

FAMILY PROTOCOL CORPORATE
GOVERNANCE IMPLEMENTATION
GUIDE



CONTENTS

1. Basic Elements of the Family Protocol	2	<p>Why is this essential to the company's success? (p. 2)</p> <p>Scope and Application (p. 3)</p> <p>Objective: What does the Family Protocol seek to achieve? (p. 5)</p> <p>Advantages by company type (p. 4)</p>
2. Key Components and Structure	7	
3. Step-by-Step Implementation Guide	22	
4. Time Considerations	26	<p>Preparation and decision phase (p.22)</p> <p>Family Diagnosis Phase (p. 23)</p> <p>Design and writing phase (p. 23)</p> <p>Validation and approval phase (p. 24)</p> <p>Implementation and monitoring phase (p. 25)</p>
5. Implementation Challenges and Critical Scenarios	28	
6. Annexes and Resources	33	
Glossary of Terms	33	
Annex I: Sample Letter of Adherence to the Family Protocol	34	
Annex II: Checklist for Periodic Review of the Protocol	35	

About the Authors | Cefeidas Group

Cefeidas Group is an international advisory firm that helps clients achieve their goals in Latin America. Cefeidas has worked with IDB Invest and the IDB for over a decade. Cefeidas provides professional services in public policy, risk and strategy; corporate governance, stewardship and sustainability; and strategic intelligence and research. www.cefeidas.com



1. BASIC ELEMENTS OF THE FAMILY PROTOCOL

The Family Protocol is a comprehensive agreement, usually written and signed by the members of a business family, that establishes the principles, values, rules, and mechanisms that govern the relationship among the family, ownership, and management of the company or companies. Also known as the Family Constitution, Family Charter, or Family Pact, this document acts as a road map that defines how the family interacts with the business, how key decisions are made, and how to manage generational transitions in an orderly and consensual manner.

Unlike bylaws or a shareholder agreement—which are strictly legal/corporate in nature—the Family Protocol is broader in scope: it includes the emotional, cultural, ethical, and aspirational aspects of the family, together with practical rules on participation in the company, succession, family employment policies, distribution of dividends, and conflict resolution. Its nature is therefore complex and multidimensional, combining elements of a shareholders' agreement, a family code of conduct, and a long-term strategic plan.

Why is this essential to the company's success?

When a family business operates without a Family Protocol, the rules of the game tend to be implicit and dependent on the will of the founder or controlling generation. This informality can work reasonably well while the founder is active and the family is small. However, as the family grows, new generations are incorporated, spouses appear, and divergent interests arise, the lack of clear rules becomes a breeding ground for conflicts that can compromise both family harmony and the viability of the business.

The Family Protocol is indispensable because it simultaneously addresses several critical needs:

Conflict prevention By establishing consensual rules before disputes arise, the Protocol significantly reduces the likelihood of



Key Concept

The Family Protocol is not a static document or a one-size-fits-all model. Each entrepreneurial family must develop its own protocol based on its reality, history, size, generational stage, and particular needs. What is universal is the need for honest dialogue and genuine commitment among all participants as a basis for the development of the protocol.

destructive confrontations between family members. Experience shows that families who have gone through the process of creating a protocol face less severe and disruptive disputes, and in some cases have managed to avoid them altogether.

Separation between family and company. One of the main sources of tension in family businesses is the confusion between family roles and business roles. The Protocol establishes clear boundaries between both worlds, ensuring that business decisions can be made with professional criteria and family dynamics do not contaminate operational management.

Succession planning Succession is perhaps the most vulnerable time for a family business. The Protocol establishes the criteria, processes and times for generational transition in both ownership and management, avoiding the improvisation and power struggles that often accompany these processes.

Professionalization The Protocol helps ensure that decisions regarding the incorporation of family members into the company and their evaluation, remuneration and professional development be governed by criteria of merit and competence, contributing to the professionalization of the organization. For investors, financial institutions and strategic partners, the existence of a Family Protocol is a tangible indicator of institutional maturity and good governance.

Scope and application

The scope of the Family Protocol transcends company boundaries to encompass the entire family-business-ownership relationship. It extends to multiple dimensions of the family business ecosystem, and its content directly or indirectly affects various bodies and actors.



Family environment The Protocol sets out the values, mission and shared vision of the entrepreneurial family. It defines the organization of the family for interacting with the company - including the creation of bodies such as the Family Assembly and the Family Council - and regulates family employment policies, the professional development expectations of the new generations, and the rules of conduct that members must observe in relation to the business.



Scope of ownership The Protocol addresses the share structure: rules of transfer of shares between family members, restrictions on transfer to third parties, valuation mechanisms, dividend policy and economic and political rights of family shareholders. These provisions preserve the family nature of the

Practical note

The process of developing the Family Protocol is as valuable as the document itself.

The conversations, reflections, and negotiations that occur during its development generate a level of mutual understanding between family members that is difficult to achieve by other means. Many families report that the protocol creation process was transformative for their relationships. See section 3 on the process.

company and manage the equity expectations of each branch.



Scope of the company The Protocol defines the rules that the family imposes on itself for interacting with corporate governance bodies: criteria for family members to access executive or managerial positions, training and experience requirements, and rules to manage family expectations. It is important to distinguish that the Protocol regulates the family side of this relationship -which the family agrees on internally-, while strictly corporate issues (composition of the Board of Directors, appointment of the CEO, operation of committees) correspond to the bylaws, the Board regulations, and other corporate governance documents. When a family controls several companies, the Protocol establishes the family’s cross-cutting rules, and each company maintains its own governance structure.



Key Concept

The Family Protocol operates from the family’s side towards the company, not the other way around. Its function is to define how the family is organized and what rules it imposes on itself for relating to the company (or companies). However, it should not replace or invade the space of corporate documents such as the bylaws, the regulations of the Board of Directors or the internal policies of the company.

For example, the protocol may express the family’s will that there be Independent Directors, but the composition and rules of operation of the Board are formalized in its regulations and bylaws.

When the Protocol addresses issues that have a correlation in the corporate documents, it must do so from the family perspective - what the family agrees - and refer corporate implementation to the corresponding instruments of each company.

Scope	Participants involved	Main topics
Family	All members of the entrepreneurial family, including spouses and new generations.	Values, mission and vision. Code of Conduct Family governance bodies (Family Assembly, Family Council). Education of next generations.
Property	Current and potential future family shareholders.	Share transmission Policy on dividends Company valuation Exit mechanisms Rights and duties of shareholders.
Company	Board of Directors, CEO, Senior Management, General Meeting of Shareholders.	Family criteria for access to managerial and executive positions. Training and experience requirements for family members. Family guidelines on succession in key positions. Rules of conduct for family members in their role within the company. Relationship with multiple companies in the family group.

Objective: What does the Family Protocol seek to achieve?

The primary objective of the Family Protocol is to strengthen the family business by neutralizing its weaknesses on four interrelated levels: family, business, assets, and legal. On the one hand, it preserves the company's interests against possible mismanagement or abuse by family members (social interest). On the other hand, it positions the company as a source of support for the family and a safeguard against possible misfortunes (family interest).

The Protocol seeks, first of all, **to establish a shared long-term vision**, collectively defining what type of family business is desired and the values that will guide strategic decisions. It also seeks **to facilitate generational transition**, establishing mechanisms so that succession - both in ownership and management - occurs in a planned manner and with the least possible impact on operations and family harmony.

In addition, the Protocol **encourages professionalization** by establishing that management of the company is governed by criteria of competence and merit, regardless of membership in the family. Finally, it seeks to **protect and create value**, ensuring that the company endures as a source of opportunities and well-being for the family and its other stakeholders, protecting the founder's legacy and generating conditions for sustainable growth.



G20/OECD Principles of Corporate Governance (2023)

The updated version of the Principles recognizes the applicability of good corporate governance practices to unlisted companies, including family-owned companies, and emphasizes minority shareholder protection, transparency, and sustainability as relevant pillars for any concentrated ownership structure.

IDB Invest Corporate Governance Progression Matrix

Section G establishes four levels of maturity for family business governance, ranging from basic practices to formal family governance structures with policies governing ownership, family employment, and succession. The Family Protocol is the central instrument for advancing at these levels within the family, complementing corporate advances.

Advantages by Company Type

The benefits of the Family Protocol manifest differently depending on the generational stage and the company's ownership structure. The following table summarizes the key advantages and risks for each case.

