



CORPORATE DIVISION

CORPORATE GOVERNANCE CODE FOR MEXICO

Motive of Intent

In order to provide a guide for Mexican companies to improve the way their administrative bodies function, and a way for investors to gain access to more information on how they are run, on June 9, 1999, a group of leading Mexican business organizations presented a new Corporate Governance Code for Mexico.

The document was prepared jointly by the Mexican Stock Exchange, the Mexican Bankers' Association, the Mexican Institute of Finance Executives and the Mexican Institute of Public Accountants, as well as representatives from the industrial, retail and service sectors. It was then submitted to the National Banking and Securities Commission so that the securities authorities could issue the necessary regulatory provisions on disclosure of information regarding conformity to the practices suggested therein.

The recommendations contained in the Code do not in any way conflict with current legislation; in fact, they complement many of the applicable legal provisions. They can be applied to any Mexican company, whether listed on the stock exchange or not. Compliance is voluntary, but publicly-traded firms must report to the Bolsa on the degree to which their practices conform to the Code. If they do not follow the Code, they must establish an alternative mechanism for this purpose.

The Corporate Governance Code for Mexico is the first of its kind in Latin America. It has its root in the abiding interest expressed by various sectors of the economy, in the ability of Mexican companies attain international standards and to be more competitive. Its purpose is to encourage more transparent management practices in order to enhance the confidence of local and foreign investors and thus attract more investment to benefit the Mexican economy.

To create the Code, representatives from the private sector and the government formed a committee. Their first task was to analyze international experiences in the field before they began the work of actually drafting the text of the code. In this phase of the project they examined the experiences of England, Spain,

France, Holland, Canada and South Africa, among other countries.

At the same time, committee members were attentive to the need to formulate their recommendations in keeping with the practices a Mexican corporation must follow, consistent with this country's economic and social reality. They also recognized the need to create principles not covered by the ordinances of other countries.

For example, the capital structure of a Mexican corporation is clearly different from that of other countries. In various developed countries, corporate capital is fragmented and held by major institutional investors, whereas in publicly traded Mexican companies, most of the capital is held by control shareholders, which gives them a preponderant role in the company's management.

Another key part of the Code establishes recommendations regarding the operation and makeup of Boards of Directors. Here, the Code recommends some specific and some functional aspects.

On the subject of functional recommendations, the Committee proposes setting up intermediate bodies or committees below the level of the Board of Directors, to act as an intermediary that can support the Board in its functions and enhance its decision-making capacities.

The Corporate Governance Code for Mexico consists of five sections:

1. Board of Directors. Includes recommendations on the functions, makeup, structure, operation and duties of the Board.
2. Evaluating and Compensating Directors. To allow company management to function more efficiently.
3. Auditing. Selection of auditors or examiners, verification of financial information, internal controls and compliance with applicable legal provisions in this area.
4. Finances and Planning. Suggestions and operating aspects.
5. Stockholder information. Aspects covered in the agenda of stockholders' meetings, quality and promptness of information, and communication between the Board of Directors and investors.

CORPORATE GOVERNANCE CODE FOR MEXICO

Background and Objectives

In order for investors to feel complete confidence in the way a company is run, that company must make its management processes as clear and above-board as possible, and encourage an appropriate level of information and disclosure.

Aware of this need, various sectors of the Mexican economy have expressed an interest in encouraging local companies to attain international standard and to become more competitive, applying more transparent management practices in order to enhance the confidence of local and foreign investors and thus attract more investment to benefit the Mexican economy. To this end, a Committee on Corporate Governance was formed of representatives of industry, the government, the financial world, and service providers, among others.

The Committee's first task was to analyze international experiences involving mechanisms that had been used successfully to clearly communicate information about company management. It found that the most widely used and appropriate method to achieve this purpose was the Corporate Governance Code, which is used to establish principles that would create a greater harmony among the various participants in a company, thus enhancing its corporate governance.

