Latin American Companies Circle

USEFUL PRACTICES TO CONSIDER FOR THE
ANNUAL GENERAL MEETINGS
BASED ON EXPERIENCES FROM THE LATIN AMERICAN COMPANIES CIRCLE

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# Table of Contents

**ACKNOWLEDGEMENTS** ...........................................................................................................................................iii

1. **INTRODUCTION AND BACKGROUND** .............................................................................................................. 1

2. **EXECUTIVE SUMMARY** ........................................................................................................................................ 2

3. **SUMMARY OF FINDINGS** ....................................................................................................................................... 3
   3.1 Presentation of business results .......................................................................................................................... 3
   3.2 Election of the Board of Directors .................................................................................................................. 6
   3.3 Disclosure of director and executive management compensation ........................................................................ 8

4. **PRACTICES THAT SHOULD BE CONSIDERED** ................................................................................................. 9
   4.1 Regarding the presentation of business results at the AGM, the Companies Circle recommends companies to consider .......................................................................................................................... 9
   4.2 Regarding the information on the election of the Board of Directors, the Companies Circle recommends companies to consider .................................................................................................................. 10
   4.3 Regarding information on board and management compensation, the Companies Circle recommends companies to consider ........................................................................................................................................ 12

5. **POINTS OF FURTHER REFLECTION/STUDY** ...................................................................................................... 12

**ANNEX. DETAILED FINDINGS** ................................................................................................................................ 13
Acknowledgements

The report *Useful Practices to Consider For the Annual General Meetings Based on Experiences from the Latin American Companies Circle* is a result of the exchange of experiences between the members of the Latin American Companies Circle and their commitment in contributing to the promotion of the corporate governance best practices in the region as a means of improving the performance of the companies.

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1. Introduction and Background

These Useful Practices to Consider for the Annual General Meetings (AGMs) (hereafter Useful Practices, or the document) has been developed by the Latin American Companies Circle. The Circle is an elite group of Latin American firms that have demonstrated leadership in advocating and practicing governance improvements for companies throughout Latin America. The Circle is composed of 17 companies: Los Grobo from Argentina; Algar, Bematech, CCR, CPFL, Embraer, Natura, and Ultrapar from Brazil; Argos, Carvajal, and ISA from Colombia; Florida Ice from Costa Rica; Compartamos and Homex from Mexico; Buenaventura, Ferreyros, and Graña y Montero from Peru.

This document is based on experiences of the Circle member companies and takes into consideration limited analysis of the legal and regulatory environment and voluntary corporate governance codes in Argentina, Brazil, Colombia, Mexico and Peru,¹ as well as the companies’ own practices and covers the following areas related to the practices for the AGMs:

- Presentation of business results;
- Election of the Board of Directors; and
- Board and management compensation approval.

The objective of these Useful Practices is to share a set of good practices for companies in Latin America to consider while developing or improving their respective policies and practices for AGMs in the three key areas analyzed by the Circle. These good practices derive primarily from the experiences of the members of the Circle, most of which are listed companies, and therefore may be relevant for other publicly-listed companies of the region. At the same time, many of the practices might be relevant and could be adopted by non-listed companies as well. Furthermore, this document does not expect that all Circle members will follow these practices or suggest that companies should follow all of suggested practices—each company is unique and should consider its own circumstances such as local laws and regulations, the ownership patterns, history and culture, market practices, needs and requirements of its relevant stakeholders, local or foreign, governmental or private.

The Companies Circle views these Useful Practices as a living document and eventually may be periodically updated to reflect the changing realities, and emphasize additional points and developments in the corporate governance field as an evolving area. At the same time, the members consider that companies in Latin America could benefit from this document and gradually improve their relevant practices where such improvements are necessary.

¹ Information regarding the legal and regulatory framework on General Meetings and recommendations in this area are not meant to be exhaustive but rather are a compilation of important sources. This information is as of [January 1, 2012] and might be updated accordingly in future versions of this document.
2. Executive Summary

The analysis of the legal and regulatory framework of the relevant countries mentioned above and their voluntary recommendations regarding the organization and contents of the AGMs of Shareholders revealed the following main findings:

• The legal and regulatory frameworks in the reviewed jurisdictions have evolved significantly, especially in the last six years. The most recent legal and regulatory developments in the surveyed jurisdictions occurred in Brazil (2009 and 2011), Colombia (2007), and Mexico (2006 and 2012). The mandatory rules typically cover information disclosure enabling shareholders to understand: i) the performance of the company, ii) the identity and professional experience of the nominated director candidates, and iii) the compensation strategy for directors and senior executives and the policy considerations that drive such compensation.

• Apart from the mandatory rules in this area, generally significant reliance on and convergence of voluntary corporate governance codes can be observed. Voluntary codes typically contain additional information on good practices and in some cases give more guidance than is included in the relevant legislation and regulation.

• In Brazil, BM&FBOVESPA announced amendments to the listing rules for companies on the corporate governance differentiated segments of the Novo Mercado, Level 1 and 2 on September 9, 2010. The relevant changes included, among other things, the chairman/CEO separation and the implementation of a code of conduct. These amendments became effective in May 2011. CVM Instruction 480 on securities issuers’ rules, enacted in 2009, broadened and further specified what information has to be published by issuers of securities ahead of the AGM. This includes information on Board committees, Board member candidates, compensation schemes, financial performance, risk, and strategy, among others.

• In parallel with improvements in the legislation, the 4th edition of the IBGC (Brazilian Institute of Corporate Governance) Code of Best Practices was released in 2009, incorporating recommendations on the disclosure of compensation schemes and the detailed responsibilities of the human resources committee. In addition, the Brazilian Orientation Committee on Disclosure (CODIM) has issued several recommendations in the last six years, guiding companies to best practices on disclosure of information. It is commonly recognized in the market, and the Companies Circle concur, that the level of disclosure required in Brazil nowadays is equivalent to those required in the U.S. and other developed financial markets.

• In Mexico, the 2006 Securities Market Law and its implementing regulation issued by the Mexican National Banking and Securities Commission established an improved framework for AGM practices. Additionally, the 1999 Best Practices Code, revised in 2010, provides for certain recommendations in this area. Finally, the Mexican Stock Exchange requires that listed companies (SABs) annually disclose the extent of their compliance with the Code’s provisions, thus reinforcing the good practices in AGMs.
• The Companies Circle members believe that the best way to achieve effective AGMs is to release all information necessary in advance, and to give investors the opportunity to discuss it with the company prior to the AGM, therefore allowing investors to make informed decisions on agenda items and arrive to the AGM ready to vote. In this way, the AGM becomes a meeting focused on deliberating on matters important for the company and high level discussions about the business with the directors and executives.

• At the AGM, the presence of the chairman of the Board of Directors, the chief executive officer, the chief finance and investor relations officer should be mandatory to talk to investors.

