

**REPUBLIC OF PANAMA  
NATIONAL SECURITIES COMMISSION**

**AGREEMENT NO. 12-2003**

**(Of November 11th, 2003)**

***Whereby the National Securities Commission  
issues recommendations on guides and principles  
of corporate governance for registered issuers  
and Agreements 6-2000 of May 19<sup>th</sup>, 2000 and  
18-2000 of October 11<sup>th</sup>, 2000 are amended.***

The National Securities Commission,  
In use of its legal powers, and

**CONSIDERING:**

That in accordance with article 8, number 1 of Decree Law 1 of July 8<sup>th</sup>, 1999, this Commission has as its first obligation the strengthening and promotion of the proper conditions for the development of the securities market in the Republic of Panama.

That article 73 of Decree Law 1 of July 8<sup>th</sup>, 1999 provides that the registration submissions and the reports presented to the Commission shall contain the information and the documents about the issuer, its operations, businesses and securities that the Commission prescribes.

That in accordance with article 73 of the abovementioned Decree Law, when determining the information and the documents that must be included in a registration submission and in the reports, the Commission will be limited to requesting relevant information and documents that are of importance for the investing public.

That recent local and international experiences, related to improper practices and deficient controls within the corporate organizations of issuers of securities that are publicly traded, clearly point to the need of promoting that registered issuers in the National Securities Commission establish within their organizations, such mechanisms and proceedings in accordance with internationally accepted principles on the subject.

That it is the Commission's stand, that the adoption of guides and principles of good corporate governance on the part of registered issuers in the Commission, would strengthen and promote the necessary conditions for the continued development of the securities market in Panama, where those principles would result in an increased confidence and transparency in the management of issuers of registered securities, also contributing in risk reduction and a more efficient management that could result in the growth of the company's value and the protection of the shareholder's interests.

That according to the Commission, the existence or absence of corporate proceedings consistent with the principles and guides of good corporate governance internationally accepted, or their total or partial application on the part of issuers registered in the Commission, do in fact constitute material information about the operations and business of the issuers, as provided by articles 1 and 77 of Decree Law 1 of 1999 and should, therefore, be referred to in the periodic reports that the issuers must disclose to the public and submit before the Commission.

That following this same order of ideas, the adoption or lack of adoption, from the part of registered issuers in the Commission of principles of good corporate governance within their organizations, is consistent with the philosophy and disclosure standard established in the legal regulation of the securities market in Panama, which is the total and timely disclosure of material information, that allow the public to make their investing decisions.

That by means of Resolution No. CNV-432-01 of October 30<sup>th</sup>, 2001, the National Securities Commission resolved the creation of a High Level Commission of Accounting and appointed its members, composed mainly by noted members of the accounting professions, for the purpose of allowing the National Securities Commission to receive proposals on the amendments that were considered necessary to Agreement No. 8-2000, about the form and contents of Financial Statements, as well as recommendations regarding the subject of corporate governance or practices of good government for registered companies.

That in addition to the product received by the High Level Commission to which the previous paragraph has referred, the National Securities Commission resolved by means of Resolution CNV-027-03 of February 3<sup>rd</sup>, 2003, the creation of a High Level Commission of Corporate Governance, composed of members from the private sector with wide experience on issues related to the government of corporations.

That the main duty assigned to this High Level Commission was the preparation of a draft Agreement on Corporate Governance that reflected what would be the applicable rules to registered issuers before the National Securities Commission.

That according to a poll carried out in our country, most of the companies that were approached consider that the subject of Corporate Governance is a priority within their organizations.

That during the months of June and July of 2002, *The Economist Intelligence Unit*, carried out a poll in which one hundred and fifteen (115) executives representative of different areas of the world (North America, Latin America, Eastern Europe, Western Europe, Middle East – Northern Africa, South Africa, Asia – Pacific) and different industries, where it resulted that 14% of those polled expressed that the subject of corporate governance is the first priority within their organizations, 32% expressed that the subject of corporate governance is one among the first three priorities within their organizations; while 29% and 22% expressed that it is within the top ten priorities of their organizations and that it is important, but not a priority issue, respectively.

That in view of all the above, the National Securities Commission encourages, by means of the guides and principles issued in this Agreement, the adoption of corporate proceedings within the organization of registered issuers, based on the recommendations made by the Organization of Economic Co-operation and Development (OECD), on the provisions adopted in jurisdictions where capital markets are deemed as developed markets, as well as in the recommendations and conclusions made by the organization called **Center for International Private Enterprise** and expressed in the document titled “*Instituting Corporate Governance in Developing, Emerging and Transitional Economies*”, published in March of 2002.

That this Agreement has complied with the proceeding of public consultation, including a public hearing, as provided by Title XV of Decree Law 1 of July 8<sup>th</sup>, 1999, related to the Administrative Proceeding for the Adoption of Agreements, as evidenced by the public file that this Commission maintains.

#### **AGREES:**

**ARTICLE FIRST:** To approve this Agreement, “*whereby the National Securities Commission issues recommendations on guides and principles of corporate governance for registered issuers, and Agreements No. 6-2000 of May 19<sup>th</sup>, 2000 and No. 18-2000 of October 11, 2000 are amended.*”

#### **TITULO FIRST GENERAL PROVISIONS**

**ARTICLE 1 (SCOPE):** The guides and principles of good corporate governance that the Commission encourages to adopt by means of this Agreement, are of voluntary compliance on the part of registered issuers before the National Securities Commission, in accordance with the provisions of Decree Law 1 of July 8<sup>th</sup>, 1999.

Notwithstanding, registered issuers before the Commission will be subject to the disclosure duties established in Article 5th of this Agreement.

**ARTICLE 2 (DEFINITIONS):** For the purposes of this Agreement, the following terms will be understood as having the extent and meaning expressed as follows:

1. **Corporate Governance:** It is the distribution of rights and duties among the different parts of a corporate organization, such as the Directors, the shareholders, among others. It is the set of provisions that define the rules and proceedings to be observed during decision-making of corporate issues, and that provides the structure through which the social purposes are established, as well as the mechanisms for the achievement of the desired objectives and the correct supervision of compliance with such proceedings.
2. **Auditing Committee:** An organism devised to support the board of Directors that by virtue of delegation will aide in the examination, evaluation and permanent surveillance of the accounting and financial system of the corporation, constant verification of the independence criteria before the external auditor, as well as the follow-up of proceedings of internal systems of management controls.
3. **Compliance and Risk-management Committee:** An organism devised to support the board of directors, whose main duty would be the surveillance of compliance with the rules and principles that form the system of corporate governance, and the compliance with any other legal provisions that were applicable to the corporation. This committee should have the obligation to supervise the proper functioning of information and control policies adopted by the corporation, see that the rules of corporate governance are observed by the organization, review periodically its results, and raise to the board of Directors proposals for amendments and suggest the opening of internal proceedings to consider the sanctions that were deemed necessary for omission to comply with or breach of the internal by-laws of the corporation.
4. **Committee for Evaluation and appointment proposals of Independent directors and key executives:** An organism devised to support the board of directors, with the main duty of seeing for the integrity of the selection, evaluation, appointment and replacement proceedings that should

be applied by the competent body of the corporation, regarding Independent directors and key executives of the company. This Committee will make the recommendations to the competent body of the corporation about the selection criteria for independent directors and key executives and shall see for the correct and periodic evaluation of such parameters.

