

# Corporate Governance Document and Information Request List for Small and Medium Enterprises

Incoming Monthly





© 2019 International Finance Corporation. All rights reserved.  
2121 Pennsylvania Avenue, NW  
Washington, DC 20433 USA  
Internet: [www.ifc.org](http://www.ifc.org)

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

IFC does not guarantee the accuracy, reliability, or completeness of the content included in this work, or for the conclusions or judgments described herein, and accepts no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent.

The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties (including named herein).

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC's Corporate Relations Department, 2121 Pennsylvania Avenue, NW, Washington, DC 20433 USA.

International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos, and trademarks are the property of IFC, and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, "International Finance Corporation" and "IFC" are registered trademarks of IFC and are protected under international law.

## Document Request

To prepare an SME Governance Assessment, please provide the company documents and information noted below, as applicable, in English. If requested documents are currently being developed, such as for greenfield operations or newly acquired operations, please provide draft or specimen versions.

If the company is deemed to be a family-owned company, documents and information pertaining to family company governance should also be included.

1. A chart setting out the governance structure of the enterprise, indicating the key persons and principal organs of the enterprise's governance and to whom each person reports.
2. A timeline of major transactions and material events for the past three years (in particular, acquisitions, mergers, restructurings, and sales or purchases of major assets).
3. Any codes, policies or bylaws relating to the owners, partners, board of directors, shareholders, employees, or stakeholders.
4. Business plan for at least three years.
5. (If the SME is a family owned company) A family tree and accompanying explanation indicating the name, residence, occupation, birth date and share ownership of each family member.

### Additional documents for SMEs that are formed as companies

6. A chart setting out the shareholdings, holding companies, affiliates and subsidiaries of the company, indicating *ultimate beneficial* ownership and percentages of shares held by each company.

7. The company's charter and/or other organic documents.
8. A list of the current members of the senior management team / advisory board / board of directors 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.
9. A timetable for corporate meetings and events, including preparations for the annual general shareholders' meeting.
10. 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.
11. A table of related party transactions reviewed by the owners or board or committees of the board over the past three years.

## Information Request

Please provide the additional information noted below, as applicable, in English. If requested policies and procedures are currently being developed, please provide information on the company's expected plans and timeline for implementation.

### A: Commitment to SME Governance

1. **Code of Ethics:** Does the enterprise have a code of ethics? Are all employees subject to it? How are the enterprise's ethical precepts communicated to employees? How does the enterprise oversee and enforce compliance?

2. **Compliance responsibility.** Who is responsible for compliance with the law, code of ethics, charter and policies regarding SME governance?
3. **Succession planning:** What has been the history of succession of the Chief Executive Officer (CEO)? Has a successor been identified and agreed upon by the family?

### B: Decision Making and Functioning of the Governing Bodies

1. **Establishment of governing bodies:** Does the enterprise have a management team? Does the enterprise have an advisory board? Does it have a board of directors? Do these bodies meet regularly? When was each of these bodies established? How was it decided who would comprise these boards?
2. **Composition of governing bodies:** As a practical matter, how is the composition of the management team, advisory board or board of directors determined? Are there any shareholder agreements or provisions of the enterprise's charter that specify which shareholders appoint directors/managers? Are there informal arrangements?
3. **Agenda and minutes:** Is an agenda prepared and distributed in advance of the meetings? Generally, what items appear for reporting, review and decision?
4. **Non-family and "independent" board members:** Does the management team or board include family members, non-family members or outsiders? Are these non-family members or outsiders independent of the controlling family, of other significant shareholders and of the senior management? (See

IFC model definition of “independent.”) What compensation do independent (and other) directors receive for their services?

5. **Skill mix:** What sorts of business and other experience are represented on the management team/advisory board or board?
6. **Board or management committees:** Does the enterprise or board of directors have any committees? Who sits on these committees, and how do they function?
7. **Delegations:** What matters are delegated? How are such delegations of authority made, monitored and reviewed? To whom are delegations made?
8. **Succession planning.** How are key persons identified, selected and prepared as directors and key managers?