The Committee then set about drafting a Corporate Governance Code for Mexico. This Code establishes voluntary recommendations to improve the corporate management of Mexican companies. Its recommendations do not conflict with any current legislation, but rather complement many of the applicable legal provisions.

The recommendations were formulated in keeping with the practices a Mexican corporation must follow, consistent with this country's economic and social reality. They also recognize the need to create principles not covered by the ordinances of other countries.

On the subject of functional recommendations, the Committee proposes setting up intermediate bodies below the level of the Board of Directors, to act as an intermediary that can support the Board in its functions and allow it to make better informed decisions.

The code can be applied to any Mexican company, whether listed on the stock exchange or not, although there are certain principles that apply solely to publicly traded companies because of their unique characteristics. Finally, in an effort to encourage an increased flow of information to the market, the Committee asked the National Banking and Securities Commission to issue provisions requiring companies that list stock on the Mexican exchange to reveal the extent to which they follow the suggested practices.

Introduction

At the initiative of the Business Coordinating Council, a Committee on Corporate Governance was created, which in turn drafted and issued this Corporate Governance Code, establishing recommendations to improve the corporate governance of Mexican companies.

The recommendations contained in the Code define basic principles to help Board of Directors function better and improve the flow of information to stockholders. Specifically, the recommendations seek: (i) to encourage companies to increase the amount of information regarding their management structure and the function of their corporate bodies; (ii) to suggest mechanisms by which companies can ensure that their financial information is sufficient; (iii) to establish processes that encourage participation and communication among board members; (iv) to encourage companies to develop mechanism that encourage a proper level of disclosure to stockholders. These principles are found throughout the Code and are indicated in boldface type, and preceded by a bullet. The rest of the text of the Code offers a brief explanation and context for each principle.

In drafting the Code, the Committee recognized the specific reality and needs of Mexican companies. Among these was their stock structure and the important role stockholders may play in their management.

Finally, readers should note that the code can be applied to any Mexican company, whether listed on the stock exchange or not, although there are certain principles that apply solely to publicly-traded companies. Listed companies must report on the degree to which they follow the suggested practices. If any publicly-traded company does not follow them, it must indicate its reasons for refraining to do so, and describe the alternative mechanism it uses in their stead. To facilitate compliance with the Code's recommendations, subsidiaries may choose to comply with the Code through their holding companies.

I. Board of Directors

The day to day operation of a company is the responsibility of its management team. The definition of its strategic vision and approval of its management should be the responsibility of the Board of Directors. All the members of the Board share in the responsibility for these tasks.

To fulfill its purpose, the Code recommends that the Board include members that are not involved in the daily operation of the company so they can provide an external, independent perspective. In order to, facilitate its tasks, the Board should rely on intermediate bodies whose job it is to evaluate information and propose tasks in specific areas of importance to the Board. This will give board

members more complete information for efficient decision-making. Finally, there should be clear rules regarding the operation and functioning of the Board.

I.1 Functions

Although some of the faculties of the Board of Directors are dictated by law, the Committee believes that there are other functions that would help to define its tasks and make company information more useful, prompt and reliable.

In addition to the obligations stipulated in the General Mercantile Companies Law, the Credit Institutions Law, the Securities Market Law and other specific laws, the following should be included in the functions of the Board of Directors: (i) establish a strategic vision for the company; (ii) ensure that stockholders and the market have access to public information about the company; (iii) establish internal control mechanisms; (iv) ensure that the company has the necessary mechanisms to prove that it complies with the various legal provisions to which it is subject; and (v) regularly evaluate the performance of the chief executive officer and other senior management of the company.

I.2 Composition

The composition of the Board of Directors is crucial to its ability to function properly. The Board should therefore include at least enough members to offer an adequate range of opinions, but not so many that members cannot effectively express and discuss their viewpoints without provoking inefficient practices by an excessive number of board members.

