



Companies Circle

of the

Latin American Corporate Governance Roundtable

Members meeting

1/12/2008



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Update on recent activities

- Consultation mission to members in Brazil and México
 - Led by the Chairman, Carlos Raul Yepes
 - Daniel Blume, Davit Karapetyan, Sandra Guerra
- Companies contacted:
 - Argos, CCR, CPFL, Embraer, Homex, Marcopolo, Net, Suzano, Ultrapar
 - Results to be shared at last session today
- Practical Guide
 - Completion of texts – June
 - Governance vs. performance analysis: 5 sets of indicators – June
 - Thorough revision and restructure of some chapters - WIP



Practical Guide: chapters structure

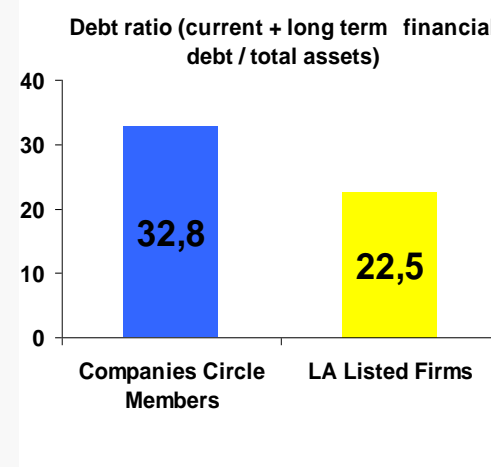
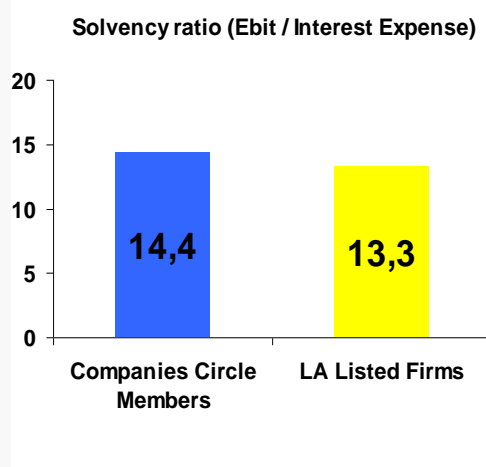
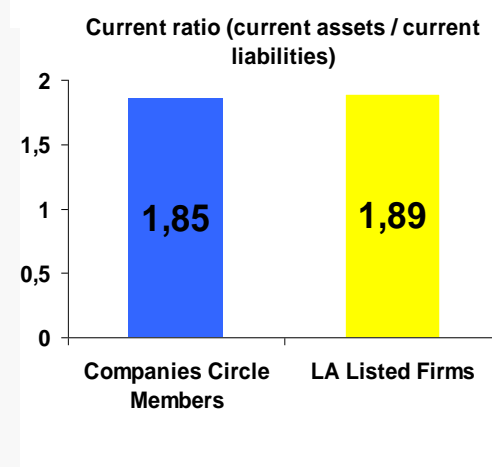
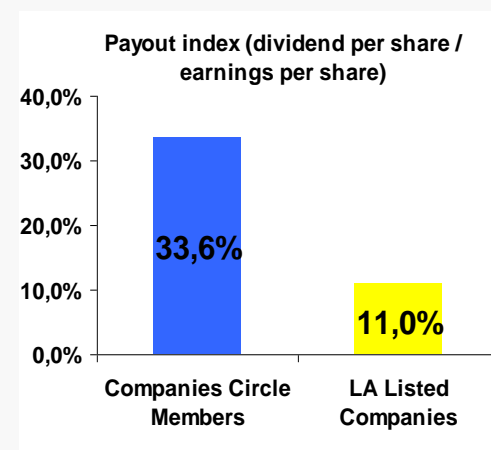
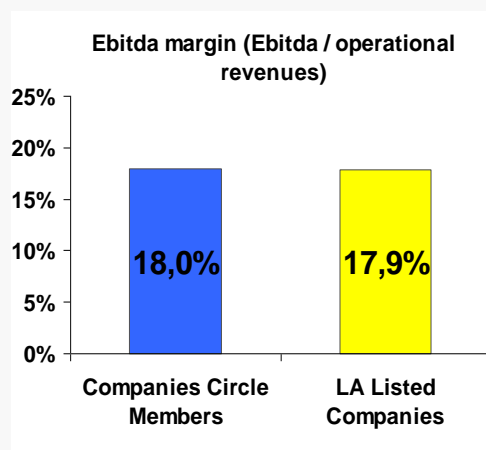
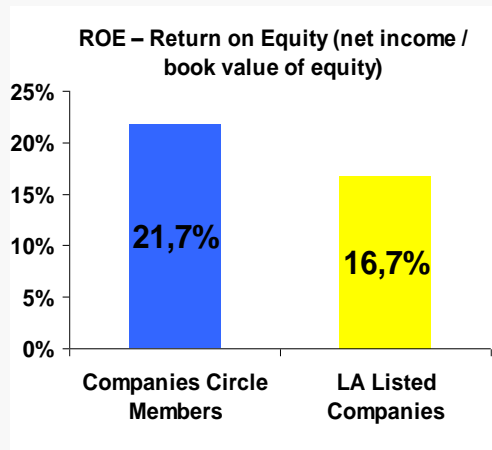
1. Motivations: The “whys” define the “ways”
2. Purpose Alignment: Changing Attitudes and Generating Commitment
3. Planning: Setting Priorities
4. What to Do: Implementing Good Governance Practices
5. The Special Governance Challenges Facing Family Companies
6. Implementing and Learning from Reactions
7. The Tangible Benefits of Good Governance