Stage/Company Type	Main Challenge	Protocol Value	Risk of not having it
Founder's company (1st generation)	The founder concentrates control, and the rules are implicit.	Allows for articulating the long-term vision and laying the foundations for professionalization when family goodwill is at its highest.	Implicit rules become insufficient as the family grows, generating retroactive conflicts without a frame of reference.
Incorporation of 2nd generation	Initial conflicts arise over management, roles, compensation, and expectations between active and non-active children in the company.	Establishes clear rules for family employment, defines succession mechanisms, and creates communication forums that channel tensions constructively.	Unresolved tensions escalate into disputes that can fracture the family and paralyze the company in its stage of greatest growth.
Multigenerational (3rd generation onwards)	The family has expanded, ties are more distant, and interests multiply.	A complex family structure governs, manages a growing set of shareholders, and preserves family identity and values despite generational dispersion.	Without a protocol in place, the company hardly survives the transition: statistics show that fewer than 15% of family businesses reach the third generation.
With external investors or institutional debt	The company must demonstrate institutional maturity to third parties who assess family governance risks.	Functions as an instrument of trust and credibility, facilitates due diligence, and improves access to capital.	The absence of clear rules regarding the family-business relationship increases perceived risk and can make it more expensive or prevent access to financing.

2. KEY COMPONENTS AND STRUCTURE

The following model provides a detailed structure for drafting a Family Protocol. Unlike a traditional corporate policy, the Family Protocol is a document created by the family and directed towards the company, not the other way around. Therefore, its drafting must result from a participatory process of dialogue and consensus among all relevant members of the business family.

Families are invited to adapt this model to their specific reality: family size, generational stage, business group complexity, and local legal context. Texts in italics and grayed out represent the suggested draft, while annotations in the margins or highlighted boxes offer practical guidance for completing each section.

[Cover]

Protocolo Familiar (Family Protocol)

Family *[Last Name]* / Date signed: *[DD/MM/YYYY]*

Version: *[Version Number]* / Location: *[City, Country]*

Contents:

- PREAMBLE*
- I. SCOPE AND DEFINITIONS*
- II. VALUES, MISSION AND VISION OF THE FOUNDING FAMILY*
- III. FAMILY GOVERNANCE BODIES*
- IV. FAMILY EMPLOYMENT AND PROFESSIONAL DEVELOPMENT*
- V. OWNERSHIP AND ASSETS*
- VI. GENERATIONAL SUCCESSION AND TRANSITION*
- VII. CONFLICT PREVENTION AND RESOLUTION*
- VIII. FINAL PROVISIONS*

PREAMBLE

As of today, [date], the members of the [Surname(s)] family signing this document, representing the [first/second/third] generation of the entrepreneurial family founded by [name of the founder(s)] in [year], have carried out a joint reflection exercise, sharing their aspirations on the future of the family business and agreeing on the guidelines that will govern the relationship between the family, ownership, and management of [name of the company(s)]. The signatories acknowledge that the

The Preamble is a fundamentally narrative and aspirational space, laying the emotional and ethical foundation for the more technical provisions to come.

Many families include a "History of the Family Business" section in the Preamble that narrates the origins, milestones, and defining moments of the business. This reinforces the shared identity and is especially valuable when there are young members who did not live through the foundational stages.

continuity and success of the family business require a sustained commitment to the values of *[list values: integrity, work, solidarity, excellence, etc.]*, which have defined this family's history. This Protocol constitutes the formal expression of the consensual will of all its signatories, who undertake to comply with it in good faith.

CHAPTER I SCOPE AND DEFINITIONS

Artículo 1. Subjective scope

1.1 This Protocol is applicable to all members of the Business Family, regardless of whether they were among the original signatories, including those who acquire the status of members of the Family Group through the acquisition of shares in the Family Company, either by act between the living or by reason of death.

1.2 The members of the Family Group shall take the necessary measures to ensure that any new family shareholder undertakes, prior to or simultaneously with acquisition, to respect the provisions of this Protocol.

Article 2. Objective scope.

2.1 This Protocol applies to the family's relationship with *[name of the company (or companies) or business group]*, including all the companies, entities, and assets that make up the family business estate, as detailed in Annex *[X]*.

2.2 If in the future new companies are incorporated or shares are acquired in other entities as a family investment, these will be subject to the provisions of this Protocol, unless expressly agreed otherwise by the *[Family Council/competent body]*.

Article 3. Nature of the Protocol

3.1 This Protocol constitutes an agreement of will between the members of the Business Family that is of a *[binding/moral and guiding]* nature for signatories.

3.2 The signatories undertake to adopt the necessary legal measures so that the provisions of the Protocol that require legal formalization are incorporated into the corresponding instruments (bylaws, wills, marriage agreements, shareholder agreements, or others).

3.3 Aspects of the Protocol that do not have direct legal translation will have moral and guiding force among the signatories, who undertake to respect them in good faith.

Article 4. Definitions

Business Family: The set of people formed by the Founder(s), their descendants, and, as agreed, their spouses or partners with family ties to the Family Business.

Family Group: A subset of the Business Family made up of those with shares or interests in the Family Business.

Family Branch: Each of the lines of descent of the Founder, consisting of each child and their respective descendants.

Key Concept

Definitions are not a formality. Concepts such as “Business Family” versus “Family Group” determine who has a voice and who has a vote in each instance. Ambiguous definitions generate interpretative disputes years later, when circumstances have changed. Take the time to discuss each definition as a family before finalizing it.

Practical note

The legal nature of the Protocol is a strategic decision. A purely moral protocol depends on the goodwill of all; one with a claim to full legal effectiveness can be difficult to implement. The most robust approach is a mixed one: the Protocol as a general framework of principles and rules, complemented by specific legal instruments (shareholder agreements, statutory clauses, wills) that formalize the provisions requiring legal force. The combination of the moral and legal components is key to its effectiveness.

Branch Head: The member designated by each Family Branch as its representative before the family governing bodies.

Family Company: The company (or companies) and entities that make up the business assets of the Family Group, as identified in Article 2.

Active Member: A member of the Business Family who works in the Family Business as an executive or employee.

Passive Member: A member of the Business Family who does not work in the Family Business, regardless of whether or not they are a shareholder.

CHAPTER II: VALUES, MISSION, AND VISION OF THE BUSINESS FAMILY

Article 5. Core Values

5.1 The members of the [Surname(s)] Business Family recognize the following as fundamental values guiding their personal actions and relationship with the Company: *[list and define, for example: integrity, respect, solidarity, excellence, social responsibility, entrepreneurial spirit, humility].*

5.2 These values constitute the basis on which all the provisions of this Protocol will be interpreted and applied, and will serve as a guiding criterion in situations not expressly foreseen.

Article 6. Family mission and vision

6.1 The mission of the [Surname(s)] Family as an entrepreneurial family is:

[example: preserving and growing the business legacy founded by [name], contributing to our area's economic and social development, and ensuring opportunities for well-being for current and future generations of the family].

6.2 The vision of the [Surname(s)] Family is:

[example: be recognized as a business family that is united, professional, and committed to excellence, whose company is a benchmark in [sector/region] for its strength, innovation, and responsibility].

6.3 The Family undertakes to transmit this mission and vision to the next generations through the education and training mechanisms provided for in this Protocol.

Article 7. Family Code of Conduct

7.1 Members of the Entrepreneurial Family undertake to observe the following rules of conduct in their relationship with the Company and each other:

- a) Act with loyalty to the Family and the Company, putting the common interest before individual interests.
- b) Maintain confidentiality regarding the family's and the company's internal affairs.

Practical note

Values must not be a generic list copied from a manual. Organize workshops in which each generation and branch contributes.

A helpful exercise: Ask each member to identify three defining moments in the family or company's history, and draw shared values from those stories. The most powerful values are those that emerge from lived experience, not those that are stated in the abstract.

Key Concept

A code of conduct without consequences is merely a statement of good intentions. The rules of conduct of the Protocol should be linked to the conflict resolution mechanism (Chapter VII) and the consequences regime (Article 19).

- c) Refrain from carrying out activities that compete directly or indirectly with the Family Business, unless expressly authorized by the [Family Council].
- d) Treat non-family employees with respect and professionalism.
- e) Not to use the assets or the name of the Company for personal gain.
- f) Actively promote the reputation of the Company and the family.
- g) Actively participate in the instances of family governance provided for in this Protocol.