The Board of Directors should consist of between 5 and 15 regular members. It is important to avoid situations in which regular members who are unable to attend meetings are replaced at random by any alternate member, because this dilutes his or her obligations to the rest of the Board. It is also important the regular member and his or her alternate form a team in order to participate more effectively in the Board. For this reason, regular members should participate in the process of selecting their alternates.

There should be no alternate board members; if there are, they should be assigned to replace only a previously-established regular member, and each prospective regular board member should be asked to suggest their alternate.

The makeup of the Board of Directors is also important to its ability to define a strategic vision of the company and to support its operations. For this reason, it is important that the Board include outside members. The term outside member is used to identify members who are not connected with the company's management team. These members are called to join the Board by virtue of their personal and professional prestige. Their main purpose is to offer an impartial

perspective on the company's strategic planning and other tasks that fall to the Board.

Outside board members are those selected for their professional prestige, experience and capacity and who do not fit into the following hypothetical situations at the time of their assignments. (i) employees or executives of the company; (ii) stockholders that have control over the company's directors; (iii) consultants to the company or partners or employees of companies that serve in an advisory or consulting capacity to the company or its affiliates, and whose revenues depend significantly on this contractual relationship; (iv) clients, suppliers, lenders or borrowers of the company, or partners or employees of a firm that is a significant client, supplier, lender or borrower of the company; (v) employees of a foundation, university, or non-profit organization that receives substantial donations from the company; (vi) chief executive officers or senior management of a firm on whose Board of Directors the company's chief executive officer or upper-level executive sits; or (vii) relatives of any of the individuals mentioned in points (i) to (vi), above.

It is also important that the Board include what are called owning directors. This type of member has assumed the risk of a significant participation in the company's equity, and their presence in the board is helpful because as they keep a constant watch on their investment, they benefit the entire company.

Owning directors are selected from among major stockholders or the individuals that direct them. Depending on whether the major stockholder or its director qualify to be outside directors, they can be appointed as outside owning directors or inside owning directors.

Inside directors are those that do not fall into either of the previous two described categories.

In order for outside and owning directors to fulfill their purpose, they must be represented in a sufficient percentage on the Board.

Outside and owning members should together make up at least 40% of the Board of Directors. And that, outside members should make up at least 20% of the Board of Directors.

In order for the market to be able to evaluate the makeup of the Board, the company should provide information on the background and category of each member.

The annual report presented by the Board of Directors should mention which members are outside and which are owners, and which type the owning members are.

The annual report presented by the Board of Directors should also describe the main positions held by each board member as of the report date.

I.3 Structure

The Committee believes that there are at least three specific areas in which the Board of Directors must make key decisions for the company. These are: evaluation and compensation; auditing; and finances and planning. The Board therefore should have access to mechanisms that allow it to make the right decisions in these areas.

The Committee recommends creating one or more intermediate bodies to serve as intermediaries that support the functions of the Board. Structurally, these bodies should be made up of members; functionally, they should serve as an extension of the Board, to support it in making decisions on a variety of issues. The intermediate bodies should not intervene in company operations. Thus, to be able to carry out their tasks, they should rely on the work of the management structure. This means the intermediate bodies would not be an executive department, nor would they assume the functions that correspond to the Board itself or to the operating areas of the company.

In order to make better informed decisions, the Board of Directors should perform the tasks of evaluation and compensation, auditing, finances and planning, which are defined later in the Code, through one or more intermediate bodies.

Although the Committee recognizes that there must be some flexibility in the organizational structure of different companies, international experience has shown that committees are a useful tool for carrying out these specific functions.

What is particularly important is that the Board of Directors make informed decisions on important issues.

For example, it is considered important that owning and outside members participate in the work of the intermediate bodies. The latter because they were selected for their professional prestige and experience, and the former because they have the incentive to get involved in and resolve the affairs of those bodies.