5. **Independent Director:** for the purposes of this Agreement, a Director will not be considered independent if he or she is:
  - a) Directly or indirectly the beneficial owner of outstanding shares of the issuer, in a proportion equal or superior to 5% of the total of shares issued and outstanding with voting rights, or of its controlling person, according to the definition of control established in Article 1 of Decree Law 1 of 1999.
  - b) A person that has duties in the daily administration or management of the issuer or its controlling person, according to the definition of control established in article 1 of Decree Law 1 of 1999.
  - c) The spouse and all persons with family bonds up to the second grade of lineal or collateral consanguinity with the individuals referred in the previous item.
6. **Key Executive:** a person with key responsibilities over the business, the management, operations, accounting, finances or surveillance of the operations or its employees.
7. **Information policies:** the group of rules and principles that govern the way in which the Board of directors makes and divulges the decisions adopted, material facts as well as all the financial information in a responsible and transparent fashion, for the benefit of all shareholders, investors, regulatory authorities and general public.
8. **Rules of Ethics:** the group of rules, in terms of which the actions, omissions and professional and inter-personal relations are defined as correct or incorrect within an organization, and that are adopted for the purpose of preventing undesirable conducts within an organization, such as concealment, abuse of trust, incompetence, excessive loyalty, bribery, among others.
9. **Control Mechanisms:** Plan of organization, methods and related measures adopted within a business in order to safeguard its assets, verify the exactitude and reliability of the accounting information, promoting operational efficiency and encouraging the follow up of its administrative policies. They can be divided in administrative controls and accounting

controls. Administrative controls include the proceedings and registers concerning the decision-making process that precede authorization of operations on the part of the management. Accounting controls include relevant proceedings regarding the safeguard of assets and reliability of accounting registers, in order to provide reasonable security that the operations are carried out in accordance to the general or specific policies of the organization and that operations are registered according to applicable accounting standards.

**ARTICLE 3 (OBJECTIVES):** This Agreement has as its main purpose to issue recommendations for registered issuers in the Commission, regarding the application of principles consistent with a good corporate governance in their organizations, such as:

1. Measures tending to acquire equilibrium, transparency and the proper representation of all groups of shareholders in the power of direction, control and management of corporations, as well as the fair and timely disclosure of material information for all groups of shareholders.
2. Clear and precise determination of responsibilities, always under the principle of autonomy acknowledged by Law to corporations, but with the purpose of acquiring efficiency, agility, responsibility, credibility and transparency in the government of registered issuers with the National Securities Commission, with the purpose of achieving the corporate goals.
3. Creation of basic structures of good government, efficient and appropriate to face risks related to diverging interests between property and management, which affects shareholders, directors, officers, employees, as well as the investing public.
4. Responsibilities and proceedings that the different organisms within the corporation must comply with, in order to safeguard a transparent and public decision-making procedure, business strategies and information dissemination with the knowledge of all stakeholders in the corporation's business (shareholders, investors, clients, providers, regulatory authority and the public).
5. Creation of internal control systems that allow the execution of measures for the development of policies and business goals, accounting systems and reliable management of the reports issued by the corporation, as well as the determination of the remedial measures required in case of a deviation in complying with such measures.

**ARTICLE 4 (BASIC SUBJECTS IN RULES OF CORPORATE GOVERNANCE):**

While engaging in its ordinary course of business and in particular, for the voluntary adoption of the principles recommended by means of this Agreement, it is considered that a system of good corporate governance shall contain, at least, the following parameters:

1. The direct and express duty for the supervision of the entire corporation's activities on the Board of Directors, with all the inherent responsibilities.
2. The creation of precise criteria of independence, applicable to the profile of the directors, based in separation from the team of high management and controlling shareholders.
3. The review of the structure and integration of members of the Board of directors, in such a way that the required adjustments are made in order to achieve a more efficient management.
4. Rules adopted in the organization that prevent the control of power in a reduced group of employees or directors.
5. The real and effective creation of support Committees, such as: compliance and risk management, Auditing, as well as the necessary delegation of duties so they can carry on their duties effectively, and in essence acting as permanent consulting and support bodies to the Board of Directors.
6. The adoption of measures and proceedings necessary to comply with information requirements, reliable, transparent and timely to all those who have interest in the company (shareholders, employees, clients, suppliers, regulatory authority, public in general).
7. The celebration of working meetings, with the purpose of monitoring the fulfillment of the plans and strategies of the corporation, with the frequency deemed appropriated.
8. The elaboration and execution of clear and public methods regarding the manner in which the minutes are made, where decisions are recorded, determination of person and the place in which they are safeguarded or put in custody of.
9. The acknowledgement of every director and officer's right to request and obtain the information and advice necessary for the fulfillment of his duties of supervision, establishing the proper mechanisms for making such a right effective.
10. The creation and application of rules that allow the execution of the duties of the members of the board of directors, placing emphasis in the way conflict of interest are handled, as agreed by the remaining members of the Board, in cases that may negatively affect the corporation, the confidentiality duty and the use of the corporation's assets extensively to controlling shareholders, and in particular, preventive measures for operations among them and with the corporation.
11. The responsible creation of proceedings that allow the timely, precise and reliable information about the company.
12. The definition of the internal or organizational structure of the corporation.

13. The definition of the business plan, as well as of the corporate risk related to it.
14. The criteria for the determination of salaries, Director's allowances and other benefits.

Approaching these topics would enhance the transparency and credibility in the business carried out by the corporation, in the responsibilities attributed to each executive in the organization, as well as assuring the establishment of internal control system of the corporation.

**ARTICLE 5 (TRANSPARENCY AND DISCLOSURE):** The information concerning the absence, partial or total adoption of corporate proceedings consistent with the international principles encouraged by this Agreement, shall be expressly included in the registration submissions and in the Annual report that registered issuers must file at the Commission, in accordance with Decree Law 1 of 1999, Agreement No. 18-2000 of October 11<sup>th</sup>, 2000, whereby the report called Updating Report is adopted, and any other applicable Agreements.

