




IFC and Lao Securities Commission Office (LSCO)

Promoting Best Corporate Governance Practices

In Partnership With

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO




Creating Markets, Creating Opportunities



For more than two decades, International Finance Corporation (IFC) has collaborated with the public and private sectors of the Lao People's Democratic Republic (PDR) to strengthen the country's capital markets and boost economic development. In partnership with the Lao Securities Commission Office (LSCO), the Swiss State Secretariat for Economic Affairs (SECO), and the Government of Japan, IFC has raised awareness about good corporate governance (CG) and identified gaps in policy that have inspired the development of new regulations and standards in social, environmental and governance practices.

As a frontline investor with more than \$60 million of private equity and debt financing injected into commercial enterprises in Lao PDR, IFC is committed to helping strengthen the investment environment for domestic and foreign investors alike.

With so much progress to date, IFC and LSCO will continue to advance on the mission to reinforce the country's corporate governance framework and investment climate and support the Lao capital market development's ambitious goal by listing 60 companies by 2025.



“IFC has played an important role in bringing corporate governance to the forefront of consciousness among Lao businesses. We believe that robust corporate governance standards are critical to grow our market, and IFC technical assistance has greatly contributed to this goal. We look forward to many more years of productive partnership with IFC.”

Ms. Saysamone Chanthachack
Secretary-General of LSCO



OVERVIEW OF CG-RELATED POLICY DEVELOPMENTS IN LAO PDR

The Government of Lao PDR recognizes the impact that good CG practices have on investment decisions, and they have aspirations to enhance the competitiveness of local businesses, promote market stability and attract international capital. CG is primarily regulated by the 2014 Law on Enterprises (that replaced the 2005 Enterprise Law) which covers matters like the protection of minority investors and governing bodies. Regarding the institutional framework, LSCO was established in 2009 to oversee the Lao Securities Exchange, which is regulated by the 2019 Law on Securities (that replaced the 2012 Law on Securities) and provides guidance related to CG

norms and practices such as corporate disclosures, board functioning, shareholder meetings, and related party transactions.

Although the concept of CG has taken time to penetrate the private sector, the establishment of these foundational policies and protocols have helped to spark some initial awareness about the associated benefits that good governance brings to the corporate bottom line. A list of the basic laws and guidelines related to CG can be found in **Table 1**, with a current list of publicly traded companies in **Table 2**.

Table 1: Main regulations and policies related to corporate governance in Lao PDR

Regulation or Policy Name	Effective Date
Establishment of LSCO (amended)	December 2013 (2009 original)
First trading day on Lao Securities Exchange (LSX) with 2 listed companies	2011
Law on Securities (Amended), No. 79/NA	December 2019
Decision on Board of Directors (Amended), No. 10/LSC	April 2019
Decision on Related Parties Transaction, No. 0023/LSC	October 2016
Guideline on Corporate Governance for Listed Companies in the Securities Exchange	April 2019
Guideline on Organization of the Shareholders Meeting (Amended), 0001/LSCO	April 2019
Decision on Reporting and Disclosure (Amended), 04/LSC	January 2019
Law on Accounting, No. 47/NA	July 2014
Law on Enterprises, No. 46/NA	December 2013
Stock Listing Regulations of the LSX	November 2015

Source: OECD and LSCO 2019 Annual Report

Table 2: There are currently 11 listed companies on the stock exchange

No.	Issue name	Companies
1	BCEL	Banque Pour Le Commerce Extérieur Lao Public
2	EDL-Gen	EDL Generation Public Company
3	LWPC	Lao World Public Company
4	PTL	Petroleum Trading Lao Public Company
5	SVN	Souvanny Home Center Public Company
6	PCD	Phousy Construction and Development Public Company
7	LCC	Lao Cement Public Company
8	MHTL	Mahathuen Leasing Public Company
9	LAT	Lao Agrotech Public Company
10	VCL	Vientiane Center Lao Public Company
11	LALCO	Lao ASEAN Leasing Public Company

