



***The Seventh Meeting of the  
Latin American Corporate Governance Roundtable***

*22-23 June, 2006*

*Buenos Aires, Argentina*

**IFC Information Request List – Family-owned or  
Founder-owned Unlisted Companies**

## Information Request List – Family-owned or Founder-owned Unlisted Companies

### Commitment to Good Corporate Governance

1. **Ownership structure.** Please provide a chart setting out the important shareholdings, holding companies, affiliates and subsidiaries of the company, indicating *ultimate beneficial* ownership and percentages of shares held by each.
2. **Governance structure.** Please provide a chart setting out the governance structure of the company, indicating the principal organs of the company's governance and to whom each reports (including the Shareholders Meetings, the Board of Directors, any Board committees, senior management, internal audit, external audit and principal management units).
3. **Major transactions and material events.** Please provide a timeline of major transactions and material events for the past five years (in particular, corporate acquisitions, mergers, restructurings and sales or purchases of major assets, etc.).
4. **Organic documents.** Please provide an English translation of the company's charter and other organic documents.
5. **Policies relating to corporate governance.** What written policies, codes or manuals have been elaborated that set out the company's approach to governance, the respective roles, responsibilities and composition of the Board, disclosure and transparency practices, and treatment of minority shareholders? Please provide IFC with English translations.
6. **Corporate events calendar.** Do the senior management and the Board approve an annual calendar of corporate events, including Shareholders Meetings and Board's meetings?
7. **Company corporate governance code.** Does the company have a Corporate Governance Code (or "Policy" or "Guidelines") that outlines the governance practices of the company and, in particular, the role of the Board? What are the company's procedures for monitoring its compliance with the Corporate Governance code?
8. **Country corporate governance code.** Are the board and the senior management familiar with the voluntary code of corporate governance for the country (if such code exists)? Does the company comply with all those provisions of the code that are applicable to unlisted companies? Are there any explanations where it doesn't?
9. **Code of Ethics.** Does the company have a code of ethics? Please provide IFC with an English translation. What employees are subject to it? How are the company's ethical precepts communicated to employees? How is compliance overseen and enforced?
10. **Compliance responsibility.** Is a Board member or senior manager explicitly charged with responsibility for ensuring that the company complies with the law, its charter and its policies regarding corporate governance (i.e. the role of the Board, transparency and disclosure, treatment of shareholders), and code of ethics?
11. **Shareholders agreements.** Please provide details and translations of any shareholders agreements or other informal arrangements among all or some shareholders.
12. **Succession planning.** What has been the history of succession of the chief executive officer? Does the company have a *written* policy concerning succession planning? How much longer does the current chief executive intend to remain in this position? Has a successor been identified and agreed upon by the family?
13. **Family tree and share ownership.** Please provide a family tree and accompanying explanation indicating the name, residence, occupation, birth-date, and share ownership of each family member. Which family members are currently employed or are likely to be employed by the company or its subsidiaries in the foreseeable future? Which generation of the family has effective control of the company (founder, siblings, cousins, or later generations)?
14. **Family shareholding blocs.** Is there an informal arrangement or formal shareholders agreement that aggregates the family members' shareholdings into one or more shareholding blocs? Are the family's shareholdings owned by intermediary entities, such as one or more family trusts, foundations or holding companies, or do individual family members own the shares separately?
15. **Family/non-family senior management.** Which members of the senior management are members of the controlling family and which are non-family managers?
16. **Family-member employment.** Does the company have a *written* policy concerning family-member employment and related human resources issues, such as recruitment, promotion and employment-termination for family members?

## Information Request List – Family-owned or Founder-owned Unlisted Companies

17. **The next generation.** Is it expected that management will continue in the next generation of the family when the current generation reaches retirement? Does the family have plans for how the next generation of the family will be prepared for working in the company? How will family members be selected to work in the company or will all family members have the right to work in the company?
18. **Non-family share ownership.** Does the company have a *written* policy concerning non-family share ownership?
19. **IPO readiness.** In terms of governance practices, is the company close enough to best practices among listed companies to qualify to make an IPO or, at least, access the public debt markets?