The following principles should be considered when creating intermediate bodies:

1. One or more can be created, providing they have a clear purpose and there is no conflict of interest among their members.
2. They should be made up solely of regular board members.
3. They should have between three and seven members.

4. They should report to the Board of Directors on their activities on a regular basis.
5. The chairman of each body may invite company executives whose duties correspond to the intermediate body's area of concern to attend meetings.
6. In addition to his or her duties on the Board, each outside board member should participate in at least one intermediate body.
7. The intermediate body in charge of auditing should be chaired by an outside board member.

I.4 Operations

The Board should meet frequently enough to ensure proper and continuous oversight of the company's affairs.

The Board of Directors should meet at least 4 times a year. One of its meetings should be devoted to defining the company's medium- and long-term strategy.

It is also important for companies to have mechanisms that guarantee openness within the Board, so that its functions do not depend on just one person.

A procedure should be in place under which a Board meeting can be called by agreement of at least 25% of its members.

The active participation and responsibility of the members of the Board of Directors makes the Board a stronger institution. To promote this, it is important that board members are supplied with information in advance to give them the elements they need to perform their duties.

Board members should have access to any information relevant to decisions that are on the meeting agenda at least five days in advance of that meeting. This does not apply to confidential strategic matters that are to be discussed, in which cases there should be mechanisms available by which board members can properly assess proposals regarding those strategic matters.

New board members should be given the information necessary for them to properly perform their duties. They should therefore have a broad knowledge of the business, including, among other aspects, the company's position within its sector, its main competitors, clients and suppliers.

In addition, board members are legally bound to perform their duties. Ignorance of their responsibilities does not exempt them from these duties. It is therefore important that new board members are informed of the scope and the legal and statutory consequences of their position.

When board members are first appointed, they should be given proper orientation with regard to their new responsibilities. At the least, the company should supply them with information regarding the company and its

environment, as well as the obligations, responsibilities and powers that accompany appointment to the Board.

I.5 Duties of Board Members

Board members assume obligations and responsibilities when they accept their appointment. For this reason, it is important for a company to have a general frame of action that establishes standards of conduct for its board members.

Companies should address six principles of conduct, recommending that board members:

Notify the Chairman and the Secretary of the Board of Directors of any situation that constitutes or could be construed as a conflict or interest, and refrain from participating in the corresponding debate.

Use the company's assets and services exclusively in pursuing its corporate purpose, and define clear policies to apply in exceptional cases when these assets must be put to personal use.

Dedicate the necessary time and attention to their job, attending at least 70 per cent of the meetings that are called (this point applies only to regular members); Hold all information that might affect company operations, as well as the discussions that take place in board meetings, in utmost confidence. Board members and their respective alternates, if any, must be kept mutually informed of the matters discussed in the board meetings they attend.

Support the Board of Directors with opinions, recommendations, and directions that are based on an analysis of the company's performance, so the decisions it makes are duly founded on professional criteria and qualified personnel who can offer a broader independent focus on the company's operations.

II. Evaluation and Compensation

The Committee recommends that there be a mechanism to support the Board in its responsibilities with regard to evaluation and compensation of the chief executive officer and senior management of the company. This mechanism may be supported by the company's internal structure, such as the human resources area.

The Committee believes that it is essential that the mechanism chosen involves bringing the proposals to the Board of Directors so that it can make the appropriate decision. Furthermore, the existence of this mechanism should be openly known and operated in an clear and above-board fashion, to enhance investors' confidence in management.

II.1 General functions

The following functions are intended to supply the company with appropriate human resource and remuneration policies.

The evaluation and compensation mechanism should encompass the following functions: (i) suggesting procedures for the Board of Directors to propose candidates for chief executive officer and senior management positions; (ii) proposing criteria for the Board of Directors to evaluate the chief executive officer and senior management, according to general guidelines established by the Board of Directors; and (iii) analyze and bring before the Board of Directors the chief executive officer's proposal regarding the structure and amount of compensation for the company's senior management.

