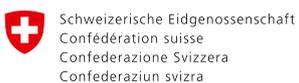




Corporate Governance Program East Asia and the Pacific Annual Summary 2016

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SELECTED CUMULATIVE PROGRAM RESULTS

AS OF **JUNE 2016**

- **Direct firm engagements facilitated more than \$812 million in financing due in part to corporate governance improvements.**
- **More than 110 public-awareness events attracted over 8,500 participants and 2,300 firms.**
- **Over 320 trainers in countries throughout the region received training.**
- **Partner-conducted workshops – enabled through train-the-trainer workshops – reached more than 6,000 executives.**
- **Twenty-one laws, regulations, codes, and policies in countries throughout the region were improved.**
- **More than 3,100 women at the board and senior management levels were trained and/or attended corporate governance events.**

Dear Readers,

Welcome to the 2016 IFC East Asia Pacific Corporate Governance Program Annual Summary. This publication spotlights the ongoing efforts to create a more open, accountable, and transparent business sector throughout East Asia and the Pacific (EAP).

Over the past fiscal year, we successfully launched a Corporate Governance Program in Myanmar, an important frontier market. Together with our partners, IFC established the Myanmar Corporate Governance Initiative (MCGI), which will support our longer-term objective of establishing an institute of directors or a corporate governance training center in the country. Across the region, we provided assistance to regulators in China, Indonesia, the Philippines, and Vietnam as they revised their corporate governance codes and regulations in support of investment climate improvements, much in support of the integration of the Association of Southeast Asian Nations (ASEAN) and the need to harmonize such standards. We launched guidebooks on related-party transactions for both Mongolian and Vietnamese commercial banks and translated the family governance handbook into the Myanmar language to promote the adoption of best international practices. We also expanded our work with training partners, institutes of directors, the media, and other associations to organize awareness-raising events and train-the-trainer workshops to broaden governance expertise in different countries.

We aim to leverage our private sector development expertise – gained through our investment activity and World Bank Group knowledge – to promote good governance practices at different levels of a market. We help regulatory bodies strengthen laws and regulations, build the capacity of our partners and market intermediaries, advise individual firms on corporate governance improvements and support various awareness-raising activities. Our goal is to help companies and overall markets attract investment and build vibrant, sustainable private sectors.

Through these efforts, IFC, along with the World Bank and various other local partners, has achieved significant results in recent years. Yet, there is much more to be done. The global economy is growing more volatile and there is a sharpened focus on firm sustainability. As the ASEAN countries continue to integrate but vie for more foreign investment at the same time, the year ahead will continue to present many monumental challenges and opportunities – all of which will be underpinned by the need for a strong corporate governance regime.

We hope this summary will provide a snapshot of initiatives around the region and facilitate knowledge-sharing among our partners in both the public and private sectors. We would like to acknowledge and thank our development partners, the State Secretariat for Economic Affairs of Switzerland (SECO), Australia's Department of Foreign Affairs and Trade (DFAT), and the U.K. Department for International Development (DFID), for their valuable cooperation and support.

Sincerely,

Chris Razook

IFC EAP Corporate Governance Lead



Vietnam

Building on the program's past achievements, IFC continued to work with the State Securities Commission (SSC), the State Bank of Vietnam (SBV), and other partners to improve corporate governance rules and regulations, including the launch of a guidebook on related-party transactions. To further enhance Vietnam's investment climate, the program worked with local partners to raise awareness of good governance among listed and non-listed companies. During the year, IFC organized a series of workshops to enhance the capacity of its partners to provide training to more companies in Vietnam. Deloitte Vietnam and the University of Banking and Economics of the Vietnam National University (VNU-UEB) were two key partners with whom IFC conducted a series of successful training events and big conferences during the year. The Program continued to strongly advocate for the establishment of an Institute of Directors (IoD) for Vietnam, providing a blueprint and advice to partners on the potential path forward. IFC also took on additional clients, advising individual firms on improving their corporate governance practices.

Key FY 16 project highlights include:

- **Guidebook on Related-Party Transactions:** IFC, in collaboration with SBV, the Netherlands Development Finance Company (FMO), and investment firm Dragon Capital Group, launched a guidebook on related-party transactions for Vietnamese commercial banks in January 2016. Outlining best practices and examples, the guidebook aims to help the banks improve their management and increase the transparency of such transactions to reduce potential conflicts of interest. The launch ceremony attracted more than 30 regulators and bank representatives and received extensive media coverage.
- **Corporate Governance Code:** IFC has just signed an MoU with SSC to provide technical support to the regulators in the development of the first corporate governance code for Vietnamese listed companies. The code, which is expected to be introduced this year, will help companies improve their corporate governance practices and their ability to attract more capital.
- **Corporate Governance Scorecard:** During the past fiscal year, IFC supported the regulators on rating the performance of Vietnamese listed companies for the 2015 ASEAN Corporate Governance Scorecard for Vietnam. The scorecard's methodologies are based on international best practices. With IFC's support, Vietnam is one of six ASEAN countries participating in the annual exercise as an effort to encourage companies to go beyond national legislative requirements for corporate governance.