### **C: Control Environment and Processes: Internal Control (IC), Internal Audit (IA), Risk Management (RM) Compliance and External Audit (EA)**

1. **Internal control system design:** Please describe how the enterprise’s internal controls (operational, financial) are designed and maintained. Please describe the compliance controls competence and skills of the IA audit staff.
2. **Internal control assurance:** How does the owner and/or board receive assurance that adequate internal controls are in place over any financial functions that have been outsourced? Does the owner/board receive assurance from the management that the firm is in compliance with all relevant laws, regulations and enterprise’s policy?
3. **Authority of the internal auditors:** Please describe the role and structure of the enterprise’s

IA function. To whom does IA report? What are the procedures for hiring and dismissing the Chief Internal Auditor (CIA)? Is the CIA part of the firm’s senior management?

4. **Risk management:** Who is responsible for developing the RM system? How the risks are identified and how is the risk appetite set?
5. **Outsourcing of the IA function:** Please respond to the following questions if your IA function is outsourced. What is the enterprise’s policy with respect to the selection of IA service providers? Does the provider have any linkages with the current external auditor? Does the provider have other substantive contracts with the firm?
6. **External audit and external auditors:** Are the annual financial statements audited by independent external auditors? How are the external auditors selected? To whom, in form and in practice, are the external auditors responsible?
7. **Compliance program:** Please describe the enterprise’s compliance program or procedures including training of employees, auditing and monitoring systems, and enterprise “hotline” for reporting violations and guidance as to conflicts of interest and appropriate sanctions and disciplinary action for violations.

### **D: Transparency and Disclosure**

1. **Information dissemination.** Please summarize the enterprise’s policies and practices with respect to the preparation and dissemination of periodic financial and non-financial information, including environmental and social issues related to the enterprise. Who in the enterprise is responsible for the preparation and approval of this information?

2. **Shareholders’ agreements:** Are shareholders’ agreements with or among the controlling shareholders disclosed to all shareholders?
3. **Disclosure to interested parties:** How does the enterprise ensure that all financial stakeholders of the same class (e.g., the controlling family, minority shareholders and lenders) are treated equally with respect to the access to financial statements and other information on the enterprise; and that they have equal access to the same sets of accounts? How does the enterprise ensure equitable treatment of all shareholders in the release of financial and non-financial information, including enterprise’s strategy?

### **E: Founders/Shareholders Family**

1. **Ultimate beneficial ownership:** Does the enterprise keep a record of ultimate beneficial owners of all shareholdings, which is disclosed to all shareholders?
2. **Shareholders’ meetings:** Does the enterprise have an annual general shareholders’ meeting? When is the agenda provided? Are all shareholders provided with all material information in advance of shareholders’ meetings? Under what circumstances does the enterprise hold extraordinary shareholders’ meetings?
3. **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)?
4. **Transfer of shares:** What are the enterprise’s policies with respect to the sale and transfer of shares, either by the family shareholders or by the minority shareholders?



5. **Family tree and share ownership:** Which family members are currently employed or are likely to be employed by the enterprise or its subsidiaries in the foreseeable future?
6. **The next generation:** When the current generation reaches retirement, is the next generation expected to continue to manage the enterprise?
7. **Family council.:** Are there formal or informal mechanisms for coordinating the participation of family-member shareholders in the governance of the enterprise? 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?

## F: Governance of Stakeholder Engagement

1. **Stakeholder Identification:** Does the SME identify stakeholder groups? Describe the stakeholder identification process.
2. **Stakeholder Relationships and External Communication:** Who in the company is accountable for stakeholder relationships and for external communication? Do they have clearly defined responsibilities, are they trained, and who do they report to?
3. **Board Decision Making:** Are stakeholder engagement activities and outcomes included in senior management / advisory board / board of directors' decision making? Does the company integrate stakeholder engagement into strategy and target setting?
4. **Communication with Stakeholders:** How does the company communicate its commitment to stakeholder engagement to staff, contractors, and primary suppliers?
5. **Grievance Mechanisms:** Is there an HR policy/ procedure for worker engagement and a grievance mechanism for workers? Is there a grievance mechanism for dealing with Affected Communities? Please describe. How are stakeholder issues resolved?
6. **External Communications Mechanism:** Is there an External Communications Mechanism? If so, is it externally and publicly available?
7. **International Standards:** Has the company implemented any international standards related to stakeholder engagement (AA 1000 Standards on Stakeholder Engagement and Accountability Principles and/or ISO 26000)?





2121 Pennsylvania Avenue, NW  
Washington, DC 20433 USA

Tel: +1 (202) 458-8097

[www.ifc.org/corporategovernance](http://www.ifc.org/corporategovernance)  
[www.ifc.org/sustainability](http://www.ifc.org/sustainability)

April 2019