II.2 Operating aspects

The mechanism or intermediate body should assist the Board in evaluating policies to determine compensation for the chief executive officer and senior management of the company. These policies should encompass aspects such as established goals, individual performance, and the performance of the company itself. The Committee believes that the market at large should be informed of the compensation policies applied by the Board of Directors.

To protect the company's equity, the intermediate body should also help the Board to avoid paying excessive amounts to executives for severance pay, by carefully reviewing the hiring conditions of these executives.

The mechanism established for assisting the Board of Directors in its evaluation and compensation functions should verify whether the hiring conditions of the chief executive officer and senior management, as well as any severance pay commitments, comply with Board-approved guidelines .

The annual report presented by the Board of Directors should describe the policies used and the compensation packages of board members, the chief executive officer and the company's senior management.

III. Auditing

The Committee recommends that there be a mechanism to support the Board in ensuring that the auditing functions are performed, ensuring that internal and external audits are performed as objectively as possible and that the financial information is useful, timely and reliable. In other words, it should ensure that the information that reaches the Board of Directors, stockholders and the general

public is transparent, sufficient, and adequately reflects the company's financial position. To perform this function, it may make use of the company's internal structures, such as the internal auditing area and external auditors.

The Committee believes that the essential point is that whatever mechanism is chosen, it addresses the functions described above, and ensures that proposals are brought before the Board of Directors so that it can make the appropriate decisions.

III.1 General Functions

All the phases of the auditing process, including the work of the internal auditor, external auditor and statutory auditor, should be coordinated.

The following are the suggested functions of the auditing mechanism: (i) recommend prospective external auditors for the company for Board approval; (ii) recommend contract clauses and the scope of external auditors' professional responsibilities for Board approval; (iii) support the Board of Directors in supervising performance of the auditors' contracts; (iv) serve as a channel of communication between the Board of Directors and external auditors, and guarantee the independence and objectivity of the latter; (v) review the work plan, observation letters and auditing reports, and notify the Board of Directors of the results; (vi) recommend bases for the preparation of financial information for Board approval; (vii) assist the Board by reviewing the financial information and the process of reporting it; (viii) help define the general guidelines for the internal control system, and evaluate its effectiveness; (ix) assist the Board in coordinating and evaluating annual internal auditing programs; (x) coordinate the tasks of the external, internal and statutory auditors; and (xi) check that the necessary mechanisms are in place in order to prove that the company is in compliance with the various provisions to which it is subject.

III.2 Selection of auditors

Two key criteria in the selection process are the technical capacity and the independence of the auditors. Those making the selection should also be alert for any circumstances that might affect the auditor's objectivity, for example when the auditing firm depends heavily on the company for its revenues.

If the auditors supply other services to the company in addition to auditing, the nature and extent of these services should be kept under review, in order to ensure that the auditors' objectivity is not affected.

No firm that receives more than 20% of its total revenues from all services supplied to the company should be proposed to the Board of Directors to

perform external auditing of the company's financial statements, or any other external review.

The auditors' opinion contributes the perspective of an independent third party on the reasonableness of the financial statements. If the person that issues that opinion has been performing this function for an extended period of time, he or she runs the risk of losing their objectivity. For this reason, the Committee believes that it is important for the company to encourage a turnover in the position in charge of issuing opinions on its financial statements.

A proposed mechanism of turnover for the partner that issues the opinion on the company should be presented for Board approval, in order to ensure objectivity in the reports. Ideally, the turnover should take place at least every 6 years.

The General Mercantile Companies Law stipulates that the stockholders of a company must appoint a statutory auditor, who is responsible, among other aspects, for examining both the financial statements themselves and the application of accounting principles. The company's management also commissions an external auditor to issue an opinion on its financial statements. Although there is some similarity between the functions of the statutory and external auditors, those who appoint them do so for different reasons, which means that making the statutory auditor also responsible for the external audit would be a conflict of interest.

