

CG Updates

Newsletter produced by
IFC's Corporate Governance Group



Creating Markets, Creating Opportunities

Feature

IFC Family Business Governance Handbook

Family Businesses Fuel Growth in Emerging Market Economies, IFC Handbook Now Available in 21 Languages

Eight out of ten businesses around the world are family-owned. In emerging markets, family businesses represent both the largest source of private sector job creation and the majority of micro-, small- and medium- sized enterprises.

Family-owned businesses are particularly thriving in low- and middle-income nations and some experts predict they will make up nearly 40 percent of these markets' largest companies by 2025. [Full story](#)

News

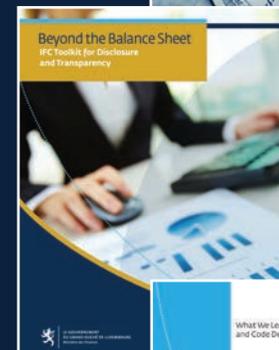
GLOBAL

Conference Highlights Corporate Reporting to Elevate Sustainability and Governance

Amsterdam, June 12-13, 2018—At the Fifth International Reporting 3.0 Conference, focus was to identify gaps between current reporting and what would be needed to spur the emergence of truly green, open and inclusive economies, and vet scalable solutions. The conference, held at KPMG's Dutch headquarters, brought together over 200 participants, who explored a range of topics on sustainability. IFC presented its new [Beyond the Balance Sheet: Disclosure and Transparency Toolkit](#), as a solution for improving corporate reporting in emerging markets.

Investors and other stakeholders increasingly seek reliable public information about local companies' environmental, social, and governance (ESG) standards; however, adequate ESG disclosure is hard to find in emerging markets even

Latest publications



About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working with 2,000 businesses worldwide, we use our six decades of experience to create opportunity where it's needed most. In FY16, our long-term investments in developing countries rose to nearly \$19 billion, leveraging our capital, expertise and influence to help the private sector end extreme poverty and boost shared prosperity.

April–June 2018

though financial disclosure integrated with ESG information is critical to unlocking capital from institutional investors. The toolkit proposes a flexible reporting framework on disclosing material ESG information about company's strategy, governance and performance, and provides guidance on preparing comprehensive and integrated annual ESG reports for companies. When integrated with strategic and financial reporting, ESG information improves sustainability policies and practices, strengthens risk management, and establishes an open and transparent company culture.

Other sessions looked at the importance of context-based reporting, a concept focusing on how to measure company's performance within the economic, social and environmental limits and demands at local, regional and global level. Speakers also addressed issues such as the circular and regenerative economy, materiality assessment of ESG issues, and integrated thinking and reporting.

Reporting 3.0 is a global platform to uncover and accelerate reporting innovations. Better reporting is an important aspect of the effort to create markets and build sustainable economies—mission-critical work for IFC.

[Summary Report](#) | [Video](#)

Bulgaria: Heightened Interest in New IFC Disclosure and ESG Tools with EC Implementation of Non-Financial Reporting Guidelines

Sofia, April 19, 2018 —An annual gathering of European corporate governance experts drew a particularly large and attentive audience this year, as firms grapple with how to address the European Commission's June 2017 adoption of non-financial reporting guidelines, requiring more detailed disclosure and transparency on ESG practices. Participants found real-world relevance in the presentations on IFC's new [Disclosure and Transparency Toolkit](#) and its ESG assessment tools, which provide guidance on how to prepare comprehensive and integrated reports that include such information.

The theme of the [22nd European Corporate Governance Conference](#), "Towards a New Culture of Disclosure, Transparency and Anti-Corruption," held under the Bulgarian Presidency of the European Union, was informed by the European Commission priorities and IFC's extensive work in these areas. IFC's [Private Sector Advisory Group](#) has been very active in Bulgaria, led by PSAG member Bistra Boeva, who has been pushing for broad-based corporate governance improvements both locally and regionally. PSAG experts assisted in setting the agenda and providing speakers at the conference, including Boeva from Bulgaria and PSAG Deputy Chairman Christian Strenger.

"Company leaders, including board directors, must be committed to a strong ESG agenda. Targeted training on ESG issues for directors and other leaders is a must," said Ralitzia Germanova, IFC Corporate Governance Officer who presented at the conference. [Report](#) | [Video](#)

New and updated IFC CG topic pages and fact sheets

Board Leadership Training
[ifc.org/corporategovernance/boardleadership](https://www.ifc.org/corporategovernance/boardleadership)

Building Corporate Governance Institutes
[ifc.org/corporategovernance/ioid](https://www.ifc.org/corporategovernance/ioid)

Corporate Governance Codes and Scorecards
[ifc.org/corporategovernance/codes](https://www.ifc.org/corporategovernance/codes)
- Fact Sheet

Corporate Governance Development Framework
[ifc.org/corporategovernance/cgdevelopmentframework](https://www.ifc.org/corporategovernance/cgdevelopmentframework)
- Fact Sheet

Corporate Secretaries
[ifc.org/corporategovernance/corpsec](https://www.ifc.org/corporategovernance/corpsec)

Disclosure and Transparency
- Fact Sheet

Family Business Governance
[ifc.org/corporategovernance/familybusinessgovernance](https://www.ifc.org/corporategovernance/familybusinessgovernance)

Fragile and Conflict-Affected Situations
[ifc.org/corporategovernance/fcs](https://www.ifc.org/corporategovernance/fcs)
- Fact Sheet

Microfinance Institutions
[ifc.org/corporategovernance/mfi](https://www.ifc.org/corporategovernance/mfi)
- Fact Sheet

