# 26 PRINCIPLES OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

## I. SHAREHOLDERS' RIGHTS

1. Generic matters should not be incorporated into the agenda, all points to be dealt with should be duly detailed in a such a way that each matter can be discussed separately, facilitating its analysis and avoiding combined resolutions on matters on which there are different opinions.

2. The venue of the General Meetings should be fixed in a way that facilitates the attendance of the shareholders.

3. Opportunity should be provided for shareholders to place items on the agenda at General Meetings, subject to reasonable limitations.

   Any matters introduced into the agenda should be of company interest and should fit within the legal or statutory competence of the Meeting. The Board of Directors should not deny this kind of request without giving the shareholder reasonable justification.

4. The by-laws should not impose limits to the right of every shareholder entitled to participate in General Meetings, to be represented by any person appointed by him.

## II. EQUAL TREATMENT OF SHAREHOLDERS

5. It is recommended that any company issuing investment shares or other shareholding stock without voting rights, offers their holders the opportunity to change them for ordinary shares with the right to vote or that they foresee this possibility at the time of their issue.

6. A sufficient number of directors should be elected, capable of exercising independent judgment to tasks where there is a potential for conflict of interest, being able, for such purpose, to take into consideration the participation of shareholders lacking control.

   Independent directors are those selected for their professional prestige and who are not connected to the company management, nor to the control group of the same.

## III. DISCLOSURE AND TRANSPARENCY

7. Although, in general, external auditors are focused on expressing opinions on financial information, these may also refer to opinions or specialized reports on the following aspects: expert accounting reports, operative audits, systems audits, project evaluation, cost systems evaluation or implementation, tax audits, appraisals for adjustment of assets, portfolio evaluation, inventories, or other special services.

   It is recommended that such services be made by different auditors, or in the event they are done by the same auditors, this should not affect the independence of their opinion. The company should reveal all audits and specialized reports done by the auditor.

Reports should be made on all services provided by the auditing firm or auditor to the company, specifying the percentage represented by each one and its participation in the income of the auditing firm or auditor.

8. Attention to particular requests for information by shareholders, investors in general, or stakeholders related to the company, should be made through a responsible authority and/or personnel appointed for such purpose.

9. Any cases of doubt over the confidential character of information requested by shareholders or stakeholders related to the company, should be resolved. The criteria should be adopted by the Board of Directors and ratified by the General Meeting, as well as included in the by-laws or internal regulations of the company. In any case, the revealing of information should not put the competitive position of the company in danger nor affect the normal development of company activities.

10. The company should have internal auditing. The internal auditor, in exercising his functions, should maintain an independent professional relationship with the company which engages him. He should act observing the same principles of diligence, loyalty and confidentiality which is demanded from the Board of Directors and the Management.

## IV. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

11. Evaluate, approve and guide corporate strategy;establish the objectives and goals as well as major plans of action, the risk follow up, control and management policy, annual budgets and business plans; monitor the implementation of the same; and oversee major capital expenditures, investments, acquisitions and divestitures.

12. Select, monitor and when necessary, replace the main executives, as well as fixing their remunerations.

13. Evaluate the remunerations of the main executives and members of the Board of Directors, ensuring a formal and transparent board nomination process.

14. Carry out follow up and control of possible conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

15. Supervise the integrity of the corporation’s accounting and financial reporting systems, including the independent audit, and the existence of appropriate systems of control, in particular, control of financial and non-financial risks and compliance with the law.

16. Monitor the effectiveness of the governance practices under which it operates and making changes as needed.

17. Oversee the disclosure policy.

18. The Board of Directors may form special bodies according to the needs and size of the company, in particular, one that assumes the auditing function. In addition, these special bodies may be directed to,among other things, the functions of appointment, retribution, control and planning.

    These special bodies will be formed within the Board of Directors as support mechanisms and should preferably consist of independent directors, in order to take impartial decisions on matters that may cause a conflict of interest.

19. The number of members of the Board of Directors of a company should ensure plurality of opinions within the Board, in such a way that the decisions adopted by it are the

result of appropriate deliberation, always observing the best interests of the company and the shareholders.

20. The information referring to matters to be dealt with in each meeting, should be made available to the directors with sufficient notice to enable their checking, except when dealing with strategic matters that are confidential, in which case, it will be necessary to establish mechanisms enabling the directors to properly evaluate such matters.

21. Following clearly established and defined policies, the Board of Directors may decide to engage the services of specialized advisors that the company may require to take its decisions.

22. New directors should be instructed on their powers and responsibilities, as well as on the organizational characteristics and structure of the company.

23. The Board of Directors should establish the procedures to be followed for the election of one or more replacements, if there are no substitute or alternate directors, and a vacancy occurs for one or more directors, in order to complete their numbers for the remaining period, when there is no provision for any different treatment in the by laws.

24. The functions of the Chairman of the Board of Directors or Executive Chairman, should it be the case, as well as the General Manager should be clearly outlined in the company by-laws or internal regulations in order to avoid duplicating functions and possible conflicts.

25. The organic structure of the company should avoid concentrating functions, attributions and responsibilities in the persons of the Chairman of the Board, the Executive Chairman, should it be the case, the General Manager and of other officials with management responsibilities.

26. It is recommended that the Management receives, at least, part of its retribution in function of the results of the company, in such a way as to ensure compliance with its objective of maximizing the value of the company in favor of the shareholders.