## **TITLE SECOND BOARD OF DIRECTORS AND SHAREHOLDERS**

**ARTICLE 6 (DUTIES OF THE BOARD):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that the board of Directors of registered issuers have the following among their corporate government rules:

1. Deciding on the strategic direction of the corporation, as well as approving and reviewing other relevant policies of the corporation.
2. Establishing information and communication policies of the corporation before its shareholders, suppliers, clients, regulatory authorities and public in general.
3. Defining and complying with an internal and external information system, efficient, safe, timely and transparent. Such an information system must be equal to all members of the Board.
4. Define and regulate conflicts of interests of the Board members and key executives of the corporation and prevent members to take decisions that involve conflicts of interest.
5. Creating the policies and proceedings for the selection, appointment, retribution and removal of key executives of the corporation.
6. Defining the evaluation and performance systems of top executives of the corporation, in an objective, impartial and timely manner.
7. To handle the reasonable control of corporate risk.

8. To see that the accounting records of the corporation are accurate, that they reflect reasonably the financial position of the corporation and that they comply with the applicable accounting standards and the laws of the Republic of Panama.
9. To ensure the protection of assets, prevention and detection of fraud and other irregularities.
10. To encourage measures tending to the best and greater representation of all groups of shareholders, including minority shareholders.
11. To establish the necessary internal control mechanisms for the proper management of the corporation, and supervise them annually.
12. To approve or disapprove the internal rules of the permanent support committees and supervising that their provisions are strictly observed.

**ARTICLE 7 (INCOMPATIBILITIES OF THE MEMBERS OF THE BOARD):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that registered issuers in the Commission establish among their corporate government rules, that their Directors and Officers may not:

1. Demand or accept payments or other extraordinary treatment, whether for themselves or for third parties, nor conceding unjustified advantages to third parties.
2. Pursue the achievement of personal interests with their decision, nor using for their personal benefits the business opportunities that belong to the corporation.

It is hereby recommended that every member of the Board, faced with the existence of potential conflicts of interests regarding a decision submitted to the consideration of the Board, makes the corresponding report to the remaining members.

**ARTICLE 8 (BOARD INTEGRATION AND INDEPENDENCE CRITERIA):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that the Board of Directors of registered issuers in the Commission be integrated by individuals whose knowledge and/or experience bring aggregated value and participation to the decisions that must be taken regarding the strategies and activities of the registered issuer.

It is hereby recommended that the majority of the Directors be individuals that do not participate in the day-to-day operations of the registered issuer, and whose participation does not pose material ethical conflicts or conflicts of interests. Therefore, in a minority proportion, the General Manager, the Operations Manager

and/or the Financial Manager may be a part of the Board, none of which shall chair it.

It is hereby recommended that of every five Directors, one be independent, according to the criteria of independence established in article 2, number 5.a of this Agreement.

**ARTICLE 9 (SHAREHOLDERS):** In accordance with the guides and principles issued by this Agreement, it is recommended that registered issuers in the Commission establish among their corporate government rule, the duty of the Board to establish the mechanisms that ensure the free and equal exercise of rights that are inherent to the condition of shareholder, including but not limited to:

1. Access to information concerning corporate governance rules and their observance.
2. Access to information regarding the criteria for selecting the external auditors of the corporation.
3. Exercise to voting rights in shareholder's meetings, within the parameters set by the Articles of Incorporation and By-Laws of the corporation.
4. Access to information, in an annual and global basis, concerning the remuneration of members of the Board.
5. Access to information, in an annual and global basis, concerning compensations paid to all key executives of the corporation.
6. Information of the remuneration schemes involving stock, offered to the corporation's employees, in order to allow the understanding of their possible benefits, dilution and potential costs to the corporation.
7. Annual determination of the compensation to the members of the Board, for the period covering the corresponding ordinary meeting and the next, in consideration of the responsibilities and duties of its members, and the usual fees for their type of functions.

### **TITLE THIRD SUPPORT COMMITTEES**

**ARTICLE 10 (SUPPORT COMMITTEES):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that registered issuers in the Commission establish among their corporate government rules, the duty of the board to create support committees that enhance the observance of corporate governance rules, which will be dedicated to the examination and monitoring of relevant issues concerning corporate governance.

For all issuers and registered persons, the constitution of at least the following committees is recommended:

1. Auditing Committee
2. Compliance and risk administration Committee for Evaluation and appointment proposals for independent directors and key executives.

In case of registered issuers whose Boards are integrated by more than five members, it is hereby recommended the creation of a Committee for Evaluation and appointment proposals for independent directors and key executives.

The Board may also create other committees whenever deemed convenient, according to the needs of the organization, whether they are permanent or special commissions.

The names or denominations of the Committees recommended by this Agreement are merely indicative. The registered issuer may adopt whichever other denomination it considers convenient, provided that its nature and duties are the ones hereby recommended.

**ARTICLE 11 (AUDITING COMMITTEE):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that registered issuers in the Commission create an Auditing Committee with the main objective of evaluating the accounting verification system of the corporation.

This Committee should be integrated by members of the Board that do not participate in the daily management of the corporation. However, it is hereby recommended that 30% of its members be independent directors, in accordance to the recommendations issued in this Agreement.

It is hereby recommended that this Committee be chaired by the Treasurer of the Board.

Among others, an Auditing Committee should at least have the following attributes and conditions for the effective achievement of its objectives:

1. Be expressly empowered by the Board to investigate any matter within its competence, having free access and the cooperation of the management, and full authority to invite, discretionally, any director or executive of the corporation to participate in its meetings.
2. Be empowered to receive directly, reports from the internal auditor and its auditing team about the development of their duties. Reports from internal auditing must be submitted to the auditing committee, which will decide its

disclosure to the management, for whichever correction that was necessary. The internal auditor and its team should report to the auditing Committee, in a manner totally independent from General Management.

3. Be empowered to evaluate and grade the performance of the employees of internal auditing and set their remuneration.
4. Recommend the hiring or removal of the internal auditor and the members of his working team.
5. That the members of the Committee have the general knowledge about the fundamental problems of planning and control, as well as the functional aspects of the corporation management.

The decisions taken in the Auditing Committee shall be recorded in a book of minutes, or by electronic devices according to legal provisions applicable, and they should be accessible to all shareholders of the corporation.

**ARTICLE 12 (FUNCTIONS OF THE AUDITING COMMITTEE):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that the above referenced Auditing Committee have, at least, the following functions:

1. To propose the hiring or replacement of the external auditor, the hiring conditions, the scope of the professional mandate and where applicable, the renewal or dismissal of its hiring.
2. To review the corporation's accounts, supervise compliance with all legal requirements that were applicable to the corporation and the correct application of the form and contents of Financial Statements filed with the National Securities Commission.
3. To verify the proper status and integrity of the internal control systems, review and propose the replacement of the responsible parties.
4. To verify that the internal and external auditing programs are complied with, including the independence of external auditors and their rotation, in accordance with Agreement 8-2000 of the National Securities Commission.
5. To establish the policies and proceedings for problem detection controls.
6. To recommend corrective measures deemed necessary by the evaluations made by internal auditing, external auditors and the authorities.
7. Supervise the inspection duties of the corporation's assets and ensure that the required conservation or safety measures are taken and of those under its custody, as well as verifying that all insurance policies that cover them be issued in time, renewed and regularized by the corresponding payment of the premiums.
8. To issue instructions, supervise the practice of inspections and requesting the reports that are necessary to establish a permanent control over the corporation's assets.

