.

Most common practices implemented

- Most of the companies under study publish relevant ESG KPIs and materiality assessment.
- Financial results are announced by a press release, and they are available in an interactive format in their website.
- Most of the companies make available their webcast and conference calls in their websites.

Most common areas of improvement

Few companies disclose details on the process of Directors' performance evaluation.

To ensure an appropriate performance of Directors, it is necessary to implement a system of evaluation in order to compare their performance with the company's objectives. Few companies state that their Directors are evaluated and none of them discloses the results of the evaluation.

Systematic lack of transparency on executive remuneration, and only few companies disclose the rules guiding variable remuneration of their senior managers.

This would be a precedent for investors to verify that executives' performance objectives are aligned with the company's goals.

Very few companies report their targets on Financial and ESG KPIs.

Although most of the companies report their financial and ESG KPIs (some of them being audited), few companies display targets for the future. This practice would allow to measure the negative and positive evolutions of these indicators and foster trust on the company's ability to establish long-term strategy.

Information about the outlook, trends and risks of the industries and regions where the companies operate is not clearly disclosed.

It is important for investors (especially for foreign investors) to have a clear context of operation of the company. In Mexico, few companies –if none– publish clear statements in their reports about the outlooks & trends of the industry or make a differentiation of company's risks according their relevance and importance.

Although Mexican companies display tools in their online communication on corporate financial events, few of them publish information about their investor's days and on the payments of dividends in the 2017-2018 period.



PERU PROFILE

Company's Performance

Average Scores:

Colombia



Brazil



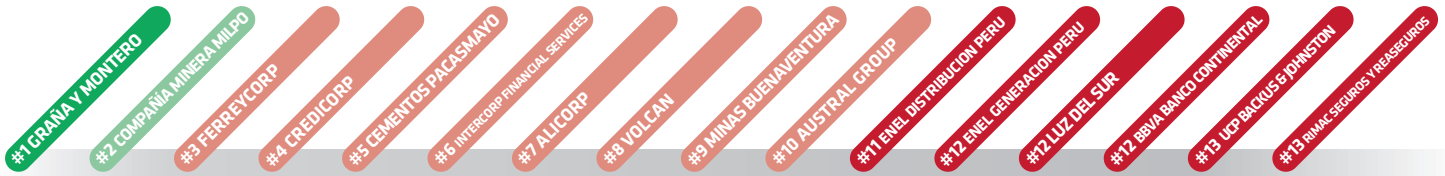
Chile



Mexico



Peru



SCORE: ● ADVANCED: 100 A 60 POINTS | ● ROBUST: 59 A 50 POINTS | ● LIMITED: 49 A 30 POINTS | ● WEAK: 29 A 0 POINTS

Peru displays the lowest average score among the five countries under study, mainly due to the lack of reporting (in English). The average score has decreased in the 2016-2018 period, from a score of 34 points in 2016 to 28 points in average in 2018.



The average score of 2017 and 2019 are composed only with the scores of the companies evaluated in those years (chart page 11).

Best performance company in the Annual Study 2019:

Minera Milpo 50/100

- Compares its financial performance through a benchmark analysis with the industry.
- Describes the process of evaluation of its Board of Directors

Most common practices implemented

- Most companies under study report their financial KPIs.

Most common areas of improvement

Many of the companies do not report in English.

60% of the companies under study in 2018 fail to report in English either in their Annual/Sustainability Report or in their website. Reporting in English is vital to communicate with foreign investors in a universal language, specially towards potential investors looking for new opportunities. Not reporting in English might mean the loss of potential investors or current investors who do not receive relevant information in a common language.

Systematic lack of transparency on executive remuneration, and only few companies disclose the rules guiding variable remuneration to their senior managers.

This would be a precedent for investors to verify that executives' performance objectives are aligned with the company's goals.

No company report targets on Financial or ESG KPIs.

Although most of the companies report their financial KPIs, few companies display targets for the future. This practice would allow measuring the negative and positive evolutions of these indicators and build trust on the company's ability to establish along-term strategy.

Information about the outlook, trends and risks of the industries where the companies operate is not clearly disclosed.

It is important for investors (especially for foreign ones) to have a clear context of operation of the company. In Peru, few companies —if none— publish clear statements in their reports about the outlooks & trends of their industry or make a differentiation of their risks according to their relevance and importance

Lack of presentations made specifically by the company's top management.

Messages from the CEO or CFO about the financial strategy of the company are means through which investors' trust can be built, to incite them to invest in the company with a long-term approach to this investment.



INVESTOR
RELATIONS
**BEST
PRACTICES**

BEST PRACTICES LATAM

Interviews of senior manager(s) on their vision and strategy for the company directed to investors

In most cases, CEOs and other members of the top management of a company are not known from potential investors, even more when investors are from a different part of the world. Nonetheless, investing in a company is a decision that investors will take when they believe in the top management's ability to take the right decisions to lead the company to growth. Thus, it is key for companies' executives to build investors' trust and create a link with them. Releasing communication material, such as videos or presentations, containing an intervention of the CEO and other executives sharing their vision and strategy for the company is away to inform potential investors of the orientation they want to give the company while making them familiar with the members of the top management.