CHAPTER III: FAMILY GOVERNANCE BODIES

Article 8. Family Assembly

8.1 The Family Assembly is established as the supreme governing body of the family in its relationship with the Company. The Assembly will be made up of all members of the Business Family who have reached [18/21] years of age.

8.2 The Family Assembly shall meet at least [once] a year in ordinary meeting, and as many times as convened in an extraordinary manner by the Family Council or by at least [two] Heads of Family Branch.

8.3 The functions of the Family Assembly are:

- a) Receive information on Company progress and the activities of the Family Council.
- b) Elect and remove members of the Family Council.
- c) Approve, modify, or repeal the Family Protocol according to the required majorities.
- d) Discuss and align the family's strategic vision for the Company.
- e) Handle any other matter of general interest to the Business Family.

8.4 The decisions of the Assembly shall be taken by [simple majority/qualified majority of X%] of the votes cast, except for matters that this Protocol reserves to special majorities.

Article 9. Family Council

9.1 The Family Council is established as the executive body of the family government, responsible for ensuring compliance with the Protocol, coordinating relations between the family and the company, and liaising with the Board of Directors.

9.2 The Family Council shall be composed of [5-9] members, elected by the Family Assembly in accordance with the procedure established in Articles 9.4 to 9.7.

9.3 The Family Council shall elect from among its members a Chairman and may appoint a Secretary, who shall be responsible for

Key Concept

The Family Assembly is not the General Assembly of Shareholders. The Family Council is not the Board of Directors. Family bodies are used to facilitate dialogue, agree on positions, and prepare to participate in the company's corporate bodies in an informed and orderly manner. The Protocol must resist the temptation to issue instructions to corporate bodies; its function is to articulate the family's voice, not to govern the company.

Practical note: Adapt to Family Size

Here, we consider two differentiated bodies: the Family Assembly and the Family Council. However, in small families, both would be comprised of the same people, creating bureaucracy without added value. In such cases, it is sufficient to have a single formal space for dialogue (a "Family Meeting") that fulfills both functions, with clear rules, defined periodicity, and a record of agreements. As the family grows and incorporates new generations and branches, differentiation becomes necessary: first with a smaller Council, then with the full Assembly and Council structure.

Practical note

Limited mandates allow more family members to participate and create a sense of fairness. The key is to balance representativeness (of all branches) with functionality (bodies that are too large lose effectiveness).

keeping the minutes of the meetings and making them available to the Business Family.

9.4 The members of the Family Council shall be elected by the Family Assembly for terms of [2-3] years, and may be re-elected for [one/two additional terms]. Limited mandates seek to ensure rotation and allow more family members to participate in family governance.

9.5 The Family Assembly shall approve a Family Council Regulation, which shall include at least the following:

- The minimum requirements to be a member of the Family Council [age, adherence to the Protocol, availability, non-compliance with Article 19, etc.]
- Family Council renewal process.
- Detailed roles and responsibilities of the Family Council.
- Practices for the proper functioning of Family Council meetings and responsibilities of the Presidency and Secretariat.
- Functioning of Family Council committees.

9.6 In the composition of the Family Council, efforts will be made to ensure that all Family Branches are represented. If, after the vote, any Family Branch is left without representation, said Branch may appoint an observer with the right to speak but without a vote in Board meetings, until the next renewal.

9.7 The basic functions of the Family Council are:

- a) Supervise compliance with the Family Protocol and propose to the Assembly the modifications it deems necessary.
- b) Serve as a communication channel between the family and the Company's corporate governance bodies, through the Liaison Directors, when there are any, or through the established mechanisms.
- c) Articulate the family's positions on relevant strategic issues (long-term vision, expectations on dividends, position regarding succession in leadership, values that the company should reflect) and communicate them to the Board of Directors as input for its deliberations.
- d) Coordinate training and development programs for subsequent generations.
- e) Mediate in family disputes related to the company, in accordance with Article 18.
- f) Manage the funds or resources that the family allocates to family activities.
- g) Convene Ordinary and Extraordinary Family Assemblies.
- h) Propose family candidates for positions on the Company's Board of Directors, when the family has the right to do so in accordance with the bylaws and the shareholders' agreement, if any.

Practical note

The selection process deserves as much attention as the composition of the Family Council. A Family Council whose members join by default or pressure from the most powerful branch quickly loses legitimacy. The nomination mechanism, by branch plus individual nomination with cross-endorsement, seeks to balance representativeness with meritocracy. The observer figure for unrepresented branches serves as a safety valve, preventing a branch from feeling excluded from family governance, which is among the most common causes of fracture in multigenerational families.

9.8 The Family Council shall meet at least [Number] times a year, and its decisions shall be made by a [simple] majority of the members present.

9.9 Liaison Directors and the relationship with the Board of Directors

9.9.1 The Family Council has no authority over the corporate governance bodies of the Company (or companies). Its communications to the Board of Directors will be recommendations, never binding directives.

9.9.2 Of the members of the Family Council, up to [two] may be proposed by the family to serve simultaneously as members of the Board of Directors, in which case they will act as Liaison Directors. The other members of the Family Council may not simultaneously serve on the Board of Directors or hold executive positions in the Company.

9.9.3 Liaison Directors are subject exclusively to the fiduciary duties that the law imposes on every Director: to act in the best interests of the Company and all shareholders. If there is a conflict between the Family Council's position and the Company's interests, the Liaison Director must prioritize his or her fiduciary duty and inform the Family Council of the reasons.

9.9.4 The liaison function operates in two directions: towards the company, transmitting the vision and expectations of the family respecting its non-binding nature; and towards the family, reporting on the general progress of the Company within the limits of confidentiality established by the Board of Directors.

9.10 At least once a year, the Family Council shall submit to the Family Assembly a management report summarizing its activities, communications with the Board of Directors, and the status of compliance with the Protocol.

CHAPTER IV: FAMILY EMPLOYMENT AND PROFESSIONAL DEVELOPMENT

Article 10. Entry requirements

10.1 Family members who wish to join the Family Business must meet the following minimum requirements:

- a) Have accredited professional training (a university or technical degree) in an area relevant to the company or the desired position.
- b) Have acquired external work experience of at least [2-3] years in companies not connected with the family.
- c) Be applying for a genuine vacant position, the description of which is formally defined and approved by the Company.
- d) Go through the same selection process applicable to any external candidate for an equivalent position.

Key Concept

Family employment policy is probably the provision of the Protocol with the most impact. A family member hired without meeting the appropriate requirements damages the company's credibility with non-family employees, demotivates employees and external talent, and generates resentment among family members who did comply with the rules. Requiring prior external work experience is one of the most effective ways to ensure the family member arrives with proven skills.

Practical note: Scope and disclosure of family employment policy

Unlike the Family Protocol, which is an internal family document, the incorporation, remuneration, and evaluation rules under Articles 10 and 11 must be publicly known within the organization and communicated to investors and other stakeholders. Disclosing these rules reinforces transparency and strengthens the company's credibility with funders and investors.

It is important to keep in mind that the requirements established in this chapter represent the minimum standards that the family will impose on itself. Through its own governance bodies and human resources policies, the Company can set higher demands for any position, and in such cases, corporate policies prevail. The Protocol governs what the family agrees to internally. It does not limit or supersede the Company's ability to define its own hiring, evaluation, and performance standards.

10.2 Artificial positions shall not be created to accommodate family members. The interests of the Company shall prevail over the individual interests of any member of the family.

Article 11. Remuneration and evaluation

11.1 The remuneration of family members working in the Company will be set based on market criteria for comparable positions, considering the level of responsibility, dedication, and results, regardless of their status as family members or shareholders.

11.2 Family members working in the Company will be subject to periodic performance evaluations, with the same criteria and processes applicable to other personnel at their level.

11.3 In coordination with Senior Management or human resources, the Family Council will verify family compliance with these policies and communicate transparently to the entire Business Family.

Article 12. Training the next generations

12.1 The Business Family commits to promoting the education and training of younger generations, both in professional skills and knowledge about the company, its history, values, and governance structure.

12.2 The Family Council [or Family Development Committee] shall design a training program for young family members, which may include:

- a) Internships or rotation programs at the Company.*
- b) Mentoring programs with senior executives (family or non-family).*
- c) Participation in family business forums and events.*
- d) Information sessions on the Company's progress, adapted to their age.*

12.3 Participation in these programs will be voluntary but actively encouraged.

CHAPTER V: PROPERTY AND EQUITY

Article 13. Share transmission

13.1 The shares or interests of the Family Company constitute an asset that the members of the Family Group undertake to preserve within the family.