9. To serve as a link or coordinator between the duties of internal auditing and the duties of external auditors, particularly in aspects concerning the efficiency and effectiveness of internal control systems.
10. To review and prove that the information standard that the corporation must disclose to the shareholders, the regulatory authority, investors and the public is transparent, reliable and timely and adjusted to the proper disclosure mechanism.
11. To review the nature and extent of other additional services rendered by external auditors of the corporation, in order to determine if they affect the objectivity of the work proper of external auditing.
12. To review the interim and annual financial statements of the corporation before its distribution or publication, and the relevant press releases related with them.
13. To act as a mediator between management and auditors in case of any disagreement.

**ARTICLE 13 (INTERNAL RULES OF THE AUDITING COMMITTEE):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that the above referenced Auditing Committee issues its own internal rules, for the approval of the Board.

This rules will contain, at least, the rules and proceedings for the fulfillment of the duties of the Auditing Committee, the periodicity of its meetings, its chairperson, the parameters and distribution of responsibilities for the supervision of auditing functions (internal and external), investigative proceedings in matters related to its duties, as well as the information that must be delivered to the board. It is hereby recommended that the internal auditor takes part, without a vote, in the committee's meetings, as well as any other guest that the committee deems necessary.

It is hereby recommended that the Auditing Committee meets at least monthly.

**ARTICLE 14 (COMPLIANCE AND RISK ADMINISTRATION COMMITTEE):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that registered issuers in the Commission create a Compliance and Risk Administration Committee, integrated by at least three (3) members of the board that do not participate in the daily management of the company. It is however, recommended, that at least 30% of its members are independent directors, as defined by this Agreement.

Shall the Board of the registered issuer be integrated only by 3 members, it is hereby recommended that the duties of the Committee as described in Article 15 of this Agreement, be complied by the Board independently from the other functions

that they hold.

It is also recommended that the members of the Board have a right to issue their own internal rules, that establish the periodicity of its meetings, its chairperson, the rules and proceedings for identifying the risks and their management, the mechanisms that they will use in their surveillance duties, supervision of the corporate government rules and the way in which they will be reported to the Board.

It is hereby recommended that the Compliance and Risk management Committee meets at least monthly.

**ARTICLE 15 (FUNCTIONS OF THE COMPLIANCE AND RISK ADMINISTRATION COMMITTEE):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that the above referenced Compliance and Risk management Committee have, at least, the following duties:

1. To supervise compliance with the rules of corporate governance of the company, review periodically its results and bring to the Board the amendment proposals.
2. To make its internal rules and submit it to the approval of the Board.
3. To make the written reports to the shareholders meetings, the board or the Presidency, according to the case, of any case considered as an irregularity in the operation of the company and while engaging in its business briefly after knowing of the fact.
4. To collaborate with government agencies that carry on the inspection and surveillance of the corporation.
5. To identify corporate risks and create the policies and proceedings for their administration.
6. To see that the corporation complies with the rules adopted for the elaboration of the minutes of shareholders and Board meetings, and for their custody by the individuals to whom such responsibility is given.
7. To verify that all operations carried out between the corporation, shareholders and/or key executives be under arms-length conditions and be disclosed to the shareholders.
8. Velar por el cumplimiento de las normas que adopte la sociedad para la elaboración de las actas de las reuniones de la Asamblea de Accionistas y de la Junta Directiva, y su custodia en las personas a quién se le atribuya tal responsabilidad.

**ARTICLE 16 (COMMITTEE FOR EVALUATION AND APPOINTMENT PROPOSALS OF INDEPENDENT DIRECTORS AND KEY EXECUTIVES):** In

accordance with Article 11 of this Agreement, whereby it is recommended that those registered issuers with Boards integrated by more than 5 members, however it is recommended that at least 30% of its members be independent directors as defined by this Agreement.

It is hereby recommended that the Committee for Evaluation and appointment proposals of independent Directors be integrated at least by:

1. Three members of the Board of Directors of the corporation, one of which, at least, must be independent as defined by the parameters set in this Agreement.
2. The General Manager, and
3. The Financial Manager or its equivalent position in the organization.

If it were the case that the selection or replacement of a Director is under consideration, the subject will be debated exclusively by the directors that are members of the Committee. If it were the case that the selection or replacement of a key executive position is under consideration, the subject will be debated by all the members of the Committee.

**ARTICLE 17 (FUNCTIONS OF THE COMMITTEE OF EVALUATION AND APPOINTMENT PROPOSALS OF INDEPENDENT DIRECTORS AND KEY EXECUTIVES):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that the Committee of Evaluation and Appointment proposals of independent directors and key executives has, at least, the following duties:

1. To formulate and review the parameters to be observed during the selection process of independent directors and key executives of the corporation.
2. To formulate and review the criteria for periodic evaluation of directors and key executives of the corporation.
3. To make recommendations to the Board concerning the selection of independent directors and key executives.
4. To see that the criteria of independence applicable to the integration of the Board is observed. In order to effectively fulfill its duties, the Committee will evaluate the independence of the proposed candidate for the position of director along with key executives.
5. To verify the periodic evaluations of key executives and recommend adjustments in salaries, whenever deemed convenient.
6. To recommend to the Board the removal of those key executives that do not abide by the internal rules, the code of ethics and/or the rules of corporate governance of the company.
7. To make its internal rules and submit for the approval of the Board.

**ARTICLE 18 (RULES OF ETHICS):** In accordance with the guides and principles issued by this Agreement, it is hereby recommended that registered issuers in the Commission adopt a Code of Ethics, which reflects the principles and corporate values encouraged by the company and that include, among others, the following aspects:

1. A declaration of principles, and moral and ethical values.
2. Declaration of conflicts of interest at all levels of the organization and incorporation of the related mechanisms in the internal rules of the corporation of the registered issuer.
3. Proper use of the resources assigned to carry out the duties assigned.
4. Obligation to report on acts of corruption and mechanisms to improve the effective compliance with the rules of conduct.