The value of CG: results from analysis

- ❑ Strong evidence that good CG not only pays off, but is essential for good business prospects in the long term;
- ❑ In spite of the difficulty in measuring the true “weight” of CG, all analyses pointed to the same direction:
- ❑ Circle members – having invested more in CG structures and processes:
 - Produce substantially better operational and market results than their Latin American peers.
 - Investors would be doing much better off investing in the group of firms recognized as regional leaders in CG.
- ❑ Our analysis simply reinforced the initial belief of Companies Circle members.

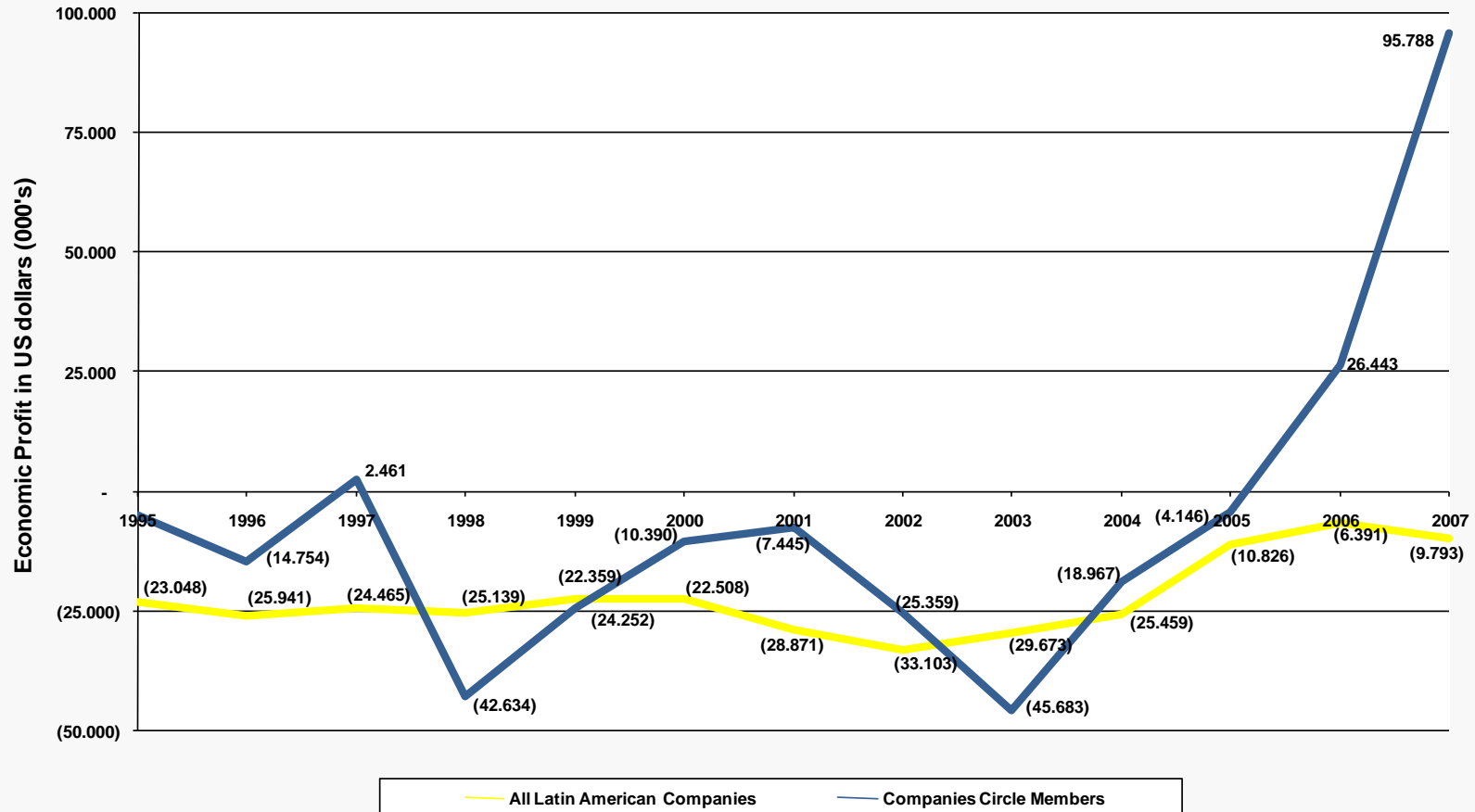
The value of CG: better operational results than the market average



