

Promoting good corporate governance: the Peruvian experience

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“Good corporate governance guidelines for Peruvian companies” were published in July 2002 with the aim of strengthening and enhancing governance in the country’s businesses. Ten years later it appeared that these guidelines needed to be updated to reflect regulatory changes as well as experiences elsewhere and progress achieved in corporate governance.

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Corporate governance

Superintendencia del Mercado de Valores (“SMV”) is the Peruvian securities regulatory authority. Over the past few years, its brief has included launching a series of initiatives designed to bolster best corporate governance and sustainable development practices among companies involved in public offerings (through the issue of equity or debt). These developments reflect much stricter international standards made all the more important by the fact that the Peruvian securities market is currently involved in the regional economic integration process known as the Pacific Alliance.

It was against this backdrop that “Good corporate governance guidelines for Peruvian companies” were published in 2002 under the auspices of what was then known as the National commission for

the supervision of businesses and securities” (now known as SMV) and thanks to the combined efforts and accreditation of a range of public and private institutions. They were based on voluntary adoption principles and were intended to become a benchmark for the sector and to lay down the highest standards of rights and obligations for investor protection and market regulations. In the same vein, SMV subsequently sought to require companies whose shares are traded on a regulated stock market to be aware of their degree of compliance with these principles, notably through their annual reports and investor prospectuses (reflecting global trends in disclosures that should appear in these various different documents).

A new Code for more effective compliance with specific market requirements

Ten years after publication of these Principles, it appeared necessary to recast them entirely to reflect subsequent regulatory changes and experience elsewhere as well as international progress achieved in corporate governance.

Consequently, in February 2012, at the behest of SMV, an “Updating Committee” was established bringing together 14 leading public and private institutions. The Committee finalised its work in November 2013 and published an updated “Corporate Governance Code for Peruvian companies”. The main purpose of the new Code was to enhance investor perceptions of corporate governance, promote higher levels of transparency and investor protection, help develop businesses and add value to the economy.

The idea remains one of voluntary adoption and the Code is organised around five pillars and 31 underlying principles, reflecting the specific features of the Peruvian stock market and domestic businesses. There is a particular focus on Annual General Meetings of shareholders, the Board of Directors and Executive Management as well as risk management and internal control. It also contains two appendices of additional principles, one for public companies and the other for family-owned companies, in recognition of their importance to the country’s economic development.

The principles contained in the Code thus constitute a guide intended not only for companies trading on the stock market but for all companies doing business in the country. Once adopted, they highlight a capacity for self-determination and self-governance that is precisely the basis for the recognition and acceptance of these principles by all economic stakeholders.

Better investment opportunities

The new Code also recast the report that discloses the degree of compliance of a given issuer with the aforementioned principles and in June 2014, SMV ratified the “Report on compliance with the Corporate Governance Code for Peruvian companies”. It is organised around four separate sections that reflect the structure of the Code itself and the assessment comprises a series of questions and answers (i.e., either YES or NO). It is based on the internationally recognised “comply or explain” principle. Moreover, a series of additional questions and disclosures have been added to the evaluation in respect of each principle. These provide additional disclosures concerning the extent of a company’s compliance with the Code which facilitates decision-making among investors and stakeholders alike.

Further to the approach described above, in December 2015, SMV asked all issuers to publish an appendix covering the adoption of CSR principles in addition to their annual report. This allows investors to comprehensively assess the issuer’s risk management processes and identify long-term investment opportunities.

Among other good governance achievements, we should also list the creation by Bolsa de Valores de Lima (BVL, the Lima Stock Exchange) of a “Good corporate governance index”. This comprises a list of securities of issuers who apply best practices and also hold minimum amounts of liquidity. In the same vein, CAVALI ICLV (a central custodian) and SMV have cut their fees and commissions by 90% for operations on securities that belong to this index in recognition of the adoption of best

governance practices by the issuers concerned.

While corporate governance has made great strides it still remains a key issue given the changes constantly taking place and its importance to SMV and the markets. This is a testimony to its central role in developing and strengthening capital markets and promoting a culture of respect and equal treatment for both shareholders and investors alike.

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