### Structure and Functioning of the Board of Directors

1. **Establishment of a Board of Directors.** Does the company have a Board of Directors, which meets according to a regular schedule? What has been the company's historical experience with its Board of Directors? When was the Board established? How often does it meet?
2. **Board policies.** Please provide English translations of any policies or by-laws relating to the Board of Directors.
3. **Agenda and minutes.** Is an agenda prepared and distributed in advance of Board meetings? Are minutes prepared and approved after the Board meetings?
4. **Current Board membership.** Please provide a list of the current members of the Board with summary CVs indicating, at a minimum, their affiliations with the company, management and controlling shareholders, and other companies on which such persons sit as Board members.
5. **Composition of the Board.** As a practical matter, how is the composition of the Board of Directors determined? Are there any shareholder agreements or provisions of the company's charter that specify which shareholders appoint directors? Are there any informal understandings?
6. **Non-family and "independent" Board members.** Does the Board include non-family members? Are these non-family members "independent" of the controlling family, of other significant shareholders and of the senior management? (See IFC model definition of "independent".) Who are the independent members of the Board of Directors and how were they selected? What compensation do independent (and other) directors receive for their services?
7. **Skill mix.** What sorts of business and other experience are represented on the Board? What efforts are made to ensure an appropriate mix of skills and experience among Board members?
8. **Functioning of the Board.** Does the Board of Directors serve the classic functions of a Board (providing guidance to and monitoring the performance of the senior management for the benefit of all shareholders) or is the Board's primary function to act as a meeting of shareholders or a meeting of senior family members?
9. **The Board and the management team.** Are senior managers members of the Board or do they, in any case, routinely attend Board meetings? What is understood as the role of the Board vis-à-vis management, particularly with respect to the following?
  - Setting strategy and vision of the company;
  - Selection of CEO and senior management;
  - Oversight of internal controls, external audit and preparation of financial statements;
  - Major capital expenditures and large-value transactions; and
  - Human resources policy.
10. **Audit and other standing committees.** Does the Board of Directors have an audit committee or other standing committees, such as nomination, compensation or conflicts of interest? How are these committees established? Do they have written terms of reference? who sits on them, and how do they function?
11. **Conflicts of interest and related party transactions.** Does the company have any special rules and procedures regarding Board review of transactions that involve conflicts of interest and related parties? Please provide a summary of these rules and procedures and a table of related party transactions reviewed by the Board or committees of the Board over the past three years.

## Information Request List – Family-owned or Founder-owned Unlisted Companies

12. **Board evaluation.** Does the Board conduct self-evaluations or other reviews of its effectiveness? How are such reviews conducted and with what frequency?
13. **The Board and the family.** What is understood as the role of the Board vis-à-vis the family?
14. **Advisory Board.** If the Board does not include outside members, or if no Board exists, does the company have an Advisory Board of independent professionals that is consulted on a regular basis? If such Advisory Board exists, who are its members and how were they selected?