Selected operational indicators of the 14 Companies Circle members against mean indicators of all Latin American listed firms. Used the average indicator of each firm for 3 years (2005 to 2007 results).

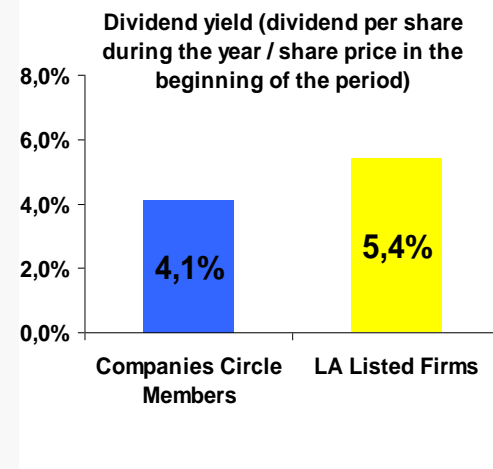
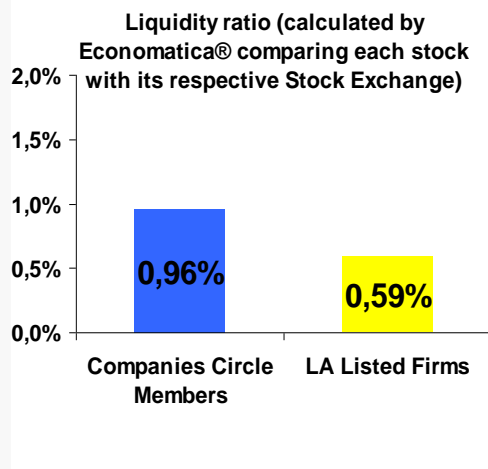
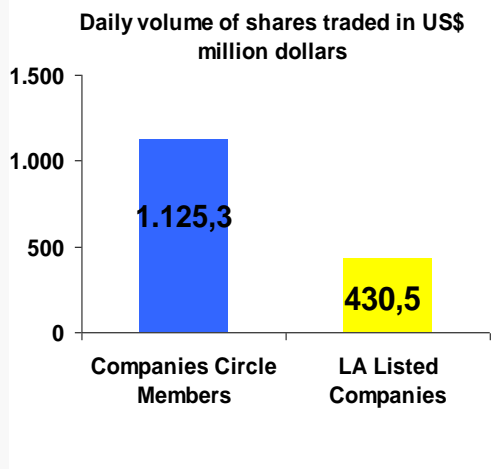
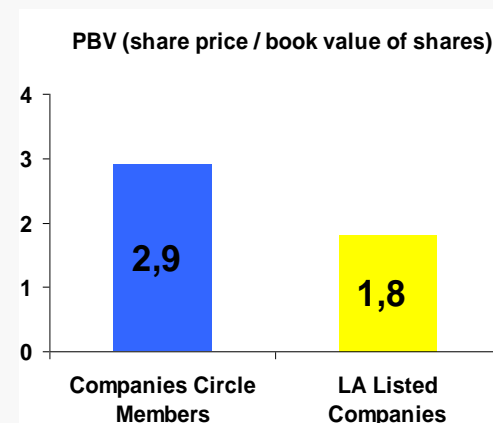
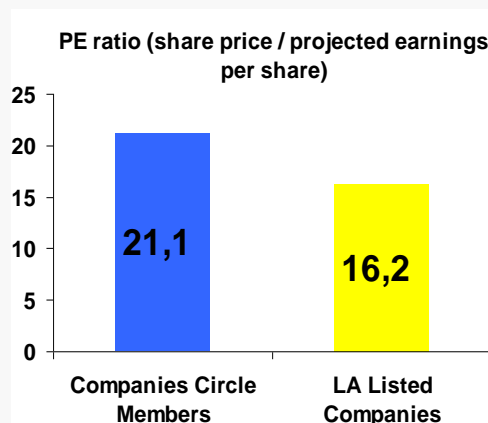
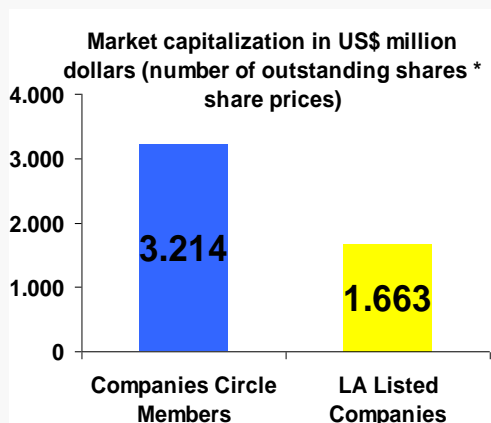
Improvements in CG positively impact operational wealth creation