The person signing the auditors' opinion on the annual financial statements should be different from the person who serves as statutory auditor, although both may be members of the same firm.

Those selecting the statutory auditor should be sure that the professional profile of that individual allows him or her to comply with their legal obligations. The annual report presented by the Board of Directors should describe their professional profile.

III.3 Financial Information

The financial information presented by the chief executive officer to the Board during the fiscal year contains unaudited figures. To guarantee that the Board makes its decisions on the basis of reliable information, the mechanism established to support it in this function may rely on the company's internal structures in order to be able to issue an opinion on the processes for validating this information.

Internal auditing provides a support tool to the company's management that allows it to assess the financial information generated and the effectiveness of internal controls.

The company should have an internal auditing department.

The Board of Directors should be informed of the general accounting policies that will be applied in preparing the financial statements. For those receiving the information, this guarantees that the company is following the accounting policies that most closely match their needs.

The accounting policies used to prepare the financial information of the company should be presented to the Board of Directors for approval.

Maintaining the same accounting policy ensures that financial information remains consistent, and makes it easier to make projections on the company's future. In exceptional cases when a change in accounting policy is necessary, it should be announced and explained in advance so that users can evaluate the impact of the change.

When the Board of Directors is asked to approve changes in accounting policy, the justification for the change should be specified.

In order to encourage investor confidence and certainty regarding company information, it is important to prepare the annual information on the same bases as those used during the fiscal year.

The Board of Directors should verify that intermediate financial information is prepared using the same policies, criteria and practices with which the annual information is prepared. In this process, they may rely on the support of external, internal and statutory auditors.

Mechanisms to guarantee the quality of financial information presented to the Board of Directors should be presented to the Board for approval. The internal, external and statutory auditors of the company may participate in this process.

III.4 Internal Controls

The internal control system is the means by which the Board ensures that the company operates in a general climate of control, and that the resolutions passed by the Board are being properly implemented.

General guidelines for the internal control system should be submitted to the Board for approval.

It is important for shareholders to be informed of any defined processes by which the company operates, and to know that it has an orderly process of management and a satisfactory control over its assets. Reports issued by

external and internal auditors can provide support in this regard, by verifying the effectiveness of the control system.

The mechanism designed to support the Board in its auditing functions should evaluate the effectiveness of the internal control system and issue an opinion on existing financial and operational controls.

External auditors should validate the effectiveness of the internal control system and issue a report on these controls.

III.5 Reviewing Compliance

The Committee believes that it is important for companies to have a mechanism by which the Board is kept informed of compliance with applicable laws and provisions.

Information should therefore be generated on a regular basis regarding all aspects of this area, so that an opinion can be issued regarding the level of compliance that exists, and the company's freedom from any legal liability in this respect. Such a process reduces the possibility of unexpected costs for the company, and gives the market confidence in the company's legal status.

Companies should be sure that mechanisms exist to determine whether they are in due compliance with applicable laws and provisions. A compliance review should therefore be conducted at least once a year.

The Board of Directors should be informed regularly of the company's legal status.

IV. Finances and Planning

The Committee recommends that the Board of Directors have a support mechanism in the area of finances and planning, particularly for evaluating the long-term strategy of the business and its central investment and financing policies. In performing this function, those responsible may rely on the company's internal structures, such as the finance department.

The Committee believes it is essential that the mechanism chosen is responsible for performing these functions, and ensures that proposals are brought before the Board of Directors so that it can make the appropriate decisions. The mechanism should also guarantee that the company's financing and investment policies are consistent with its strategic vision.

IV.1 General functions

The following functions support the Board in its definition of policies and strategies.

