

IFC CORPORATE GOVERNANCE PROGRESSION MATRIX FOR PRIVATIZED TRANSITION ECONOMY COMPANIES

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ATTRIBUTES	LEVEL 1 <i>Compliance with Local Regulation</i>	LEVEL 2 <i>Good CG Practices</i>	LEVEL 3 <i>Major Contribution to Improving CG nationally</i>	LEVEL 4 <i>Leadership</i>
A. COMMITMENT TO CORPORATE GOVERNANCE	<ul style="list-style-type: none"> • The Company has held its first Annual General Meeting (AGM) of shareholders (and all subsequent AGMs) in compliance with local legislation and regulations. • The Company has a valid and legal corporate charter that has been ratified by a shareholders meeting. • The powers and authorities of the various corporate governance entities (AGM, Supervisory Board, Management Board, Audit Commission, etc.) are clearly defined in Charter and accompanying by-laws. 	<ul style="list-style-type: none"> • The Company has an explicit and clearly stated plan in place aimed at improving its corporate governance practices, including the development of a written set of policies and practices (e.g. a code) addressing, at a minimum, the rights and treatment of Shareholders, the role of the Board of Directors and transparency and disclosure. • The Company has a designated officer responsible for ensuring the development of the Company's policies and practices (e.g. the Company's corporate governance code) as well as compliance with and periodic review of with these corporate governance policies and practices. (Corporate Secretary) 	<ul style="list-style-type: none"> • The Company meets all applicable recommendations of the voluntary code of best practices of the country (if one exists). • The Board has a committee that is formally charged with oversight of the Company's governance policies and practices (e.g. a Governance Committee). • The Company periodically discloses to Shareholders its corporate governance policies and practices and the extent to which such practices conform to voluntary codes of best practice in this country. • The Company has begun to implement and institutionalize the policies and practices outlined in its written set of policies or practices (e.g. its code). 	<ul style="list-style-type: none"> • The Company is publicly recognized as a national leader and among the global leaders in corporate governance.
B. STRUCTURE AND FUNCTIONING OF THE MANAGEMENT BOARD (GENERAL MANAGER) AND THE SUPERVISORY BOARD	<ul style="list-style-type: none"> • The Company has a properly formulated Supervisory Board that meets regularly, and deliberates independently of the executive management of the Company. • The Company has a properly appointed Management Board or General Manager responsible for the day to day running of the company and reports to the Supervisory Board. • The Supervisory Board includes at least one member who represents minority shareholder interests. 	<ul style="list-style-type: none"> • There is a written policy requiring the Management Board to provide regular, timely and comprehensive information about Company's affairs to the Supervisory Board. This policy or by-law includes a clear definition of the role and responsibilities of each of the boards and what actions on the part of the Management Board require the approval of the Supervisory Board. • Supervisory Board composition (competencies/skill mix) is adequate to oversight duties. • Supervisory Board members are provided with adequate information and sufficient time for analysis and deliberation to exercise their duties of oversight and development of company direction and strategy. • The Supervisory Board includes at least two independent Directors (i.e. has no business or personal relationship to the company or its affiliates and is independent of the controlling shareholders). 	<ul style="list-style-type: none"> • The Supervisory Board has an Audit Committee with a majority of independent Directors that recommends the selection of external auditors to the Shareholders meeting, reviews and approves the reports of the external and internal auditors and is responsible for overseeing implementation of auditor recommendations. • Annual evaluations of Supervisory Board are conducted. • A committee of the Supervisory Board composed <u>entirely</u> of independent Directors is required to approve all material transactions with affiliates of the controllers, Directors or management. 	<ul style="list-style-type: none"> • The Company's Supervisory Board is composed of a majority of independent Directors. • The Supervisory Board has an Audit Committee composed <u>entirely</u> by Independent Directors. • Other specialized committees of the Supervisory Board exist to address special technical topics or potential conflicts of interest (i.e. nominating, compensations, risk management).
C. TRANSPARENCY AND DISCLOSURE	<ul style="list-style-type: none"> • The Company's financial statements are prepared in accordance with national accounting standards and are audited by an independent external auditor. • There is clarity as to the identity of the ultimate controlling shareholder(s) of the company. • An appropriately appointed Audit Commission oversees the audit function and reports directly to the AGM. • The Company complies with all disclosure requirements under applicable law, regulations and listing rules. 	<ul style="list-style-type: none"> • The Company publishes meaningful quarterly reports, containing segment reporting as well as results per share. Its practices go beyond local listing requirements. • Investors and financial analysts are treated equally regarding information disclosure. • Shareholders are provided with accurate and timely information regarding the number of shares of all classes held by controllers and affiliates (ownership concentration), including detailed information about the ultimate beneficial ownership of all substantial blocks of shares. • The Company has in place an appropriate system of internal controls and internal auditing that regularly interfaces with the external auditors. 	<ul style="list-style-type: none"> • The Company's financial and non-financial disclosure practices are in accordance with <u>highest international standards</u>. • The Company's financial statements are prepared in accordance with an internationally recognized system of accounting and audited by a recognized independent auditing firm. 	<ul style="list-style-type: none"> • The Company prepares and presents all financial statements and reporting in accordance with IAS or US GAAP, audited by a recognized <u>international</u> accounting firm in accordance with <u>International Standards of Auditing</u>. • All Disclosure and communications with Shareholders are made available on the internet in a timely fashion.
D. TREATMENT OF MINORITY SHAREHOLDERS	<ul style="list-style-type: none"> • Minority Shareholders are provided with adequate notice and agenda of all Shareholders meetings and are permitted to participate and vote. The manner and location of Shareholders meetings is reasonable. • The Company treats all Shareholders of the same class equally with respect to voting rights, subscription rights and transfer rights. • All securities holders are treated equally regarding information disclosure (fair disclosure). 	<ul style="list-style-type: none"> • Effective representation of minority Shareholders is provided by cumulative voting or similar mechanisms. • The company has clearly articulated and enforceable policies with respect to treatment of minority Shareholders in changes of control. • The Company has a well understood policy and practice of full and timely disclosure to Shareholders of all material transactions with affiliates of the controlling Shareholders, Directors or management (conflicts of interest) and complete, timely and accurate disclosure is made of all material shareholder agreements among controllers. 	<ul style="list-style-type: none"> • The Company has in place effective shareholder voting mechanisms (which may include super-majority requirements or "majority of minority" provisions) to protect minority Shareholders against unfair actions of controllers when ownership is especially concentrated or controlling Shareholders may have strong conflicts of interest. • The Company's annual report discloses the principal risks to minority Shareholders associated with the identity of the Company's controlling Shareholders, the degree of ownership concentration, cross-holdings among company affiliates and any imbalances between the controller' voting power and overall equity position in the Company. 	<ul style="list-style-type: none"> • The Company's history of equitable treatment of Shareholders evidences consistent conformance with international market expectations.