Source: LSCO 2019 Annual Report

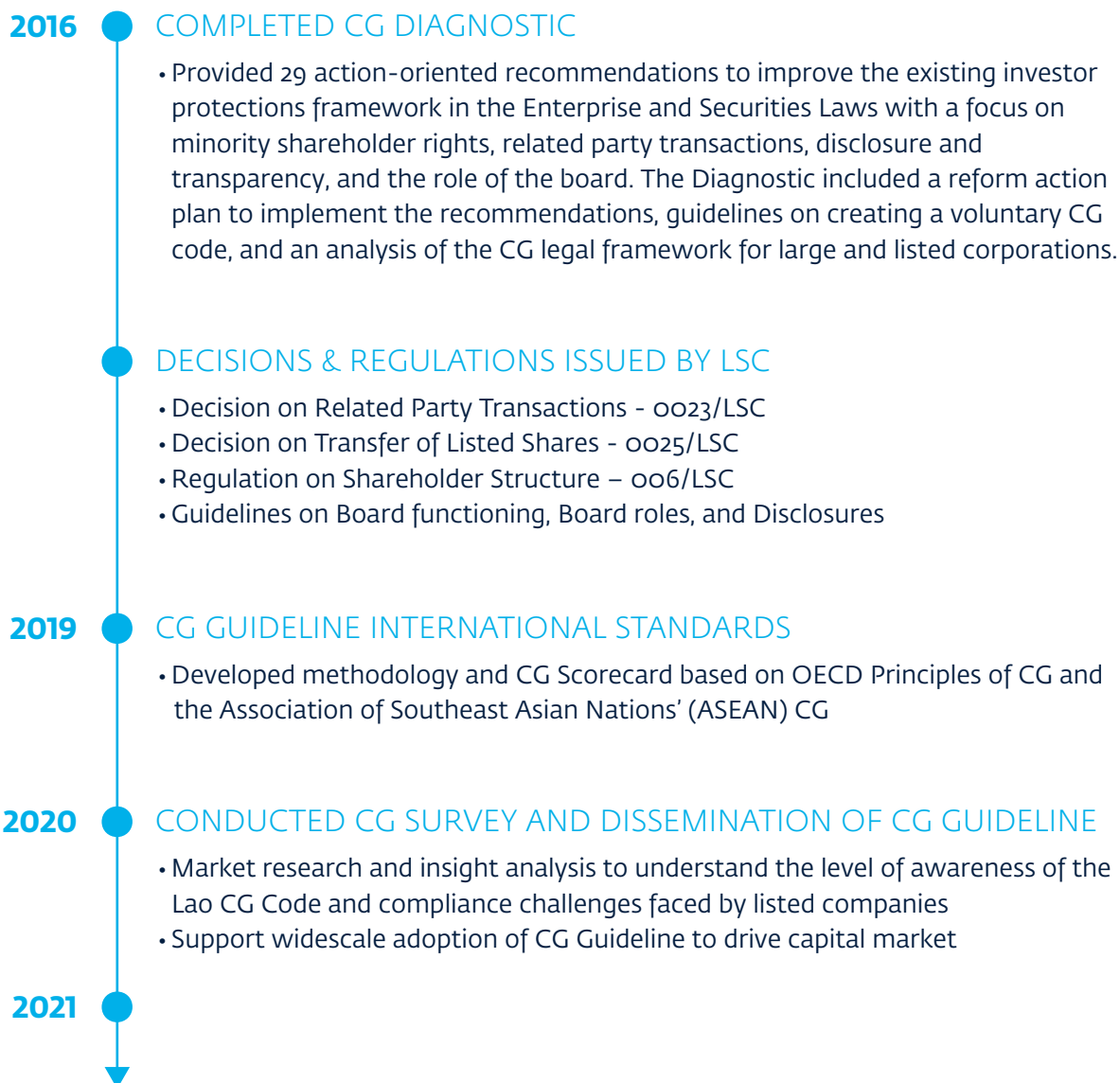
IFC AND LSCO A PRODUCTIVE ALLIANCE OVER THE YEARS

While the Lao authorities made progress in the area of corporate governance, the overall CG framework needed to be brought in line with international standards and promoted more actively among market participants. IFC and LSCO partnered to conduct a countrywide CG assessment in order to identify gaps and challenges in the regulatory framework, covering areas including shareholder rights, corporate board practices, disclosure, and transparency. IFC facilitated workshops and events within Lao PDR to help raise awareness about the importance of good CG and best international practices. The CG framework has evolved and improved during the course of the last four years.



Certificate of Appreciation: For IFC's contributions to Lao Capital Market in over 10 years from 2010 – 2020

Roadmap & Milestones



“Sound corporate governance – the responsibility of stakeholders toward each other – contributes to sustainable economic development by enhancing company value and long-term growth. Our cooperation with Lao Securities Commission Office will help raise governance standards in Lao PDR’s emerging corporate sector, improving operations and increasing transparency, making them more attractive to outside capital and investment.”