Economic Profit (EVA® proxy) from 1998-2007
14 Companies Circle Members vs. All Latin American Companies



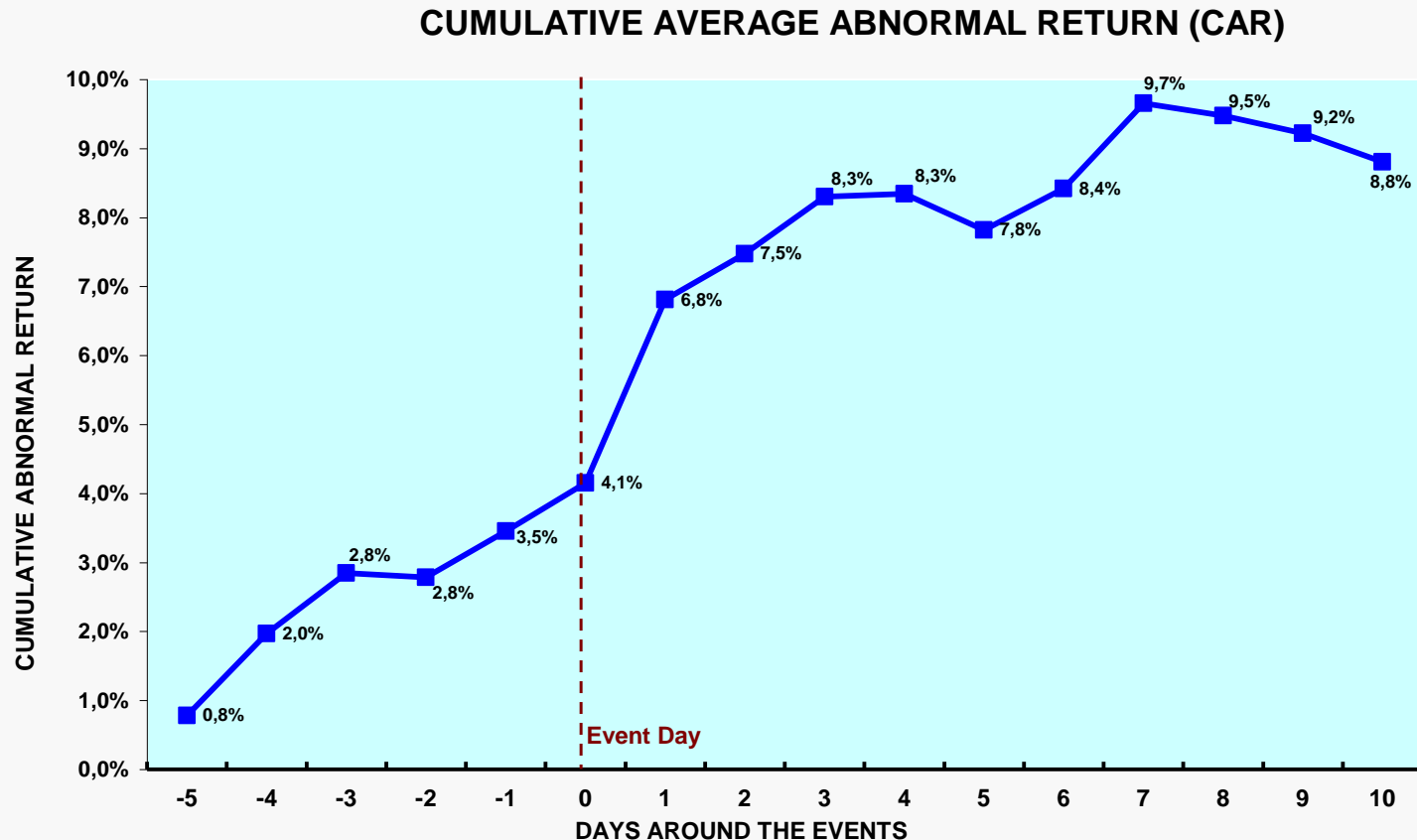
Evolution of the yearly economic profit (a simplified version of EVA®) of all 14 Circle members against mean indicators of all Latin American listed firms from 1995 to 2007. (period companies substantially improved their CG)