• Paradoxically, while AGM practices have evolved significantly in Latin America, attendance and participation by institutional shareholders in the AGMs is still not as high or as informed as one would expect in light of their role and responsibilities. As such, institutional investors should be encouraged to improve their practices, including on the basis of the recommendations from the Latin American Corporate Governance Roundtable’s *White Paper, Strengthening Latin American Corporate Governance: the Role of Institutional Investors.*

3. Summary of findings

3.1. Presentation of business results

3.1.1. Information to be presented

Approval of the companies’ financial statements and distribution of earnings is one of the central topics of any AGM. Accordingly, the companies should seek to provide their shareholders with a comprehensive description of the business and financial performance during the reporting year so that the shareholders are able to understand and approve these subjects. Appropriate disclosure is necessary for shareholders to make informed decisions.

In general, the contents of information to be considered in the AGMs include financial statements (the Balance Sheet, the Profit and Loss Statement, the Cash Flow Statement and the Changes in Equity Position), management reports about the business operations and performance (major operational facts during the period), management’s discussion and analysis of results with facts and decisions that affected the company’s performance, and the proposal for distribution of earnings. Additionally, companies address risks and strategy, subject to relevant limitations. In general, this information and corresponding documents are previously assessed by audit

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3 For more details on individual countries, see Annex I, part I.
committees, the Board, any other supervisory bodies and external auditors, which issue their independent opinions on the information provided.

3.1.2. How the information is presented

Listed companies worldwide use different methods to present their results to shareholders during AGMs. A common practice is the remittance to shareholders of hard copies or electronic versions of the reports ahead of the AGM, followed by a shorter discussion or Q&A session during the AGM before the voting.

Another method used is a more complete slide presentation conducted by the company’s leadership, explaining the main aspects and variances of the results, followed by a Q&A session, and the voting. For example, in Brazil, Natura has held interactive AGMs with main executives and the chairman of the Board discussing the business with shareholders.

In Latin America, generally, the annual financial statements are released 15–45 days prior to the AGM. Companies’ executives usually disclose the results followed by a conference call or a live meeting with investors in order to explain these results and any questions that may arise. This process is very useful to prepare investors in advance of the AGM. In addition, publishing quarterly earnings results and holding interim public conference calls with the investor community has become a common practice. Therefore, during the year investors have ample access to i) the current and relevant information on the company’s performance, and ii) management to discuss and understand the results, strategy, and outlook.

The recent regulatory changes in Brazil (CVM Instructions 480 and 481) established additional minimum disclosure standards regarding preparatory information for AGMs, which must be provided at least 30 days prior to the AGM (“Formulário de Referência”). The best practice in Brazil is to release information electronically, in simple language, with easy access via the company’s website, and to have company representatives available to explain the information and clarify questions prior to the AGM through conferences calls open to all investors.

In Mexico, advance notification required by law is 15 days. In Peru, this requirement states that the relevant information should be available for the shareholders at the time of the call for the AGM, which must be called at least 25 days in advance. Audited financial statements and first draft of annual report must be submitted for approval and published simultaneously to be considered at the AGM.

In Colombia, financial information must be available for every shareholder at least 15 days before the AGM. The Código País recommends as a good practice to show that information in the company’s website, and also suggests that the information might be completed with the one from the other companies from the Group. Additionally, the securities’ issuers (emisores de valores) are obliged to reveal the non-audit financial statements at the end of every three months. It is common practice to have a meeting after revealing the financial statements in order to explain the results.
Advanced disclosure of financial information and availability of the company’s leadership in investor conferences enables the shareholders to be ready to make informed decisions ahead of the AGM and use the meeting to discuss and deliberate about important matters for the company and its business performance, instead of using the meeting as an information forum.

3.1.3. Efforts to ensure the reliability of disclosed information

The shareholders’ decisions in AGMs are based on information disclosed by the company. Thus, it is essential to ensure that all information provided is accurate and reflects not only actual data about the business events and executive judgments made, but also business practices that guarantee the quality and integrity of the information disclosure.

This means that governance mechanisms to ensure the reliability of information must be in place. In Argentina, companies are required to disclose the mapping of their decision-making processes and internal control systems. In Brazil, the securities market regulator (CVM instructions 480 and 481) requires the management to comment specifically on the internal controls adopted to ensure the accuracy of financial statements, indicating the level of efficiency of such controls, any deficiencies (pointed out by independent external auditors) and measures to address such deficiencies. In addition, the executive officers of Brazilian companies must certify in writing the accuracy and completeness of the financial information provided to shareholders. Besides this, for Brazilian companies listed in the United States, the Sarbanes-Oxley Act requires an independent review or audit of the internal control system used in the development of financial reporting.

In addition to controls over financial reporting, some Circle companies have risk management departments that provide compliance information against pre-determined risk factors, produce risk matrices that cover all business activities, operational and financial risks to which the company is exposed, and the relevant mitigating measures. One example of how such information is provided is section 22 of the quarterly interim financial information disclosure by Ultrapar (www.ultra.com.br). In 2009, Ultrapar also developed and implemented an innovative risk matrix to monitor its internal controls, an initiative that received an award by the Brazilian Corporate Governance Institute (www.ibgc.org.br).

In Peru, companies with securities listed in the Stock Exchange must present annual audited statements that include a disclosure of main risks. The external auditors should also publish a document with observations and recommendations regarding the accounting processes and controls in the company as part of sound auditing policies. It is considered good practice to disclose this report and discuss it in the Board. In Peru, SMV, Superintendencia de Mercado de Valores del Perú, has required public companies to adopt International Financial Reporting Standards since 2011.

The implementation and proper communication of internal controls and risk management systems in the companies enhance the ability and confidence of shareholders to analyze presented business results. Indeed, as disclosure requirements and practices have improved, the main point
of discussion in corporate governance codes has been the accuracy of the information released, financial and operational risk management, and the effectiveness of external auditors. A good example can be found in the Calpers Global Principles of Accountable Corporate Governance. The Calpers Principles state that operational, financial, and governance information about companies must be readily available and transparent to allow accurate market comparisons, including disclosure and transparency of objective globally accepted minimum accounting standards, such as IFRS. The Calpers Principles do not specify what type of information should be included together with the financial statements but, instead, focuses on the integrity of the financial reports and information disclosed.

3.1.4. How information presented is approved

To ensure that information provided to shareholders for the AGM meets all of the company’s clearance processes in relation to its quality and legitimacy before it is publicly disclosed, several approval steps are followed by companies in Latin America.

Normally, information on business results to be approved at AGMs is prepared by the company’s financial departments, reviewed and discussed with the external auditors, which, in turn, prepare an independent opinion to be included in the financial statements. These financial statements are then approved by the Chief Accountant, supervisory bodies, the Executive Board and the Board of Directors including its Audit Committees or similar bodies, to be further submitted to the AGM.

