

**CORPORATE GOVERNANCE PROGRESSION MATRIX FOR  
FOUNDER/FAMILY – OWNED (UNLISTED) COMPANIES**

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<b>ATTRIBUTES</b>	<b>LEVEL 1</b> <i>Understanding the need to professionalize the Company</i>	<b>LEVEL 2</b> <i>First concrete steps toward best practices</i>	<b>LEVEL 3</b> <i>Implementation of best practices</i>	<b>LEVEL 4</b> <i>Leadership</i>
<b>A. COMMITMENT TO CORPORATE GOVERNANCE</b>	<ul style="list-style-type: none"> <li>- The basic formalities of corporate governance are in place including:               <ul style="list-style-type: none"> <li>- Board of Directors;</li> <li>- Annual Shareholders’ meeting;</li> <li>- Shareholders and shareowners identified and recorded.</li> </ul> </li> <li>- Board member or high-level company executive explicitly charged with responsibility for improving corporate governance practices.</li> </ul>	<ul style="list-style-type: none"> <li>- Written policies established addressing key elements in family firm governance:               <ul style="list-style-type: none"> <li>- Succession planning;</li> <li>- Human resources and family-member employment;</li> <li>- Non-family-member share ownership.</li> </ul> </li> <li>- Management/Board approves annual calendar of corporate events.</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate Governance policy covers:               <ul style="list-style-type: none"> <li>- Role of Board vis-à-vis management;</li> <li>- Long-term planning for corporate governance of company commensurate with business plan.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Applicable corporate governance, accounting, auditing and internal controls, and shareholder information practices are equivalent to those in place at best practice public companies (i.e., little would need to be done to qualify to make a public offering).</li> <li>- Company fully complies or explains any deviations from all applicable provisions of voluntary code of best practices of the country (some elements of which may be applicable only to public companies).</li> </ul>
<b>B. STRUCTURE AND FUNCTIONING OF THE BOARD OF DIRECTORS</b>	<ul style="list-style-type: none"> <li>- Board of Directors constituted and meets periodically.</li> </ul>	<ul style="list-style-type: none"> <li>- Board Meetings held according to a regular schedule, agenda prepared in advance, minutes prepared and approved.</li> <li>- Non-family members (probably company executives or ex-executives) appointed to the Board and core competency (skill mix) review of Board conducted, or advisory Board of independent professionals established and consulted on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>- Board composition (competencies/skill mix) adequate to oversight duties.</li> <li>- Annual evaluation conducted.</li> <li>- Audit Committee of non-Executive Directors established.</li> <li>- Directors independent of management and owners appointed to the Board (perhaps “graduated” from the advisory Board).</li> </ul>	<ul style="list-style-type: none"> <li>- Audit committee composed entirely of independent directors.</li> <li>- Nominating Committee established.</li> <li>- Compensation Committee established.</li> </ul>
<b>C. CONTROL ENVIRONMENT AND PROCESSES</b>	<ul style="list-style-type: none"> <li>- Adequate internal control systems are in place and are periodically reviewed by independent external auditors.</li> </ul>	<ul style="list-style-type: none"> <li>- Internal audit and internal control systems are in accordance with <u>highest national standards</u>.</li> </ul>	<ul style="list-style-type: none"> <li>- Internal audit and internal control systems are consistent with <u>highest international standards</u>.</li> </ul>	
<b>D. TRANSPARENCY AND DISCLOSURE</b>	<ul style="list-style-type: none"> <li>- Adequate accounting and auditing systems in place including:               <ul style="list-style-type: none"> <li>- Quarterly financial reports prepared by internal accounting and approved by the Board;</li> <li>- Annual financial statements audited by independent external auditors and approved by Shareholders’ Meeting.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Accounting and reporting are performed in accordance with the <u>highest national standards</u>.</li> <li>- The annual audit is performed by a recognized accounting firm in accordance with the <u>highest national standards</u>.</li> </ul>	<ul style="list-style-type: none"> <li>- Accounting, reporting and auditing systems meet the highest <u>international standards</u>.</li> </ul>	
<b>E. SHAREHOLDERS</b>	<ul style="list-style-type: none"> <li>- <u>All</u> shareholders kept informed of company policy, strategy and results of operations.</li> <li>- Annual shareholders’ meetings held.</li> </ul>	<ul style="list-style-type: none"> <li>- Shareholders provided with all material information and detailed agenda in advance of shareholders’ meetings.</li> </ul>	<ul style="list-style-type: none"> <li>- Family council established (if number of family members large or substantial portion are not working in the business).</li> </ul>	<ul style="list-style-type: none"> <li>- Company in position to quickly implement all aspects of best practice code with respect to shareholders when company to go public.</li> </ul>

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