Cost of equity: consistently better market indicators than the average in the LATAM market.



Selected market indicators of the 14 Circle members against mean indicators of all Latin American listed firms. Used the average indicator of each firm for 3 years (2005 to 2007 results).

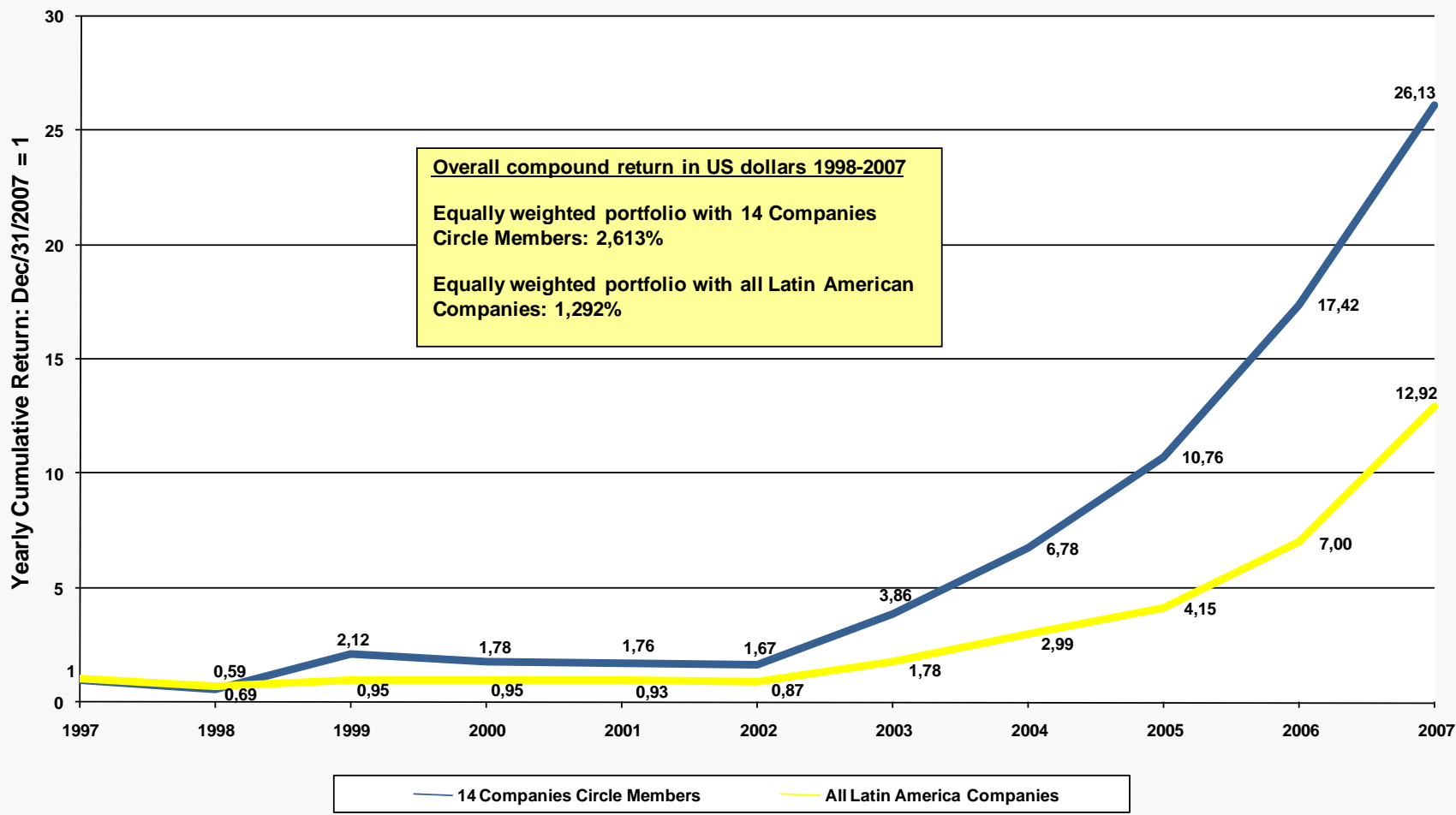
Unexpected announcements of improvements in CG practices positively impact stock prices



