



Board Nomination and Selection

External Frameworks and Internal Practices in
Latin America

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- I. The Study & Participating Institutes
- II. Main Findings
Framework; Nomination; Election; Disclosure
- III. Issues for Discussion

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The Study



Questionnaire designed to capture external framework as well as internal practices on Board Nomination in the region.

Participating Institutions:

Country	Institute
Argentina	Instituto Argentino de Gobierno de las Organizaciones (IAGO)
Brazil	Instituto Brasileiro de Governança Corporativa (IBGC), IBGC's Legal Commission
Chile	Centro de Gobierno Corporativo y Desarrollo de Mercados, University of Chile
Colombia	Confederación Colombiana de Cámaras de Comercio (Confecamaras)
Costa Rica	Instituto de Gobierno Corporativo - Costa Rica (IGC – Costa Rica)
Mexico	Centro de Excelencia en Gobierno Corporativo (CEGC)
Panama	Instituto de Gobierno Corporativo de Panamá (IGCP)
Peru	Asociación de Empresas Promotoras del Mercado de Capitales (Procapitales)

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Framework for Board Composition



Issue	Rules/Practice
Board Size, Length of term	Mostly left to bylaws, setting minimal benchmarks
Number of Directorships	Unregulated, apart from Colombia with max. Nr of 5 directorships at a time; Brazil recommends setting parameters for duration of independence
Independence requirements	Legally binding requirement in Chile, Colombia, Mexico; in Argentina implicitly via independent Audit Committee requirements, in Brazil for companies listed on Novo Mercado and Level 2

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Nomination Process



Issue	Rules/Practice
Identification	Informal, commonly based on network of controlling shareholder; larger corporations with more formal search process
Pool of Candidates	Appears sufficient; 2 institutionalized databases of director candidates in Brazil and Chile
Nomination	Nomination committees play only a small role; lack of formal structures facilitates dominance of controlling shareholder
Shareholder cooperation	Still rare, mainly AFPs in Chile and Peru, as well as other IIs in Brazil

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Elections



Issue	Rules/Practice
Slate/Individual	Mostly left to companies, Slate elections dominate
Regular/cumulative voting	Mostly regular, but cumulative voting allowed everywhere; in practice only applied in Chile; shareholders can request cumulative in Brazil
Separate elections	Independent directors elected separately from slate in Colombia; can be requested in Brazil
Modes of voting	Show of hand mostly, ballot in Chile and Colombia; proxy voting allowed, but rarely applied due to lack of information in advance; electronic voting allowed in 4 jurisdictions, but in infancy.

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Disclosure/Transparency



Issue	Rules/Practice
Ownership structures	Ownership of listed companies has to be disclosed everywhere and is in general available for shareholders and the public
Advance information on nominees	Only Brazil, with CVM Rule 481 requires disclosure of information on nominees together with AGM notice
Disclosure after elections	Most frameworks only require disclosure of list of names without substantial information after the election; some do not cover the issue at all

- How far can best practice recommendations go in improving board nomination and election practices; where should the policy-maker set parameters in order to advance board processes in the region?
- Given the dominant role of controlling shareholders in the region, what kind of nomination process is likely to reinforce more effective boards?
- Is there a role for nomination committees, or is another form of a structured process more likely to lead to desired results?
- Should board evaluations be communicated to shareholders to influence board nomination and composition, or are there other ways to factor in the performance of directors into the nomination process?
- How can moving beyond the typical network of the controlling shareholder be achieved?
- How can companies (and shareholders) be persuaded to disclose candidates earlier?