3.2. Election of the Board of Directors

3.2.1. Information to be presented about candidates

The presentation of information about the candidates for election to the Board of Directors is very important as it provides shareholders with the ability to decide on who will oversee the executive management of the company on behalf of shareholders.

In general, regulations in the countries analyzed do not seem to cover disclosure of the other existing assignments of the director to determine if he/she has the necessary time to dedicate to the company or (where election of the Board takes place through a slate process) disclosure of the rationale for the nomination due to his/her mix of director attributes, experiences, diverse perspectives and skill-sets that are most appropriate for the company.

In general, regulations in Brazil have focused on informing shareholders of curriculum vitae and any type of conflict of interests of director candidates (i.e., relationship with key corporate staff,

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who is nominating him/her, negative sanctions from capital market regulatory bodies, or negative administrative or judicial decisions restricting the exercise of his/her office, relationships of reporting or service, or control nature with a subsidiary, with the parent company, or material relationships with a supplier, customer, debtor, or creditor).

In Brazil, the recent CVM regulation expanded the information to be presented to the AGM about Board and Fiscal Council candidates. This information typically consists of the candidate’s demographic data, professional experience, current and past positions occupied (especially in listed companies), and some information about the candidate’s independence and potential or existing conflicts of interests.

A major concern in Latin America is the adequate presentation of the relevant information on candidates to shareholders ahead of time, as sometimes it is presented to shareholders only minutes before the AGM. For example, in Brazil there is no requirement for non-controlling shareholders to present their candidates 30 days prior to the AGM. As a consequence, non-controlling shareholders often do not disclose their candidates ahead of time to the company, and, therefore, the company is not in a position to disclose the candidacy to the rest of the shareholders and the market in advance of the AGM.

In other Latin American countries, companies are not generally required to provide background information on director nominees prior to the AGM. The Colombian Best Practice Code recommends that the list of candidates be made available in advance through the company website but does not specify what background information to provide on the nominees. The Peruvian Best Practice Code recommends that the Board should ensure a formal and transparent procedure for the election of Board members, but it doesn’t specify the details of information to be provided.

### 3.2.2. Election Voting Processes

In AGMs where the shareholders vote by proxy to elect the members of the Board of Directors, the election process has to fulfill different legal and statutory requirements and can utilize electronic voting mechanisms.

The most important aspect is the format of the proxy statement and the information it contains. The proxy must contain all information that provides comfort to the shareholders to exercise their voting rights, providing adequate disclosure not only about the candidates, but also about the shareholders that requested and financed the proxy votes.

A recent amendment to the Brazilian Corporate Law foresees the possibility of virtual shareholder participation and voting in AGMs eliminating the need of a legal representative or attorney at law in the meeting. This opens a possibility of replacing a physical registry book of attendance with an electronic registry book. However, investors and companies are still not comfortable enough with the electronic voting mechanisms available in the market and await specific guidance from the CVM on the matter.
In Peru, in most cases nominations are announced during the AGM. Candidates present themselves to the Board chair, and he/she announces them during the AGM. Pension funds, important investors in the Lima Stock Exchange, have developed a list of independent Board members and they propose candidates to the chairman of the Board some days in advance of the AGM.

In some Circle companies, there are Nomination Committees or equivalent bodies that prepare and discuss the information necessary to nominate candidates to the Board of Directors. This nomination process, in the case of Argentina, should be disclosed to shareholders.

3.3. Disclosure of director and executive management compensation

3.3.1. Information to be presented to shareholders

Latin American markets are still evolving on the issue of what information on director remuneration and executive compensation should be disclosed and to what level of detail. Fears for personal security of high-earning directors and managers influences this issue, keeping it out of the regulatory arena until recently, but following concerns raised in the context of the global financial crisis, regulations and corporate governance codes have begun to address these issues in some Latin American countries.

Brazil is at the forefront of this process. The CVM requires a wide disclosure on policies related to fixed and variable remuneration, not only the total amount but also the maximum and minimum amounts granted individually, as well as other information, which makes the Brazilian requirements the broadest in the region. However, some Brazilian companies, based on an injunction, do not disclose yet the highest and lowest individual remuneration. The Brazilian corporate law requires that the total annual compensation to be paid to the Board and executives be approved by shareholders.

Argentina, Brazil, and Mexico require the disclosure of remuneration figures, policies, option plans, and any other compensation plans.

In Peru remuneration disclosure is required in a lump sum for Board and management, as a percentage of income.

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5 Based on an injunction granted by the Federal Justice in Rio de Janeiro, some companies in Brazil do not disclose the maximum, median and minimum amount paid to each of the board of directors and board of executive officers. Approximately 25 companies are currently using such collective injunction. Due to the injunction, the Brazilian Securities Exchange Commission does not impose any penalty for non-disclosure on such companies that are making use of the injunction.
To add transparency and eliminate conflicts, not only the disclosure of compensation amounts but also the policies that generate the figures are required to be disclosed to shareholders in the AGMs.

The best practice companies disclose the philosophy behind their compensation programs, the guidelines to granting stocks/options to executives/Board members, the drivers for variable compensation and how these elements align the interests and incentives of the directors and top management with the objectives of the company and interests of shareholders.

### 3.3.2. Compensation policies and remuneration approvals – the role of the Compensation Committees

As requirements to implement and disclose compensation policies evolve, the compensation committees are becoming more common in Latin American public companies.⁶

Although a compensation committee itself is not expressly required under the Mexican law, similar functions are performed by the corporate governance committee. The Brazilian regulatory framework does not require a compensation or corporate governance committee. In Argentina, the Comisión Nacional de Valores requires companies to disclose whether a remuneration committee is considered adequate.

Corporate governance codes and regulatory frameworks have focused on the disclosure requirements to allow investors to judge whether companies have established appropriate incentives for its Board and executives, and whether there is an oversight on the remuneration/compensation schemes developed by (independent) compensation committees.

### 4. Practices that should be considered

#### 4.1. Regarding the presentation of business results at the AGM, the Companies Circle recommends companies to consider:

4.1.1. Disclosing the audited financial statements, a discussion of operational results/report on the company’s performance, risk management, and governance systems at least 30 days ahead of the AGM. The companies can take measures to prepare all their shareholders in advance of the AGM by making appropriate company personnel (including a member of the executive management team) available within this timeframe to discuss the results and strategy with investors before the AGM.

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⁶ Among the Companies Circle members the following companies have a compensation committee or equivalent body are: Argos, Ultrapar, CPFL, Buenaventura, CCR, Embraer, Ferreyoros, Homex, ISA, Marcopolo and Natura.
4.1.2. Including in the discussion of operational results/report on the company’s performance the following information:

- Linking the evolution of sales, profitability, and cash flows with the economic and operational context of the company, the strategies pursued by management, and implications on human resources, marketing, information technology, operations, etc.