### Control Environment and Processes: Internal Control (IC), Internal Audit (IA) and External Audit (EA)

1. **Internal control design:** Please describe how the company's internal controls (operational, financial, and for the company's highly automated systems) are designed and maintained. Are the existing controls documented and the documentation reviewed periodically? Do the board and management appropriately consider control issues when planning new strategies, activities and products?
2. **Internal control assurance:** What is the role of the audit committee? Does the board periodically review the policies and procedures designed to ensure that proper internal controls are instituted and maintained? Does the board receive assurance from the management that appropriate controls over information processing, physical control of assets and segregation of duties are appropriate to the organizational size and risks? How does the board receive assurance that adequate internal controls are in place over any financial functions which have been outsourced? Does the board receive assurance from the management that firm is in compliance with all relevant laws, regulations and company policy? Does the board review the procedures for communicating the importance of internal controls and appropriate conduct to the entire staff?
3. **Authority of the internal auditors.** Please describe the role and structure of the company's internal audit department. To whom does the internal audit unit report? How often does the IA chief privately meet with the board and with the audit committee? What are the procedures for hiring and dismissing the chief internal auditor? Is the chief internal auditor part of the firm's senior management? Does the IA unit have an audit charter that is approved by the audit committee or board? Does the IA unit have full access to records, property and personnel relevant to their audit? Is the internal auditor responsible for testing the company program for compliance with laws, regulations and company policy?
4. **Objectivity of the internal auditors:** Do the internal auditors have operating assignments in addition to their audit roles? Is each internal auditor independent of the activity which they audit? Are the internal auditors rotated periodically to different areas of audit responsibility? How long are they assigned to a single unit, department or subsidiary? How do they report any conflicts of interests? Are these reviewed by the audit committee? Are any of the internal auditors related parties or connected parties to major shareholders, directors or other senior managers?
5. **Responsibilities of the internal auditors:** Are the IA work plans reviewed by the audit committee? Are the IA work plans reviewed with the CEO, CFO and other senior executives? Are the work plans and programs consistent with any relevant local or international internal control frameworks and internal auditing standards? Does the IA unit report separately on deficiencies, significant deficiencies and material weaknesses? Does the board monitor management's response to deficiencies and weaknesses identified by the IA function? Does the company undertake control self assessments? How long are internal audit working papers maintained?
6. **Risk management:** Who is responsible for developing the risk management system? How are the risks identified and risk appetite set? Does the board periodically review the risk management systems? What is the role of IA unit in the management of risk? How often is management of risks compared to targets approved by the board? How is this reported to the board? Do the board and management appropriately assess risks when planning new strategies, activities and products?
7. **Capabilities of the IA unit:** Please describe the (operational and financial) competences and skills of the IA audit staff. Does the audit committee review the adequacy of training and expertise provided for the IA department? Does the audit committee review the resources available to the IA unit? What has been the turnover in the IA unit over the last three years? If the firm's operations are highly automated, does the IA function have adequate capabilities (skills and frameworks) to monitor the controls and risks in automated environments? Has the IA unit undergone a peer review exercise within the last five years?

### Information Request List – Family-owned or Founder-owned Unlisted Companies

8. **Outsourcing of the internal audit function:** Please respond to the following questions if your IA function is outsourced. What is the company's policy with respect to the selection of IA service providers? Was the appointment of the provider reviewed by the audit committee? Are the outside service provider and its staff appropriately licensed? Which of the firm's executives is responsible for the liaison with and evaluation of the IA service provider's work? Does the provider have any linkages with the current external auditor? Is the provider independent of organizational officers, board members and their families? Does the provider have other substantive contracts with the firm?
9. **External audit and external auditors.** Are the annual financial statements audited by independent external auditors and approved by the shareholders' meeting? How are the external auditors selected? To whom, in form and in practice, are the external auditors responsible? Is it the company's policy to rotate the external auditors? Is the external auditor a recognized accounting firm? Who, in the company, has access to the working papers and management letters ("deficiency letters" or "recommendation letters") prepared by the external auditors?
10. **Coordination between external and internal auditors.** Please respond to the following questions if the firm's accounts and internal controls are reviewed by external auditors. What is the procedure and calendar over the course of the fiscal year for interaction between the external and internal auditors? Does the external auditor report on the adequacy of the company's system of internal controls? Are there areas of IC deficiency reported repeatedly by the external auditors? Does the IA unit monitor/follow-up the correction of weaknesses, irregularities and exceptions identified by regulators and by the external auditors? How is the audit committee informed of the clearance/correction of identified weaknesses, violations or exception? If there is no IA function, how are the deficiencies identified by the external auditors and regulators systematically addressed? Does the audit committee meet jointly and separately with the internal and external auditors?
11. **Reporting and internal controls:** Has the CFO or CEO reported to the board, audit committee and the external auditors all material IC weaknesses that may have impaired the reliability of the financial reports? Is the CFO or CEO required to disclose any fraud to the external auditors, the board, and the audit committee?
12. **Compliance Program.** Please describe the company's compliance program or procedures including training of employees, auditing and monitoring systems, company "hotline" for reporting violations and guidance as to conflicts of interest and appropriate sanctions and disciplinary action for violations. What information does the company provide to the shareholders regarding its compliance program and its results?

