



**Organisation for Economic Co-operation and Development**

**In co-operation with the World Bank Group**

## ***Key Conclusions***

**The 2008 Meeting of the  
Latin American Corporate Governance Roundtable**

2-3 December 2008

Camino Real Polanco Hotel,

Mexico City, Mexico

*Co-hosted by:*

Mexican Stock Exchange,  
Mexican Ministry of Finance,  
National Banking and Securities Commission,  
Center for Excellence in Corporate Governance  
Business Co-ordinating Council (CCE)

*With the support of:*

Government of Spain and the Global Corporate Governance Forum

The Latin American Roundtable on Corporate Governance has broadly agreed on a set of recommendations aimed at encouraging institutional investors to promote better corporate governance of companies in the region. Roundtable participants reviewed a first draft of the White Paper on Institutional Investors and Corporate Governance during their 2008 meeting in Mexico City on December 2-3.

An OECD/IFC drafting team will revise the draft White Paper to take into account the comments of Roundtable participants before issuing a revised draft for wider public consultation early in 2009.

The Latin American Roundtable is a joint initiative of the OECD and IFC/World Bank Group, involving policy-makers, regulators, stock exchanges, and a range of private sector actors from Latin American and OECD countries concerned with corporate governance issues. The 2008 meeting was co-hosted by Mexico's Ministry of Finance, Securities and Banking Commission, Stock Exchange, the Center for Excellence in Corporate Governance and Business Coordinating Council (CCE), and was supported by the Global Corporate Governance Forum and Government of Spain.

The White Paper's recommendations address changes needed at the policy level to facilitate stronger engagement by investors in corporate governance issues, as well as good practice recommendations for institutional investors, both in relation to their own governance as well as the governance of the companies in which they invest. The recommendations focus mainly on pension funds and mutual funds, which are the dominant institutional investors in the region's equity markets.

On the policy level, recommendations relate to eliminating barriers to institutional investors' engagement with companies, such as barriers to casting their votes. It also addresses the establishment of incentives or requirements for such investors to directly influence good governance practices of investee companies through, for example, coordinating actions to appoint independent directors, and disclosing their governance policies and voting records.

The draft also recommends steps that should be taken in support of the good governance of the institutional investors themselves, including disclosure requirements and other measures to address conflicts of interest. In addition, it addresses complementary actors within the system that can contribute to a market environment in which institutional investors can play an effective role, including associations of investors, corporate governance institutes, rating agencies, proxy advisory services and the media.

A second important issue addressed by the Roundtable was the impact of the financial crisis and its implications for corporate governance in the region. There was consensus that corporate governance will remain an important priority going forward, but that the crisis provided an impetus for closer consideration of how corporate governance could be improved. In particular, further attention is needed to strengthen board understanding and skills to address risk management issues, including the use of complex financial instruments.

In other sessions, the Roundtable reviewed developments in the region related to regulatory enforcement and the role of stock exchanges in addressing corporate governance issues. Roundtable participants noted that trends among stock exchanges to demutualise and to regionalise or agree on other forms of cross-border co-operation have placed increased pressure on regulatory agencies to co-operate and in some cases converge on regulatory standards and enforcement priorities. Regulators noted their closer focus on insider trading and related party transactions among the emerging priorities for enforcement.

In moving forward, the Roundtable will also draw on the expertise of its Companies Circle to address issues of how to strengthen the practices of boards and annual general meetings. The Circle, which met back-to-back with the Roundtable on December 1, is a group of 14 companies recognized as Latin American leaders in implementing corporate governance. To take this work forward, the Circle elected a new Chair, Andre Covré, CFO of Ultrapar in Brazil, and three vice-chairs, Mariela Garcia de Fabbri, CEO of Ferreyros in Peru, Eustaquio de Nicolás, CEO of Homex in Mexico, and Carlos Raul Yepes, General Counsel of Argos in Colombia. The Circle is nearing completion of a Practical Guide for Implementing Good Governance in Latin America, with the English version scheduled to be launched in July, 2008.

Chile has offered to host next year's 10<sup>th</sup> meeting of the Roundtable (and Companies Circle), tentatively planned for October, 2009, with the exact date to be determined. The meeting will examine progress in the region in implementing the OECD Principles of Corporate Governance and the Roundtable's White Paper on Corporate Governance in Latin America since the Roundtable's establishment in the year 2000.