#### **TITLE FOURTH FINAL PROVISIONS**

**ARTICLE 19 (REGISTERED ISSUER SUBJECT TO OTHER REGULATIONS):** The registered issuer whose operations or businesses are subject to the surveillance, inspection or compliance with special legal regulations, where duties or recommendations on corporate governance are foreseen, shall abide by the duties or will adopt the recommendations contained in such special regulations issued by the primary regulatory authority. This circumstance will be disclosed in detail in the registration forms or periodic reports.

The registered issuer subject to other regulations shall disclose the differences between the corporate governance rules applicable in its jurisdiction of origin that differ from the local ones, subject to the regulation of the National Securities Commission. In case that the registered issuers subject to other regulations later identify exceptions between the recommendations for corporate governance from its country of origin, shall disclose such exceptions. It is hereby recommended that this information be disclosed in the company's web page and/or their Annual report.

The issuer or registered person both national or foreign that resolves to adopt rules of good corporate governance issued by well-reputed international organizations may do so, provided that they reveal the differences between such regulations and the recommendations issued by the National Securities Commission of Panama.

The issuer or registered person subject to other regulations or provisions including those from international organizations will also have to file Form IN-A –Annual

Updating report- contained in Agreement 18-2000 of October 11<sup>th</sup>, 2000.

Issuers registered in jurisdictions recognized by the National Securities Commission, shall comply concerning their registration files before the Commission, by the provisions of Agreement 8-2003 of July 9<sup>th</sup>, 2003.

Registered investment companies and other collective investment vehicles will be subject to the special Agreements applicable to the matter.

**ARTICLE 20 (AMENDMENT OF AGREEMENT 18-2000 OF OCTOBER 11, 2000):** it is hereby added a letter d) to Article 4 of Agreement 18-2000 of October 11<sup>th</sup>, 2000, whereby the UPDATING REPORT applicable to registered issuers with the National Securities Commission is adopted, so that in the future it reads as follows:

**“ARTICLE 4:** The annual Updating report shall contain the following information:

- a. A detailed description of the issuer’s activities, its subsidiaries and any other entity that preceded it. For such purposes, the order and information prescribed in Article 19 of Agreement No. 6-2000 of May 19<sup>th</sup>, 2000, must be observed.

For those issuers with atypical activities or that require additional explanations or different forms of presentations in the financial summaries, must be included in the corresponding parts of the report.

- b. A financial summary of the results in operations and the Balance accounts and of the three previous fiscal periods, in the tabular presentation established in Form IN-A.
- c. Annual financial Statements of the issuer, audited by an external and independent Certified Public Accountant.
- d. Information regarding corporate governance rules in the organization, as to the closing date of the period, in the tabular presentation established in Form IN-A.

.... “

**ARTICLE 21 (AMENDEMNT OF FORM IN-A ADOPTED BY MEANS OF AGREEMENT 18-2000 OF OCTOBER 11, 2000):** It is hereby added a Section to Form IN-A adopted by means of Agreement 18-2000 of October 11<sup>th</sup>, 2000,

whereby the UPDATING REPORT applicable to registered issuers is adopted, concerning information about the adoption of rules of corporate governance to the closing date of the period, which will be in the future Section IV of the above referenced Form whose whole modified text is reproduced in the annex that forms part of this document.

**ARTICLE 22 (AMENDEMENT OF AGREEMENT 6-2000 OF MAY 19TH, 2000):**

It is hereby added a number 11, to letter A (History and Development of the registrant) of Section III (COMPANY INFORMATION) of Article 19 of Agreement 6-2000 of May 19<sup>th</sup>, 2000, whereby the proceeding for filing registration submissions and termination of registration in the National Securities commission is adopted, so that in the future it reads as follows:

**“ARTICLE 9:** Form RV-1 shall require, at least, the following information about the company:

- I ....
- II. ....
- III. INFORMATION ABOUT THE COMPANY

A. History and Development.

1. Social name and commercial name of the company;
2. Jurisdiction of incorporation
3. Date, incorporation information and time duration of the company, unless indefinite
4. Commercial address (PO box, e-mail addresses, phone and fax numbers of the main offices) of the company filing for registration.
5. Relevant events in the development of the business of the company filing for registration, such as information about the nature and results of any financial reclassification, mergers or consolidations of the company filing for registration and its most important subsidiaries; acquisitions or disposition of material assets, different than those related with the ordinary course of business, previous issues, among others.
6. Information about the main capital expenses and disposition of assets, including the geographical distribution of these investments (locally and abroad) and its method of financing (internal or external).
7. Capitalization and Leverage: disclose the main financial and credit entities that the company filing for registration

has relations with. A statement showing capitalization and leverage must be presented (separating secured and unsecured debt) and identity of the main creditors, covering a period not superior to 60 days prior to the date of the submission, which reflects the capitalization of the company filing for registration on a real basis that reflects the sale of new securities being issued. Include contingent liabilities.

8. Indication of any purchase or exchange offer from third parties (including subsidiaries, affiliates and controlling companies over the shares of the company filing for registration, or of the company filing for registration over other company's shares that have occurred during the last fiscal period. The price or the terms of exchange of such offers and their results must be also disclosed.
9. Indication of the frequency and amount of the dividends in cash declared for each type of the securities issued by the company filing for registration, during the last two fiscal years and the most recent interim financial information, whenever applicable.
10. In case of a public offer of shares, describe separately the dividend policy that the corporation has taken in every case.
11. Information about the absence, total or partial adoption, of proceedings and principles of good corporate governance in the organization of the company filing for registration, in accordance with international standards and the Agreements issued by the Commission on the matter. The company filing for registration shall attach as additional information, the information required in Section IV of Form IN-A adopted by means of Agreement 18-2000 of October 11<sup>th</sup>, 2000, as amended by Agreement No. 12-2003 of November 11<sup>th</sup>, 2003.

B. Stock capital. Based on the most recent financial information, indicate:

1. .... “

**ARTICLE 23 (AMENDMENT OF AGREEMENT 6-2000 OF MAY 19TH, 2000):**

It is hereby amended a number 9 to letter A (History and development of the company) of Section I (INFORMATION OF THE COMPANY) of Article 19 of

Agreement 6-2000 of May 19<sup>th</sup>, 2000, whereby the proceeding for filing registration submissions and terminations of registrations is adopted, so that in the future it reads as follows:

**“ARTICLE 19:** Form RV-2 will require, at least, the following information on the issuer:

#### I. INFORMATION ABOUT THE COMPANY

##### A. History and Development of the company filing for registration

1. Social name and commercial name of the company;
2. Jurisdiction of incorporation
3. Date, incorporation information and time duration of the company, unless indefinite
4. Commercial address (PO box, e-mail addresses, phone and fax numbers of the main offices) of the company filing for registration.
5. Relevant events in the development of the business of the company filing for registration, such as information about the nature and results of any financial reclassification, mergers or consolidations of the company filing for registration and its most important subsidiaries; acquisitions or disposition of material assets, different than those related with the ordinary course of business, previous issues, among others.
6. Information about the main capital expenses and disposition of assets, including the geographical distribution of these investments (locally and abroad) and its method of financing (internal or external).
7. Capitalization and Leverage: disclose the main financial and credit entities that the company filing for registration has relations with. A statement showing capitalization and leverage must be presented (separating secured and unsecured debt) and identity of the main creditors, covering a period not superior to 60 days prior to the date of the submission, which reflects the capitalization of the company filing for registration on a real basis that reflects the sale of new securities being issued. Include contingent liabilities.
8. Indication of any purchase or exchange offer from third parties (including subsidiaries, affiliates and controlling companies over the shares of the company filing for

registration, or of the company filing for registration over other company's shares that have occurred during the last fiscal period. The price or the terms of exchange of such offers and their results must be also disclosed.

