

The Corporate Governance Progression Matrix

Within the Framework of the RA Corporate Governance Code

The Corporate Governance (CG) Progression Matrix (hereinafter referred to as the “Matrix”) is a guide ensuring the implementation of the RA Corporate Governance Code (hereinafter referred to as the “Code”), which aims to:

- Assist organisations in the gradual adoption of the Principles of the Code and the provisions clarifying the nature thereof;
- Prevent the unnecessary overcomplication of governance systems of organisations and the formalistic compliance thereof;
- Encourage efforts of organisations to improve the governance practices thereof;
- Support the bodies and organisations overseeing the implementation of the Code in assessing the compliance of organisations therewith and the progress achieved in the implementation thereof.

The development of the CG Matrix was guided by the methodology of the International Finance Corporation (IFC) and based on the Code.

The CG Matrix consists of five key components characterising the progression of CG practices of organisations. It outlines three stages of CG progression.

The components characterising the progression of CG practices of organisations are as follows:

1. **CG Commitment.** Characterises the awareness of the organisation of the necessity for corporate governance, the motivation to improve governance practices thereof, the existence of key corporate policies, the practice of complying therewith, disclosing them, and ensuring stakeholder awareness thereof, and the presence and role of a CG officer (corporate secretary) in improving CG practices.
2. **Composition, Structure, and Activities of the Board.** Characterises the role assigned to the Board in the governance system of the organisation, the responsibilities of members of the Board, the composition and structure of the Board, as well as succession planning, organisation of the activities, and evaluation of the effectiveness thereof.

3. **Internal Control, Risk Management, and Internal Auditor.** Characterises the internal control frameworks of organisations, the roles of control functions and responsible parties (risk management, compliance function/ officer, internal auditor), the communication practices between them, as well as the Board (Audit Committee) and internal and external auditors, and the existence of a system for assessing and managing risks, including those related to the environment, social issues, and corruption.
4. **Disclosure and Transparency.** Characterises the practices related to the disclosure of financial and non-financial statements, communication with stakeholders, selection of external auditors, and the development of relationships therewith.
5. **Rights of Participants.** Characterises the main rights of participants, practices of equitable treatment of shareholders, and the responsibilities of significant participants.

Each subsequent stage also encompasses the characteristics of the previous one. For organisations in the first two stages, the Code is only partially applicable (the scope of applicable Principles of the Code is outlined). At the same time, the scope or explanatory provisions of the applicable Principle differ depending on the stage. For organisations in the third stage, the Code is fully applicable. Even if the CG practices of organisations do not align with the characteristics of the first stage, they are still subject to the reporting requirements.

The CG Matrix does not contradict the “Comply or Explain” principle since, regardless of which stage characteristics best describe the CG system of the organisation, deviations from the Principles of the Code, including the provisions clarifying the nature thereof, cannot be ruled out. Accordingly, in such cases, the organisation shall be obliged to provide:

- A full and detailed explanation of the reasons for non-compliance, special circumstances that justify the non-compliance, or the alternative conduct of the organisation that contributes to the achievement of the objectives of the Principles of the Code.

Through the CG Matrix, the organisations are encouraged to:

- Study the key characteristics of CG stages;
- Conduct a comparative analysis, e.g. compare the main characteristics of CG stages with their own CG practices;
- Determine the CG stage characteristic of the organisation and formulate an official position thereon, subject to publication along with the annual CG statement;
- Develop and publish the annual CG statement corresponding to the CG stage characteristic of the organisation (Annexes 1, 2, 3).

Organisations in the first and second stages shall, on an annual basis, be required to conduct a comparative analysis using the CG matrix, formulate their official position, and publish it, while also undertaking efforts to ensure the progression or transition of their CG practices to the next stage.

The position on the stage characteristic of the organisation shall be issued on behalf of the Board or, in its absence, by another competent governing body.

Stages and components characterising the progression of CG practices of organisations

	STAGE I	Scope of applicable Principles of the Code	STAGE II	Scope of applicable Principles of the Code	STAGE III
Commitment to Corporate Governance	<p>The organisation has adopted a corporate code of conduct, rules and procedures for holding general meetings.</p> <p>The function of a corporate secretary has been established within the organisation.</p>	Principles I.1., II.8.	<p>The organisation discloses the corporate code of conduct, rules and procedures for general meetings, annual reports, and biographies of the members of governing bodies on its official webpage.</p> <p>The organisation provides introductory courses on the corporate code of conduct for its employees.</p> <p>The organisation has established corporate policies on Board and executive diversity and remuneration, dividend, disclosure, and</p>	Principles I.1. – I.4., II.2., II.8., V.1.	<p>The organisation has established its corporate objectives, adopted a whistleblowing policy, and introduced whistleblowing mechanisms allowing stakeholders to report concerns regarding any illegal or unethical conduct within the organisation freely and without restriction, retaliation, or discrimination, to the Board or other competent governing body.</p> <p>Through its official webpage, the organisation ensures that stakeholders and participants have access to the corporate objectives and key corporate policies.</p>

