



*Making the
Business Case
for Better
Corporate
Governance*

Corporate Governance





Why Corporate Governance?

Corporate governance refers to the structures and processes for the direction and control of companies. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside sources of capital.

The International Finance Corporation (IFC) is a leader among multi-lateral financial institutions in integrating corporate governance considerations into all phases of the investment process. IFC's long history of practical experience structuring investments, appraising investment opportunities and nominating board members has allowed it to put corporate governance principles into action.

Why Corporate Governance Matters for IFC Clients

Good governance increases a company's access to all types of external finance: domestic and international, public and private. In addition, firms seeking to access finance from international sources, such as international equity listings, must improve governance in order to meet more stringent listing requirements. Well-governed companies receive higher market valuations than those that are poorly governed. Better governance structures and processes improve decision-making within all types of companies and enhance their long-term prosperity.

Why Corporate Governance Matters for IFC

A focus on good corporate governance practices in client companies allows IFC to manage risks and add value to its clients. In addition to the benefits to individual client companies, working to improve corporate governance contributes more broadly to IFC's mission to promote sustainable private sector investment and strengthen capital markets in developing countries.

Objectives & Challenges

The Corporate Governance Unit's mission is to ensure that IFC's investment operations take into account the business case for corporate governance. The Corporate Governance Unit assists in the evaluation of corporate governance issues at client companies, recommends improvement programs and benchmarks, and helps our clients implement best practices.

Investment Operations

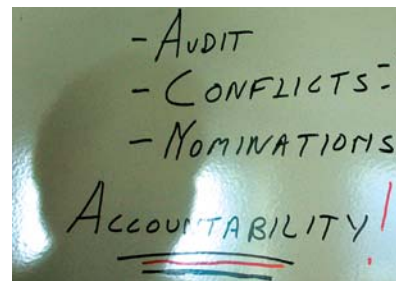
The Corporate Governance Unit has developed corporate governance appraisal standards and evaluation tools for use in the due diligence process. Self-evaluation matrices for client companies, corporate governance questionnaires, and training on corporate governance issues are available to IFC investment officers. Members of the Corporate Governance Unit participate in the appraisal of client companies when corporate governance issues are identified as a particularly important concern.

Risk and Opportunity

Good corporate governance is important to all of IFC's clients. IFC places special emphasis on improving an investee company's governance when the client's practices pose a particular risk to their operations or when an exceptional opportunity to improve the client's governance is evident. Some types of enterprises, such as deposit taking financial institutions and public companies, deserve special scrutiny due to the extended community of stakeholders (such as depositors and public shareholders) with an interest in the governance of the company.

Director Nominations

The Corporate Governance Unit advises investment teams on director nominations and conducts training programs for IFC-nominated members of boards of directors of investee companies. When IFC nominates a director to sit on a company's board, it is imperative that the nominee has the proper tools and knowledge to fulfill his or her responsibilities to the company and its shareholders.



best practices

development



Corporate Governance & Development

Global Leadership

The Corporate Governance Unit leads IFC's participation in the global dialogue on corporate governance.

These activities include:

- Providing organizational support and corporate governance expertise to the OECD/World Bank Group sponsored Global Corporate Governance Forum and the OECD/World Bank Group Regional Roundtables on Corporate Governance.
- Serving as the secretariat to the Global Forum's Private Sector Advisory Group, a powerful grouping of international investors, professionals and experts including TIAA-CREF, CalPERS, Capital Group, Hermes and DWS and led by US corporate governance advocate Ira Millstein. The Private Sector Advisory Group is dedicated to improving corporate governance in developing countries through dialog and action in concert with regulators and the private sector.
- Supporting the pioneering corporate governance technical assistance projects of IFC's Private Enterprise Partnership in the former Soviet Union.
- Helping to establish and support national institutes dedicated to improving corporate governance and training corporate directors in numerous emerging markets across Latin America, East Asia and Eastern Europe.
- Providing free-standing technical assistance in corporate governance to governments, stock exchanges, institutes of directors and other entities committed to raising corporate governance standards in developing countries.

Sustainability and Corporate Governance

Corporate governance is one of the pillars of IFC's focus on sustainability together with environmental and social sustainability. A company that is well governed is one that is accountable and transparent to its shareholders and other stakeholders such as employees, creditors, customers and society at large. Better corporate governance allows companies to recognize and act to fulfill their environmental and social responsibilities. Accordingly, it contributes long-term, sustainable growth.

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