9. Information about the absence, total or partial adoption, of proceedings and principles of good corporate governance in the organization of the company filing for registration, in accordance with international standards and the Agreements issued by the Commission on the matter. The company filing for registration shall attach as additional information, the information required in Section IV of Form IN-A adopted by means of Agreement 18-2000 of October 11<sup>th</sup>, 2000, as amended by Agreement No. 12-2003 of November 11<sup>th</sup>, 2003.

B. Articles of incorporation and By-Laws of the company filing for registration.

....”

**ARTICLE 24 (AMENDMENT TO AGREEMENT 6-2000 OF MAY 19TH, 2000):** It is hereby added a number 15 to Article 13 of Agreement 6-2000 of May 19<sup>th</sup>, 2000, whereby the proceeding for filing registration submissions and terminations of registrations is adopted, so that in the future it reads as follows:

**“ARTICLE 13: Documents.** Registration filings for securities that will be publicly offered and that require authorization from the National Securities Commission, shall attach the following documents:

1. Power of attorney
2. Copy of the personal identity certificate or passport of the legal representative, directors and officers of the company filing for registration
3. Certificate of good standing of the corporation, showing the name, date and data of incorporation, duration, legal status, subscribers, directors, dignitaries, legal representative, social capital, registered powers and resident agent of the company, issued by the Public Registry within 30 days previous to the date of filing the registration submission. In case of foreign companies, a certificate issued by the Public Registry of the country or the entity that holds similar

functions and duties, issued within 30 days previous to the date of filing the registration submission, where the same information requested to Panamanian companies is include. For presentation purposes, it will be acceptable to present additional documents where the required information is recorded, according to the jurisdiction of origin of the company filing for registration.

4. Copy of the public instrument recording the Articles of Incorporation of the company filing for registration, its amendments and evidence of record of such documents.
5. Copy of the Preliminary Prospectus.
6. Resolution of the board or competent body of government of the corporation that authorizes the public offering of the securities, their number, price, including all possible deductions, name of the persons empowered to sign them, and the details of the offer.
7. Draft of the securities that will be sold, whenever applicable.
8. Audited financial statements of the last fiscal period, issued by an independent authorized public accountant
9. Interim financial statements of the most recent quarter previous to the submission of the registration filing, whenever applicable.
- 9.A A comparative presentation of the annual financial statements of the last three fiscal years, based in the reports of independent auditors.
- 10.A sworn statement issued by the legal representative of the company filing for registration, about compliance with the provisions regarding the independence of the authorized public accountant –as provided in the Agreement referred to the form and contents of financial Statements- and of the Legal counselor, as provided by Article 16 of this Agreement.
- 11.The drafts of contracts that form part of the registration submission, and their final versions must be presented, in duly legalized copies, before the final resolution is notified to the interested party.
12. An opinion issued by a legal counselor on the submission for registration, as prescribed in articles 15 and 16 of this Agreement.
- 13.Record of payment of the registration fee that applies to the case.
- 14.The documents deemed necessary by the National Securities Commission, for the information and protection of investors, and

15. The information requested in Section IV of Form IN-A, about corporate governance, adopted by means of Agreement 18-2000 of October 11<sup>th</sup>, 2000.”

**ARTICLE SECOND: (EFFECTIVE DATE):** This agreement will be effective since its publication in the Official Gazette. However, the disclosure duties established in this Agreement shall become effective as follows:

For the fiscal period of January-December 2004	Form IN-A due on March 31, 2005.
For the fiscal period of April 2004 – March 2005	Form IN-A due on June 30th, 2005.
For the fiscal period of June 2004 – May 2005	Form IN-A due on August 31st, 2005.
For the fiscal period of July 2004 – June 2005	Form IN-A due on September 30th, 2005.
For the fiscal period of October 2004 – September 2005.	Form IN-A due on December 31st, 2005.

**LEGAL BASIS:** Articles 8, 73 and 77 of Decree Law 1 of July 8th, 1999.

Issued in the City of Panama, Republic of Panama, on the eleventh (11) day of the month of November of the year two thousand and three (2003).

LET IT BE PUBLISHED AND COMPLIED WITH.

(signed) **CARLOS A. BARSALLO P.**  
Comissioner President

(signed) **ROLANDO J. DE LEÓN DE ALBA**  
**RAMÍREZ**

Comissioner Vicepresident

(signed) **MARUQUEL PABÓN DE**

Comissioner



**AGREEMENT 18-2000  
(Of October 11th, 2000)**

**ANNEX No. 1**

**FORM IN-A  
ANNUAL  
UPDATING REPORT**

Year ended \_\_\_\_\_

PURSUANT TO DECREE LAW 1 OF JULY 8TH, 1999 AND AGREEMENT No. 18-2000 of OCTOBER 11TH, 2000.

**GENERAL INSTRUCTIONS FOR THE USE OF FORMS IN-A AND IN-T**

**A. Applicability**

These forms are for the use of all registered securities issuers with the Commission, in accordance with Agreement No. 18-2000 of October 11<sup>th</sup>, 2000 (regardless if registration is due to public offering or other mandatory registrations). Updating reports shall be mandatory from January 1<sup>st</sup> of the year 2001. Therefore, issuers with fiscal periods ending on December, must file their Annual report in compliance with the aforesaid Agreement. Also, all interim reports of issuers with special fiscal periods (March, June, November and others), due after January 1<sup>st</sup> of 2001 and afterwards, must be filed as foreseen in Agreement No. 18-2000. Nonetheless, issuers may voluntarily file them previously.

**B. Responsibility for the information.**

Reports filed before the Commission may not contain false statements or information about material facts, nor will they omit information about material facts that must be disclosed by virtue of Decree Law 1 of 1999 and its Regulations or

that must be disclosed so that the statements made in such filings and reports are not deceptive or misleading in light of the circumstances in which they were made (Article 72: Standard of disclosure Decree Law 1 of 1999).