Grupo Sura

The company has videos on YouTube with explanation of the quarterly financial results and main KPIs, outlooks, trends and how the company is prepared to face the future. The videos are made by the CFO. The video is in Spanish but entails English subtitles.



Coca Cola Femsa

The company publishes an interview made to the CFO, with a Q&A format. Main questions addressed are about financial results, factors of positives results, main milestones and challenges upcoming and the strategy to face those challenges.



Quantified targets on financial Key Performance Indicator (KPI) for the future

Having an effective KPI selection and monitoring process is key to translate corporate strategy into manageable operational actions. As such, setting too many or unaligned KPIs can weaken the focus on objectives, making it difficult to communicate a consistent implementation plan. Moreover, a large list of KPIs that does not have clear linkages to a business's overall objectives may be a sign of a larger problem: a lack of strategic focus. Therefore, selected KPIs in any strategy should have clear and solid links to the overall performance. Businesses need to have a forward-looking orientation, so that their employees know what they are seeking to achieve and what they need to do. The top management of a company establishes financial goals which are used by investors, financial analysts and other external parties to monitor the performance of a company showing its ability to set strategy on a longer-term.

Nutresa & ISA

These companies publish several financial goals to 2020 related to their sales and their profits in their integrated reports.



Alsea

In its 2018 Investor Relation Presentation, Alsea reports its financial goals to 2022. The goals are related to KPIs such as Sales, Ebitda, Dividends, ROE among others.



Formal feedback process on the corporate financial results presentation

One of the main challenges for companies is not only to communicate content in their financial presentations, but also the way they do it. Asking for feedback from investors about the way the company presents its results it's a good opportunity not only to identify improvement opportunities in this matter, but also an opportunity to create engagement with their investors.

Fibria

The company has in its website a special section to receive feedback from investors about financial presentations and its website. The company also asks to its stakeholders about the financial tools used in the website, the content of the website (financial and ESG content) and the user experience of the website.



Updated information about the company's ESG strategies and performance

One of the most important entry points to a company is its corporate website, where investors can not only access financial information, but also expect to find relevant information on ESG issues, such as their policies, strategies, performance, news, among others. Unlike information reported annually, the follow-up of this information is expected to be timelier, being able to update information during any period of the year.

Parque Arauco

The company has a section on its website dedicated to sustainability, where Parque Arauco presents its efforts on these issues, commitments and newsletter. Also, Parque Arauco has a subscription system through email to receive alerts on sustainability issues. In addition, the Company clearly establishes a contact point on its website to consult about sustainability issues.



TRENDS AROUND THE WORLD

Disclosure of individual remuneration of senior management

There is a strong international trend to require disclosure regarding the remuneration of executives of publicly traded companies. This is due mainly to some recent abuses in terms of executive's remuneration levels, which subsequently led to tensions between shareholders demanding to understand and to rationalise these compensation levels and methods, and the executives' desire for privacy in their financial affair. Many international reference texts are now calling companies for more transparency and contextualization on that matter, such as the OECD Guidelines on Corporate Governance or the International Integrated Reporting Framework.

BNP Paribas

The company discloses the details of the annual remuneration plan of its top executives (CEO and COO), including the fixed remuneration amount, annual variable remuneration awarded (including details of the deferred amounts) and the Long-Term Incentive amount (fair value) for 2017 and 2018.



BNP PARIBAS

Kimberly-Clark

The company displays a summary compensation table in its Proxy Statement, which details the total amount received by its main executives on individual basis (CEO, CFO, COO, and others) of the past three years in each category of remuneration: salary, stock and option awards, non-equity incentive plan and other compensations.



Kimberly-Clark

Link between executive's variable remuneration and the company's performance

A well-structured executive compensation plan is an essential element of good corporate governance: it represents the set of economic incentives necessary to overcome - or at least mitigate - the principal agent problems between management and shareholders/investors. A sound remuneration policy is considered as a key driver for the operational efficiency of a company and it must be designed in coherence with its business strategy, objectives, values and long-term interests. Furthermore, an unsound remuneration structure is also increasingly associated with risks in terms of reputation. The degree of transparency and the justification of executive pay are nowadays issuing under scrutiny by investors and public opinion; this can influence in a relevant way the public perception of a company, eroding or reinforcing its corporate reputation.

Barclays

The company discloses the financial performance indicators which guides the annual variable remuneration and the Long-term incentives of its top executives. For these indicators, the company discloses its maximum and minimum thresholds to grant the variable remuneration. Moreover, the company includes some ESG aspects within the variable remuneration scheme.



Enel

The company discloses the rules guiding the executive remuneration scheme of its main executives. These performance indicators include targets publicly disclosed for their annual and long-term incentives, including targets against peer group for long-terms incentives. Moreover, the company includes some ESG aspects within the variable remuneration evaluation system.





ESG
SERIES

INVESTOR RELATIONS

2019 Annual Study

Performance of Latin American Companies



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