- Focusing on the views and perspectives of the company, thus facilitating understanding of its performance from the company’s perspective rather than relying principally upon the reports of market analysts.

4.1.3. Explaining the internal controls and risk management systems in place, considering areas (economic, financial, operational, IT, innovation, branding etc), policies (limits, responsibilities, enforcement) and processes, so as to allow investors to evaluate the reliability of information.

- Make a statement on the adequacy of the company’s risk management and governance systems and confirm the compliance of internal control mechanisms.

4.1.4. Providing information necessary and sufficient for investors to understand the company’s operations and results and the expectations in future excluding the disclosure of information that may jeopardize the company’s competitive positions or adversely affect its interests.

4.1.5. Releasing the financial statements and the annual report in English simultaneously with the local language if the company has international investors or seeks to access such investors. Subject to applicable legal or regulatory requirements, the disclosure of the report in English and other language(s) may not be necessary if all foreign investors have local structures and have the possibility to understand the local language version of the statements.

4.2. **Regarding the information on the election of the Board of Directors, the Companies Circle recommends companies to consider:**

4.2.1. Indicating under the call notice all necessary information and procedures required for shareholders to propose, vote, and elect the Board of Directors.

4.2.2. Including in the proxy statement (or applicable supporting materials for the AGM) all material information about Board candidates nominated by the company, covering at least the following:

- Professional background for a minimum of five years,

- Experiences relevant for this nomination,
Experience on other Boards,

All current positions – Board-related or not,

Relationship with the company’s controlling or significant shareholders, suppliers, clients, associates and other affiliates, other Board members and senior management and their respective families,

Direct or indirect ownership of the company’s shares or the stock of its affiliates and/or subsidiaries, and

Other relevant information to enable shareholders to make an informed decision about the best candidates.

4.2.3. Seeking the diversification of their Board membership based on expertise, experiences, and skills that are relevant for the industry and company’s aspirations (for example, balancing industry expertise, access to local, regional and/or international product and capital markets, business or management experience, customer-base experience or perspective, ability to respond to crisis, leadership, strategic planning and personal skills and characteristics). Additionally, the composition should consider time availability and commitment to the company’s objectives consistent with shareholders’ expectations.

4.2.4. Nominating a sufficient number of directors capable of objective and independent thinking to meet the required standards and demonstrate the company’s commitment to good corporate governance and observance of the interests of all shareholders.

4.2.5. Consulting in advance of the AGM season with the shareholder base including significant shareholders, institutional investors, and representatives of key minority shareholders before proposing the company’s candidates, so that the opinions and interests of the diverse groups of shareholders are taken into account. This will facilitate reaching a consensus and avoiding potential contested elections.

4.2.6. Designing a simple and objective nomination process for shareholders, particularly those entitled by local law to nominate/appoint Board members. Shareholders should have the ability to propose candidates or a slate of candidates (depending on the applicable mechanism in the specific country) by sending written communication to the company and complying with regulatory and statutory requirements in terms of the mandated qualifications or information. Shareholders interested in nominating candidates should submit to the company relevant information about them and all material information on the proposed candidate(s) as recommended under the list included above for company-nominated candidates.

4.2.7. Encouraging shareholders to present their candidates or slate of candidates to the company as early as possible but at least one week prior to the AGM as to allow the company to communicate this information to all other shareholders as well. The company should publish information on the candidates proposed by shareholders promptly on its website or another easily accessible mechanism of information consistent with legal and statutory requirements.
4.2.8. Introducing electronic voting mechanisms to facilitate shareholders to exercise their voting rights more easily, where such mechanisms are available, reliable, including from a legal standpoint, and affordable to the companies.

4.3. **Regarding information on board and management compensation, the Companies Circle recommends companies to consider:**

4.3.1. Disclosing Board and executive compensation programs in the annual report, including information to judge the drivers of incentive components of the compensation packages.

4.3.2. Releasing information sufficient for investors to be able to judge whether the companies have established appropriate compensation schemes for their executives, how these packages were designed, whether there is an oversight of such schemes performed by the Board or a compensation committee of the Board composed by a majority of independent members.

4.3.3. Explaining how the compensation packages align the interests of directors and senior management with those of shareholders and properly incentivize them in line with the human resources strategy.

5. **Points for further reflection/study**

AGMs practices have had significant development in Latin America, especially in the past six years. Nonetheless, in the experience of the Company Circle members, the attendance and participation by institutional shareholders to the AGMs are still below the levels that one would expect in light of their role and stewardship responsibilities, especially in companies without a controlling shareholder. When present, many institutional shareholders are often represented by a third party service provider without delegation rights for discussion and decision-making (if necessary). In addition, institutional shareholders often outsource their voting decision and/or analysis to voting advisory firms that assist institutions globally and may not have the deep knowledge on the local law and procedures, on the companies, and on its proposals. Companies from different countries often testify of not fully informed advice given by voting advisory firms, which have even provided voting recommendations that were against the interest of their clients. Based on that, the Companies Circle would suggest to further study and analyze this topic regarding the role and responsibilities of (institutional) investors in AGMs.
Annex. Detailed Findings

The legal and regulatory framework and the practices of companies that form the basis of this study were provided by Companies Circle members for their respective jurisdictions and from their own experiences. Corporate governance codes listed below reflect the importance of those codes in the respective jurisdictions.

### Regulatory Framework and Corporate Governance Codes

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<tr>
<th>Country</th>
<th>Regulatory Framework</th>
<th>Corporate Governance Codes</th>
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<tbody>
<tr>
<td>Argentina</td>
<td>Regulatory disclosure requirements (Company Law, Decree 677/01 &amp; Comisión Nacional de Valores - Circular 516/07)</td>
<td>Código de Mejores Prácticas - Instituto Argentino de Gobierno de las Organizaciones (IAGO, 2004)</td>
</tr>
<tr>
<td>Brazil</td>
<td>Regulatory disclosure requirements (Brazilian Corporate Law and CVM Instructions 480/09, as amended, and 481/09)</td>
<td>Brazilian Corporate Governance Institute (&quot;IBGC&quot;, 2009) Code of Best Corporate Governance Practices of Previ – Banco do Brasil Pension Fund, 20XX)</td>
</tr>
<tr>
<td>Colombia</td>
<td>Colombian Commercial Code (modified in 1995) Securities Law please confirm the date and if there was any amendment on that</td>
<td>Colombian Corporate Governance Code (2007)</td>
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<td>Others</td>
<td>Calpers Global Principles of Accountable Corporate Governance (2010)</td>
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<td>Hermes Corporate Governance Principles (2009)</td>
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I. Presentation of Business Results

a) Overview of the Information to be Disclosed to Shareholders

In addition to disclosing and publishing audited annual financial statements, additional information on business results is legally mandated or recommended by best practices codes to be disclosed for the AGMs as summarized in the following overview for each respective country.