It is forbidden that any person does, or make another one do, in registration filing or in any other document filed with the Commission by virtue of Decree Law 1 of 1999 and its regulations, statements that such person knows, or has reasonable motives to believe, that at the time they were made and in light of the circumstances in which they were made, were false or misleading in any material aspect (Article 200: Registers, reports and other documents filed with the Commission. Decree Law 1 of 1999).

The person who violates any provision contained in Decree Law 1 of 1999 or its Regulations will have civil liability for the damages that such violation causes (Article 204, civil liability). The Commission may apply administrative fines to any person that violates Decree Law 1 of 1999 and its Regulations, up to A million Balboas (B/.1,000,000.00), for the commission of any of the forbidden activities provided in Title XII of the aforesaid Decree Law, or up to Three Hundred Thousand Balboas (B/.300,000.00) for violations of the remaining provisions of Decree Law 1 of 1999.

### **C. Preparation of Updating Reports.**

This is not a blank-space form. It only is a guide for the order in which information must be presented. The Commission makes available the file for a word processor, as long as the interested party provides a 3 ½ disk. The Form file may also be downloads from the Commission's webpage ([www.conaval.gob.poa](http://www.conaval.gob.poa)), under the button "Forms".

If any of the requested information is not applicable to the issuer, due to its characteristics, the nature of its business or for any other reason, this circumstance shall be expressly discussed along with the reasons for inapplicability. Two sections of this Agreements make express reference to Agreement No. 6-2000 of may 19<sup>th</sup>, 2000 (amended by Agreement No. 15-2000 of August 28<sup>th</sup>, 2000), on Securities Registration. It is the responsibility of the issuer to review such references.

The Updating Report must be filed in an original and a full copy, including the annexes.

A full copy of the Updating report must be filed with the Exchange in which the securities are listed.

Financial information must be prepared in accordance with Agreements No. 2-2000 of February 28<sup>th</sup>, 2000 and No. 8-2000 of May 22<sup>nd</sup>, 2000. If during the period covered by the report any substantial change in the accounting policies, acquisitions or any other form of commercial combination that affect the

comparability of the figures presented, the issuer must clearly refer to such changes and their impact on the figures.

Shall any additional explanation be required; you may contact the officers of the National Direction of Securities Registration, at the following phone numbers: 265-2514 or 264-2215.

SOCIAL NAME OF THE ISSUER: \_\_\_\_\_

REGISTERED SECURITIES: \_\_\_\_\_

TELEPHONE AND FAX NUMBERS OF THE ISSUER: : \_\_\_\_\_

ISSUER'S ADDRESS: \_\_\_\_\_

ISSUER'S E-MAIL ADDRESS: \_\_\_\_\_

## I PART

In accordance with Article 4 of Agreement No. 18-2000 of October 11<sup>th</sup>, 2000, discuss in detail the issuer's activities, its subsidiaries and any other preceding entity, to the extent that it is applicable (Ref. Article 19 of Agreement No. 6-2000 of May 19<sup>th</sup>, 2000).

### I. COMPANY INFORMATION

- A. History and Development of the company filing for registration
- B. Articles of Incorporation and By-laws of the company filing for registration
- C. Business description
- D. Organizational structure
- E. Property, Plant and equipment
- F. Investigation and Development, Patents, Licenses, etc.
- G. Trends

### I. MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

- A. Liquidity
  - B. Capital resources
  - C. Operations results
  - D. Perspectives analysis
- II. DIRECTORS, OFFICERS, EXECUTIVES, MANAGERS, ADVISORS AND EMPLOYEES
- A. Identity
    - 1- Directors, Officers, Executives and Managers
    - 2- Important employees and advisors
    - 3- Legal counselors
    - 4- Auditors
    - 5- Appointment on the basis of agreements or understandings
  - B. Compensation
  - C. Practices of the Board
  - D. Employees
  - E. Stock holdings
- III. MAIN STOCK HOLDERS
- A. Identity, number of shares, and changes in the share percentage of which the controlling person or persons beneficially own.
  - B. Tabular presentation about the share structure of the issuer.
  - C. Controlling person
  - D. Changes in share control
- IV. RELATED PARTIES, BONDS AND AFFILIATIONS
- A. Identification of business or contracts with related parties.
  - B. Interest of Experts and Advisors
- VI. FISCAL TREATMENT
- V. CAPITALIZATION STRUCTURE
- A. Summary of capitalization structure

1. Shares and participation titles
  2. Debt titles
- B. Description and rights of the titles
1. Stock capital
  2. Participation titles
  3. Debt titles
- C. Market Information

## II PART FINANCIAL SUMMARY

Present a financial summary of the operations results and Balance accounts of the year and of the three preceding fiscal years, in the following tabular presentation:

**Purpose:** To provide the investor in simple and understandable tabular form material information about the issuer and its trends. Pick the presentation applicable to the issuer, according to its business:

### A. Presentation applicable to commercial or industrial issuers:

STATEMENT OF FINANCIAL SITUATION	YEAR COVERED BY REPORT	COMPARED TO PREVIOUS PERIOD (1 YEAR)	COMPARED TO PREVIOUS PERIOD (2 YEARS)	COMPARED TO PREVIOUS YEAR (3 YEARS)
Sales or total income				
Operational margin				
General and management expenses				
Net Profit or Loss				
Shares issued and outstanding				
Profit or Loss per share				
Depreciation and amortization				
Non-recurring profits or losses				

GENERAL BALANCE	YEAR COVERED	COMPARED TO	COMPARED TO PREVIOUS	COMPARED TO PREVIOUS YEAR
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	BY REPORT	PREVIOUS PERIOD (1 YEAR)	PERIOD (2 YEARS)	(3 YEARS)
Current Assets				
Total assets				
Current Liabilities				
Long-term debt				
Preferred stock				
Paid capital				
Retained profits				
Shareholder's capital or owner's equity				
<b>FINANCIAL RATIOS</b>				
Dividend/Share				
Total Debt/owner's Equity				
Working capital				
Current ratio				
Operational profit/financial expenses				

**B. Presentation applicable to financial sector issuers:**

STATEMENT OF FINANCIAL SITUATION	YEAR COVERED BY REPORT	COMPARED TO PREVIOUS PERIOD (1 YEAR)	COMPARED TO PREVIOUS PERIOD (2 YEARS)	COMPARED TO PREVIOUS PERIOD (3 YEARS)
Income from interests				
Expenses for interests				
Operation expenses				
Profit or Loss				
Shares issued and outstanding				
Profit or loss per share				
Profit or loss of the period				
Average shares for the period				

GENERAL BALANCE	YEAR COVERED BY REPORT	COMPARED TO PREVIOUS PERIOD (1 YEAR)	COMPARED TO PREVIOUS PERIOD (2 YEARS)	COMPARED TO PREVIOUS PERIOD (3 YEARS)
Loans				
Total assets				
Total deposits				
Total debt				
Preferred stock				
Paid capital				
Operation and reserves				
Total Equity				
<b>FINANCIAL RATIOS</b>				
Dividend/Common share				
Total debt + Deposits/Equity				

Loans/ Total assets				
Operation expenses/total income				
Arrears/Reserves				
Morosidad/Total portfolio				

### III PART FINANCIAL STATEMENTS

Present the Annual financial statements of the issuer, audited by an independent certified public accountant.

