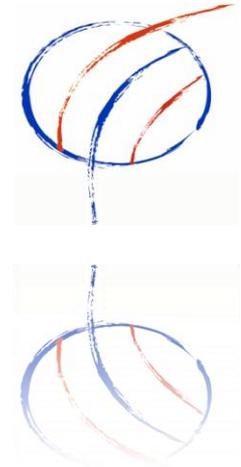




10th Meeting of the Latin American
Corporate Governance Roundtable

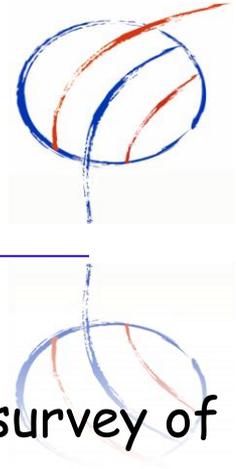


Summary: Survey of Corporate
Governance Practices in Selected Latin
American Countries

Cuauhtémoc López-Bassols, Policy Analyst OECD

1-2 Dec. 2009 CEPAL, Santiago, Chile.

Background



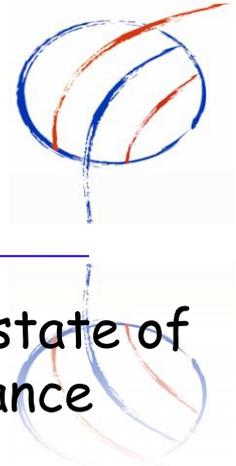
- Purpose

- Not “reinvent the wheel” through a region-wide survey of CG practices.
- BUT surveys of available information,
 - what it says about company practices
 - what further information may be needed to understand the state of play.

- Country reports of “Comply or Explain” type codes

- Argentina, Colombia, Mexico and Peru

Key findings



- Difficulty of making an informed judgement of the state of CG by looking solely at companies' corporate governance returns
- CG codes different roles in different countries, making comparative analysis challenging.
 - Some contain recommendations that are required by law and have a broader benchmarking/education purpose
 - Some designed to promote awareness of good practices and their application on a voluntary basis
- BUT can provide a means of tracking companies' progress over time in implementing good practice recommendations

Codes Structures



	Argentina	Colombia	Mexico	Peru
General themes/chapters	<ol style="list-style-type: none"> 1). General 2). Board of directors in General 3). Independence of directors 4). Relationship with stakeholders 5). Relationship with the Community 6). Committees 	<ol style="list-style-type: none"> 1). Shareholders meeting 2). Board 3). Financial and non-financial disclosure 4). Conflict resolution 	<ol style="list-style-type: none"> 1). Shareholders meeting 2). Board 3). Audit Function 4). Evaluation and Compensation Function 5). Finance and Planning function 	<ol style="list-style-type: none"> 1). Shareholders Rights 2). Equitable treatment of shareholders 3). Disclosure and transparency of information 4). The Responsibilities of the Board
Number of recommendations/statements	28	41	47	26 (all with scale of 0 to 4).
Number of Questions supporting the recommendations/Statements	Only the statements	79 (plus one optional)	77	73 (Objective evaluation questions)

High compliance



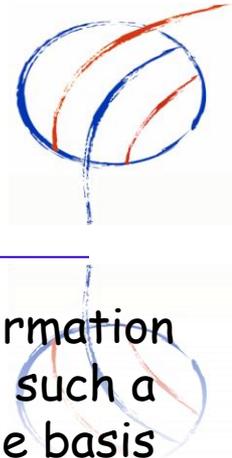
Country	Area/Topic	Level/degree of compliance
Argentina	Definition and extent of board of directors responsibilities and functions Rules of directors nomination Existence of an Audit committee with majority of independent members Existence of written policies regarding transactions with controlling parties.	Actual compliance levels not available
Mexico	Composition of the board Board responsibilities Audit function	93.0% 90.6% 88.5%
Peru	Not including generic items in the agenda Shareholder representation in Annual Shareholders' meetings should not be restricted. The number of members in the board should allow for a plurality of opinions The board must be in charge of key functions	3.86 ¹ 3.84 3.79 3.77
Colombia ²	Information for Shareholders meeting Selection/nomination of board members Conflicts of interest Auditing Restricting other functions of the auditor	³ Over 95% Close to 90% Over 85% Over 95% Close to 95%

Progress

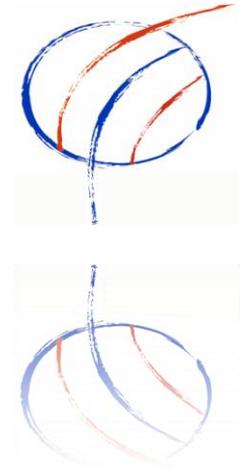


Country	Areas/topics	
Mexico	Composition of the Board of directors	80% (07) to 85% (08)
	Operation of board	81% (07) to 83% (08)
	Evaluation and compensation function	57% (07) to 59% (08)
Peru	Use of additional means to call for a meeting (other than what's provided by law)	37 (06) to 57(07)
	Companies that do not limit shareholder representation	59 (06) to 69(07)
	Companies with an independent audit area	52 (06) to 59 (07) ¹
	Companies with at least 1 committee	33 (06) to 39(07)
Colombia	Shareholders meeting charter	26.1% (07) to 41.9 (08)
	Information use to make decision annexed to board minutes	17.4% (07) to 66.7% (08)
	Specific budget to boards for hiring external consultants	12.2% (07) to 42.7% (08)

Discussion Points



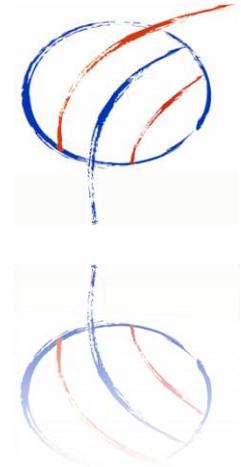
- Disclosure requirements for codes can provide useful information on CG practices at company level, and identify trends, but such a variation that they do not provide an easily understandable basis for comparing practices across the region.
- lack of boards' additional committees (other than the audit committee) and disclosure of remuneration are some of the areas which show low compliance
- IBGC index in Peru, ADRs seem to push companies harder. *Does this suggest that codes need to be linked to other evaluator mechanisms to be effective in helping to push forward best practice?*
- *Are there further steps that countries can take, such as more timely disclosure to the markets that can help enhance the effectiveness of these tools in promoting improved governance?*



Thank you



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