Resolving Corporate Governance Disputes
[ifc.org/corporategovernance/cgdisputes](https://www.ifc.org/corporategovernance/cgdisputes)

Small and Medium Enterprises
[ifc.org/corporategovernance/sme](https://www.ifc.org/corporategovernance/sme)
- Fact Sheet

State-Owned Enterprises
[ifc.org/corporategovernance/soe](https://www.ifc.org/corporategovernance/soe)
- Fact Sheet

Women on Boards and in Business Leadership
[ifc.org/corporategovernance/gender](https://www.ifc.org/corporategovernance/gender)
- Fact sheet

All topics:
[ifc.org/corporategovernance/topics](https://www.ifc.org/corporategovernance/topics)

EAST ASIA AND THE PACIFIC

Lao PDR: New Corporate Governance Code Aims to Improve Investment Climate

Vientiane, June 26, 2018—A seminar co-hosted by IFC and the Laos Securities Commission Office introduced representatives of Lao PDR's publicly listed companies to a proposed corporate governance code, which will likely be approved in early 2019. The draft code seeks to increase the responsibilities of the board, ensure the competence and commitment of its directors, promote full disclosure in financial and non-financial reporting, and bring the corporate governance standards of companies in Lao PDR closer to internationally-accepted standard. IFC worked with LSCO on the new code, one effort in a broader partnership aimed at enhancing the country's regulatory framework and investment climate.



Mongolia: With Privatization Gaining Stream, Forum Spotlights Investor Protections

Ulaanbaatar, June 12, 2018—With nearly half of Mongolia's state-owned enterprises slated for privatization in the next two years, market stakeholders are heavily focused on building the supporting governance systems to enable a successful transition. At a corporate governance forum co-hosted by IFC, Mongolia's Financial Regulatory Commission, and the Corporate Governance Development Center, focus was on enhancing investor protections. Speakers highlighted the importance of proper disclosure and transparency in companies' financial reporting, noting that such openness is a way to safeguard investors' interests. Also at the forum—attended by 100 regulators, policymakers, business leaders, and corporate governance professionals—the new Mongolian translation of the G20/OECD Principles of Corporate Governance was launched. [Press release](#)



Indonesia: Updated Corporate Governance Manual Reflects Changing Local and International Environment

Jakarta, June 6, 2018—An effective collaboration between IFC and Otoritas Jasa Keuangan has resulted in the publication of newly updated version of the [Indonesia Corporate Governance Manual](#). Chock full of case studies and best-practice insights, the manual is aimed at helping Indonesian companies improve corporate governance practices to enhance performance and boost access to finance. It also lays out key corporate governance regulatory changes for listed companies in recent years.

First published in January 2014, the manual has become an indispensable resource regulatory authorities, corporate secretaries, lawyers, and governance experts who help companies implement governance improvements in alignment with local regulations and international best



practices. A launch event for the new manual attracted a crowd that included representatives of Indonesia's leading companies, corporate governance institutes, and other market players. [Press release](#) | [Publication](#)

Vietnam: New Institute of Directors Aims to Improve Competitiveness and Sustainability

Ho Chi Minh City, April 5, 2018 and May 30-31, 2018—The new Vietnam Institute of Directors opened its doors on April 5, 2018, with the goal of enhancing the governance practices of Vietnam's companies, helping them to become stronger and more competitive. As envisioned by the Vietnam Corporate Governance Initiative—jointly operated by IFC, the Ho Chi Minh Stock Exchange, and the Hanoi Stock Exchange, with strong support from the State Securities Commission of Vietnam—the institute will offer programs on specific governance topics through its flagship Governance Excellence Programs. The organization has gotten off to a running start, sponsoring its first program barely a month after start up—a May master program for audit committee members, offered in Ho Chi Minh City. [Press release](#)

EUROPE AND CENTRAL ASIA

New Book Links Better Governance with UN's Sustainable Development Goals

Sofia, Bulgaria, June 28, 2018—In a newly released book by IFC's Private Sector Advisory Group member Bistra Boeva, she advocates for a stronger embrace of corporate governance principles by Bulgaria's business leaders as a way to fulfill the Sustainable Development Goals mandate. Boeva has been a driving force behind the governance improvements achieved to date in Bulgaria. The book, "Capital, Melting of the Ice, and 2C," available only in Bulgarian language at the moment, offers concrete guidance to corporate leaders on ways to address their governance gaps, and how such upgrades can lead to broader economic, social, and environmental benefits. Boeva has long been active in European corporate governance—most recently helping to organize the [22nd European Corporate Governance Conference](#), held in Sofia in April and covered under Global news.

Serbia: Stronger ESG Standards, Better Business Plans Increase Companies' Access to Capital

Belgrade, June 14, 2018—By strengthening their environmental, social and governance standards and improving their business plans, Serbian companies will be better positioned to access the capital they need to grow. That is the premise behind a June work session with representatives from 30 carefully selected companies, who came together for an in-depth training on how to

Did you know?

The firm-level advice provided by IFC Corporate Governance Group across the 6 regions we work in, has helped companies access more than \$7.6 billion financing, including \$1.7 billion from IFC.



East Asia and the Pacific



Europe and Central Asia



Latin America and the Caribbean



Middle East and North Africa



South Asia



Sub-Saharan Africa

implement such upgrades. Led by a team of experts from IFC's longtime local partner WM Equity Partners, the program featured sessions on the range of business planning and standard-setting topics, including an IFC presentation on good ESG practices. The event was aimed at strengthening these companies so they could become attractive investment candidates for a regional private equity fund that is currently in the works. IFC has long supported the efforts of WM Equity Partners, lending its expertise to the group's earlier workshops on access to finance, co-hosted by organizations such as USAID.