#### Transparency and Disclosure

1. **Information dissemination.** Please summarize the company's policies and practices with respect to the preparation and dissemination of periodic financial and non-financial information about the company. Who in the company is responsible for the preparation and approval of this information? Do lenders and outside shareholders receive this information? What are the company's policies with respect to dissemination of information concerning occasional material events?
2. **Financial reports.** How often does the company prepare financial reports (quarterly, biannually, or annually)? Are these reports approved by the board?
3. **Review of the financial reports:** (Several of these questions are only relevant if the firm has an annual external audit; please answer the queries which are applicable.) Is the audit committee or board briefed on the major off-balance sheet items and their potential impact if taken into account on the financial statements? Does the audit committee review the major accounting adjustments made by the external auditors? Does the audit committee review the accounting adjustments requested by the external auditors but rejected by the management? Is the audit committee made aware of any changes made to accounting policies and their impact on the current financial statements? Does the audit committee review major accounting estimates and major assumptions made in the financial statements with the external auditors? Is the audit committee briefed on planned changes to accounting and regulatory rules that may impact the financial statements in the next two years?
4. **Shareholders agreements.** Are shareholders agreements with or among the controlling shareholders disclosed to all shareholders?
5. **Disclosure to interested parties.** How does the company ensure that all financial stakeholders of the same class (e.g. the controlling family, minority shareholders and lenders) are treated equally with respect to financial statements and other information on the company and have equal access to the same sets of accounts? How does the company ensure equitable treatment of all shareholders in the release of financial and non-financial information, including company strategy?

## Information Request List – Family-owned or Founder-owned Unlisted Companies

### Treatment of Minority Shareholders

1. **Ultimate beneficial ownership.** Does the company keep a record of *ultimate beneficial* owners of all shareholdings, which is disclosed to all shareholders?
2. **Differentiated classes of equity and quasi-equity securities.** Please outline the principal terms of, and differences in voting rights and cash flow rights between the company's various classes of equity and quasi-equity securities. Are there any "founder shares"? What are the characteristics of these?
3. **Shareholders Meetings.** Does the company have an Annual General Shareholders Meeting? If so, please provide a timetable for the annual meeting. When is the agenda provided? Are all shareholders provided with all material information in advance of shareholders meetings? How can minority shareholders add items to the agenda? Under what circumstances does the company hold Extraordinary Shareholders Meetings?
4. **Attendance and results of Shareholders Meetings.** Please provide a summary of the attendance and results of all Shareholders Meetings (annual and extraordinary) for the past three years, including the shareholders represented, agenda items and record of votes.
5. **Related party transactions.** Please provide a table of related party transactions and other operations of the company that required shareholder approval over the past three years.
6. **Changes of control.** What would be the treatment of minority shareholders in the event of a change of control of the company? Are there tag-along rights for minority shareholders that require the new controller to make an offer to purchase their shares at the same price and conditions?
7. **Minority shareholder nomination of Board members.** What mechanisms, if any, permit minority shareholders to nominate members of the Board (cumulative voting, block voting, etc.)? Have such rights been exercised in the past?
8. **Special voting procedures.** Are there any types of transactions or events that require some sort of special voting procedures (such as supermajority approval by the shareholders, or majority vote of minority shareholders)?
9. **Transfer of shares.** What are the company's policies with respect to the sale and transfer of shares, either by the family shareholders or by the minority shareholders?
10. **Family Council.** Are there formal or informal mechanisms for coordinating the participation of family-member shareholders in the governance of the company? If the number of family members is large or if a substantial proportion of the family members are not working in the business, has a Family Council been established?