



**BANCO LATINOAMERICANO DE  
COMERCIO EXTERIOR, S. A.**

**CORPORATE GOVERNANCE  
PRINCIPLES AND  
INDEPENDENCE DETERMINATION  
OF DIRECTORS**

**UPDATED: October 30, 2013**

Corporate Governance refers to the relations of the Bank's Management with its Board of Directors, Shareholders and other economic groups that have an interest in the Bank. The basic assumptions of Corporate Governance are transparency, corporate equality, and compliance by the Board of Directors, Senior Management, Employees and Stakeholders, with their responsibilities.

Corporate Governance is the backbone of Bladex's performance. This system reflects the ethical commitment and corporate responsibilities that increasingly generate the investors' trust in Bladex and enhance the Bank's worth.

Corporate Governance issues emerge from dispositions set forth in the Articles of Incorporation, the By-Laws of the Corporation and the Charters of the different Committees of the Board of Directors and the Management Committee, adjusting them to established regulations and to good organizational practices.

Through the document that follows, the Foreign Trade Bank of Latin America, Inc. (Banco Latinoamericano de Comercio Exterior, S.A.) (Bladex) establishes the dispositions that guide its Corporate Governance and the Bank's Board of Directors determines the independence of its Directors.

## **I. Board of Directors**

### **I.1 The Role of the Board of Directors**

The Board of Directors shall direct and control the business and assets of the Bank, except for such matters specifically reserved to the Shareholders according to the law or the Articles of Incorporation. The Board of Directors may grant general or special powers of attorney, authorizing Directors, Officers, and Employees of the Corporation or other third parties to transact such business and affairs within the competence of the Board of Directors, as the Board of Directors may deem convenient to entrust each of them.

### **I.2 Board of Directors' Structure**

The Board of Directors consists of ten (10) members, as follows:

- (a) Three (3) Directors elected by the holders of the class A common shares;
- (b) Five (5) Directors elected by the holders of the class E common shares; and
- (c) Two (2) Directors elected by the holders of all common shares.

### **I.3 Independence of the Members of the Board of Directors**

For Bladex a Director will be considered as independent only when the Board of Directors has affirmatively determined that said Director has no material relationship with the Bank that may affect his or her independent judgment. The Board of Directors will review the factors that affect this independence when a Director is proposed for election or re-election.

In the process of doing such determination the Board of Directors will consider the nature, scope and materiality of the Director's relationship with the Bank, as well as all applicable guidelines, rules and regulations, including:

- The Regulations enacted by the U.S. Security and Exchange Commission under the 2002 Sarbanes-Oxley Act (SOX).
- The five criteria for rating independence, as defined in Section 303A of the Manual for Companies listed on the New York Stock Exchange; and
- The nine criteria for defining independence included in Rule N° 05-2011, issued by the Superintendency of Banks of the Republic of Panama

Based on the application of the above criteria, the Bank's Board of Directors has determined that a substantial majority (nine out of ten Directors) of the Board of Directors is independent as, except for the Bank's Chief Executive Officer (CEO), all other members of the Board of Directors are independent.

### **I.4 Responsibilities and Functions**

The Board of Directors directs and controls the business and assets of the Bank, except for such matters as may be specifically reserved to the Shareholders Meeting.

The Board of Directors is especially responsible for the following matters:

- (a) Ensure compliance with the resolutions of the General Shareholders Meeting;
- (b) Submit the Bank's annual Audited Financial Statements for the consideration of the General Shareholders Meeting;
- (c) Approve the budget and annual business and operations plan submitted by the Chief Executive Officer and supervise its compliance;
- (d) Analyze, review and approve the Bank's strategic plan submitted by the Chief Executive Officer and supervise its compliance, which shall include, without being limited thereto, the