Kyrgyz Republic: Promoting Sustainable and Socially Responsible Financing

Bishkek, June 1-2, 2018—At a session on environmental, social, and governance standards during the Bishkek International Finance Forum, IFC's ESG team presented the business case for ESG as a fundamental element of long-term viability for financial institutions. A stronger focus on ESG, with increased efforts aimed at promoting sustainable finance, will help these institutions attract global capital. Increasingly, banks in Kyrgyz Republic are coming to understand this. Recently, the Union of Kyrgyz Banks signed on to the IFC-supported Sustainable Banking Network, a unique community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice.

Following the Forum's IFC-led session, a lively give-and-take ensued on ways to further contribute to the country's sustainable development strategy. This sustainability roadmap, developed by OECD at the request of the Ministry of Economy, aims to accelerate the country's economic, social, and political development.



LATIN AMERICA AND THE CARIBBEAN

Colombia: Reducing Risks through Improved Transparency, Governance, and Compliance

Bogota, May 31, 2018—In the wake of the corruption scandals that have rocked South America over the past few years, impacting, in particular, the infrastructure sector, there is heightened interest from Colombia's businesses on how to reduce their non-financial risks. A workshop co-hosted by IFC and the Colombian Chamber of Infrastructure drew representatives from the country's infrastructure companies, who learned about how to mitigate their risks by improving their transparency, governance and compliance. Presenters from Argentina, Peru, and Colombia shared insights on the challenges associated with changing organizational culture. Other speakers discussed the importance of family business succession planning and identified opportunities to integrate sustainability into day-to-day business practices.



Peru: Building the SOE Corporate Governance Knowledge Base

Lima, May 30, 2018—At a May seminar for representatives of Peru’s state-owned enterprises, participants learned more about the unique governance challenges for such firms. Organized by Escuela de Gestión Pública of the Universidad del Pacífico, focus was on how to reduce conflicts of interest that might arise from the dual roles as market regulator and supervisor and business competitor. With speakers from IFC and CAF, Latin America’s development bank, sessions also delved into the importance of professionalizing SOE boards through better gender balance and a diversity of skills, and establishing a solid control environment. Attendees learned about trends in SOE governance throughout Latin America, with results from a new report detailing an uptick in corporate governance improvements in such entities throughout the region. In addition, presenters from FONAFE—Peru’s holding company for state-owned enterprises—shared firsthand experiences on how corporate governance improvements were contributing to increased efficiency in the companies under its umbrella. The well-attended event drew more than 200 high-level representatives of state-owned enterprises and ministries, including board members, corporate secretaries, CEOs, CFOs and general counsels.

Panama: Workshop Readies Women for Leadership as New Law Mandates Female Participation on Boards

Panama City, May 22-23, 2018—An IFC workshop designed to prepare women for board directorships and other leadership positions drew a capacity crowd of engaged participants in Panama City. One reason for the growing interest: Panama’s recently enacted Law 56, which mandates women’s participation in decision-making bodies such as boards of publicly traded companies and government institutions. As companies rush to comply with the 30 percent female representation requirement, there is a significant uptick in demand for qualified female directors. The program, co-hosted by the Panama chapter of WomenCorporateDirectors, was developed by IFC’s gender and corporate governance experts, using experiential learning and other techniques that resonate with adult learners. Backed by the latest research, the training is grounded in IFC’s focus on creating markets and understanding of the realities of emerging and developing economies. Informed by extensive consultations with women business leaders around the world, the program has been delivered in multiple countries, across several regions.

[Photo album](#) | [Topic page](#) | [Brochure](#)

Colombia: Why Smaller Businesses Need Corporate Governance

Bogota, April 26-27, 2018—Good corporate governance is as critical for smaller businesses as it is for large conglomerates, but it is not a one-size-fits-all endeavor. That’s the message delivered by IFC’s corporate governance experts at a two-day workshop in Bogota for IFC’s local Colombian and Peruvian partners. During the program, participants learned more about how



to use IFC's updated SME corporate governance methodology to analyze and assess the governance structures of small and medium companies. Focus was on governance culture, human resources, transparency and reporting, management decision making, and the role of SME boards. In other sessions, participants heard more about new tools to help them prioritize recommended corporate governance improvements by developing SME action plans.

MIDDLE EAST AND NORTH AFRICA

Iraq: Strengthening Local Corporate Governance Institutions

Baghdad, Basra, and Erbil—IFC's corporate governance experts are supporting local institutions as demand grows for specialized environmental, social, and governance training. One example of this growing demand: the Kurdistan Institute of Directors is expanding its reach, with a new presence in Baghdad and Basra, in addition to its Erbil base of operations. IFC also has teamed with Iraq's banking regulator—the Central Bank of Iraq—to increase awareness about the importance of ESG for banks. An agreement between the two entities aims to strengthen the ESG standards of the country's financial industry. In a recent session, IFC trainers worked with 19 management-level central bank staff—including 12 women—demonstrating the business case for better ESG.

Afghanistan: Better Governance Helps Ghazanfar Bank Overcome Market Challenges

Istanbul, Turkey, April 1, 2018—Given the on-going volatilities in Afghanistan, key representatives of that country's Ghazanfar Bank gathered in Istanbul for an intensive strategy session on improving the bank's corporate governance, which they see as a path to attracting more foreign investment. The group that gathered understood that financial institutions in fragile or conflict-affected markets face even greater governance challenges than those in other emerging markets, and they need assistance in navigating these challenges. The session, conducted by IFC's corporate governance experts, is part of IFC's in-depth assistance to the bank. The engagement started in 2017, with a corporate governance assessment that uncovered governance gaps at the bank and identified areas for improvement.