### IV PART CORPORATE GOVERNANCE <sup>1</sup>

In accordance with the guides and principles issued by means of Agreement No. 12 of November 11<sup>th</sup>, 2003, about the adoption of recommendations and proceedings concerning good corporate governance of registered companies, answer the following questions in this presentation that do not exclude any additional explanation deemed necessary or convenient. In case the registered company is subject to other special regulations on the matter, elaborate.

<b>Minimum contents</b>	
1.	Indicate if the organization has adopted rules or proceedings of good corporate governance. If affirmative, explain if they are based on any specific ruling.
2.	Indicate if these rules or proceedings consider the following issues:
	a. Supervision of the organization's activities by the Board of Directors
	b. Existence of independence criteria applicable to the appointment of Directors referred to share control

<sup>1</sup> La Sección IV fue adicionada mediante Acuerdo XXX de XXX de 2003.

	c. Existence of independence criteria applicable to the appointment of Directors referred to management.
	c. Rules formulated to avoid within the organization power control on a reduced group of employees or directors.
	d. Creation of support commissions, such as Compliance and Risk Management, Auditing.
	e. Celebration of working meetings of the Board and keeping of minutes that reflect decision making.
	f. Right of every director and officer to request and obtain information.
3.	Indicate if a Code of Ethics has been adopted. If affirmative, point out its method of publication to its users.
	<b>Board of Directors</b>
4.	Indicate if the rules of corporate governance set parameters regarding the following issues:
	a. Information and communication policies of the company with its shareholders and third parties.
	b. Conflicts of interest between directors, officers and key executives, as well as decision taking.
	c. Policies and proceedings for the selection, appointment, compensation and removal of the main executives of the corporation.
	d. Performance Evaluation systems for key executives.

	e. Reasonable control of risk.
	f. Appropriate accounting records that reasonably show the financial position of the corporation.
	g. Asset protection, prevention and detection of fraud and other irregularities
	h. Adequate representation of all shareholders groups, including minority groups. (This information must be included for companies with registered equity securities. For issuers of other securities, it will only be included when deemed of importance for the investing public, according to the issuer).
	i. Internal control mechanisms and its periodic revision
5.	Indicate if the rules of corporate governance consider incompatibilities of the members of the board to demand or accept payments or other extraordinary advantages, or to pursue the acquisition of personal interests.

<b>Integration of the Board</b>	
6.	a. Number of Directors of the corporation
	b. Number of Directors independent from management
	c. Number of Directors independent from shareholders

<b>Shareholders</b>	
7.	Do the rules of corporate governance foresee mechanisms to ensure the exercise of the rights of shareholders, such as: :
	<p>a. Access to information regarding to corporate governance parameters and their compliance. (This information must be included for companies with registered equity securities. For issuers of other securities, it will only be included when deemed of importance for the investing public, according to the issuer).</p>
	<p>b. Access to information regarding selection criteria for external auditors. (This information must be included for companies with registered equity securities. For issuers of other securities, it will only be included when deemed of importance for the investing public, according to the issuer).</p>
	<p>c. Exercise of voting rights in shareholders meetings, according to the Articles of Incorporation and By-laws of the company. (This information must be included for companies with registered equity securities. For issuers of other securities, it will only be included when deemed of importance for the investing public, according to the issuer).</p>
	<p>d. Access to information regarding compensation of the Board of Directors. (This information must be included for companies with registered equity securities. For issuers of other securities, it will only be included when deemed of importance for the investing public, according to the issuer).</p>
	<p>e. Access to information regarding compensation of Key executives. (This information must be included for companies with registered equity securities. For issuers of other securities, it will only be included when deemed of importance for the investing public, according to the issuer).</p>
	<p>f. Knowledge of share-compensation schemes and other benefits offered to the employees of the corporation. (This information must be included for companies with registered equity securities. For issuers of other securities, it will only be included when deemed of importance for the investing public, according to the issuer).</p>

<b>Committees</b>	
8.	Do the rules of corporate governance consider the creation of support committees, such as.
	a. Auditing Committee, or its equivalent denomination.
	b. Compliance and Risk Administration Committee, or its equivalent denomination
	c. Committee for Evaluation and appointment proposals of independent directors and key executives, or its equivalent denomination.
	d. Others:
9.	In case of an affirmative answer to the previous question, are these committees effectively created by the period covered in this report?
	a. Auditing Committee :
	b. Compliance and Risk administration Committee:
	c. Committee for evaluation and appointment proposals of independent directors and key executives.

<b>Integration of Committees</b>	
10	How are the following committees integrated:
	a. Auditing (number of members and positions of its members, for instance, 4 Directors –2 independent- and the Treasurer).
	b. Compliance and risk administration
	c. Evaluation and appointment proposals of independent directors and key executives.

**V PART  
DISCLOSURE**

In accordance with articles 2 and 6 of Agreement No. 18-2000 of October 11<sup>th</sup>, 2000, the issuer must disclose its Annual Updating reports among its investors and the general public, within the three following months after the closing of the fiscal period, by any of the means indicated in the Agreement.

**1. Identify the disclosure mechanism through which the issuer has disclosed or will disclose the Annual Updating Report and the name of the used media:**

- Newspaper of nacional circulation \_\_\_\_\_
- Specialized newspaper or magazine of national circulation \_\_\_\_\_
- Public web pages of the issuer \_\_\_\_\_
- Delivery from the issuer or its representative, of a copy of the report to shareholders and registered investors, as any third party that requested it \_\_\_\_\_
- Delivery of the periodic reports made by the issuer (for example, mid-year reports, memory or Annual reports to shareholders or other periodic reports), provided that: a) they include all the information requested by the Annual Updating report; b) be also distributed to any registered investor even if not a shareholder; and c) any third party may request a copy of it.

**2. Date of disclosure**

- 2.1 If the report has already been disclosed by any of the aforesaid mechanisms, indicate the date:
- 2.2 If it has not been yet disclosed, indicate the probable date in which it will be disclosed:

**SIGNATURES**

The Annual Updating Report must be signed by the person or persons that, individually or jointly, exercise legal representation of the issuer, according to its Articles of Incorporation. The name of every signing person must be written under its signature.

**The present document is a translation of the original document presented before me in the Spanish Language. Panama City, Republic of Panama, December 9 of 2003**