



Red de Carreteras de Occidente, S.A.B. de C.V. (RCO)

Corporate Governance Project

March 2019



Deliverables of the Corporate Governance Project



Deliverable 1

Maturity Model of Corporate Governance Pillars.

- Self-evaluation of the operation and maturity analysis of corporate governance pillars in the company.



November 2018



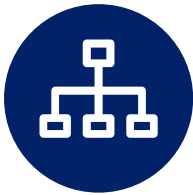
Deliverable 2

Corporate Governance Evolutionary Model.

- Integrated corporate governance model, based on regulatory and best practices for RCO.
- Work plan of the governing bodies.



December 2018

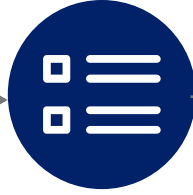


Deliverable 3

Executive summary of business priorities

Recommendations of the practices to be reviewed by the governing bodies in a suggested period of time.

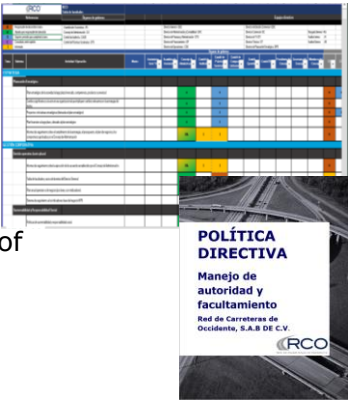
January 2019



Deliverable 4

Decision rights

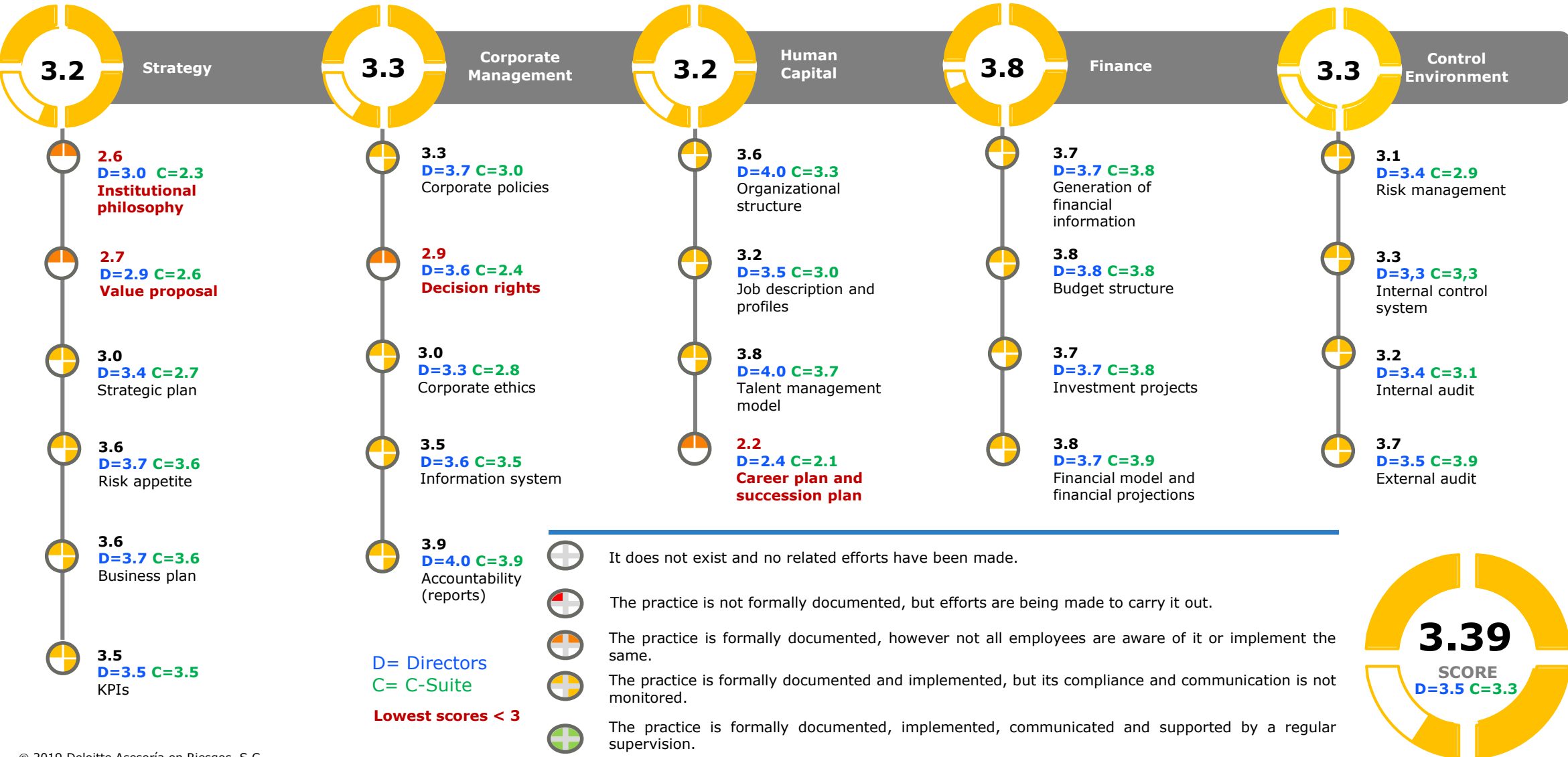
- Decision rights matrix for the governing bodies and CEO.
- Management policy with suggested guidelines related to the delegation of authority.