			<p>communication with stakeholders.</p> <p>A dedicated position of a corporate secretary has been established within the organisation.</p>		<p>The organisation regularly organises courses on the corporate code of conduct and policies for employees and, when necessary, for other stakeholders as well.</p> <p>The improvement of CG practices of the organisation falls within the scope of the functions of the corporate secretary.</p>
Composition, Structure, and Activities of the Board	<p>The Board exercises its functions of providing strategic guidance to the organisation and supervising the Executive Body.</p> <p>Non-executive members constitute the majority of the Board.</p> <p>Non-executive members of the Board have brought new perspectives to the Board, particularly in understanding the challenges the organisation faces, supporting strategic development thereof, supervising the Executive Body and evaluating the performance thereof,</p>	<p>Principles II.1., II.3., II.5., II.7., II.9., II.10., II.12.</p>	<p>The Board exercises all functions assigned thereto by the Code.</p> <p>One-third of the members of the Board are independent.</p> <p>The members of the Board possess diverse complementary professional skills, education, and experience.</p> <p>An audit committee has been established under the Board.</p> <p>At least one member of the Audit Committee is independent.</p>	<p>Principles II.1.- II.12</p>	<p>The Board has adopted a succession plan for both its own members and those of the Executive Body.</p> <p>The Board has ensured diversity within its composition, including in terms of gender and age.</p> <p>The majority of the members of the Audit Committee are independent.</p> <p>In line with the needs of the organisation and to support its own activities, the Board has established additional committees composed of non-executive members of the Board.</p>