At the Istanbul meeting, the bank's team—including shareholders, board members, and senior managers—discussed governance principles and finalized a set of 12 company governance documents they had developed as a result of the assessment. The bank's leaders have set a goal for the bank to become the country's best-governed financial institution. In the process, they hope to mitigate the concerns of potential foreign investors, who are typically



hesitant to engage with institutions in difficult market environments. Recently, the bank was recognized for its efforts to date, with the 2018 award from London-based International Finance magazine for best corporate governance in Afghanistan.

Yemen: New Governance Initiative Helps SMEs Survive and Thrive Despite Conflict

Sana'a, March-December, 2018—With a plan to transform the Yemeni smaller business sector through better governance and improved leadership, IFC and the Yemen Institute of Directors kicked off the first round of the innovative Yemen SME 25 Program. Launched with an initial cohort of 25 companies, the ten-month program assists participating firms as they work to adopt a sustainable integrated corporate governance and leadership framework. The goal is to unlock the enormous potential of the small business sector and to bolster companies so that they can become more productive, competitive, and resilient despite the ongoing civil war.

With a strong focus on inclusiveness, the initiative targets women as well as villagers living in remote areas. Aside from being the right thing to do, the emphasis on female business owners is an economic and social imperative, given the increasing importance of women-owned businesses to the economy as so many men have been lost to the conflict. Today, many Yemeni women are their families' sole source of income.

The program's focus is on empowering the participating businesses and providing hands-on support so they can elevate their environmental, social, and governance practices. Specific efforts will target risk management, leadership, and productivity, so that they will be better positioned to attract investment once the conflict ends. A second focus is on building local consulting capacity so that the Yemen Institute of Directors can develop its fee-for-service training and advisory offerings for SMEs.

Upon completion of the program, the first group of businesses will serve as advisors, role models and resources for subsequent groups. [Video](#)

South Asia

Sri Lanka: Local Facilitators Build Skills to Run Women's Business Leadership Training

Colombo, June 21-22, 2018—A select group of 16 male and female facilitators gathered in Colombo to learn more about IFC's new four-module Women on Boards and in Business Leadership training—and about how to conduct the training themselves. The group of future facilitators included executive

IFC's Corporate Governance Program

In Numbers

\$7.6 BILLION

in financing facilitated due to improved CG practices

1,200+ entities have improved their CG practices due to IFC advice

35

DFIs have adopted the CG Development Framework

121

laws, regulations and codes adopted

110,000+

participants trained at CG events, of whom 30,000+ were women

directors, non-executive directors, and senior managers from Sri Lanka, India and Nepal. Organized by the Sri Lanka Institute of Directors in partnership with IFC, the two-day training of trainers began with a run-through of the program itself, representing the first time such sessions have included male participants. Over the course of the highly interactive sessions, IFC's experts helped participants develop training skills and provided them with tools and techniques to help them become more effective facilitators. The Women on Boards and in Business Leadership program is designed to build the pipeline of female leadership talent and to empower enterprises on the gender front, so that they can maximize the business potential that better gender balance at the top offers—a diversity of thought, perspective, and experience that leads to innovation and growth. [Topic page](#) | [Photo album](#) | [Brochure](#)

Sri Lanka: Boosting the Visibility of Women Entrepreneurs and Business Leaders

Colombo, May 22, 2018—An annual awards program designed to showcase Sri Lanka's female business leaders and entrepreneurs kicked off in May. The Professional and Career Women Awards is a competition that highlights the achievements of Sri Lanka's businesswomen. Co-sponsored by IFC and Women in Management—a group that develops the professional capacity of female managers and businesswomen—the awards program culminates in a gala that celebrates the winners of the competition. The program is but one aspect of the two institutions' ongoing work aimed at building Sri Lankan women's professional skills. Additional efforts include training for women on boards and for women who lead or work in micro- and small businesses. These initiatives are part of IFC's CG for Women program, implemented with the support of the government of Australia. At the May event, awards nomination categories were announced, along with the judges' panel, which includes IFC's country manager for Sri Lanka and Maldives, the founder and chair of WIM, the country director for Turner Investment L.P., and others.

India: Growing and Scaling Small Businesses through Good Governance

Chennai, May 7-11, 2018—In a novel partnership between IFC and Stanford University's Graduate School of Business, IFC's corporate governance experts are teaching small business executives about the importance of good governance. It's part of Stanford's Seed Transformation, an intensive, year-long, immersive management training program for Indian business owners, with the goal of helping them design and activate action plans to grow their companies. Representatives of about 45 companies across the industry spectrum attended the corporate governance component, which was based on IFC's SME Governance Methodology. The sessions were designed to help participating companies identify their corporate governance challenges and develop approaches to address the issues and improve their governance practices. The partnership between the two institutions will continue into 2019, with similar trainings.



Sub-Saharan Africa

Nigeria: New Corporate Governance Curriculum for University of Lagos

Lagos, June 20-22, 2018—Graduate school faculty from the University of Lagos gathered in June to learn more about a new corporate governance curriculum, developed by the university in partnership with IFC. The course will be available for students in the university's executive education and master's degree programs. Learning goals for the course include creating more awareness about the importance of corporate governance and deepening the knowledge base for key market players as they develop and apply corporate governance principles. The June event was designed to familiarize professors with course specifics so that they will be better prepared to teach the class.