- long-term and annual goals of the Corporation;
- (e) Identify and adopt policies to limit and manage the risks that the Bank may incur, including credit risk, operational risk, market risk and the liquidity and funding risks;
  - (f) Review and inspect the administrative information and control systems in order to ensure that information is complete and timely and in compliance with the applicable regulatory regime;
  - (g) Develop, implement and monitor programs for informing all Stakeholders and other people related to the Bank and particularly the Shareholders;
  - (h) Elect the Bank's Chairman, Treasurer, Secretary and any other Officer of the Bank;
  - (i) Elect the President and Chief Executive Officer, by the affirmative vote of at least seven (7) of its members;
  - (j) Adopt hiring and compensation policies for key executives and give support to the process of electing and evaluating them;
  - (k) Appoint, pursuant to the provisions of the Articles of Incorporation, the members of the Committees of the Board of Directors;
  - (l) Grant general or special powers of attorney to Directors, Officers or other Employees of the Bank or third parties, to manage such matters as the Board of Directors may deem convenient, if they are within the powers of the Board of Directors;
  - (m) Make sure the activities of the Corporation are conducted with transparency and in compliance with the highest standards of banking ethics;
  - (n) Adopt good Corporate Governance practices;
  - (o) Determine the payment of dividends in shares, according to the law or the Articles of Incorporation

### **I.5 Board of Directors Meetings**

Board meetings are held at least four (4) times a year in the Republic of Panama or in any other country, as determined by the Board of Directors.

The presence of at least six (6) Directors is necessary for a meeting of the Board of Directors to be duly held. However, Board of Directors meetings quorum requires that the majority of the Directors present are not involved in the Bank's day-to-day management.

Resolutions of the Board of Directors are adopted by the affirmative vote of the majority of the Directors present at the meeting.

### **I.6 Qualifications of the Directors**

To be a Director of the Bank it is required:

- To be of age;
- To have a relevant experience or knowledge of banking operations and/or the risks inherent thereto;
- Neither having been a director or officer nor having participated in the managing of a bank forced to go into liquidation, if the person was responsible for the actions that led to such liquidation;
- Not to have been declared in bankruptcy or the object of creditors' meetings;
- Not to have been found guilty of crimes against property or of forgery;
- Not to have incurred in any grave faults in the managing of the bank, according to what the Board of Directors may determine.

### **I.7 Electing the Directors**

When electing the members of the Board of Directors, the holders of the common shares of each class vote separately.

In the election of the members of the Board of Directors, the Shareholders of each class have a number of votes equal to the number of the shares of such class held by the shareholder, multiplied by the number of Directors to be elected by such class, and Shareholders may cast all of the votes in favor of one single candidate or distribute them among all of the Directors to be elected or among two or more of them, as the Shareholder may deem to be convenient.

#### **I.8 Directors' Remuneration**

The Board of Directors, after consulting the Nomination and Compensation Committee, is responsible for approving and reviewing the compensation plans and program of the members of the Board of Directors and its Committees. The Board of Directors will inform the Shareholders Meeting about the compensation plans for the Board of Directors and its Committees as they may adopt from time to time.

The Bank discloses the information related to the compensation of Directors and Officers, as required by the laws and regulations applicable to the Bank.

The compensation of the Directors will consist of: one portion in cash and another portion in Class "E" shares.

#### **I.9 Relationship of the Board of Directors with the Executive Staff and Outside Counsels.**

The Bank has established mechanisms that permit direct interaction and cooperation between the Board of Directors, Senior Management, and their external counsels, if any.

#### **I.10 Directors' Orientation**

Every new Director participates in an orientation process during the first few months following his or her appointment.

The Directors participate in an ongoing education process, in line with their functions and responsibilities.

#### **I.11 Committees of the Board of Directors**

The Board of Directors has the authority to set up Committees that have the authority and the responsibilities delegated to them by the Board of Directors, subject to the provisions of the Articles of Incorporation and the By-laws. Each Committee shall have three or more members of the Board of Directors; subject to this minimum, the Board of Directors shall determine the exact number of members of the Committee from time to time. The members of each Committee shall be appointed in such manner and for such term as the Board of Directors may determine.

##### **I.11.1 Audit and Compliance Committee**

The Audit and Compliance Committee is a standing committee of the Board of Directors. The purpose of the Audit and Compliance Committee is to provide assistance to the Board of Directors in fulfilling its oversight responsibilities regarding the financial information process and the integrity of the Financial Statements, as well as the system of internal control over financial information, the process of internal and external audit, the Corporate Governance scheme, compliance with legal and regulatory requirements and the Code of Ethics.