13.2 Any member of the Family Group who wishes to dispose of all or part of his or her shareholding must offer those shares according to the following order of preference:

- a) to the other members of their Family Branch;*
- b) to members of the other Family Branches, in proportion to their participation; and*

Practical note

The right of first refusal with a “second round” balances two legitimate interests: the family's interest in keeping the shares within the group, and the shareholder's interest in avoiding an illiquid holding. The key point is that the system cannot be used as a blocking mechanism: if the family wants to prevent third parties from acquiring a stake, it must buy the shares. It is important that these clauses be replicated in the bylaws so they have full legal effect (since they will apply to all shareholders, family or otherwise).

c) to the Company itself, *[if permitted by applicable law]*.

Recipients in each tier will have *[30-60]* days to exercise their right of first refusal at the price determined under Article 15.

13.3 If, having exhausted the three levels of preference set out in Article 13.2, none of the beneficiaries has exercised their right, the selling member shall be free to sell their shares to third parties outside the family, provided that the sale is made on terms no more favorable to the third party than those offered to the members of the Family Group.

13.4 If the interested third party requests terms that differ from or are more favorable than those originally offered to the family (whether in terms of price, payment terms, guarantees, or other material conditions), the selling member must notify the Family Council in writing of the proposed new terms. Members of the Family Group will have a period of *[15-20]* days from the date of notification to express their intention to purchase the shares under the same conditions offered by the third party, in accordance with the order of preference set out in Article 13.2. If neither party exercises this renewed right within the established period, the seller will be free to complete the sale with the third party under the notified conditions.

13.5 The Family Council must be notified of any sale to third parties at least *[15]* days prior to the closing of the transaction, for informational purposes and to verify that the preceding steps of this section have been followed. The Family Council shall have no power to veto the transaction once the right-of-first-refusal procedure has been exhausted.

13.6 If the sale to the third party is not completed within *[90-120]* days following the conclusion of the preemptive rights process, the process shall be deemed to have expired, and the selling member must restart it if they still wish to dispose of their interest.

13.7 The right of first refusal may not be used as a mechanism to prevent a family shareholder from realizing the economic value of their investment. If the family wishes to preserve its power to prevent third-party entry, it must exercise its right of first refusal in accordance with the established terms and conditions.

Article 14. Dividend Policy

14.1 The Business Family acknowledges that the Company must reinvest a reasonable proportion of its profits to ensure its long-term growth and sustainability.

14.2 Notwithstanding the foregoing, the family expresses its desire that the Company or Companies maintain a predictable and transparent dividend policy that allows family shareholders—especially those who do not work for the Company—to obtain a reasonable return on their investment.

14.3 The dividend policy will be defined by the Company's Board of Directors *[with a non-binding, reasoned opinion by the Family]*

Council], and will be communicated annually to all members of the Family Group.

Article 15. Company valuation

15.1 Every [two/three] years, the Company (or Companies) will commission an independent valuation of its assets by a firm of recognized professional standing. This periodic valuation will aim to keep all members of the Family Group informed of the approximate value of the Company (or Companies) and their respective shares, and will serve as input for the family's estate and succession planning.

15.2 For the purposes of any share transaction between members of the Family Group, or arising from the exercise of the right of first refusal, or any other transaction provided for in this Protocol, a valuation updated as of the date of the transaction shall be performed, following the methodology set forth in Article 15.4.

15.3 The cost of the periodic valuation shall be borne by the Company. The cost of an updated valuation on the occasion of a specific transaction shall be borne [by the Company/by the parties involved in proportion to their shareholding/by the shareholder requesting the transaction, as agreed by the Family Council].

15.4 The applicable valuation methodology shall be as follows: [The family must select one or more of the following options at the time of signing the Protocol.]

- *Discounted Cash Flow (DCF): A projection of the Company's future free cash flows, discounted at a rate that reflects the business's risk and the cost of capital.*
- *Market multiples: A valuation based on comparison with similar companies in the same sector and region, applying multiples such as EV/EBITDA, Price/Profit, or other relevant multiples.*
- *Adjusted equity value: Estimation of the value of the company based on the adjustment of its assets and liabilities to market value.*

15.6 The methodology established herein shall be applicable to all transactions provided for in this Protocol. A different methodology may be used only if the Family Council, by a favorable vote of at least [two-thirds] of its members, determines that a significant change in the nature of the business makes the originally agreed-upon methodology inappropriate.

15.7 The firm or firms in charge of the valuation must be independent of the Company, the members of the Family Group and their usual advisors, and may not have provided professional services to the Company or its shareholders in the [two] years prior to the valuation.

Practical note

Which method to choose?

- DCF is most commonly used for operating companies with predictable flows and reasonable projections.
- Market multiples are useful when there are comparable companies in the sector and provide an external benchmark that complements the DCF.
- The adjusted equity value is appropriate for companies with a high proportion of tangible assets (real estate, agriculture, and industry) or in liquidation scenarios.

Some families opt for a combination of DCFs and multiples, offering a balance between the internal (flows) and external (market) perspectives.

CHAPTER VI: GENERATIONAL SUCCESSION AND TRANSITION

Article 16. Succession principles

16.1 The Business Family recognizes that succession planning is an ongoing process, not a single event, and undertakes to address it with anticipation, transparency, and professionalism.

16.2 Succession to leadership positions within the Company—including the CEO and other key senior management positions—shall be based on criteria of merit, competence, and commitment to the family's values; being a family member does not confer an automatic right to hold such positions.

16.3 The Family expresses its desire that the Company have a formal succession plan, developed by the Board of Directors, that considers family members, as well as internal and external candidates, and that the general guidelines of this plan be communicated to the Family Council.

16.4 A maximum age of [65-70] years shall be established for the exercise of executive functions in the Company by family members. [Alternatively: a performance appraisal process will be established that determines permanence, regardless of age.]

Article 17. Transition in Ownership

17.1 The Business Family undertakes that the transition of share ownership between generations is carried out in a planned and gradual manner, based on the equity criteria defined in this article.

17.2 The members of the Family Group agree that the distribution of property among family branches will be governed by the following criteria: [the family must select one of the following options or design a combination]

- *Option A – Equal distribution by branch: Each Family Branch will receive an equivalent share in the ownership of the Company(ies), regardless of the number of members that make up each branch. Within each branch, internal distribution will be determined by the corresponding Branch Head in consultation with its members, and, failing that, equally among the branch's members.*
- *Option B – Equal distribution per person: The property will be distributed equally among all members of the Family Group of the next generation who meet the requirements of adherence to the Protocol, regardless of the branch to which they belong.*
- *Option C – Weighted distribution: The property will be distributed among the Family Branches applying weighting criteria that may include: (i) the historical participation of each branch in the management and development of the Company; (ii) the seniority and continuity of the commitment of each branch to the business project; (iii) other criteria approved by the Family Assembly. Specific weighting factors shall be documented in an annex to this Protocol.*

Key Concept: Equity or Equality?

This is one of the most difficult conversations a business family can have. Equal distribution across branches is simple, but it can lead to significant individual disparities when branches differ in size. A per-person distribution is fairer on an individual basis, but can fragment the capital excessively. Weighted distribution allows for recognizing differentiated contributions, but is difficult to negotiate. The main thing is that the decision be made during a calm moment, not when transition is imminent.

- *[other options]*

17.3 The selected criterion must be approved by the Family Assembly with a majority of at least *[two thirds/75%]* of votes and will be registered as Annex *[X]* of this Protocol. If, at the time of signing the Protocol, the family has not reached consensus on the applicable criterion, the Family Council must facilitate the deliberation process and submit a proposal to the Family Assembly within *[12]* months following the Protocol's entry into force.

17.4 The agreed criterion shall be revisable every *[5-10]* years or when a significant generational change occurs, following the same qualified majority procedure.

17.5 Regardless of the distribution criterion selected, the members of the Family Group agree to include in their wills and, where applicable, in their matrimonial agreements, the necessary provisions to comply with the rules set forth herein, within the framework permitted by the applicable inheritance laws in each jurisdiction.

17.6 The Family Council shall periodically verify that the provisions in the wills of members of the Family Group are consistent with the criteria agreed in this article and with the transfer rules in Article 13. This verification shall be conducted with due respect for each member's privacy and may be limited to a statement by the interested party regarding the consistency of their will with the Protocol.