Ghana: New IFC Report Quantifies the Value of Gender Diversity on Boards

Accra, June 18, 2018—A new report from IFC and Switzerland's State Secretariat of Economic Affairs revealed that better performing companies in Ghana tend to have more gender-balanced boards. Conducted by the University of Ghana Business School, the Gender Diversity in Ghanaian Boardrooms study found that high-performing firms, based on return on assets (ROA) and sales growth, were associated with greater gender diversity than low-performing firms. The study also underscored the gender gaps at the top in Ghana's business community, with women significantly under-represented in the boardrooms of Ghanaian companies. Of note: many organizations in Ghana lack gender representation policies to guide selection of top management and board positions. The study looked at the nature of gender diversity in Ghana's public and private sector boards, the factors that determine board diversity in Ghanaian organizations, and the relationship between gender diversity and organizational performance. The results will inform the development of organizational and national policies intended to promote sustainable company performance and economic growth.

[Press release](#) | [Study](#)

Kenya: Multiple Efforts Aim to Embed Culture of Good Governance into Market

Nairobi, April-June 2018—IFC is engaged in several initiatives designed to enhance corporate governance for the range of players at all levels of Kenya's market. For instance, IFC teamed with the World Bank to showcase the newly launched [IFC Disclosure and Transparency Toolkit](#) for representatives of Kenya's Capital Market Authority and Nairobi Stock Exchange. Sessions focused on global trends in disclosure, transparency, and sustainability, and



featured practical examples of sustainable regulatory frameworks deployed by other regulators and exchanges around the world. The result of these sessions was a joint commitment to create a working group aimed at improving ESG disclosure in Kenya's capital markets.

Meanwhile, as all of Kenya's listed companies prepare to report on their corporate governance practices this year, IFC organized a workshop on the use of its Corporate Governance Assessment Tool and reporting template. The tool also incorporates sustainability considerations, so that companies can be assessed based on their broader ESG performance. The information gained through the reporting will provide guidance to the Capital Markets Authority as it pushes to further develop a culture of good corporate governance.

IFC also is working at the individual company level, with firms such as KCB, an IFC client bank, to help improve their disclosure and integrated annual reporting.

Nigeria: Increasing Women's Access to the Boardroom

Lagos, May 28-29, 2018—In a bid to speed up the pace of women's ascension to board directorships and other leadership positions, the [IFC Africa Corporate Governance Program](#) co-hosted a two-day version of the Women on Boards and in Business Leadership workshop, in collaboration with Women in Management Business and Public Service.

Focus of the workshop was on accelerating gender diversity and strategies for igniting change. Participants included corporate leaders and entrepreneurs from the range of industries. Sessions were aimed at boosting participants' corporate governance knowledge and enhancing their leadership skills, with the goal of helping them become effective board members and senior executives. The program also served as a networking opportunity as well as a forum to engage with male champions, enabling an important sharing of perspectives. [Topic page](#) | [Brochure](#)

In the next CG Updates Newsletter

July - September 2018

New Corporate Governance tools, including the new IFC Corporate Governance Progression Matrix for Listed Companies.

PRESS RELEASES

Ghana

IFC Report Demonstrates Value of Gender Diversity on Boards to Company Performance

Indonesia

IFC Launches New Edition of Corporate Governance Manual to Help Indonesian Companies

Mongolia

IFC Holds Joint Corporate Governance Forum to Enhance Investor Protection, Develop Capital Markets in Mongolia

Myanmar

IFC Helps Myanmar Microfinance Institutions Boost Governance, Expand Lending to Microenterprises

Philippines

Traditional Gender Roles May Explain Low Participation of Women in Philippine Boardrooms, New ICD Study Reveals

Vietnam

Vietnam Launches Institute of Directors to Boost Corporate Governance, Improve Competitiveness and Sustainability for Businesses

LEARN ABOUT OUR LATEST PROGRAMS

WOMEN ON BOARDS AND IN BUSINESS LEADERSHIP

>> [Download the brochure](#)
 For more information about our women on boards and in business leadership training, visit: www.ifc.org/corporategovernance/gender



IFC TRAINING PROGRAM

"The workshop helped to improve my communications and negotiations skills, which, in turn, will help me add value to board discussions."

THE APPROACH

In lively and engaging sessions, participants engage with the trainer and with each other. They share their knowledge, skills, and experiences—a proven accelerator for adult learners. Modules move beyond traditional content delivery approaches and give participants practical problem-solving tools and techniques to reduce bias organizations and create a place environment that responds to women's needs and experiences.

Participants in the program will return to their companies equipped with the skills to:

- Champion gender equality in the boardroom and management as a strategy to enhance operations and capitalize on business opportunities
- Challenge the status quo and conduct granular, systematic analysis of the talent pipeline to understand and address critical barriers to gender equality
- Adopt strategies used by successful companies worldwide to boost and benefit from women's participation at senior levels of business

THE PROGRAM

The four-module WBL training program is backed by the latest research. It is grounded in IFC's focus on creating markets and our understanding of the realities of emerging and developing economies. In addition, the program is informed by extensive consultations with women business leaders around the world.

WHO SHOULD TAKE THIS COURSE

The program is designed for IFC partners, business and academic institutions, and individual male and female business leaders looking to invest in the future by building their female leadership pipeline. They can enroll as individuals or as trainers to train others to deliver the WBL program.

THE PUSH TOWARD GREATER DIVERSITY—AND SPECIFICALLY, GENDER DIVERSITY AT THE TOP—IS ALREADY HAPPENING.



INTEGRATED ESG SOLUTIONS FOR BUSINESS

IFC, a member of the World Bank Group, is a recognized global leader in standard setting in advising companies on the practice and implementation of best environmental, social and corporate governance (ESG) standards.