Kyle Kelhofer

IFC Country Manager, Lao PDR, Cambodia and Vietnam



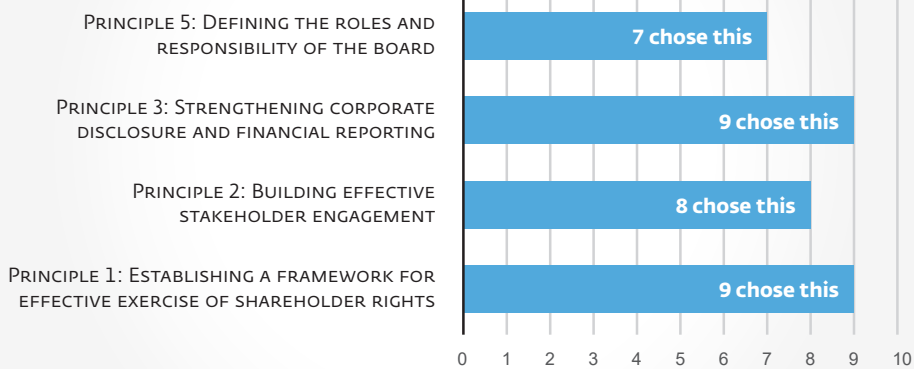
10th Anniversary of the Lao Capital Market Establishment

IMPACT ASSESSMENT - LSX LISTED COMPANIES BELIEVE **GOOD CG ADDS VALUE!**

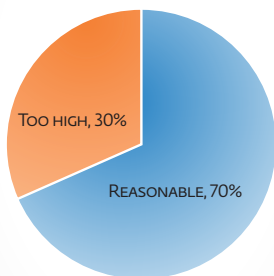
The following are the highlights of responses from a CG survey of 11 companies listed in the LSX, 6 of which represent newly listed companies that have been public for less than 3 years.

CG SURVEY HIGHLIGHTS - INSIGHTS FROM LSX LISTED COMPANIES -

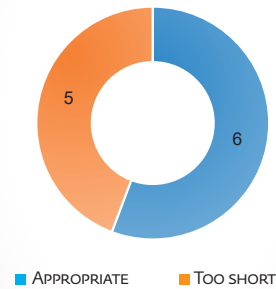
THE KEY PRINCIPLES OF THE CG CODE THAT LSX LISTED COMPANIES FELT WERE MOST USEFUL



ARE THE STANDARDS IN THE CG CODE REASONABLE OR TOO HIGH?



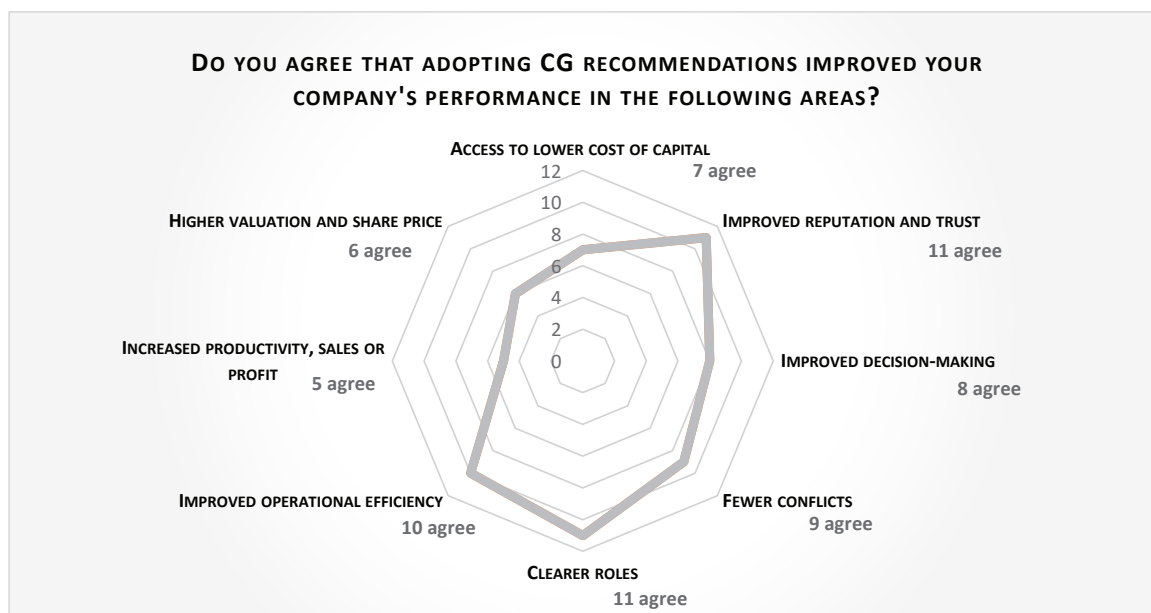
IS THE 3 YEAR TRANSITION PERIOD TO APPLY THE CG CODE APPROPRIATE OR TOO SHORT?