The Audit and Compliance Committee, in its capacity as a Committee of the Board of Directors, is directly responsible for the appointment, compensation, and oversight of the Bank's Independent Auditors, including the resolution of disagreements regarding financial disclosure between Bank's Management and such Independent Auditors. The Bank's Independent Auditors report directly to the Committee.

At least one of the members of the Committee is a "financial expert," as defined in the rules enacted by the U.S. Securities and Exchange Commission under the 2002 Sarbanes-Oxley Act.

The Charter of the Audit and Compliance Committee establishes an annual self-assessment of the Committee's performance.

The Bank has included the Audit and Compliance Committee's Charter on its website [www.bladex.com](http://www.bladex.com).

#### **I.11.2 Nomination and Compensation Committee**

The Nomination and Compensation Committee is a standing Committee of the Board of Directors. This Committee is in charge of providing the Board of Directors with recommendations for the nomination of Directors, the hiring of Executives, the compensation programs and plans for the Bank's Directors, Executives and Employees and in general, about matters related to the Bank's personnel.

To fulfill its objectives, the Committee has the following duties and responsibilities:

##### **A) The Nomination of Directors**

- Identify candidates for members of the Board of Directors and recommend candidates to the Board of Directors for being nominated at the Shareholders Meeting.
- Assist the Chairman of the Board concerning the composition of the Board's Committees and their structure, including the establishment of Charters, qualifications of the members of the Committees, nominations to the Committees and removals from the Committees.

##### **B) Compensation**

- Recommend, to the Board of Directors, compensation and benefits programs and plans for the members of the Board of Directors and its Committees, including fixed and variable compensation, both in cash as well as in equity.
- Recommend, to the Board of Directors, compensation and benefits programs and plans for the Bank's Executives and Employees, including fixed and variable compensation, both in cash as well as in equity.
- Review and recommend to the Board of Directors other benefit programs for the Bank's Executives and Employees supplemental to their remuneration.
- Recommend and oversee the implementation of the guidelines concerning "Stock Ownership" for the Bank's Board of Directors, Executives and Personnel.

Furthermore, the Nomination and Compensation Committee supports the Chairman of the Board and the Chief Executive Officer in defining and monitoring the succession plan that applies to the Chief Executive Officer and the members of the Management Committee.

The Charter of the Nomination and Compensation Committee establishes an annual self-assessment of the Committee's performance.

The Bank has included the Nomination and Compensation Committee's Charter on its website [www.bladex.com](http://www.bladex.com).

#### **I.11.3 Credit Policy and Risk Assessment Committee (CPRAC)**

The Credit Policy and Risk Assessment Committee is a standing Committee of the Board of Directors. It is in charge of reviewing all the credit policies and procedures related to the adequate management of the Bank's assets and recommending them to the Board of Directors, for their ratification. The Committee also reviews the quality and profile of the Bank's credit assets and the risk levels that the Bank is willing to assume. As part of its duties, the Committee may approve specific exceptions to the credit policies. The analysis and assessment of the Bank's operational

risks, as well as the legal and operational risks of the Bank's products, are also the responsibility of this Committee.

The Bank has included the Credit Policy and Risk Assessment Committee's Charter on its website [www.bladex.com](http://www.bladex.com).

#### **I.11.4 Assets and Liabilities Committee (ALCO)**

The Assets and Liabilities Committee is a standing Committee of the Board of Directors. This Committee is in charge of reviewing and preparing all the policies and procedures related to the adequate management of the Bank's assets and liabilities and recommending them to the Board of Directors, for their approval.

The Committee is also in charge of the reviewing and managing the Bank's negative gaps and coordinating disbursement and funding activities aimed at optimizing profits and reducing risks. The Committee is also in charge of considering the tax implications on the Bank's operations and of recommending policies thereto to the Board of Directors. Likewise, the Committee shall be responsible for recommending policies for the adequate management of market risk to the Board of Directors, for their approval.