IFC methodology is reflected in the Corporate Governance Development Framework to 35 development finance institutions have subscribed.

IFC's Performance Standards are globally recognized benchmark for environmental and social risk management in the private sector. Now we are bringing these two standards to the market as one package of ESG solutions to help companies maintain their competitive position, deliver sustained profitability, and operate in line with the long-term interests of their shareholders.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ADVISORY SERVICES IN EUROPE AND CENTRAL ASIA

CREATING VALUE FOR COMPANIES IN THE REAL SECTOR

Good environmental, social, and governance practices have become a new normal in doing business. They support companies' financial performance and their ability to grow and compete. IFC's global presence and unique experience helping companies improve their ESG performance allow us to bring international best practices to local markets, and to help build market movers. We work with businesses to identify their ESG gaps, critical risks, and opportunities. We provide tailor-made and cost-effective ESG solutions to support the sustainable growth of companies.



"In reality, if you look at ESG, it's about income generation, cost saving, avoidance of delays and building a more motivated staff which will help with turnover."

Shami Nissan, Head, Responsible Investment, Actis

ESG VALUE-ADDING FORCES

A recent analysis of 656 companies in IFC's portfolio found that companies with good environmental and social (ESG) practices outperform clients with worse ESG practices by 210 basis points on return on equity (ROE). Another study of IFC investee companies showed that businesses with better governance—the top corporate governance (CG) quartile exhibited an average ROE that is about three times higher than that of the bottom CG quartile. The evidence is overwhelming: Good ESG management and governance improve business performance. Integration of these value-creating practices provides powerful synergy for innovation, competitiveness, and business growth.



Environmental and social aspects of doing business have traditionally been considered from the risk management perspective—cost control, business continuity, safeguarding property value, and so on. IFC, as a leading private sector development finance institution worldwide, has incorporated a systemic ESG risk assessment into its investment decisions for about 20 years; every large reputable investor currently does the same.

Risk management is also a key focus of corporate governance. It makes business sense to integrate an ESG risk management system into related risk governance practices.

Investors increasingly demand a say in a company's impact on society and the environment, and seek to create long-term value through tackling ESG challenges and opportunities. For a company to be attractive to sophisticated investors, ESG management systems need to be fully integrated into governance. Thus providing institutional mechanisms for shareholders to influence a company's strategy and practices.

Corporate governance is also a critical pillar of a company's own sustainability over the long term. It provides crucial tools for ownership and management succession, and for devising a strategic course of development to maximize value to all shareholders.

>> [Download the brochure](#)
 For more information about our ESG services in the ECA region, visit: www.ifc.org/corporategovernance/eca

MEDIA COVERAGE

This section includes links to articles, editorials, and op-eds where IFC colleagues are the authors or have been quoted or interviewed about IFC corporate governance programs. This material was published in various media outlets around the world. Also featured here are our contributions to reports, white papers, and other documents published by organizations outside IFC. Items are arranged in alphabetical order by country and text is in English, unless otherwise noted.

Dominican Republic

Corporate Governance (in Spanish)

(Jorge L. Rodriguez)
Listin Diario, April 2018 ,9

Iraq

Darkest Before Dawn?

CPI Financial, May 2018 ,21 (Registration Needed)

Nigeria

CIBN, FITC to Hold a Corporate Governance Workshop

The Nation, April 2018 ,30

Peru

The Importance of Corporate Governance for SOEs (in Spanish)

(Jorge Echeandia)
Stakeholders Sostenibilidad No. 87, April 2018 ,3

Regional

Towards a Credible System of Independent Directors in Latin American Listed Companies

(Oliver Orton, IFC, and Aurelio Gurrea-Martinez, Harvard Law School)
University of Oxford, Faculty of Law, June 2018 ,11

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TOWARDS A CREDIBLE SYSTEM OF INDEPENDENT DIRECTORS IN LATIN AMERICAN LISTED COMPANIES

As shown by the law and finance literature, most Latin American companies have concentrated ownership structures with controlling shareholders ([La Porta et al. 1998, 1999](#)). As a result, the primary corporate governance challenges typically existing in Latin American companies have not been the traditional agency problems between managers and shareholders (prevalent, for example, in the UK and US markets), but the risk of opportunism by insiders (i.e., managers and controlling shareholders) vis-à-vis minority investors. Regardless of whether this expropriation by insiders (often referred to as '[tunneling](#)') ultimately occurs, the very risk of such opportunism may discourage outside investors (especially overseas investors) from providing funding to Latin American companies. This in turn could have the knock-on effect of impeding the development of capital markets and the promotion of economic growth in the region.

There are a [variety of mechanisms](#) to prevent or, at least, minimize, the risk of tunneling by corporate insiders. Among them, the use of independent directors has been one of the most common tools implemented across jurisdictions around the world. In a recent paper [available in Spanish only at this time], however, we argue that, while we find independent directors to be a potentially valuable mechanism to protect minority investors, it is insufficient and, further, policy-makers have not properly addressed the main challenge faced by independent directors in companies with controlling shareholders: how to credibly make the case to minority investors that the independent directors are both able and willing to prevent tunneling by insiders.