CHAPTER VII: CONFLICT PREVENTION AND RESOLUTION

Article 18. Resolution mechanisms

18.1 In the event of any dispute among members of the Business Family regarding the interpretation, application, or enforcement of this Protocol, the parties agree to follow the following step-by-step procedure:

- *First level: Direct dialogue between the parties involved, with a maximum period of [30] days to reach an agreement.*
- *Second level: If no agreement is reached, the matter will be referred to the Family Council, which will act as a mediator, with a maximum term of [60] days.*
- *Third level: If the mediation of the Family Council does not resolve the dispute, the parties shall submit to [external professional mediation/arbitration of equity/arbitration of law], in accordance with the rules of [arbitration institution], whose award shall be [binding/unappealable].*

18.2 The parties agree to maintain the confidentiality of the dispute resolution procedures and to refrain from bringing the matter before the ordinary courts while the mechanisms provided for in this article are in progress.

Article 19. Consequences of serious non-compliance

19.1 This Protocol applies to the family and its relationship with the Company. The provisions of this article are limited to this scope and do not affect the rights of Family Group members in their capacity as shareholders under the law, the Company's articles of incorporation, and other corporate documents.

19.2 In the event of serious and repeated breaches of the provisions of this Protocol by a member of the Family Group, and once the dispute resolution mechanisms provided for in Article 18 have been fully exhausted, the Family Council shall issue a reasoned opinion documenting the alleged breaches, the attempts at dialogue and mediation that have taken place, and its recommendation.

19.3 The affected member shall have the right to present his/her defenses and arguments before the Family Assembly, by himself/herself or assisted by an advisor of his/her choice, before any vote is taken.

19.4 The Family Assembly, by a majority of at least [75–85] % of the votes (excluding the affected member from the vote), may declare that the member is in serious breach of the Protocol, which will result in the following consequences within the family:

- a) Suspension of their right to participate and vote in the Family Assembly and in any other family governing body (Family Council, family committees).
- b) Suspension of their eligibility to be nominated by the family for positions on the Board of Directors or Senior Management of the Company. If, at the time of the declaration, they occupied a position for which the family nominated them, the Family Council will communicate the situation to the Board of Directors for information, without this constituting a mandate or an instruction. The decision on the permanence of the executive or Director is exclusively within the competence of the competent corporate body, in accordance with its own criteria and procedures.
- c) Exclusion from the programs, activities, and family benefits provided for in this Protocol (training programs, family events, social dividend, if any, access to family insider information).
- d) Loss of the status of Head of Family Branch, if held, and the Branch must appoint a new representative.

19.5 The consequences provided for in the previous article shall in no case affect:

- a) The member's economic rights as a shareholder (dividends, profit sharing, equity value of shares).
- b) The political rights that correspond to the shareholder in accordance with the bylaws and the law (vote at the General Meeting, right to corporate information, right to challenge).

- c) *Their employment rights, if an employee of the Company, will be governed exclusively by applicable labor law and the Company's internal policies.*

19.6 The declaration of serious non-compliance shall be reviewable. The affected member may request that the Family Council lift the consequences [12] months after the declaration, provided that the conduct that motivated the measure has ceased and that it has, to the extent possible, repaired the effects of its non-compliance. The survey will require the Family Assembly's approval by the same majority as for the declaration.

19.7 If the member in serious breach wishes to withdraw their participation, they may do so in accordance with the procedure for the transfer of shares provided for in Article 13, without restrictions additional to those established therein.

CHAPTER VIII: FINAL PROVISIONS

Article 20. Modification of the Protocol

20.1 The amendment of any provision of this Protocol shall require approval by the Family Assembly with at least a [two-thirds/75%] majority of votes.

20.2 Any Head of a Family Branch may propose modifications to the Family Council, which shall evaluate the proposal and submit it to the Assembly.

20.3 A comprehensive review of the Protocol is recommended every [3-5] years, or sooner if significant changes occur in the family or company.

Article 21. Admission of new members

21.1 Any member of the Business Family who becomes a member of the Family Group (through the purchase of shares, inheritance, or any other means) must sign a letter of adherence to this Protocol as a condition for exercising the rights to participate in the family governance bodies provided for in this document.

21.2 The participation of spouses, domestic partners, or long-term partners of Family Group members under the Protocol shall be governed by the following rules: [the family must select the option that best reflects their circumstances and values]

- *Option A – Full Participation: The spouses and domestic partners [over X years as a couple] of the members of the Family Group will be considered members of the Business Family for all purposes of this Protocol. They will be able to participate in the Family Assembly with a voice and a vote, be eligible to join the Family Council, and access all the programs and benefits provided for in the Protocol. Accession to the Protocol will be a condition for the exercise of these rights. This option reflects the conviction that the spouse or partner is integral to the family project and that their exclusion weakens the family's commitment as a unit.*

Practical note

The involvement of spouses and partners is a decision that reflects each family's culture. What cannot be absent, regardless of the option chosen, is the divorce clause (Art. 21.4) and the recommendation on matrimonial regime (Art. 21.5). In jurisdictions where the default regime is a marital partnership, a divorce may result in the former spouse acquiring shares in the company, thereby fragmenting the family's assets. Anticipating this scenario is uncomfortable but indispensable.

- *Option B – Participation with the right to speak but not to vote: Spouses and domestic partners of Family Group members may attend Family Assembly meetings and participate in family activities and programs; they have the right to speak but not to vote on Assembly decisions, nor are they eligible to serve on the Family Council. [This option seeks to integrate spouses and partners into the life of the Business Family, recognizing their importance within the family unit, while reserving management decisions for family members by blood.]*
- *Option C – Participation limited to events and training: Spouses and partners of Family Group members are welcome to attend social, informational, and training activities organized by the family, but they will not have formal participation in the family's governing bodies (Family Assembly, Family Council). The Family Group member shall be responsible for keeping his or her spouse or partner informed of the matters discussed in those bodies, within the limits of confidentiality established by the Family Council.*
- *Option D – No formal participation: The spouses and partners of the members of the Family Group shall not participate in the bodies or activities regulated by this Protocol. The family's relationships with spouses and partners will be handled within the private sphere of each family branch.*
- *[other options, for example: a distinction can be made between spouses and partners].*

21.3 Spouses and partners who participate in any stage of the Protocol shall be bound by a duty of confidentiality regarding any family or business matters of which they become aware.

21.4 In the event of divorce, separation, or dissolution of a domestic partnership involving a member of the Family Group, the former spouse or former partner shall automatically lose any entitlement to benefits under this Protocol, without prejudice to any property rights to which they may be entitled under applicable law governing matrimonial property regimes, divorce, or inheritance.

21.5 The family [strongly recommends/advises] that members of the Family Group who marry or enter into a domestic partnership consider adopting a separate property regime with respect to shares or interests in the Family Business, in order to preserve the integrity of the family business assets in the event of marital disputes. The Family Council may offer guidance and facilitate access to specialized legal advice for this purpose.

Article 22. Term and exclusivity

22.1 This Protocol shall enter into force upon its signing and shall have a duration of [indefinite/of X years automatically renewable], unless expressly repealed by a majority of at least [85] % of the votes cast by the Family Assembly.

22.2 The matters governed by this Protocol are exclusive: they may not be the subject of separate agreements between the signatories that conflict with the provisions herein.

Signatures

In [City], on [date], the undersigned sign this Family Protocol as a sign of conformity and commitment to all its provisions. [Space for signatures of all members, organized by Family Branch]



Annex I provides a sample Letter of Adherence to the Family Protocol. [Click here.](#)

3. STEP-BY-STEP IMPLEMENTATION GUIDE

The Family Protocol is a process of family dialogue that culminates in a written agreement. This process typically takes between **6 and 18 months** from the initial decision to signing, depending on the family's size, geographical dispersion, patrimonial complexity, and level of prior consensus. The process presented here must be adapted: not all business families will have to apply each step or in the same order.

Preparation and decision phase

1

Months 1 to 2

Action 1: Identify the main promoter or sponsor and establish the collective decision

The process begins with someone taking the initiative, but the decision to move forward must **be collective and explicit**. The sponsor must convene a first meeting with all relevant Family Group members to present the proposal, explain the objective, and obtain an initial commitment to participate. This meeting is not for drafting; it is to agree that the process is worthwhile and that everyone is willing to invest time in it. Without that initial commitment, the process will stall in the next steps.