As part of its duties, the Committee reviews the Bank's assets and liabilities with the aim of reducing a potential adverse impact on interest income and results. The Committee supervises maturity gaps, taking into consideration not only return rates and the risk level but also the Bank's liquidity requirements, including the minimum cash reserve, disbursements, and additional demand of funds.

In order to meet its objectives, the Committee submits, for the consideration and approval of the Board of Directors, the following matters:

1. The policy on the minimum liquidity level.
2. The policy regarding short- and medium-term assets / liabilities gaps.
3. The policy of investing the liquidity.
4. The policy of derivatives, including interest rate swaps, cross currency swaps and FOREX.
5. Tax policies and structures.
6. Policies regarding the management of market risks.
7. The taking on of short- and medium-term liabilities for funding the Bank's operations
8. The liquidity levels.
9. Coverage of interest rate risks and FOREX, using derivatives.

The Bank has included the Assets and Liabilities Committee's Charter on its website [www.bladex.com](http://www.bladex.com).

#### **I.11.5 Business Committee**

The Business Committee is a standing Committee of the Board of Directors.

The main responsibility of the Business Committee is to support the Bank's Management with business ideas and strategies and to provide guidelines for monitoring the business by the Board of Directors. Its main objective will always be to improve the efficiency of the Bank in managing its different business units.

#### **I.12 Board of Directors' Internal Evaluation**

The Board of Directors will evaluate itself annually.

## **II. Board of Directors Officers**

The Bank will have a Chairman, a President and Chief Executive Officer, a Treasurer and a Secretary who will be elected by the Board of Directors and it will also have such other Officers as may be determined by the Board of Directors from time to time.

Is not necessary that a person be a member of the Bank's Board of Directors in order to be an Officer.

### **II.1 Chairman of the Board**

The Chairman will chair all the Shareholders and Board of Directors meeting, propose the meeting venue and the matters to be considered at such meetings and shall notify or shall cause that notice be given of all meetings of the Shareholders and the Board of Directors and shall carry out any other matters entrusted to him by the Board of Directors.

#### **The Chairman of the Board shall specifically have the following special powers:**

- Ensure proper operation of the Board of Directors, including verifying that all matters that are relevant and within the powers of the Board of Directors are included in the agenda of each meeting; ensuring that all members of the Board of Directors timely receive the necessary information needed to evaluate the topics to be dealt with at the meetings of the Board of Directors; striving for the active participation of all members of the Board of Directors and confirming that all resolutions adopted are duly recorded in the minutes drafted by the Secretary;
- Represent the Bank at such events as the Board of Directors may deem to be convenient for him to attend; and
- Direct, as approved by the Board of Directors, the execution of information programs to all Stakeholders of the Bank as well as the relationship between the Bank and such Stakeholders.

According to regulations of the Superintendency of Banks of Panama, the Chairman of the Board may not hold the job of General Manager, Operations Manager and/or Finance Manager, or their equivalents.

### **II.2 President and Chief Executive Officer**

The President and Chief Executive Officer shall be the legal representative of the Bank and shall have the following powers, subject to such guidelines as may be established by the Board of Directors:

- Supervise the day-to-day management of the Bank's business, especially the execution of its programs, the managing of its operations, the protection of its equity and the compliance with all agreements and resolutions of the Board of Directors;
- Appoint, promote, transfer, remove and fix the remuneration and other working conditions of the Bank's personnel;
- Authorize the granting of powers of attorney for the judicial and extra-judicial representation of the Bank;
- Participate in the meetings of the Board of Directors and authorize, by means of his signature, the transactions, contracts and documents of the Corporation, within the parameters established thereto by the Board of Directors;
- Prepare the Bank's budget and annual business and operations plan, submit them to the Board of Directors for its review and approval and execute them;
- Prepare the Bank's long-term strategic plan, submit it to the Board of Directors for their review and approval and execute it; and
- Any other powers delegated to him or her by the Board of Directors.

In the temporary or permanent absence of the President and Chief Executive Officer, the representation of the Bank shall be exerted by such person or persons as may be appointed from time to time by the Bank's Board of Directors.