IFC also co-organized a forum and a training session with SSC and the Ho Chi Minh City Stock Exchange for more than 100 participants from listed companies to raise awareness of the scorecard. Corporate governance experts from different countries shared best practices from the scorecard at the training.

- **Capacity-Building of Partners:** IFC conducted a series of training-of-trainers corporate governance workshops in Vietnam to strengthen the capacity of partner institutions. At one two-day workshop, the project team provided board leadership and banking governance training to 26 trainers from VNU-UEB, the National Economics University, the Central Institute for Economic Management, the Banking Supervisory Authority of the State Bank of Vietnam, the Hanoi Stock Exchange, and SSC. In October 2015, IFC co-organized a risk governance training in Ho Chi Minh City with the Center for Risk Management Studies, its local partner from Indonesia. The program also worked with Deloitte Vietnam, which initiated its Vietnam Center for Corporate Governance, to jointly conduct two conferences for listed companies from Hanoi Stock Exchange and Hochiminh Stock Exchange during the year.
- **Cooperation with the VNU University of Economics and Business (VNU-UEB):** IFC signed a cooperation agreement with VNU-UEB and supported the university in delivering the first corporate governance training for 22 board members and senior executives of seven Vietnamese commercial banks in Ho Chi Minh City in April 2016. The course covered topics such as best corporate governance practices for the banking industry, improving board effectiveness, transparency and disclosure standards, and building a sound control environment. Trainers also discussed the practical situations in Vietnam to make the training more applicable. Following the success of the event, IFC and the university held another two-day training course for board members and managers from several large commercial banks in Hanoi during May 2016.
- **Supporting Firm-Specific Improvements:** During the period, IFC signed agreements with five new clients to advise them on strengthening their corporate governance structures and practices. The clients belonged to a wide range of industries including agricultural manufacturing, banking, chemical, mobile, and travel. Over the past fiscal year, IFC delivered a series of training workshops to the boards and management teams of various Vietnamese banks and investment companies. Participants highly rated the workshops, which covered a wide range of topics including strategy governance and development, corporate governance implementation planning, effective board practices, the role of independent directors, and board composition. IFC also completed a full corporate governance assessment of a Vietnamese payment platform company and recommended ways to improve on the company's governance practices. The company's board is considering engaging IFC as its advisor for implementation in the next phase.





Indonesia

Over the past fiscal year, IFC continued to work with both the regulators and local partners to raise corporate governance standards among Indonesian companies. Building on its collaboration with Indonesia's financial services authority, Otoritas Jasa Keuangan, IFC helped OJK draft new corporate governance guidelines for public companies. This is part of OJK's ongoing efforts to improve corporate governance standards in Indonesia following the launch of a landmark corporate governance roadmap for the country (also produced with assistance from IFC). IFC also continued to help four key partners strengthen their capacity, including the Indonesian Institute of Corporate Directorship (IICD), Center for Risk Management Services (CRMS), Indonesian Corporate Secretaries Association (ICSA), and the Family Business Nusantara (FBN) Foundation; the program delivered corporate and risk governance training with these partners. On the firm advisory front, IFC signed an agreement with the Melbourne Business School (MBS), one of the leading providers of executive education in Asia Pacific, to deliver executive training on corporate governance, ethics and leadership for board members.

Key FY16 project highlights include:

- **Corporate Governance Guideline:** IFC helped OJK draft the new Corporate Governance Guideline for Public Companies based on the "comply or explain" approach. Under the new guideline released in November 2015, public companies are required to implement OJK's recommendations or disclose in their annual reports why they have not done so and whether they have taken alternative actions in place of OJK's recommendations. The guideline is a major milestone following a series of regulatory changes aimed at strengthening corporate governance practices among publicly listed companies and new issuers, ultimately leading to an overall improvement of the investment climate and competitiveness of Indonesian companies following the launch of the ASEAN Economic Community. IFC is considering future initiatives to support OJK in strengthening its monitoring and supervision capacity in the corporate governance area.
- **Strengthening the Capacity of Local Partners:** To broaden the reach of its corporate governance work and ensure sustainability, IFC continued to cultivate strong partnerships with local partners, including IICD and FBN. These partners used IFC tools and materials to deliver various corporate governance trainings and generated over \$300,000 in revenue in the past fiscal year.
- **Ethics and Leadership Training:** IFC signed an agreement with MBS to design and deliver executive training for board members focusing on corporate governance,

ethics and leadership. Given the relevance of these issues for Indonesia, the training aims to equip senior management with the knowledge of best practices to create and maintain sustainable businesses.

- **Risk Governance Programs:** IFC continued to support CRMS to deliver Master Classes on Enterprise Risk Governance to help boards better understand audit and risk oversight and carry out their duties more effectively. These events attracted more than 200 participants, including 53 women. IFC will continue to help CRMS expand its domestic client base and regional market outreach.
- **Supporting Firm-Specific Improvements:** IFC continued its engagement with several companies in the transportation and private equity sectors to improve their corporate governance policies and procedures. According to surveys filled out by our clients, IFC's corporate governance advisory engagements helped them raise more than \$400 million in financing.