Argentina

Mandatory Requirements

In Argentina, an annual report (memoria anual) is legally required to be presented by companies to their shareholders. This report should include a discussion on:

(i) State of the company and a projection of future operations
(ii) Significant variations;
(iii) Extraordinary expenses and profits;
(iv) Dividend proposals;
(v) Creation of special reserves; and
(vi) Relationship and transactions with controlling and controlled companies.

Recommendations for Voluntary Adoption

Based on a “comply-or-explain” requirement, listed companies in Argentina should disclose their degree of adherence to the country’s Governance Code, which includes provisions on the content for the managerial report on a company’s performance including:

(i) Main effects caused by acquisitions or asset divesting;
(ii) Performed investments and projections;
(iii) Funding sources for working capital and investments;
(iv) Any qualified opinion from the auditors and use of net earnings;
(v) Capital structure;
(vi) Possibility of shares repurchase; and
(vii) Main financial contracts.
The Best Practices Code (Código de Mejores Prácticas de Gobierno de las Organizaciones para la República Argentina) in Argentina recommends that shareholders be provided with sufficient information for decision-making purposes at the AGM, including share repurchases, capital variations and extraordinary transactions and agreements.

In addition, the foregoing voluntary code recommends that financial information be timely disclosed to shareholders (and the market), which should include extraordinary financial transactions, requirements for new investments, unusual losses, legal charges, use of special reserves, and asset disposals. Finally, financial statements are recommended to include any share repurchases and the capital structure of a company.

Brazil

Mandatory Requirements

Applicable regulation in Brazil requires that listed companies present a management’s proposal to shareholders and include information on:

(i) Management report on companies’ performance, with detailed operational and financial performance, including main effects on acquisition or asset divesting may have caused, performed investments and projections, funding sources;

(ii) Capital structure and the possibility of share repurchase;

(iii) Ability to perform payments in connection with financial obligations;

(iv) Sources of funding for working capital and for investments;

(v) Leverage and debt description;

(vi) Main financial contracts;

(vii) Other long-term relationship with financial institutions;

(viii) Any qualified opinion from the auditors;

(ix) Assertion of internal controls on financial reporting;

(x) Description of the share capital, description of off-balance sheet items; and

(xi) Use of net earnings.
Recommendations for Voluntary Adoption

The Code of Best Corporate Governance issued by Previ—the Banco do Brasil Pension Fund—recommends companies to address the following matters within the management report:

(i) Analysis of key determinants of results, including macroeconomic aspects, competitive effects, investment and debt policy, off-balance-sheet transactions, in addition to information on non-recurring effects;

(ii) A company’s plans for the next years and major issues that may likely affect a company’s performance;

(iii) Statement declaring that corporate governance practices are adopted;

(iv) Policies on insurance contract management and results of risk management including, but not limited to, physical, environmental, technological, and regulatory risks; and

(v) Engagement of any consulting services from independent auditors for a company, its subsidiaries and affiliates, specifying total fees and duration of the consulting services.

Previ encourages disclosure of financial statements separating cash flow from operations and that from investing and financing activities, in order to identify available cash flow for shareholders. It also recommends the following:

(i) Preparation by publicly-traded companies of their financial statements in accordance with U.S. GAAP issued by the FASB;

(ii) Adoption of practices on the social balance sheet that can deliver economic, social, and environmental returns consistent with the expectations of its different stakeholders, and disclosure of performance indicators for corporate social responsibility;

(iii) Publication of the balance sheet based on the methodology defined by organizations such as Instituto Ethos de Empresas e Responsabilidade Social and Ibase – Instituto Brasileiro de Análises Sociais e Econômicas; and

(iv) Inclusion in the financial statements of information on related-party transactions, reported in accordance with best international accounting practices and applicable laws (including at least parties, type, terms, amounts of transactions conducted, outstanding balances as of the balance sheet dates and history of changes in value).
Mandatory Requirements

Listed companies in Colombia are required to prepare an annual report at the end of every fiscal year, which should include the following:

(i) Management report with a discussion on:
   a. Material facts occurred during the previous fiscal year;
   b. A management discussion and analysis (MD&A) section;
   c. Report on related party transactions (business partners, directors and officers); and
   d. Compliance report on intellectual property.

(ii) Financial statements;

(iii) Dividends distribution proposal;

(iv) Annual assessment of the company’s internal controls;

(v) External auditor statement; and

(vi) In the specific case of economic conglomerates, an annual special report is required that addresses:
   a. Economic relationship between holding and subsidiaries;
   b. Direct or indirect transactions between holding and subsidiaries; and
   c. Material decisions to privilege holding or any subsidiary.

Recommendations for Voluntary Adoption

Pursuant to a “comply-or-explain” requirement, listed companies in Colombia should disclose their degree of adherence to the country’s voluntary Governance Code, which includes the following recommendations:

(i) Availability at a company’s offices of information for shareholders on agenda items for the last AGM;

(ii) Public disclosure of information at a company’s website;
(iii) Clear definition of agenda items and specific reference thereunder of the following corporate matters:

a. Spin-offs;

b. Amendments to a corporate purpose, rights of first refusal and the corporate domicile; and

c. Early termination.

Mexico

Mandatory Requirements

In accordance with applicable Mexican securities law and regulations, the following information shall be available free of charge at a listed company’s offices at least 15 calendar days in advance of the AGM date:

(i) Report from the Board of Directors that includes the following:

a. Its opinion on the CEO’s report referred to under item (iv) below;

b. A description of the principal accounting policies and criteria employed in the preparation of the financial information; and

c. Transactions and activities where it has intervened in accordance with the provisions of the Mexican Securities Market Law (Ley del Mercado de Valores).

(ii) Report from the Chairman of the Audit Committee on:

a. The status of a company’s internal control system and internal audit, indicating deficiencies;

b. Description and follow-up of preventive and corrective measures implemented with respect to non-compliance with operation and accounting guidelines and policies;

c. Performance evaluation of a company’s external auditor;

d. Description and assessment of additional or complementary services provided by the external auditor or independent experts, when applicable;

e. Main results from the review of a company’s financial statements;
f. Description and effects of amendments to accounting policies, approved during the respective fiscal year;

g. Measures adopted with respect to material comments made by shareholders, directors, senior management, employees and any third party on a company's accounting, internal controls and matters related with internal or external audit, or deriving from reports of irregular activities; and

h. Follow-up of resolutions from the Shareholders’ Meetings and the Board of Directors.

(iii) Report from the Chairman of the Corporate Governance Committee on:

a. Comments on senior management’s performance;

b. Related-party transactions entered during the respective fiscal year;

c. Compensation of senior management; and

d. Waivers granted by the Board in favor of directors, senior managers or de facto controllers for the purposes of obtaining benefits from business opportunities belonging to a company or its affiliates.