### **II.3 Secretary**

The Secretary shall attend all meetings of the Shareholders and the Board of Directors, and shall record the votes and sign, jointly with the Chairman, the minutes of such meetings. Alternatively to the Chairman of the Corporation, the Secretary may notify or cause notice to be given of all meetings of the Shareholders and the Board of Directors and shall perform all other duties entrusted to him by the Board of Directors or the Chief Executive Officer of the Bank, who shall be supervising him or her.

### **II.4 Treasurer**

In addition to the powers granted by law, the Treasurer shall keep the accounts of the Bank and shall have the custody of its funds and securities.

## **III. Disclosure of Relevant Information**

### **III.1 Transparency Principle**

The Bank undertakes all necessary efforts to disclose all important matters, including its results, the financial situation and Corporate Governance, in a precise and timely manner.

### **III.2 Financial Information**

Bladex reports, quarterly and annually, the financial information that is relevant.

### **III.3 Code of Business Conduct and Ethics**

The Bank has adopted a Code of Business Conduct and Ethics that contains the necessary internal policies and guidelines for complying with the Institution's mission and at the same time strengthening compliance with the laws and regulations governing its business operations. This Code of Business Conduct and Ethics applies to the Board of Directors and to all the personnel at Head Office, the Agencies, Representative Offices and Subsidiaries. The Audit and Compliance Committee must oversee compliance with this Code. Additionally, the Bank maintains an addendum to the Code of Ethics for the Chief Executive Officer, the Senior Vice President - Finance and Management Control, and the Vice President - Principal Accountant, as Bladex's Senior Finance Executives.

### **III.4 Conflicts of Interests**

There is a conflict of interests when an interest of a personal nature in a transaction or decision comes in conflict with the interests of Bladex or with their obligations to the Institution. A conflict of interests also implies using his or her position with Bladex to obtain a personal gain or advantages at the Bank's expense.

Conflicts of interests apply not only individually to Bank Employees but also to their relatives and persons with whom they have business relations outside the Institution.

Each member of the Bladex team is entitled to have a private life and personal interests outside the Institution. For this reason, each is responsible for managing their personal and financial affairs as they see fit, as long as these matters are not the cause or appear to be the cause of a conflict of interests with the Bank.

The following situations are considered conflicts of interests:

- Participating in the approval of or consideration of a credit, transaction, or any activity for their own benefit, for the benefit of a relative, or of persons with whom business interests are shared.
- Requesting or accepting plentiful gifts, such as services, discounts or entertainment, from Bank suppliers or vendors and clients, which could be interpreted as a gesture to obtain special privileges that do not necessarily serve the best interests of, or are on terms that best suit, Bladex.
- Using their condition as a Bladex Employee to ask for preferential treatment or to secure any kind of special concession in transactions of a personal nature.
- Investing in capital and/or debts issues from client institutions with whom a direct business relationship exists. If this situation occurs, it is necessary to notify the Bank in writing thereof.
- Holding Offices like director, partner, consultant, or any other remunerated employment with institutions with whom a business relationship is maintained or that are considered as competition. If this situation occurs, it is necessary to notify the Bank in writing thereof.

### **III.5 Transactions with Related Parties**

Bladex must abide by regulations that establish limits on transactions between natural persons and corporations, considered "Related Parties," as established in the different legislations in the various jurisdictions that apply to Bladex. Should there be any differences between those, then the strictest one will be adopted.

Any transaction with a Related Party must be evaluated first by the Bank's Legal Risk Department and the Compliance Department. The purpose of this review is to determine if the transaction does not violate any law or regulation enacted by the Government of the Republic of Panama, the US Securities and Exchange Commission (SEC), or any other existing legal disposition.

All approved transactions must fully and at all times comply with the internal policies and procedures established by the Bank.

## **IV. Other Considerations**

### **IV.1 Loans to Directors and Senior Executives**

The Bank does neither grant any loans to Directors and members of the Management Committee, nor to any of its other Employees.

### **IV.2 Policy regarding the Prevention of Money-Laundering and Terrorism Financing / Know your Customer**

Bladex has adopted a series of policies against money laundering and terrorism financing based on the laws and regulations in force in each of the countries where the Bank operates. The adoption of these dispositions goes together with a training program for all personnel so that each member of Bladex remains informed and up-to-date on this issue.