In general, most countries in Latin America (as in other parts of the world) have considered that a director can be considered "independent" if he or she does not have any economic, employment or family relationship with the company. Nevertheless, this definition seems to ignore a key matter: the fact that, in companies with concentrated ownership structures, the controlling shareholder has the ability to appoint and remove all directors due to its influence in the shareholders' meeting – the very forum in which independent directors are appointed and removed,

usually after a recommendation of a special committee formed by 'independent directors'. Therefore, regardless of whether these independent directors appointed by the controlling shareholder ultimately perform their duties in a proper manner and behave with the best of intent (and we do not suggest otherwise), outside investors nonetheless have reason to be cautious. Namely, they will likely wonder whether the independent directors (indirectly) appointed and removed by the controlling shareholders can and will effectively prevent opportunism by the controlling shareholder vis-à-vis minority investors. Therefore, as confidence is the basis for both corporate governance and the operation and development of capital markets, the traditional system of appointment and removal of independent directors in Latin America may end up harming firms' ability to access finance and the development of capital markets in the region.

As a result of the aforementioned problem, our paper proposes a change to the system of appointment and removal of independent directors in Latin American listed companies. This proposal is mainly based on the existing literature (especially the [proposal](#) made by Professors Lucian Bebchuk and Assaf Hamdani) but it also combines some regulatory solutions existing in other countries as well as some new elements that we find appropriate to create confidence in public investors without harming the operation of the board or creating holdout problems by minority investors.

Namely, we propose the implementation of a system by which the appointment and removal of independent directors should be based on two levels of approval: (i) a majority of the shareholders' meeting; and (ii) a majority of minority shareholders (MOM). Thus, minority investors will have the ability to block the candidate proposed by the controlling shareholders. This not only gives more voice and power to minority investors but it can also encourage the controlling shareholder to think twice about the person whom it is going to propose as an independent director in the first place, and create the necessary conditions for dialogue. Nevertheless, as this system may have several drawbacks (including holdouts by minority investors

and internal disputes that may end up blocking the appointment and removal of independent directors and therefore the operation of the board), we argue that this system should only apply in the first round of elections – that is, in the first attempt to seek approval from both the shareholders' meeting and the MOM. Therefore, if the candidate approved by the shareholders' meeting is not ratified by the MOM, an alternative system should apply in the second round. In this second attempt, the candidate should be able to be approved by a "minimum qualified majority" (MQM) of all shareholders. This MQM would take place when the controlling shareholder (if any) gets support from a minority of shareholders – for example, 5-10% of those minority investors entitled to vote represented at the shareholders' meeting. Thus, our proposal would require a minimum percentage of support of minority investors but prevent the risk of creating a holdout problem by some minority shareholders.

Finally, taking into account that, under our proposal, the controlling shareholder would still have significant influence on the appointment and removal of independent directors, we propose that, in addition to the previous system of appointment and removal of independent directors, minority investors should always be allowed to appoint at least one independent director. Although some may argue that the existence of this "outsider" may disrupt the "friendly" and efficient operation of the board, we believe that a minimum level of dissent can create several benefits – in fact, this is one of the economic justifications for the promotion of diversity. Moreover, it would do so without preventing the controlling shareholder from pursuing its long-term business strategy.

In our opinion, this proposed system of appointment and removal of independent directors may not only provide a greater level of confidence to potential investors (mainly foreign institutional investors) considering investment in Latin American listed companies, but it may also improve the decision-making process (and consequently the quality of decisions) in the boardroom as a result of having at least one "real outsider" on the board. We believe that this "outsider" may bring new ideas (and new dissent) to the boardroom. Moreover, the presence of this independent director appointed by minority investors will probably encourage the "real insiders" to prepare for

the board meeting in a more organized and professional way, something that we see as particularly relevant and beneficial in countries with many family businesses, as is the case in Latin America. Therefore, this proposal may even generate other benefits apart from the facilitation of finance, the development of capital markets, the attraction of investment, and the promotion of economic growth in Latin America.

>>Download the paper (only available in Spanish)

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Eight out of ten businesses around the world are family-owned. In emerging markets, family businesses represent both the largest source of private sector job creation and the majority of micro-, small- and medium- sized enterprises.

Family-owned businesses are particularly thriving in low- and middle-income nations and some experts predict they will make up nearly 40 percent of these markets' largest companies by 2025.

In June 2018, IFC published the Amharic version of its highly popular [IFC Family Business Governance Handbook](#), which is now available in 21 languages. Since the initial release of the English language version in 2007, the handbook has become the most downloaded of all IFC's corporate governance publications.

"Good governance is good business for family-owned companies", noted Sanaa Abouzaid, IFC's corporate governance lead for the Middle East and North Africa and the handbook's author. Furthermore, Sanaa stated that "these language translations are extremely helpful, because they contextualize the knowledge and best practices in their environment and are a critical aspect of IFC's push to create local markets and opportunities."

Tools and Guidance for Family Businesses

IFC's handbook offers a concise and hands-on guidance on good family business governance practices. A complement to IFC's broader portfolio of governance resources, it suggests best practice approaches to resolving common family business dilemmas, such as succession planning, managing into the next generations, and defining family, board and senior management roles.

The Potential is Enormous

When family businesses reach a certain organizational life-cycle they need to embrace controls, structures and

procedures that will create a firm foundation of good corporate governance, helping to ensure sustainability into the second, third, and later generations of family ownership. As the number of family businesses in emerging markets continues to grow and mature, demand is increasing for tailored guidance on how to implement appropriate governance structures.

Corporate governance consultants, universities, international development institutions, and other market players are relying on the [IFC Family Business Governance Handbook](#) as a key knowledge reference in their work with family companies.

IFC Family Business Governance Handbook – Global Examples

Lebanon:

IFC's own corporate governance teams make use of the local language versions of the handbook as they work with family companies in emerging markets around the world. And these companies are seeing positive outcomes as a result of their governance upgrades. For instance, with the assistance of IFC's regional corporate governance team, Lebanon-based SABIS® developed a family employment policy and succession plans—both of which were critically needed, given the age of the founders, the expanding number of family members, and the lack of formalized procedures. Today, the fourth generation of owners is steering the education company to even greater successes, as its reach extends to 20 countries and 70,000 students.