February 2019

Executive summary

Results of the self-assessment of Corporate Governance



Executive summary

Recommendations of business priorities to strengthen corporate governance

Activities to be developed to present to the BoD		Approval in session of the BoD	
Strategic Plan	Institutional Philosophy	Risk Management	Decision rights
Value Proposal	Internal Audit	Internal control system	Business plan
Organizational Structure			Risk Appetite
Description of positions and profiles			Investment projects
Career plan and succession plan	Corporate Policies		Accountability (reports)
Corporate Ethics	Talent Management		Information system
Activities to be developed by committees to present to the BoD		Follow-up and recommendations by the BoD	

Executive summary

Content of the Corporate Governance Evolutionary Model

Chapter I. Corporate Governance Structure

Chapter II. Nomination, appointment and induction of members

- Nomination, appointment and classification of directors
- Independence policy
- Appointment of Chairs and Secretary of the governing bodies
- Service period, substitution, compensation and induction of members

Chapter III. Profile of the members and Secretary of the Board

- Profile of the directors and the Corporate Secretary

Chapter IV. Roles and responsibilities of the members of the Board

- Duties of the members of the governing bodies

Chapter V. Board of Directors

- Objective and integration of the BoD
- Functions and responsibilities of the BoD
- Sessions, calls, minutes, agenda and follow up of agreements
- Quorum and voting rights

Chapter VI & VII. Audit and Corporate Practices Committee

- Objective and integration of the Audit and Corporate Practices Committee
- Sessions, calls, minutes, agenda
- Reports
- Functions and responsibilities of the Committees

✓ Practices already developed by RCO

✓ Topics and practices added to the corporate governance model of RCO in accordance to best practices

Chapter VIII. Executive Committee

- Objective, functions, sessions and responsibilities of the Executive Committee

Chapter IX. The CEO

- Objective and responsibilities of the CEO

Chapter X. Rules of communication between governing bodies and management

Chapter XI. Rules for the dynamics of the sessions of the governing bodies

Chapter XII. Rules for the evaluation of governing bodies

Executive summary

Work plan of the Board of Directors (example*)



Red de Carreteras de Occidente, S.A.B. de C.V. (RCO)

WORK PLAN OF THE BOARD OF DIRECTORS 2019

RED DE CARRETERAS DE OCCIDENTE

					2019				2020
TOPIC	REQUIREMENTS	OBJECTIVE	RESPONSIBLE	PERIODICITY	Mar	May	Sep	Oct	Mar
Planeación estratégica y gestión del negocio									
Strategic Long Term Plan	Plan and strategic objectives of RCO.	Review, validation and, where appropriate, approval	CEO, CFO y COO	Annual		✓			
Annual Business Plan 2019	Objectives and annual initiatives (business and area).	Approval	CEO, CFO y COO	Annual		✓			
Follow up on the execution of strategic initiatives	Follow-up report on strategic initiatives (percentage of progress vs. goal, activities not contemplated, etc.)	Monitoring and, if applicable, approval of changes	CEO / COO	Biannual		✓			✓
Quarterly management report	Report on the results of key business metrics	Review and approval	CEO	Quarterly		✓	✓	✓	✓
Información financiera									
Annual budget	Annual budget, including the basic premises of its preparation	Approval	CEO, CFO y COO	Annual				✓	
Investment plan of the company	Investment plan considering the prioritization of projects and their cost-benefit for the Company	Approval	CEO, CFO y COO	Annual				✓	
Annual financial statements	Financial statements accumulated at the end of the year (income statement, balance sheet and cash flow vs. budget), main financial indicators, EBITDA and variations.	Approve with the opinion of the Audit Committee	CEO y CFO	Annual					✓
Quarterly financial statements	Financial statements at the end of the previous quarter (income statement, balance sheet and cash flow vs. budget), main financial indicators, EBITDA and variations.	Approve with the opinion of the Audit Committee	CEO, CFO y COO	Quarterly	✓	✓	✓	✓	✓
Audited financial statements and financial opinion	Audited financial statements, financial report and letter of observations	Approve with the opinion of the Audit Committee	External Audit / BoD	Annual		✓	✓		