Action 2: Define the facilitator and the working method

One of the most important decisions is choosing who will lead the process. The three main options are the following:

- **Specialized external facilitator.** The preferred option when there are prior tensions, a diversity of positions, or scant experience in this type of process. It provides neutrality and a methodology for conducting difficult conversations. They do not write; rather, they help the family reach their own agreements.
- **A legal or trusted family advisor.** Suitable when the family has high cohesion, and the process is more formal than consensus building. The risk is that it neglects the relational dimension in favor of the legal one.
- **Internal management.** Only recommended in small, first-generation families with high confidence and low conflict.

Whichever option is chosen, it is important to define the facilitator's role, how decisions will be made during the process, the frequency of meetings, and who will serve as the process secretary.



Note: It is common for the founder to decide to develop the Protocol and then "present" it to others for signing. It is difficult for members who did not participate in its creation to feel bound by its rules.

Family Diagnosis Phase

2

Months 2 to 4

Action 3: Carry out the diagnosis of the family and their relationship with the company (or companies)

Before drafting a single clause, the family needs to understand itself more clearly. Diagnosis covers two dimensions:

- **The family dimension:** composition of the Family Group, ownership structure, active members in the company, branches and their characteristics, existing tensions, shared values, and sources of disagreement.
- **The Company-family dimension:** how decisions about family participation are made currently, informal unwritten rules, implicit or explicit succession plan, and issues that generate greater concern.

The family diagnosis can be carried out through confidential one-on-one interviews, questionnaires, or an initial group session. The important thing is that each member has an opportunity to express their perspective before group negotiations. The result should be a list of issues relevant to that particular family—not a generic list of clauses—and an initial prioritization of the most urgent matters.

Design and writing phase

3

Months 3 to 10

Action 4: Define the structure and themes of the Protocol

With the diagnosis in hand, the family and the facilitator define the Protocol's chapters and the work order. It is advisable to start with the issues on which there is the greatest consensus—such as family values and mission—and leave the more complex ones—such as the transfer of shares or succession to leadership roles—for later stages. Starting with easy deals builds confidence to tackle the hard ones.

It is equally important to clarify from the outset what the Protocol does not cover: the Board of Directors' governance policies, the procedures of the General Shareholders' Meeting, executive compensation policies, or the company's internal controls. The Protocol governs the family's relationship with the company; it does not govern the company itself.

Action 5: Conduct work sessions and write partial drafts

This is the most extensive phase of the process. Between three and ten sessions are held—depending on the family's situation—during which the family discusses each chapter, explores alternatives, and reaches agreements. Each session produces a partial draft that the facilitator consolidates in writing.



Sessions should be organized by topic—discussions about values require a different setting than those about the transfer of shares—and agreements should be documented in real time, since ambiguities that are not resolved at the time tend to resurface as conflicts at the time of signing or implementation. The facilitator should manage dissent constructively, separating positions of interest and exploring alternatives when disagreement persists. It is equally important to keep the focus on the family: when discussions arise about the company's management, the facilitator should redirect them to the appropriate corporate forums.

Validation and approval phase

4

Months 11 to 14

Action 6: Validation, legal review, and signing of the Protocol

The complete draft should be circulated to all members of the Family Group—not just those who actively participated—with enough time for them to review it. Some comments will be editorial in nature and will be incorporated directly; others will be substantive and will require an additional session; still others will reflect disagreements that have already been resolved, in which case the facilitator will explain the reasoning behind the agreement reached.

At the same time, the draft must undergo legal review to ensure that provisions with legal implications—such as the transfer of shares, preemptive rights, valuation mechanisms, and matrimonial property regimes—are consistent with applicable local law.

Once the concluding observations have been incorporated, signing can occur. The signing session is not a mere procedure: it is the moment when the family formalizes its collective commitment. It must be formally convened in an appropriate place and include an acknowledgment of the process undertaken. At this stage, the necessary legal formalities must also be addressed: amendments to the articles of incorporation, shareholder resolutions, notarized documents, or other instruments required to ensure that the most relevant provisions are fully enforceable.



Note: If in the sessions a single member dominates the conversation and the others nod without expressing their real positions, the Protocol will reflect that person's vision, not a genuine agreement.

Implementation and monitoring phase

5

Month 14 onwards

Action 7: Implement, communicate, and establish the review system

The first steps following the signing should put the agreement into practice: establish the Family Council (and approve its bylaws) if the Protocol so provides; set the schedule for Family Assemblies; appoint individuals to oversee the established programs; and distribute the document to all members of the Family Group, including those who did not participate directly due to age or other circumstances. Communication should not be limited to the signing ceremony: in the months that follow, the Family Council must ensure that everyone—including the youngest members and spouses whose participation was outlined in the Protocol—is familiar with the document and understands its spirit.

In parallel, the periodic review system must be implemented. The Protocol is a living document, and monitoring it involves two aspects: compliance—are the criteria for holding office being applied? Is the conflict resolution mechanism working? Are the Assemblies held as frequently as planned?—and content—at least every 3 to 5 years, or sooner in the event of significant developments, the Family Council must propose a comprehensive review of the document (see Section 4 for specific triggers and the Checklist in [Annex II](#) for the review methodology).



Implementation note:

In Latin America and the Caribbean, the legal effectiveness of different Protocol clauses varies significantly by country. What may be directly incorporated into a company's bylaws with binding effect in one country may require notarization, an amendment to the bylaws, or a separate shareholders' agreement in another. The legal review should be conducted by advisors familiar with the specific local corporate law.



Practical note:

An "introduction to the Protocol" session for younger members and new members—such as married couples and children who have reached the age of majority—conveys not only the document's content, but also the history of how it was developed and the values that inspire it.

4. TIME CONSIDERATIONS

Identifying the optimal time to initiate or reform the Protocol

Not all times are equally conducive to developing or updating a Family Protocol. There are certain events in the family's life and in the company's history that create windows of opportunity when the family is more open to dialogue and more willing to reach agreements.

That said, there is never a perfectly opportune time. Families who expect everyone to agree, for there to be no tension, and for everything to be perfect are often setting their expectations too high. The rule of thumb is that if the business family does not yet have a Protocol, the best time to start the process is now.

The following events are signs that the process is urgent or especially timely. The more of these that are present, the greater the need to take action.



Generational transitions The arrival of the second generation is historically the most frequent trigger for the first Protocol. In this situation, the informal rules that worked with the founder have become insufficient. The arrival of a third generation—with more branches, more diverse interests, and more distant ties—makes it essential to have a Protocol already in place and an active review mechanism.



Latent conflicts or tensions When disagreements over management, differences in economic expectations, or tensions between company employees and non-employees begin to arise, the Protocol can serve as a forum for preventive resolution before the conflict escalates.



Succession planning The controlling generation's decision to plan for retirement or the transfer of assets presents a natural opportunity to formalize the rules governing coexistence. The Protocol and the succession plan are complementary documents: the latter needs the former as a framework.



Entry of new investors or funders When the company receives institutional investment or prepares to access capital markets, sophisticated investors value a signed Protocol as a sign of maturity in the family business's governance.

**Incorporation of new branches or members**

Marriages, births, coming of age, or new additions to the shareholder base are times when the rules of participation take on new relevance. If a Protocol already exists, these events may necessitate revising or updating some provisions.

**Significant changes in the company**

A major expansion, a merger, the addition of an external strategic partner, or a restructuring of ownership interests can upset the balance of power among family branches and create new, unforeseen sources of tension.

Review and update cycle

The Protocol is not a document that is signed once and shelved. It should be reviewed regularly and updated as circumstances require.

Ordinary review (every 3 to 5 years). The purpose of this is to verify that the Protocol remains relevant and that no obsolete clauses or important gaps have been overlooked. It may conclude with minor adjustments or with a formal confirmation of its validity. [Annex II](#) of this Guide contains a [Checklist](#) designed to facilitate this exercise.

Extraordinary review (for specific events). Regardless of the ordinary cycle, certain events warrant an early review.



Red flag: If the Protocol never appears on the agenda for Family Council or Family Assembly meetings, it is an early sign that it is falling into disuse. Government documents—whether family-related or corporate—remain relevant when they are referenced, implemented, and reviewed. Silence regarding the Protocol in spaces of family governance is often the first symptom that it has ceased to be a real agreement and has become an archived text.