(iv) Report from a company’s Chief Executive Officer on the performance of a company during the relevant fiscal year, as well as the policies followed and, if applicable, main existing projects;

(v) Opinion from the external auditor on a company’s financial statements;

(vi) Proxy formats;

(vii) Information and documents related with each of the items contained under the agenda for the meeting;

(viii) In the event a company’s annual report is submitted for the approval of the AGM it shall contain information on the following matters, among others:

a. A section on management’s discussion and analysis (MD&A), which must include all information for the analysis and understanding of material changes of a company’s operation results and financial situation;
b. Shareholding structure, including amount of subscribed and paid-in capital, number and classes of shares of stock, its features and, as applicable, information on non-paid fixed or variable capital. Moreover, information must be disclosed on a company’s by-laws provisions governing share repurchases;

c. A report must be included on material loans and their seniority, including loans representing 10% or more of the total liabilities from a company’s consolidated financial statements as of the latest fiscal year. Information must be included on whether a company is in compliance with its principal and interests payments;

d. Level of indebtedness at the end of the last three fiscal years, seasonality of credit requirements and available credit lines. Information should also include the profile of a company’s indebtedness (indicating whether it has a fixed or variable rate) and financial instruments employed;

e. Tendencies, commitments or events materially affecting (or that may have a material effect on) a company’s liquidity, results of operation or its financial situation;

f. Indication on whether external auditors have rendered qualified opinions with respect to a company’s financial statements within the last 3 fiscal years;

g. Disclosure on whether a company has an internal control system in place and, if applicable, include a brief description thereof indicating the corporate body or executive in charge of establishing it; and

h. Risk factors on a company’s off-balance sheet transactions.

Recommendations for Voluntary Adoption

The Mexican Code for Best Corporate Practices (Código de Mejores Prácticas Corporativas) recommends that a company’s annual report presented to a Shareholders’ Meeting discloses its financial position; however it does not suggest the scope of the financial information to be disclosed.
Peru

Mandatory Requirements

In accordance with the Ley General de Sociedades, the following information shall be available early enough to be subject for consideration in the AGM:

(i) An annual report from the Board, informing on the development and state of businesses, developed projects, material events occurred during the year, state of a company and obtained results. This report, should at least disclose:

a. Material investments performed during the year;

b. Existence of material contingencies;

c. Material events as of year closing;

d. Any other material information that an AGM should be informed of; and

e. Other reports and requirements as provided for under applicable law.

(ii) Financial statements;

(iii) Report from the external auditors (if applicable); and

(iv) Proposal on the use of profits (if any).

These documents are required to provide clear and precise information on the economic and financial situation of a company, the state of its businesses and results obtained in the elapsed year.

Corporate Governance Principles

According to the Calpers Global Principles of Accountable Corporate Governance, operating, financial and governance information about companies should be readily transparent to permit accurate market comparisons.

The foregoing includes disclosure and transparency of objective globally accepted minimum accounting standards, such as IFRS. Calpers does not indicate the type of information to be included with the financial statements, it instead focuses on the integrity of the financial report.
b) Form of Disclosure to Shareholders

**Argentina**

*Mandatory Requirement*

The annual report (*memoria anual*) should be available for shareholders 10 days in advance of the respective AGM.

Art. 67 of the Argentinian Companies's Law, states that the financial information to be approved in a General Meeting, must be available for every shareholder at least 15 days before the Meeting.

**Brazil**

*Mandatory Requirements*

Companies in Brazil are required to provide management’s proposal to shareholders with at least a month in advance of the AGM. The management’s proposal must be electronically filed with the CVM.

**Colombia**

*Mandatory Requirement*

Applicable Colombian corporate law requires that mandatory reports referred to under item (a) above be disclosed to shareholders 15 days *before* the AGM.

**Mexico**

*Mandatory Requirements*

In Mexico, the required documents indicated under item (a) above should be available free of charge at a listed company’s offices with at least 15 calendar days in advance of the date set for the respective AGM.
Peru

*Mandatory Requirements*

Documents mentioned under item (a) above required to be disclosed by Peruvian companies should be available free of charge to their shareholders as of the day after a company’s AGM call has been published.

In accordance with the *Ley General de Sociedades*, a company’s financial statements should be available to shareholders with sufficient advance for its consideration at the AGM.

In addition, CONASEV regulations set forth that Peruvian companies should make available financial statements free of charge to shareholders the day following publication of a company’s call for an AGM.
II. Election of Directors

Argentina

Recommendations for Voluntary Adoption

The Argentinean Best Practices Code recommends that procedures for appointment, dismissal and re-election of Board members be disclosed in the non-financial section of a company’s annual report.

Based on a “comply-or-explain” requirement, listed companies in Argentina should disclose their degree of adherence to the country Governance Code, and the policy for the nomination as Board members of former company executives.

Brazil

Mandatory Requirements

Regulation requires that the following information be disclosed with respect to nominee directors when furnished to a company by the nominating shareholder:

(i) Name;
(ii) Curriculum for the past 5 years;
(iii) Relationship with key corporate staff;
(iv) Nominating shareholder;
(v) Adverse decisions from capital market regulatory bodies or adverse administrative or judicial decision restricting the exercise of his office;
(vi) Relationships of reporting, service, or control with a subsidiary, with the parent company; or
(vii) Material relationships with a supplier, customer, debtor, or creditor.

Recommendations for Voluntary Adoption

The Code of Best Corporate Governance issued by Previ, the Banco do Brasil Pension Fund, recommends that a controlling shareholder or group ensures the nomination of at least one member of the Board and the Financial Committee with proven knowledge of accounting and finance. It is also recommended that this person should be a non-executive director.

Furthermore, Previ recommends that Board members be classified in accordance with the profiles set out below and identified accordingly in a company’s annual report:
(i) *Inside Director* - directly involved in management or having an employment relationship with the company and/or its subsidiaries; or

(ii) *Non-inside Director* - not directly involved in the company’s management and having no employment relationship with the company and/or its subsidiaries.

To prevent conflicts of interest in a company’s management, Previ recommends that no non-inside Director should be appointed if such person:

a. Is an immediate family member of an employee who held an executive function in the company within the previous two years;

b. Is – or has been in the last year – a consultant to the company or to the economic group to which the company belongs to;

c. Belongs to the group of the company’s major suppliers, creditors or clients; or

d. Has any kind of contractual or business relationship with the company.

**Colombia**

*Mandatory Requirements*

Colombian law does not require disclosure of nominee information in advance of an AGM.

*Recommendations for Voluntary Adoption*

The Colombian Best Practices Code questionnaire inquires if listed companies have disclosed to shareholders information on director nominees. It is also asked at least a 25% of Independent Directors, and that condition must be disclosed within the nomination.