*The complete work plan is an integral part of the BoD deliverables for RCO.

Executive summary

Decision rights matrix

The Decision rights matrix is intended to:

1. Identify the relevant concepts that governing bodies and management can authorize in the company.
2. Clarify roles and responsibilities

The matrix was developed based on RACI methodology to identify who or whose:

- R = Is responsible
- A = Approves
- C = Is consulted
- I = Is informed





It includes a classification by themes such as:

- Finance
- Strategy
- Internal and external audit
- Human resources
- Information Technology
- Among others

RCO Tabla de facultades														
Referencia			Órganos de gobierno			Equipo directivo								
R A S C I	Responsable de desarrollar la tarea	Asamblea de Accionistas - AA				Director General - CEO			Director de División Comercial - DDC			Abogado General - AG		
	Aprobada y es responsable de la	Consejo de Administración - CA				Director de Administración y Contabilidad - DAC			Director Comercial - DC			Auditor - AI		
	Soporte y revisión para completar la	Comité de Auditoría - CAUD				Director de Finanzas y Administración - CFO			Director de TI - DTI			Auditor - AE		
	Consultado, emite opinión	Comité de Prácticas Societarias - CPS				Director de Finanzamiento - DF			Director Técnico - DT			Director de Planeación Estratégica - DPE		
Informe						Director de Operaciones - DOO								
Tema	Sistema	Actividad / Operación	Monto	Accionistas Serie "A"	Asamblea de Accionistas	Consejo de Administración	Comité de Auditoría	Comité de Prácticas Societarias	Comité de Compras y Licitación	Comité Ejecutivo	Comité Ético	Presidente del Consejo	Secretario del Consejo	Miembros del Consejo
ESTRATEGIA														
Planeación Estratégica														
		Plan estratégico de la sociedad a largo plazo (mercado, competencia, productos y servicios)												
		Cambios significativos a la estructura organizacional que impliquen cambios relevantes en la estrategia del mismo												
		Proyectos o iniciativas estratégicas (derivadas del plan estratégico)												
		Plan financiero a largo plazo, alineado al plan estratégico												
		Informes de seguimiento sobre el cumplimiento de la estrategia, el presupuesto, el plan de negocios y los compromisos aprobados por el Consejo de Administración												
GESTIÓN CORPORATIVA														
Gestión operativa (corto plazo)														
		Informes de seguimiento sobre la ejecución de los acuerdos establecidos por el Consejo de Administración												
		Tabla de facultades y actos de dominio del Director General												
		Plan anual operativo o de negocio (por área y con indicadores)												
		Sistema de seguimiento a los indicadores clave del negocio (KPI)												
Sostenibilidad y Responsabilidad Social														
		Políticas de sustentabilidad y responsabilidad social												
CAPITAL HUMANO														
Nominación, designación y compensación														
		Nombramiento, elección y, en su caso, destitución del Director General de la Sociedad y su retribución integral, así como las políticas para la designación y retribución integral de los demás directivos relevantes												
		Designación de los miembros del Consejo de Administración												
		Designación del Secretario del CPS y del CAUD												
		Designación, salvo a los Presidentes de los órganos de gobierno, de todos los integrantes de los Comités												
		Designación del Presidente del Consejo de Administración y a los Presidentes de los Comités de apoyo												
		Sustitución de cualquiera o todos los miembros del Consejo incluyendo al Secretario												

Executive summary

Corporate Governance Project

-  As a result of the detailed self-assessment on the pillars of Corporate Governance, there were issues identified where RCO must work in order to strengthen the strategic and surveillance roles of the Board and its Committees.
-  The result of the RCO assessment was 3.3, that is in the average of publicly listed companies. Nevertheless, the results of strategy are below the average of publicly listed companies.
-  With the development of the Corporate Governance Model, the fulfillment of the local regulation but also its adherence to the best practices in Corporate Governance was covered (in just one document) in terms of structure, integration and operation rules for governing bodies.
-  In order to strengthen the Corporate Governance Model of RCO, it was also developed an action plan that classifies business priorities. The following documents were developed and they must be reviewed and approved by the BoD as follows:
 - a) Corporate Governance Model
 - b) Decision rights matrix
 - c) Work plan of the Board and Committees
 - d) Delegation of authority policy.