<p>ensuring the credibility of information, reliability of internal control system and risk management, credibility of financial and non-financial statements, planning generational change (succession) of the Board and Executive Body, forming evaluation and remuneration policies and systems.</p> <p>The Chairperson of the Board is a non-executive member and ensures the exercise of the competencies assigned thereto by the legislation.</p> <p>Board meetings are convened regularly, at least once per quarter.</p> <p>To support informed decision-making, members of the Board are duly notified of meetings and provided with the agenda, documents, and information to be discussed within a reasonable timeframe.</p>	<p>The Chairperson of the Audit Committee is also an independent member of the Board.</p> <p>The Chairperson of the Audit Committee has been elected by the Board.</p> <p>The positions of the Chairperson of the Board and Chairperson of the Audit Committee are not combined.</p> <p>The members of the Audit Committee possess knowledge related to the field of activities of the organisation.</p> <p>At least one member of the Audit Committee has relevant experience in finance, auditing or accounting.</p> <p>The Board ensures the individual evaluation of its members (including the Chairperson) and the performance evaluation of the Audit Committee.</p> <p>The members of the Board undergo CPD (Continuous</p>		<p>The performance of the Board is subject to independent external evaluation.</p>
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<p>Minutes are taken during Board meetings.</p> <p>The organisation ensures the preservation of meeting minutes.</p> <p>The members of the Board have access to the person performing the functions of the corporate secretary.</p> <p>The members of the Board understand and act within their fiduciary duties, including operating within the scope of their competencies as defined by the legislation and internal legal acts of the organisation, exercising independent judgment in decision-making, devoting sufficient time and effort to their duties, acting personally, refraining from accepting any benefits from third parties that may be considered inappropriate or lead to a conflict of interest, and disclosing any direct or indirect personal interest in transactions concluded or arrangements reached by the organisation, and</p>	<p>Professional Development) training sessions.</p> <p>Introductory meetings/courses are held for new members of the Board.</p>		
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<p>abstaining from participation in the discussion and voting on the decision to conclude such transactions.</p> <p>The Board evaluates its performance as a whole on an annual basis.</p> <p>The organisation has documented procedures for the nomination and election of the members of the Board and ensures the accessibility thereof to the participants.</p> <p>The composition of the Board is updated regularly.</p> <p>Where a serving member of the Board is on the list of potential candidates (is re-elected), a proper justification is provided.</p>				
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<p>Internal Control, Risk Management, and Internal Auditor</p>	<p>The internal control framework of the organisation is clearly defined: mechanisms for budgeting, financial limits, and dual control, procedures ensuring the management and traceability of business processes, mechanisms for accountability and communication have been established, the scope of competencies of governing bodies and departments is clearly defined, employees understand their ownership of risks, including compliance risks, among others.</p> <p>The Executive Body ensures the establishment and maintenance of the internal control system within the defined framework.</p> <p>The organisation has an internal auditor appointed by the Board and accountable thereto.</p> <p>The Board approves the annual internal audit plan.</p>	<p>Principles III.1., III.4.</p>	<p>The Board has approved the risk appetite of the organisation.</p> <p>A risk management function has been established within the organisation, with the appointment, termination of powers, approval of remuneration terms, and application of incentive and disciplinary liability measures thereof carried out by the Executive Body, upon the consent of the Board.</p> <p>The Board has adopted a commitment to ethics and anti-corruption compliance and has initiated an assessment of corruption risks inherent to the organisation.</p> <p>A compliance officer function has been established within the organisation, with the appointment, termination of powers, approval of remuneration terms, and application of incentive and</p>	<p>Principles III.1.-III.4., II.8.</p>	<p>The organisation has a risk management officer who performs the functions defined by the Code, has been appointed upon the consent of the Board, and submits reports to the Board, the Executive Body, and, where necessary, to other persons implementing control functions, pursuant to the periodicity established by the Board.</p> <p>Environmental, social, and corruption risks are integrated into the risk management system of the organisation.</p> <p>The organisation has a compliance officer who performs the functions defined by the Code, has been appointed upon the consent of the Board, and submits reports to the Board, the Executive Body, and, where necessary, to other persons implementing control functions, pursuant to the periodicity established by the Board.</p> <p>The Board oversees the implementation and execution of the ethics and anti-</p>
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<p>The Board ensures and encourages communication between internal and external auditors.</p>	<p>disciplinary liability measures thereof carried out by the Executive Body, upon the consent of the Board.</p> <p>The internal auditor/ internal audit department is accountable to the Board and, in case an audit committee is in place, to the latter.</p> <p>The Board/ Audit Committee approves the annual internal audit plan/ annual plan of the internal audit department.</p> <p>Planning the works of the internal auditor/ internal audit department is carried out based on risk assessment.</p> <p>Internal auditors/ employees of the internal audit department are neither members of the Board/ Executive Body of the organisation, nor persons affiliated thereto.</p> <p>The organisation providing external audit services (auditing organisation) to</p>		<p>corruption compliance program.</p>
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			the organisation inspects its internal control system and risk management.		
Disclosure and Transparency	<p>The organisation maintains a webpage through which it ensures equal and timely access to disclosed information for participants and stakeholders.</p> <p>Regular disclosures are accompanied by disclosures on significant developments of the organisation.</p> <p>The organisation guarantees the protection of confidential and inside information and information security thereof.</p> <p>The financial statements of the organisation are prepared in accordance with the International Financial Reporting Standards (IFRS), audited externally, and disclosed.</p> <p>The candidate for the auditing organisation is nominated by the Board</p>	Principles IV.1., IV.2., IV.3.	<p>The organisation has adopted independence criteria and selection procedures for auditing organisations.</p> <p>The auditing organisation provides non-audit services not prohibited by the legislation solely upon the permission of the Board.</p> <p>The Board, or, in case an audit committee is in place, the Audit Committee, holds meetings with the auditors without the participation of members of the Executive Body.</p>	Principle IV.3.	<p>The organisation has established rotation terms for auditing organisations and auditors.</p> <p>The annual report of the organisation is prepared in accordance with the content outlined in the Code and published within the terms stipulated by the RA legislation.</p>

	<p>and appointed (approved) by the General Meeting.</p> <p>The auditing organisation is accountable to the participants.</p> <p>The organisation prepares and publishes annual and interim reports of its governing bodies within the terms established by the RA legislation.</p> <p>In its annual report, the organisation discloses information on interested-party transactions and beneficial owners, its administrative-organisational structure, brief biographies of the members of the Board and the Executive Body, and any other information at its discretion.</p>			
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Rights of Participants	<p>The participant receives sufficient and timely information about the date, venue, format, and agenda of the general meeting within the terms stipulated by the RA legislation or, in case such terms are not defined, within a reasonable timeframe.</p> <p>The participant has an opportunity to get acquainted with the draft decisions and documents to be discussed at the general meeting.</p> <p>The participant receives complete and sufficient information about the professional qualifications and experience of the candidates for Board members, positions previously and currently held thereby, being a significant participant of the organisation and a person (persons) affiliated thereto.</p> <p>The participant expresses an opinion on the remuneration of the Board</p>	Principles I.1. – I.5.		
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<p>and the Executive Body, including by voting at the general meeting.</p> <p>The organisation ensures equitable and fair treatment of all holders of the same type (class) of shares, including when making decisions on profit distribution.</p> <p>The significant participant of the organisation discloses his or her potential significant interest in acting directly or indirectly or on behalf of third persons in transactions concluded with the organisation or in matters directly affecting the organisation and refrains from participating in decision-making related to the given transactions or matters.</p> <p>The significant participant of the organisation discloses his or her affiliations.</p>				
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