5. IMPLEMENTATION CHALLENGES AND CRITICAL SCENARIOS

The Family Protocol is arguably the most difficult governance document to develop and implement in a family business—not because of its technical complexity, but because it **touches on the most sensitive aspect of all: the relationships between people who care for one another, who share a history, and who, at the same time, have interests that do not always align.**

Warning signs of poor implementation

Failures in the application of the Family Protocol rarely manifest themselves suddenly. More often, they are revealed through gradual signals that, if not attended to in time, lead to greater conflicts.

Warning sign	Description	Corrective action
The "shelved" Protocol	The document exists, but no one consults it, or it doesn't appear on the agenda of family meetings. This happens when the process was more formal than participatory, or when the leadership did not maintain it as an active point of reference.	Include the Protocol as a standard point on the agenda of the first Family Assembly of the year. Designate the Family Council as responsible for reporting on the extent to which it has been implemented.
Selective application	The Protocol is invoked only when it suits a branch or member, but is ignored when it is inconvenient, eroding its legitimacy as a collective agreement.	The Family Council must document and communicate every decision made in accordance with the Protocol, regardless of whom it favors, thereby establishing a consistent record of implementation.
Family bodies do not function well	The Family Council or Family Assembly does not meet as often as planned or does not address substantive issues. Bodies that are empty of content generate an illusion of structure without substance.	Review whether the planned frequency is realistic, simplify it if necessary, and set calendar-year dates well in advance to ensure participation.
"We always did it this way"	Pre-existing informal practices continue to operate in parallel with the Protocol. Common in the first post-signature generation, when the habits of the founder are still the real reference point.	Whenever a decision concerns a subject regulated by the Protocol, the Family Council must explicitly refer to the corresponding article, even if the decision coincides with previous practice.
New members without formal inclusion	New members of the Family Group fail to sign the Protocol, quietly reducing the agreement's coverage.	Establish a clear procedure for joining—ideally linked to the annual Family Assembly—and designate the Family Council as the body responsible for overseeing it. Use the sample Letter of Adherence in Annex I .

Common problems in drafting and execution



Protocol too ambitious or too empty. Two equally problematic extremes: the document that attempts to regulate every detail of family and business life—with clauses so specific that they become obsolete at the first change in circumstances—and the one that contains only statements of principle so general that they offer no real guidance in times of crisis. The balance lies in a document that establishes sound principles and operational rules for the most critical issues, while allowing flexibility for the rest.

What should be done? When beginning the process, prioritize no more than eight to ten issues that are truly critical for that family and draft specific provisions only for those issues, leaving the others at the level of general principles or for future revisions.



Confusing the Protocol with corporate documents A common mistake—especially when the process is led by lawyers with no experience in family businesses—is to include provisions in the Protocol that belong in the articles of incorporation, the Board of Directors' bylaws, or the shareholders' agreements. This leads to duplication, contradictions, and confusion about which document takes precedence.

What should be done? At the start of the drafting process, create an inventory of existing corporate documents—articles of incorporation, board of directors' bylaws, shareholder resolutions—and explicitly define which matters fall under each one, before writing a single clause of the Protocol.



Provisions without an enforcement mechanism. Rules are established without defining who enforces them and how to produce a document with good intentions but no teeth. If the protocol states, for example, that family members who wish to work at the company must meet certain requirements, but does not specify who evaluates those requirements or what happens if they are not met, the clause will be ignored the first time a specific situation arises that puts it to the test.

What should be done? For each obligation or restriction included in the Protocol, ensure that the text answers three questions: Who is responsible for enforcing it? How is compliance verified? And what are the consequences of noncompliance within the family?



The founder signs but does not relinquish control In many first-generation families, the Protocol is signed with the implicit understanding that the rules apply to everyone—but the founder continues to make unilateral decisions on the matters governed by the Protocol. This pattern undermines the document's credibility before it can be tested. The founder's leadership is indispensable to developing the Protocol, as is their willingness to respect it.

What should be done? Before signing, explicitly agree with the founder on which decisions will be transferred to the bodies specified in the Protocol and set a specific date for that transfer, documenting it in the text itself or in attached minutes.



Process without the participation of younger generations Protocols developed exclusively by the founding or controlling generation, without meaningful input from younger members, run the risk of not being embraced as their own by those who will be responsible for implementing them for years to come. IESE research confirms that most families with successful Protocols engaged younger generations in the development process.

What should be done? Incorporate at least one specific working session with young members of the Family Group before finalizing the draft, with the explicit aim of collecting their perspectives and including them in the final document.

What-If Scenarios



"What happens if one or more members of the Family Group refuse to sign or adhere to the Protocol?"

This scenario can arise **at the initial signing or when new generations become eligible**. In both cases, the first step should be to listen: the facilitator should probe to uncover the real reasons behind the refusal, which may range from disagreement with specific clauses to mistrust of the process or resistance to change. If the disagreement concerns specific clauses, it should be determined whether there is room for adjustments without compromising the agreements already reached; if the disagreement is substantive, the process should be paused to address those issues before proceeding.

When resistance comes from younger members who did not participate in developing the Protocol, it is often a sign that its history and spirit were not adequately conveyed to them. In that case, the solution is to focus on the conversation, not to pressure them into signing. If the opposition persists and is widespread, this is the clearest sign that the document requires a comprehensive review with the active participation of younger generations.

In all cases, the Protocol must specify the consequences of non-adherence within the family context—for example, not participating in family governance bodies or accessing the programs established by the Protocol—without affecting the rights to which the member is entitled as a shareholder or heir under the law and the bylaws. A protocol signed by the majority but rejected by some members is better than none, provided that all efforts to include everyone have been exhausted.



"What would happen if the founder were to die before the Protocol is signed—or if there isn't one?"

This is one of the most delicate scenarios for family businesses. Without a valid family agreement in place, the transfer of assets will be governed solely by inheritance law, the family's bylaws, and the wishes expressed in the will—all of which may not reflect the implicit agreements the family had in place.

In this situation, the immediate priority is not to draft the agreement while still grieving, but to preserve family unity and prevent the lack of clear guidelines from sparking disputes. The most respected members of the family group—or an external

facilitator called in on short notice—should take on the role of providing support and coordination, and the family should agree on a transition period—ideally 6 to 12 months—during which it commits to refraining from making irreversible decisions regarding the property or its management while working to develop the protocol.



“What if a divorce threatens to transfer shares out of the Family Group?”

The divorce of a family group member is one of the most stressful events for a family business, as it can result in a former spouse becoming a shareholder or holding economic rights to the shares, depending on the applicable matrimonial regime and local laws.

A well-designed protocol addresses this scenario in two ways: (i) by recommending—or in some cases requiring, as a condition for certain benefits—that family members adopt separate property regimes with respect to the company’s shares; and (ii) by establishing preemptive or repurchase rights that allow the family to reclaim the shares before they pass into outside hands.

What the Protocol cannot do is alter the property rights to which a spouse is entitled under the law: those rights are governed by the statutes and the matrimonial property regime, not by the Protocol. That is why coordination with complementary legal documents is essential.



“What if the Protocol conflicts with bylaws or the law?”

Any provisions of the Protocol that conflict with mandatory rules of corporate law or public policy are ineffective—not because the Protocol is invalid as a whole, but because such provisions cannot be agreed upon privately. For example, if the Protocol provides that a member loses their shareholder rights as a result of violating its rules, that provision would not be enforceable in court, since shareholder rights are governed by corporate law, not by family agreements.

Prevention involves submitting the draft protocol for specialized legal review prior to signing—as noted in Section 3—and ensuring that provisions with relevant legal implications are properly aligned with the family business’s other legal instruments. In the event of a conflict, the law prevails; the Protocol applies within the scope that the law leaves to individual autonomy.

6. ANNEXES AND RESOURCES

Glossary of Terms

Below is a comprehensive glossary of terms used in this document, including the terminological variations across the main Latin American and Caribbean countries.