Appendix

Executive summary

Recommendations of business priorities to strengthen corporate governance

Red de Carreteras de Occidente, S.A.B. de C.V. (RCO)

Executive summary of business priorities

	Activities to be developed by committees to present to the BoD
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	Approval in session of the BoD
	Follow-up and recommendations by the BoD



Basis		
Strategy	Status	Actions
Institutional philosophy		<ul style="list-style-type: none"> Review and dissemination of the corporate philosophy (mission, vision and values) with collaborators and related third parties. Periodic review and update, if applicable, of the parameters that defines the institutional philosophy.
Value proposal		<ul style="list-style-type: none"> Review the components that allow RCO to differentiate itself in the market and from the competitors, based on the operating model. Reinforce the value proposition of the business and its dissemination with employees and collaborators.
Strategic plan		<ul style="list-style-type: none"> Formulate and document a strategic plan that identifies the objectives pursued by the company in the long term and link them to strategic initiatives. Include within the plan, the reality of the market and competitors, the capabilities of the organization and the interests and requirements of shareholders and stakeholders
Risk Appetite		<ul style="list-style-type: none"> Define criteria to establish a framework to identify the level of risk that RCO is willing to accept or tolerate in the pursuit of its objectives. The appetite for risk must include activities and projects in which RCO does not incur.
Business plan		<ul style="list-style-type: none"> Link the annual objectives and goals to a formal annual business plan, according to the strategic plan and business model.
KPIs		<ul style="list-style-type: none"> Incorporate indicators related to human capital, to maximize talent, staff development and company resources.

Executive summary

Recommendations of business priorities to strengthen corporate governance

Red de Carreteras de Occidente, S.A.B. de C.V. (RCO)

Executive summary of business priorities

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Basis		
Corporate management	Status	Activities
Corporate policies		<ul style="list-style-type: none"> Develop corporate policies to be approved by the Board of Directors.
Decision rights		<ul style="list-style-type: none"> Document the scope of the faculties in a "control matrix" to identify those responsible for preparing, reviewing and approving the operations of the company in accordance with external and internal regulations.
Corporate ethics		<ul style="list-style-type: none"> Develop a sanctions catalog to establish criteria for cases of non-compliance. This will help to avoid subjectivity and facilitate decision-making.
Information systems		<ul style="list-style-type: none"> Validate that the mechanisms applied guarantee the integrity, availability and confidentiality of the information. Prepare an assessment of the current cyber security situation of the company and identify potential risks to which the Company is exposed. Implement a technological platform where access, confidentiality and safeguard of the information that is presented to the governing bodies of the company and its members is guaranteed.
Accountability (reports)		<ul style="list-style-type: none"> Continue monitoring the adequate accountability of the management team to the Board of Directors regarding the performance of the company.

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Recommendations of business priorities to strengthen corporate governance

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Basis		
Human capital	Status	Activities
Organizational structure		<ul style="list-style-type: none"> Communicate the organizational structure within the company. It may be accessible in the Intranet.
Description of positions and profiles		<ul style="list-style-type: none"> Validate that the job descriptions and profiles are up-to-date , especially at the managerial level.
Talent management model		<ul style="list-style-type: none"> Monitor the application of the management performance evaluation model.
Career plan and succession plan		<ul style="list-style-type: none"> Develop succession plans of the C-Suite, or at least formal succession guidelines for management positions. Establish long-term career plans for key executive positions, including detail objectives and conditions to be met.
Finance	Status	Activities
Investment projects		<ul style="list-style-type: none"> Follow up on approved projects.

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Basis		
Control environment	Status	Activities
Risk management		<ul style="list-style-type: none">Implement tools to manage the risks of the company (strategic, legal, financial, reputational and operational risks).Design the mechanisms or methodology to evaluate risks and implement controls for its mitigation.
Internal control system		<ul style="list-style-type: none">Validate that the internal control system is updated and that there are sufficient controls.Validate that the internal control system is aligned to a control framework such as COSO or COBIT.
Internal audit		<ul style="list-style-type: none">Validate that the hiring of the head of the Internal Audit function is in charge of the Board of Directors and the Audit Committee.Develop and validate an Internal Audit manual.