**Mexico**

*Mandatory Requirements*

In accordance with Mexican law and regulations, when a listed company submits a slate of nominee directors for Shareholders’ Meeting approval, such company is required to provide all information and documents related with this agenda item.

The annual report of a listed company in Mexico is required under applicable securities regulations to include the following information with respect to its Board of Directors (but *not* in relation to nominees):
(i) Provide the identity of each director, and information on:

a. Appointment;

b. Time employed by the company;

c. Positions currently held as directors or senior managers in other companies (indicating whether these are related with the company) and any other information on its professional credentials; and

d. If material, age, academic degrees and name of companies where the respective director has been appointed as director or senior manager.

(ii) The number, type, term and appointment process of directors comprising the company’s Board of Directors;

(iii) Functions and authority of the Board of Directors;

(iv) Dates and types of Shareholders’ Meetings approving appointments;

(v) Family relationships (whether by blood or marriage) up to a fourth degree among directors or senior managers;

(vi) Directors’ identities and aggregate shareholdings in the company when individual holdings exceed 1% (but not 10%) of the company’s equity; and

(vii) Possibility and conditions under which alternate directors may stand in for non-specific members of the Board of Directors of the company.

Recommendations for Voluntary Adoption

The Mexican Best Corporate Practices Code recommends that shareholders be provided with the slate of nominee directors and their respective CVs, including sufficient information to evaluate their credentials and, if applicable, their independence.
In accordance with the Ley General de Sociedades, the Board is a collective body elected by the AGM. When one or more classes of shares are entitled to elect a certain number of directors, the election of such directors shall be through a special meeting resolution.

A company’s by-laws shall set forth a fixed or variable (within a minimum or maximum limit) number of directors. In the event the number of directors is variable, the AGM must previously decide on the number of directors to be elected. The Board shall consist of at least three members.

The position of director, either principal or alternate, is strictly personal unless the corporate by-laws authorizes representation.

Unless required under a company’s by-laws, directors are not required to be shareholders in the respective company.

In accordance with applicable corporate law in Peru, the following individuals shall not be appointed as directors:

(i) Individuals lacking legal capacity;

(ii) Bankrupt persons;

(iii) Those who by their office or functions are prevented from engaging in commerce;

(iv) Officials and Public Officers providing services in public bodies whose functions are directly linked to the economic sector in which the company conducts its business other than when representing the State’s ownership interests in these companies;

(v) Defendants in proceedings against the respective company as plaintiff, individuals subject to social responsibility, and persons precluded to be appointed for a directorship position by virtue of a judicial resolution or arbitration award; or

(vi) Directors, managers, legal representatives, companies representatives or partners of persons with interests permanently opposed to those of the incumbent company or personally having permanent opposition.
The statute should note the Board length for specified periods, not exceeding three years or less than one. If the statute does not indicate the termination period it shall be understood to be for one year.

The Board is completely renewed at the end of its term, including those directors who were appointed to complete periods. Directors may be re-elected, unless the statute states otherwise.

The Board term ends when the AGM determines the financial statements of its last financial year and elect the new Board, but the Board continues in motion until there is another election, although it has completed its term.

Companies’ Boards are required to provide minority representation. To that end, each share is entitled to as many votes as directors to be elected and each voter may accumulate its votes for one person or distribute them among several.

This article does not apply when directors are elected unanimously.

SMV regulations point out that the number of Board members must ensure a diversity of opinion, so that the decisions that are taken are the result of appropriate debate, considering the company and shareholders’ best interests. In addition, they mentioned that it is important to select an adequate number of directors capable of exercising an independent opinion on matters where there is potential conflict of interests, taking into consideration the participation of shareholders lack of control. Independent directors are those selected for their professional standing, who are not related to the company management or the control group.

**Corporate Governance Principles**

The Calpers Global Principles of Accountable Corporate Governance recommend that shareowners should have access to the director nomination process and directors be elected on an annual basis. The Calpers Global Principles of Accountable Corporate Governance also recommend that a Board discloses the mix of directors attributes, experiences, diverse perspectives and skill sets that are most appropriate for a company.
III. Director and Executive Compensation

a) Overview of the Information Disclosed (at AGM and in the Annual Report) on Compensation - Amounts

**Argentina**

The company’s bylaws can establish the amount of remuneration for Directors and in the case this is not detailed in the bylaws, the AGM can set it. In any case, the remuneration cannot exceed 25% of the years’ earnings. The AGM has also the power to set extra remuneration (over the 25% limit) in those cases in which a Director participates at a committee or with special tasks.

**Brazil**

*Mandatory Requirements*

In accordance with applicable regulations, disclosure on directors and executives compensation should include a breakdown of the aggregate amount by:

(i) Salaries;
(ii) Bonuses;
(iii) Securities based benefits, especially those share-based;
(iv) Incentive gratuities;
(v) Projected payments of post-employment benefits under retirement and severance programs; and
(vi) Other direct and indirect, short-, medium-, and long-term benefits.

Management’s remuneration must be broken down by corporate body (Executive Board, Board of Directors and Fiscal Council). It must also specify the average, lowest and highest compensation in the period by corporate body.

Values of any consulting agreements between the organization, subsidiary or affiliate and the company controlled by managers should also be disclosed.

Goals and metrics of any variable remuneration should be measurable, auditable, and publishable. The rules of remuneration and benefit policies for managers, including any
long-term incentives paid in or linked to shares, should be disclosed and explained. If there is variable remuneration, the following items must be reported:

(i) Variable remuneration mechanisms (% profit, bonus, shares, stock options, etc.);
(ii) Performance indicators/metrics used in the variable remuneration program;
(iii) Target award levels (paid in case of achievement of 100% of the targets);
(iv) Main characteristics of any stock option plan (eligible people, exercise price, grace period and exercise period of options, criteria for determining the number of options, frequency of awards, maximum dilution, annual dilution etc.);
(v) Description of the benefits offered; and
(vi) Possible and actual mix (percent composition) paid of the total remuneration, that is, the share of each component (fixed, variable, benefits, and stock plans) in the total.

**Colombia**

*Mandatory Requirements*

Applicable law requires disclosing the total amount paid to Board members and executives.

**Mexico**

*Mandatory Requirements*

The annual report of listed companies in Mexico is required under applicable regulation to include the following information with respect to director and executive compensation, among others:

(i) Total amount of benefits granted by the company and its subsidiaries to directors, senior managers or related parties during the preceding fiscal year; and

(ii) Total amount estimated or accumulated by the company and its subsidiaries for pension, retirement or similar plans for directors, senior managers or related parties.
Peru

*Mandatory Requirements*

The amount of director’s compensation could be set forth under the company’s corporate by-laws; otherwise it should be established by the AGM. The annual report should include information on the directors and executive compensations.

b) Overview of the Information Disclosed (at AGM and in the Annual Report) on Compensation – *Policies*

Argentina

*Mandatory Requirements*

The annual report (*memoria anual*) from the Board of listed companies should include policies and practices on director and executive remuneration (including option plans and other compensation plans).