The support mechanism should perform the following functions: (i) evaluate, and if necessary suggest investment policies for the company proposed by the chief executive officer, then submit them for Board approval; (ii) evaluate, and if necessary suggest financing policies (equity or debt) for the company proposed by the chief executive officer, then submit them for Board approval; (iii) evaluate, and if necessary suggest general guidelines for strategic planning; (iv) offer opinions on the assumptions underlying the annual budget and submit them to the Board for approval; (v) monitor the application of the budget and the strategic plan; and (vi) identify the risk factors to which the company is exposed and evaluate policies for managing that risk.

IV.2 Operating Aspects

To support the Board of Directors in its decisions, it is important that the finance and planning mechanism offer the Board opinions on any intended investment or financing transactions. The priorities and policies established by the Board of Directors should be taken into account in this task.

An evaluation of the viability of the company's principal investment and financing transactions, according to the established policies, should be presented to the Board for approval.

Strategic planning involves not only defining goals but establishing processes to supervise the strategies and plans that are created to achieve these goals.

The company's strategic position should be periodically evaluated against its strategic plan.

There should be a link between the company's investment and financing policies and its long-term goals. If these policies are not designed to match the company's strategic vision, it may not be able to meet its goals. This is why the policies should be examined for consistency with the company's strategic vision, and incorporated into the various forms of documentation the company prepares.

The Board of Directors should be assisted in the task of ensuring that investment and financing policies are consistent with the company's strategic vision. The Board of Directors should be assisted in the task of reviewing the company's financial projections and their consistency with the strategic plan.

V. Disclosure of Information to Stockholders

To gain access to funding under optimum conditions, companies must supply adequate information to the market. The recommendations below apply to both ordinary and extraordinary stockholders' meetings.

V.1 Information and Agenda for Stockholders' Meetings

The points contained in the order of the day that is sent out to stockholders in the stockholders' meeting announcement should precisely and clearly describe the business to be dealt with during that meeting. It has become a common practice to include several topics in one point on the agenda; it is important, however, that each topic be discussed and analyzed separately so that resolutions are not passed on as a group of topics about which stockholders may have different opinions. The same applies to the category of "miscellaneous business" often included on the stockholders' meeting agenda.

It is also important for stockholders to have access in advance to all the information necessary for adequate decision-making in the stockholders' meeting.

Companies should avoid including the category "miscellaneous business" on stockholders' meeting agendas, or grouping together various matters under a single point on the agenda. Separating out the business to be addressed enables stockholders to vote on each separate point and to be informed of the subjects to be addressed at the meeting.

All of the information relative to each point on the stockholders' meeting agenda should be available at least 15 days before the meeting.

A form should be prepared containing detailed information and voting choices on the issues contained in the agenda, through which stockholders may issue proxy instructions on their voting rights corresponding to each point on the meeting agenda.

It is important, for example, that stockholders receive all pertinent information on nominees to the Board of Directors, which can be contained a brief résumé, so that they can assess the candidate's profile and issue an informed vote.

The information delivered to stockholders should include the proposed members of the Board of Directors as well as a professional profile on each candidate.

V.2 Information and Communication between the Board of Directors and Stockholders

The Board is responsible for guaranteeing effective communication between the company and its stockholders. The purpose of presenting an annual report at the stockholders' meeting is to show the company's financial position and comment on any plans and activities it has carried out in the past or plans for the future.

To enrich the information generated by the company, stockholders should also have access to information on the activities of the intermediate bodies.

The Board of Directors should include information on the work of each intermediate body in its annual report to stockholders. The reports on each intermediate body which are presented to the Board should be made available to stockholders along with the other material for the meeting, with the exception of confidential information whose disclosure might hurt the company's competitiveness. The annual report should also include the names of the members of each intermediate body.

The prevailing lack of stockholder participation in stockholders' meetings, and the meetings' limitations as a forum of communication between the company and its investors, reveal the need for additional efforts to create other means of communication that allow investors and the general public to obtain the information they need on the company.

Every company should have policies, mechanisms, and designed personnel responsible for reporting to investors in order to keep the lines of communication open with stockholders and potential investors.

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