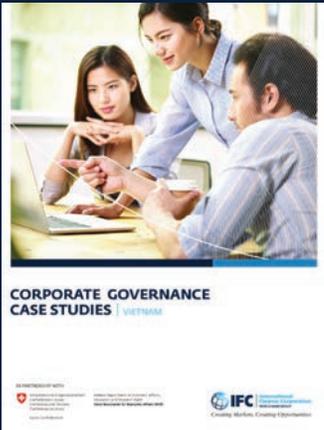
Kyrgyz Republic:

In the Kyrgyz Republic, ongoing efforts by Altyn-Ajydaar to strength its internal controls, and formalize procedures for family employment—among other governance improvements recommended by IFC's corporate governance team—have yielded significant results. The company, the nation's leading producer of corrugated packaging with a 70 percent local market share, was able to access the capital it needed to grow, with a \$2.2 million IFC loan to support the company's expanding business. Recently, IFC rewarded Altyn-Ajydaar's continuing corporate governance improvements by reducing the loan spread, yielding annual savings of more than \$27,000.

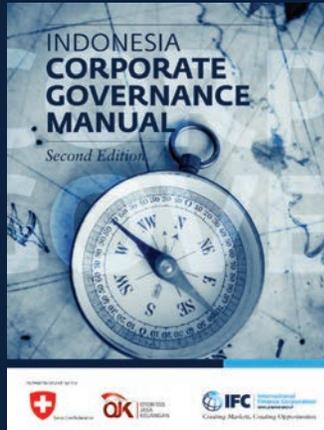
For more on family business governance, visit ifc.org/corporategovernance/familybusinessgovernance

REPORTS AND PUBLICATIONS

This section lists reports and publications produced by IFC's corporate governance group and in collaboration with other organizations. Some items are available in different languages and are organized in chronological order by publication date.



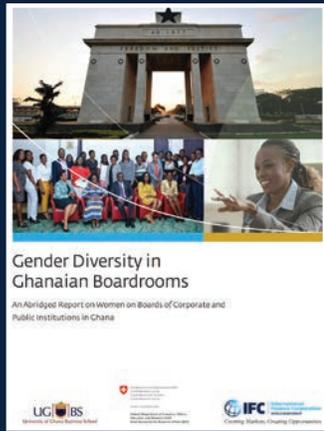
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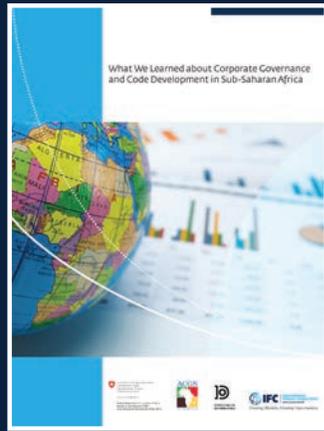
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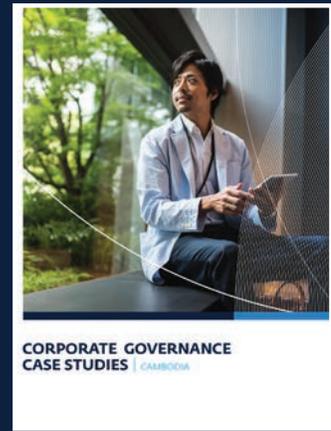
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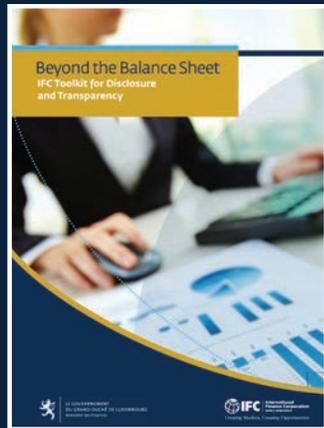
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Corporate Governance Case Studies in Cambodia



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To build capacity of local institutions to promote CG reforms and good practices in a sustainable manner



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To support the improvement of the CG framework and regulatory environment in which companies operate



BOARD LEADERSHIP

To provide training material that builds on directors' expertise and emphasize practical approaches to leadership



DISPUTE RESOLUTION

To equip board directors with knowledge and skills to resolve CG disputes and difficult conversations on the board



MEDIA TRAINING

To promote understanding of good CG practices among reporters



CORPORATE SECRETARIES

To enhance the corporate secretary's roles, functions, responsibilities, and skills

FIRM-LEVEL TOOLS FOR CG SERVICES



BOARD EFFECTIVENESS

To provide guidance, tools and other resources for IFC practitioners to help firms improve board effectiveness



FAMILY BUSINESS GOVERNANCE

To help IFC CG and investment officers to identify and address basic family business governance issues with their clients



CONTROL ENVIRONMENT

To help improve the control environment and its components, including the internal audit function, internal control system, risk management and compliance

METHODOLOGY AND TOOLS



The process of analyzing companies' corporate governance structures, policies and processes applying the relevant set of tools for listed companies, family businesses, financial institutions, funds, state-owned enterprises, and SMEs.

For more information regarding any of these toolkits and manuals, contact Ghita Alderman at galderman@ifc.org



Creating Markets, Creating Opportunities

About IFC Corporate Governance Group

IFC Corporate Governance Group brings together staff from investment support and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted services in areas such as board effectiveness, the control environment, and family businesses governance. We also help assess and support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.

For more information about our work, visit:
www.ifc.org/corporategovernance

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