Brazil

*Mandatory Requirements*

A company is required under applicable regulation to describe under its management’s proposal and annual report the directors and executives compensation policies, including:

(i) Objectives, including how the practice of such compensation meets a company’s interests on a short-, medium- and long term;

(ii) Components and methodology;

(iii) Performance drivers;

(iv) Existence of compensation supported by controlled companies or affiliates, or by direct or indirect controllers;

(v) Tabular information with history and forecast of fixed, variable remuneration, post-employment benefits in case of resignation, remuneration in shares;

(vi) Terms, conditions, and criteria of the share-based remuneration plan;

(vii) Number of shares held by managers;
(viii) Historic details of the implementation of the share-based remuneration plan, including number, period, price, fair value, pricing model etc.;

(ix) Details of the pension plan; and

(x) Details of any other contractual arrangement, and its financial impacts, on remuneration or indemnity mechanisms.

**Colombia**

*Mandatory Requirements*

There are no express disclosure requirements for director and executive compensation under applicable Colombian law.

**Mexico**

*Mandatory Requirements*

Pursuant to applicable regulations, the annual report of listed companies in Mexico shall include the following information with respect to director and executive compensation, among others:

(i) Authority of the Board of Directors to establish compensation packages for directors and senior managers;

(ii) By-laws or contractual arrangements providing for amendments to senior management compensation;

(iii) Description on the type of compensation and benefits granted by the company to its directors, senior managers and related parties; and

(iv) List of any agreements or programs for the benefit of directors or senior managers providing for participation in the company’s equity. A detailed description on their rights and obligations should be provided, including the process for distribution and pricing of shares.

*Recommendations for Voluntary Adoption*

The Mexican Code of Best Corporate Practices recommends that an annual report discloses the policies employed and the components comprising executive remuneration packages.
Corporate Governance Principles

In connection with compensation, the Calpers Global Principles of Accountable Corporate Governance recommend disclosure to shareowners of:

(i) All components of director compensation including the philosophy behind the program and all forms of compensation;

(ii) Director stock ownership guidelines and holding requirements;

(iii) Executive contracts with adequate information to judge the “drivers” of incentive components of compensation packages;

(iv) Overall target ranges of total compensation and components therein (including base salary, short-term incentive and long-term incentive components);

(v) How much of total compensation is based on peer relative analysis and how much is based on other criteria;

(vi) The types of incentive compensation to be awarded (use of options, restricted stock, performance shares or other types);

(vii) Provisions by which compensation will not be paid if performance hurdles are not obtained;

(viii) Provisions for the resetting of performance hurdles in the event that incentive compensation is retested;

(ix) Executive stock ownership guidelines and holding requirements;

(x) Company's hedging policies;

(xi) Policy for recapturing dividend equivalent payouts on equity that does not vest.

(xii) The Board’s methodology and corresponding details for approving stock options for both company directors and employees should be highly transparent and include disclosure of:

   a. Quantity,

   b. Grant date,

   c. Strike price, and

   d. Underlying stock’s market price as of grant date.

(xiii) How equity based compensation will be distributed within various levels of the company;
Provisions for addressing the issue of equity dilution, the intended life of an equity plan, and the expected yearly run rate of the equity plan;

Reasonable ranges which the Board will target the total cost of new or material changes to existing equity based compensation plans;

Where investors can view the entire text of severance agreements;

Material amendments to severance agreements; and

Defined contribution and defined benefit retirement plans should be clearly disclosed in tabular format showing all benefits available whether from qualified or non qualified plans and net of any offsets.

Hermes generally believes that compensation should be structured in a way that provides top management and directors with the incentive to create long-term shareowner value. The objective should be to align the interests of managers and directors with those of shareowners by linking equity awards to the company performance and, ideally, to returns earned by shareowners, for instance through share ownership schemes and/or performance-related pay plans. To assess the extent of the alignment, shareowners require clear and comprehensive compensation disclosure, including specific performance measures and targets for equity-based compensation.

BlackRock generally supports equity remuneration plans that provide incentives to directors, managers and other employees by aligning their economic interests with those of the shareholders while limiting the transfer of wealth out of the company. BlackRock’s approach seeks to determine whether a company utilizes equity-based compensation reasonably relative to peers and the performance of the business. BlackRock employs independent consultants to model these costs and incentives, taking into account local market norms and best practice. The criteria BlackRock uses to evaluate these proposals include, but are not limited to: whether options are issued at a discount; performance hurdles; vesting periods; existing employee ownership structures; and any history of past abuses or egregious activity.

c) Overview of Development and Approval of Compensation Policies

Argentina

**Mandatory Requirements**

Applicable regulation requires a Board to disclose whether a Compensation Committee (with a majority of independent directors) is considered adequate. If in existence, the committee should be responsible for the administration of the option plans and is required
to inform the Board on performance indicators for directors and senior executives. The committee chairperson should be available for questioning at the AGM.

**Brazil**

*Mandatory Requirements*

The directors and executives annual remuneration must be submitted to the General Shareholders Meeting for approval.

Companies must have a formal and transparent procedure for the approval of remuneration and benefit policies for their managers, including any long-term incentives paid in or linked to shares. Costs and risks associated with these programs and any dilution of the managers’ ownership interest should be taken into account. The executive remuneration rates and policies proposed by the Board should be submitted to the General Shareholders Meeting for approval.

**Colombia**

*Mandatory Requirements*

Director compensation is approved by the shareholders meeting.

*Recommendations for Voluntary Adoption*

Best practice recommends that a compensation committee proposes the compensation policy of senior executives.

**Mexico**

*Mandatory Requirements*

Director compensation shall be set by a Shareholders Meeting. Listed companies are required to appoint a Corporate Governance Committee that, among other functions, is required to provide its opinion to the Board on executive compensation.

*Recommendations for Voluntary Adoption*

Best practice recommends that a committee in charge of addressing compensation matters provides a recommendation on both director and executive compensation policies for Board approval.
**Peru**

*Mandatory Requirements*

The amount of director compensation is set by a company’s corporate by-laws or alternatively is approved at the AGM.

*Recommendations for Voluntary Adoption*

Best practice in Peru recommends that the Board of a listed company assess the compensation of directors and senior executives. Furthermore, director compensation is recommended to be moderated and set in direct relation to their dedication and professional experience.

The Peruvian Best Practices Code recommends that compensation provides incentives to align the interests of directors with those of shareholders.

*Corporate Governance Principles*

Hermes believes that there is a strong need for executive compensation to be overseen by a committee of independent directors, regardless of the shareholding structure of the company.