

IFC CORPORATE GOVERNANCE PROGRESSION MATRIX FOR FINANCIAL INSTITUTIONS

ATTRIBUTES	LEVEL 1 STAR *	LEVEL 2 STARS **	LEVEL 3 STARS ***	LEVEL 4 STARS ****
A. COMMITMENT TO CORPORATE GOVERNANCE	<ul style="list-style-type: none"> • The basic formalities of <u>corporate governance</u> are in place. • The institution has a written, articulated set of policies or <u>corporate governance code</u> addressing, at a minimum, the rights and treatment of shareholders, the role of the board of directors, transparency and disclosure, and business ethics. • The company has a written <u>code of ethics</u>, approved by the board and there is a designated officer responsible for compliance. 	<ul style="list-style-type: none"> • The institution has a designated officer responsible for ensuring compliance with the <u>corporate governance code</u> and policies, and for periodic review of the code and policies. • The institution periodically discloses to shareholders its <u>corporate governance code</u> and practices, as well as the extent to which such practices conform to the voluntary code of best practice in this country. 	<ul style="list-style-type: none"> • The institution meets all applicable recommendations of the voluntary code of best practices of the country. • The board has a corporate governance committee. 	<ul style="list-style-type: none"> • The institution is publicly recognized as a national leader and among the global leaders in corporate governance
B. STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS	<ul style="list-style-type: none"> • The board of directors meets regularly, and deliberates independently of executive management. • Board members are given sufficient time and information for analysis and deliberation so they can exercise their duties related to oversight and development the institution's direction and strategy. • The board includes a majority of <u>directors</u> who are not executives of the institution or its affiliates. That is, they are not executives of the institution or its affiliates. • The board has an <u>audit and compliance committee</u> with a majority of independent directors. That committee recommends external auditors to the shareholders' meeting; reviews and approves the reports of the external and <u>internal auditors</u>; and oversees implementation of both the auditor's recommendations and the <u>regulatory compliance program</u>. • The board establishes, and periodically reviews, the institution's qualitative and quantitative thresholds. That is, policies regarding what types of credit transactions must be approved at the manager, <u>credit committee</u> and full board levels. 	<ul style="list-style-type: none"> • The board includes two or more <u>directors that are independent</u> of management and controlling shareholders. • The board has a <u>risk management committee</u> and the full board receives annual reviews, with input from outside sources of expertise, of the institution's risk management (credit, market and operational risk) system. • Special procedures are in place for full board review of all material credit transactions involving officers, directors and affiliates of the institution. • Board composition (competencies/skill mix) adequate to oversight duties. Annual evaluation conducted. 	<ul style="list-style-type: none"> • The board's <u>audit and compliance</u> and <u>risk management committees</u> are composed entirely of <u>independent directors</u>. • The institution's board is composed of a majority of <u>independent directors</u>. • A committee of the board composed <i>entirely</i> of <u>independent directors</u> is required to approve all material transactions with affiliates of the controllers, directors or management. • Other specialized committees of the board exist to address special technical topics or potential <u>conflicts of interest</u> (e.g., nominations and compensation). • The board is fully elected on an annual basis. 	<ul style="list-style-type: none"> • The institution has an independent asset (or loan) review function reporting directly to the board (or a committee of the board) to ensure timely recognition and resolution of impaired assets.

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<p>C. CONTROL ENVIRONMENT AND PROCESSES</p>	<ul style="list-style-type: none"> The institution has an appropriate system of <u>internal controls</u> and <u>internal auditing</u> in place, accountable to the board of directors and integrated with the activities of the compliance officer, the external auditors and the regulator The institution's policies and practices with respect to reporting regulatory capital, portfolio quality and performance, anti-money laundering and all other matters of regulatory compliance meet all standards established by the corresponding national regulatory agency (ies). 	<ul style="list-style-type: none"> Financial and regulatory accounting, <u>internal control</u> and <u>internal audit</u> policies and practices exceed national legal and regulatory requirements, incorporating significant elements of international best practices for financial institutions. 	<ul style="list-style-type: none"> Internal control, audit, <u>risk management</u> and compliance practices are in accordance with highest international standards. 	
<p>D. TRANSPARENCY AND DISCLOSURE</p>	<ul style="list-style-type: none"> Financial statements are prepared in accordance with an internationally recognized system of accounting and audited by a <u>recognized independent auditing firm</u>. The institution complies with all disclosure requirements under applicable law, regulations and listing rules (fair disclosure). Investors and financial analysts are treated equally regarding information disclosure. 	<ul style="list-style-type: none"> Financial and regulatory reporting and disclosure policies and practices exceed national legal and regulatory requirements, incorporating significant elements of international best practices for financial institutions. The company discloses its <u>code of ethics</u>, the main provisions of its <u>implementation program</u> and the degree of compliance experienced in its <u>annual report</u>. 	<ul style="list-style-type: none"> Financial and <u>non-financial reporting</u> and disclosure practices are in accordance with highest international standards. All disclosure and communications with shareholders and the public are made available on the Internet in a timely fashion. 	
<p>E. TREATMENT OF MINORITY SHAREHOLDERS</p>	<ul style="list-style-type: none"> Minority shareholders are provided with adequate notice and agenda of all shareholders' meetings, and permitted to participate and vote at shareholders' meetings. The institution treats all shareholders of the same class equally with respect to voting rights, subscription rights and transfer rights. All holders of the same type of each security are treated equally regarding information disclosure (fair disclosure). Shareholders are provided with accurate and timely information regarding the number of shares of all classes held by controllers and affiliates (ownership concentration) 	<ul style="list-style-type: none"> Effective representation of minority shareholders is provided by <u>cumulative voting</u> or similar mechanisms. The institution has clearly articulated and enforceable policies with respect to treatment of minority shareholders in <u>changes of control</u>. The institution has a well understood policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the <u>controlling shareholders</u>, <u>directors</u> or management (conflicts of interest); and complete, timely and accurate disclosure is made of all material shareholder agreements among controllers. The <u>annual report</u> discloses the principal risks to minority shareholders associated with the identity of the institution's controlling shareholders, the degree of ownership concentration, cross-holdings among institutional affiliates, and any imbalances between the controller's voting power and overall equity position in the institution. 	<ul style="list-style-type: none"> The institution has effective shareholder voting mechanisms in place to protect minority shareholders against unfairly prejudiced actions of controllers when ownership is especially concentrated or controlling shareholders may have strong <u>conflicts of interest</u>. These mechanisms may include super-majority requirements or "majority of minority" provisions. 	<ul style="list-style-type: none"> The institution's history of equitable treatment of shareholders demonstrates consistent conformance with international market expectations.

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