Term used	Meaning	Variations by country/region
Shareholder agreement	A contract between shareholders that regulates their reciprocal rights and obligations and is complementary to the bylaws. Unlike the Protocol, the agreement is strictly corporate and is enforceable against the company.	Mexico: Convenio de Accionistas. Chile: Pacto de Accionistas. Brazil: Acordo de Acionistas. Also: Pacto Parasocial, Shareholders Agreement.
Family Assembly	A family governance body that brings together all the members of the Family Group. This is a space for deliberation and decision on matters regulated by the Protocol. It should not be confused with the General Shareholders' Meeting, which is a corporate body.	Also: Family Board, Family Meeting, Expanded Family Council. In some families, this is called a Family Owner Meeting when it is limited to shareholders.
General Meeting of Shareholders	A company's highest governing body, where shareholders exercise their rights and make fundamental decisions	Brazil: Assembleia Geral de Acionistas Peru, Ecuador: Junta General de Accionistas
Family Branch Head	The designated representative of each branch within the Family Group. Acts as the representative of their branch before the family governing bodies.	Also: Branch Representative, Branch Delegate. The exact name varies by Protocol.
Letter of Adherence	Document by which a new member of the Family Group formally adheres to the current Protocol, accepting its provisions.	Also: Letter of Commitment, Declaration of Accession, Act of Accession.
Board of Directors	Collegiate body chosen by the shareholders to oversee company management	Argentina, Chile: Directorio, Junta Directiva Colombia, Venezuela: Junta Directiva Peru: Directorio Brazil: Conselho de Administração
Family Council	The family governance body, typically smaller than the Family Assembly, that is responsible for the ordinary management of family affairs, compliance with the Protocol, and coordination between the family and the company.	Also: Family Committee, Family Board, Family Council. Brazil: Conselho de Família.
Right of First Refusal	The right of Family Group members to have first refusal on shares that another member wishes to transfer, before they can be offered to third parties.	Also: Right of Pre-emption, Right of First Refusal.
Family Business	A company in which a family holds a significant controlling interest, exercises influence over its governance or management, and intends to maintain that relationship over time, typically through generational succession.	There is no uniform legal definition in the region. The differences relate to control, management, and transmission criteria.
Family Branch	A subgroup within the Family Group consisting of a child of the founder and all their descendants. The branch structure enables the organization of representation and voting within family governance bodies.	The name and criteria for setting up branches vary by family and must be defined in the Protocol.

Annex I: Sample Letter of Adherence to the Family Protocol

The following model should be adapted to the specific text of each family's Protocol and reviewed with local legal advice before use.

[Business Family Name/Group Name]

LETTER OF ADHERENCE TO THE FAMILY PROTOCOL

[City], [date]

I, [Full name], [nationality], [marital status], with ID number [number], in my capacity as [Family Group member by [inheritance/acquisition of shares/age of majority]/spouse or partner of Family Group member [Name]], declare:

FIRST. That I am fully aware of the Family Protocol of the [Name of the Family/Group], originally signed on [date of original signature] and in its current version dated [date of last revision], the full text of which has been delivered to me and I have read in full.

SECOND. Having understood the content, spirit, and commitments set forth in the Family Protocol, I hereby express my free and voluntary willingness to adhere to all of its provisions, within the scope and under the conditions established by the Protocol itself for my category of membership [in the Family Group/Business Family].

THIRD. That by virtue of this adhesion, I expressly agree to:

- Comply with the obligations established by the Protocol for members of my category.
- Respect the decisions made by the family governance bodies established in the Protocol—the Family Assembly and the Family Council—within the scope of their authority.
- To maintain confidentiality regarding family and business matters that come to my attention in the exercise of the rights granted to me under the Protocol.
- To participate in good faith in the dispute resolution mechanisms provided for in the Protocol before resorting to any other forum.

FOUR. This accession shall take effect on the date of its signature and shall be subject to the conditions, rights, and limitations set forth in the current Protocol, including the provisions relating to [spouses and partners/new members by inheritance or acquisition], as applicable.

FIVE. [Optional] I acknowledge that this subscription does not affect or alter the rights to which I am entitled as a shareholder or heir under the law, the articles of incorporation, and other applicable corporate documents.

In witness whereof, I have executed this letter in [number] copies, all of which are of equal validity and have the same legal effect.

Signature: _____

Name: _____

Document: _____

Date: _____

Received on behalf of the Family Council by:

Signature: _____

Name and title: _____

Date: _____

Annex II: Checklist for Periodic Review of the Protocol

This list is designed to be used by the Family Council as a starting point for ordinary review (every 3 to 5 years) or extraordinary review (in light of significant events). It does not replace the participatory review process described in Section 3; rather, it serves to prepare for it.

Block A — Family Changes

Question	Yes	No	Remarks
Have new members joined the Family Group since the last review (by inheritance, age of majority, or acquisition)?	<input type="checkbox"/>	<input type="checkbox"/>	
Have all eligible new members signed their Letter of Adherence?	<input type="checkbox"/>	<input type="checkbox"/>	
Has any member of the Family Group or Head of Branch died?	<input type="checkbox"/>	<input type="checkbox"/>	
Have there been divorces or separations with consequences for property?	<input type="checkbox"/>	<input type="checkbox"/>	
Have there been significant family conflicts that the Protocol was unable to adequately resolve?	<input type="checkbox"/>	<input type="checkbox"/>	
Has the number of branches or their internal composition changed significantly?	<input type="checkbox"/>	<input type="checkbox"/>	
Have relevant differences of values or vision emerged between generations?	<input type="checkbox"/>	<input type="checkbox"/>	

Section B — Company Changes

Question	Yes	No	Remarks
Has the company's shareholding structure changed significantly?	<input type="checkbox"/>	<input type="checkbox"/>	
Has a new external investor or institutional funder entered?	<input type="checkbox"/>	<input type="checkbox"/>	
Has there been a relevant expansion, merger, spin-off, or sale?	<input type="checkbox"/>	<input type="checkbox"/>	
Have new companies or holdings been created within the family group?	<input type="checkbox"/>	<input type="checkbox"/>	
Has the company's executive leadership (CEO or other key positions) changed?	<input type="checkbox"/>	<input type="checkbox"/>	
Has the composition of the Board of Directors changed significantly?	<input type="checkbox"/>	<input type="checkbox"/>	

Section C — Operation of the Protocol

Question	Yes	No	Remarks
Have Family Assemblies been held as often as planned?	<input type="checkbox"/>	<input type="checkbox"/>	

Has the Family Council met regularly and addressed the issues within its purview?

Have the criteria for access to positions and family jobs set forth in the Protocol been applied?

Have conflict resolution mechanisms worked when needed?

Are there clauses that have been systematically ignored in practice?

Are there family-related issues that the Protocol does not regulate and that have generated ambiguity?

Have the applicable laws in corporate, matrimonial, or inheritance matters changed in a way that affects any clause?

Interpretation of results

If all answers are “No” in Sections A and B, and “Yes” in Section C, the current protocol is likely adequate. The review may conclude with a formal confirmation of its validity, which should be recorded in the minutes of the Family Assembly.

If there are “Yes” answers in Sections A or B, there is at least one change of circumstances that warrants reviewing whether the Protocol remains appropriate for the new reality. The Family Council should identify which clauses require updating and propose a working session with the Family Group.

If there are “No” answers in Section C, application failures need to be addressed before or during the content review. A Protocol that is not applied does not need to be rewritten: it needs to be reactivated.

Note: The Board may add specific questions that are relevant to the particular family.

Sources

IDB Invest, "IDB Invest Corporate Governance Tool" (2024)

Corporate Governance Development Framework, "Corporate Governance Progression Matrix" (2024)

IBGC, "Code of Best Practices of Corporate Governance, 6th edition" (2023)

IBGC, "The Business Family Governance: Basic Concepts, Challenges and Recommendations" (2020)

IBGC, "The Role of Family Protocol in the Business Family Longevity" (2020)

IBGC, "Succession in Family Businesses" (2020)

IFC, "Manual de Gobierno de Empresas Familiares" (2012)

OECD, "G20/OECD Principles of Corporate Governance" (2023)

AUTHORIZATION:

Copyright © 2026 Inter-American Investment Corporation ("IDB Invest"). This work is licensed under a Creative Commons CC BY 3.0 IGO license. The terms and conditions indicated at the URL link must be respected, and proper attribution must be given to IDB Invest. In addition to Section 8 of the above license, any mediation related to disputes arising under this license will be carried out in accordance with the WIPO Mediation Rules in effect at the time of the dispute. Any dispute relating to the use of IDB Invest's works that cannot be resolved amicably will be submitted to arbitration in accordance with the rules of the United Nations Commission on Trade Law (UNCITRAL) in effect at the time of the dispute. The use of the IDB Invest name for any purpose other than attribution and the use of the IDB Invest logo shall be subject to a separate written license agreement between IDB Invest and the user and are not authorized as part of this license. Please note that the URL link includes terms and conditions that are an integral part of this license.

DISCLAIMER:

The opinions expressed in this work are those of the authors and do not necessarily reflect the views of the Inter-American Investment Corporation, its Board of Directors, or the countries they represent.