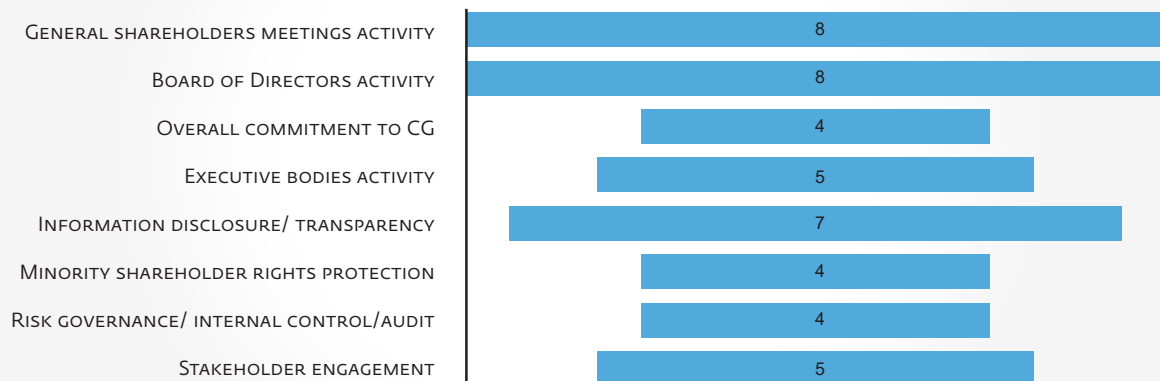
PUBLIC COMPANIES IN LAOS PDR ARE ADOPTING BETTER CG PRACTICES... AND IT'S IMPACTING THE BOTTOM LINE!

The following are the highlights of responses from a CG survey of 11 companies listed in the LSX, 6 of which represent newly listed companies that have been public for less than 3 years.

SURVEY HIGHLIGHTS CONTINUED



NUMBER OF LISTED COMPANIES THAT CHANGED KEY CG PRACTICES AFTER THE ISSUANCE OF THE LAO CG CODE



LOCAL MARKET IMPACT VS. INTERNATIONAL CG BENCHMARKS... **THERE IS STILL WORK TO BE DONE!**

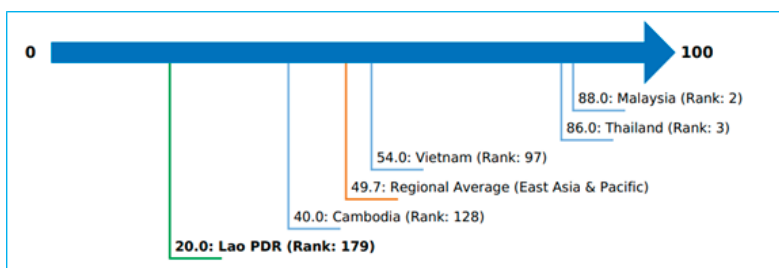
IFC has been contributing to the reinforcement of the CG framework in Lao PDR since 2016 through a series of projects with the financial support of LSCO and the Government of Japan. In particular, the CG diagnostic aimed to identify gaps in CG practices coupled with a roadmap that laid out practical reforms for enhancement. The 2019 Guidelines for CG are being actively promoted to and implemented by listed companies. The recent fact-finding survey conducted in 2020 acknowledges both the advances taken by private enterprises to improve their CG efforts, along with the challenges they face with execution.

However, important gaps remain. Many of these obstacles were highlighted in the current World Bank Group's Doing Business Report, which ranked Lao PDR 179th out of 190 economies with respect to Protecting Minority Investors. This reflects the country's perceived complex and opaque business environment, however there is light at the end of the tunnel.

Although not an impressionable score, IFC and LSCO recognize there is a desire and demand by the private sector to adopt the new Guidelines for CG for Listed Companies. Additionally, there will be a methodology applied in 2021 to measure local CG practices against global benchmarks through the establishment of a tailored CG Scorecard Assessment for Lao PDR.

The adoption of the CG Guideline, Scorecard, and good CG practices among Lao businesses in general, will guide enterprises to strengthen their financial and non-financial disclosures, improve reporting practices online and in English, upgrade accounting and auditing skillsets, raise awareness for CG policies among market participants, and improve the consistency of regulatory enforcement and compliance. This will accelerate the development of a respectable CG culture and a healthy capital market in Lao PDR that will increase its attractiveness as an investment destination.

Figure: Protecting Minority Investors in Lao PDR and Comparable Economies – Ranking and Score from the World Bank Group Doing Business Report 2020





The IFC ESG Advisory for Asia Pacific is a key part of our ambition to broaden IFC's influence and deepen its impact in moving the private sector in emerging markets towards sustainability. Our program in Indonesia focuses on integrated ESG support and offers tailored advice and guidance to clients (public and private sector) in the areas of increasing board effectiveness, improving the control environment, and family business governance, as well as to financial institutions to improve their environmental and social performance and sustainability. Our advisory services also help support ESG improvements and reform efforts in emerging markets, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels. The program in Indonesia is implemented in partnership with Switzerland's State Secretariat for Economic Affairs (SECO) and UK Climate Change Unit (UK CCU).

ifc.org/sustainability



The Lao Securities Commission Office (LSCO), is a government agency in charge of supervising, monitoring and inspecting securities activities in Lao PDR. For more information, visit **www.lsc.gov.la/EN**