The core idea is to investigate if the firms presented positive abnormal returns during the period (event window) around the announcement of CG improvements. 23 events from 1998 to 2007 were studied. .

Better investment option to shareholders, yielding higher yearly stock returns






Yearly Cumulative return: 1998-2007
 14 Companies Circle Members vs. All Latin American Companies



* Source: Economática® database.



Practical Guide: revision status

<i>Book chapter</i>	<i>Completeness level</i>
Chapters 1, 2, 3, 4	0  100%
Chapters 6	0  100%
Chapter 7	0  100%
Chapter 5	0  100%
Introduction and Preface	0  100%



Launching proposed schedule: English version

English Version		
<i>Week</i>	<i>Due date</i>	<i>Task</i>
4 th week of Dec	30/12/09	Chapters 5, 6, 7 final revision
3 rd week of Jan	14/1/09	Final revision by the leadership of IFC/GCGF/OECD
	16/1/09	Adjustments required
4 th week of Jan	19/1/09	Chapters 1 to 8 sent to companies
	22/1/09	Introduction and Preface ready
2 nd week of Feb	9/2/09	Material back from companies
4 th week of Feb	25/2/09	Professional revision done
2 nd week of Mar	10/3/09	Sponsor organizations final revision
2 nd week of Mar	11/3/09	Sent to companies
4 th week of Mar	25/3/09	Back from companies
2 nd week of Apr	8/4/09	Designer formatting ready
3 rd week of Apr	15/4/09	Final revision from sponsor organizations
4 th week of Apr	22/4/09	Printing proof approval
3 rd week of May	13/5/08	Printing ready
June 23rd	23/06/09	Launching



Launching proposed schedule: Spanish & Portuguese versions

Spanish and Portuguese Versions

<i>Week</i>	<i>Task</i>
2 nd week of Apr	Material sent to translators
4 th week of Apr	Back from translators
1 st week of May	Revision from sponsors
3 rd week of May	Material sent to companies
1 st week of Jun	Back from companies
3 rd week of Jun	Professional revision done
4 th week of Jun	Final revision from companies
1 st week of Jul	Designer formatting ready
2 nd week of Jul	Final revision from sponsor organizations
3 rd week of Jul	Printing proof approval
2 nd week of Aug	Printing ready
From 3 rd week of August on	Launching events in countries where members could support the organization of an event



Constrains to proceed with other versions in the 1st half

- ❑ Sponsor organizations may not have funds to proceed with Spanish and Portuguese version in the 1st half (same fiscal year).
- ❑ Alternatives:
 - Obtain sponsorship from “governance providers” (auditors, law firms, banks)
 - Circle members to contribute with the financing of the books.
- ❑ Last session will be dedicated to discuss the 2009 action plan



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Corporate Governance Value: companies perception

- ❑ Institutionalization with less dependence on specific persons for running the business;
- ❑ Higher confidence of the investment community;
- ❑ Better access to credit options, including long-term capital from development banks;
- ❑ Better recognition among all stakeholders, including several national and international institutions;
- ❑ Higher confidence for carrying out mergers and acquisitions, due to higher transparency standards; and
- ❑ Substantial improvement of business processes, including internal controls and supervision of the decision making process.