Myanmar

IFC launched an ambitious Corporate Governance Program in Myanmar during the year – under the banner of the Myanmar Corporate Governance Initiative (MCGI). This program is being supported by the U.K. and Australian governments (UK Aid and the Department of Foreign Affairs and Trade). The program was kicked-off with a high-profile conference with key partners, the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and the U.K.-Myanmar Financial Services Taskforce. The conference, which attracted more than 400 participants, provided a forum for individuals from the government, the private sector and other stakeholders to share lessons, insights, and ideas for promoting good corporate governance practices in Myanmar. The MCGI also began a series of workshops for Myanmar enterprises, resulting in nearly 40 companies already being trained in just a few months. The program will also work with the central bank and begin regulatory-related initiatives with the Securities Exchange Commission of Myanmar (SECM) in relation to the newly launched Yangon Stock Exchange.

Myanmar Corporate Governance Initiative: Together with the U.K.-Myanmar Financial Services Taskforce, the UMFCCI, and the U.K. and Australian embassies, IFC established the MCGI, which will support our longer-term objective of establishing an institute of directors or a corporate governance training center in Myanmar. With technical assistance from the Thai Institute of Directors, IFC supported the Director Accreditation Program organized by the taskforce over the past year in order to build a cadre of trainers who can deliver corporate governance training and events in Myanmar in the future.

Supporting Regulators: IFC advanced discussions with SECM and submitted a memorandum of understanding to provide training and assistance to SECM in strengthening the country's corporate governance regulatory standards and practices through various initiatives such as reviewing new regulations.

Promoting Family Governance: The project team worked on translating the [IFC Family Governance Handbook](#) into Burmese to expand its support to family businesses in Myanmar.

Supporting Firm-Level Improvements: The project team continued to work with a number of Myanmar banks and companies to help them improve their corporate governance frameworks and practices.





China

During the year, IFC continued its corporate governance work in China on several fronts. The project team supported the China Securities Regulatory Commission (CSRC) on its plan to revise the China Corporate Governance Code. IFC also worked with the China Corporate Governance Institute of Nankai University and the China Association for Public Companies (CAPCO) to build the capacity of regulators and professional institutions on corporate governance training and consulting services.

Key FY16 project highlights include:

- **Corporate Governance Code:** IFC signed a memorandum of understanding with CAPCO and strengthened its relationship with the CSRC during the year. The project team provided technical advice to both organizations on their plan to revise the Corporate Governance Code for listed companies in China. The team will continue to support the CSRC on the code revision, which is targeted to be completed by early 2017.
- **Capacity Building:** In partnership with the China Corporate Governance Institute of Nankai University and CAPCO, IFC conducted two workshops to provide training to more than 80 trainers from the CSRC, the Shenzhen Stock Exchange, and educational institutions on corporate governance curriculum planning and training skills. Some of the trainers trained by IFC have since adopted IFC's China corporate governance curriculum and provided training to 841 participants. More trainers are expected to deliver similar training to clients in the next fiscal year.
- **Supporting Firm-Specific Improvements:** IFC provided corporate governance advisory services to selected clients in the banking and renewable power sectors over the past year. This resulted in 16 corporate governance policies and procedures improvements. Two clients reported improved performance and successfully obtained \$14 million investment after enhancing their corporate governance practices.





Mongolia

IFC has been supporting Mongolia's efforts to strengthen corporate governance for several years. The team has assisted in the development of five laws including the new Mongolian Company Law and the new Corporate Governance Code as well as a corporate governance scorecard that benchmarked the practices of Mongolia's top 20 listed companies to global standards. IFC also supported improvements in related-party disclosures in Mongolia to strengthen investor protection and helped firms facilitate more than \$400 million in financing partly as a result of improved corporate governance. Over the past fiscal year, the project team continued to strengthen the capacity of key partners, in particular the Corporate Governance Development Center (CGDC), to provide training to Mongolian companies to further enhance governance standards and the advisory capacities of local consultants.

Key FY16 project highlights include:

- **Capacity Building:** Within the framework of a cooperation agreement signed with CGDC, IFC continued to help Mongolian companies improve their corporate governance practices. The team helped CGDC launch new training programs, such as an MBA program specialized in corporate governance, to build its capacity to offer advisory services and training for small and medium enterprises. IFC is also supporting CGDC over the next three years to develop training programs for local consultants, deliver corporate-governance assessments for companies, and promote industry and public dialogues to encourage wider adoption of best practices such as proper public disclosure and investor protection.
- **Corporate Governance Awareness:** In partnership with CGDC and the Financial Regulatory Commission (FRC), IFC hosted a seminar for Mongolian insurance companies to discuss new regulations in the insurance sector, corporate governance challenges it faces, and international best practices.
- **Annual Reporting Award:** IFC supported the Annual Reporting Award of Mongolia organized by CGDC and FRC to promote transparency and disclosure among public companies and state-owned enterprises in Mongolia. During the Corporate Governance Forum held in October 2016, the winner of the first contest was announced. Each year, the organizers provide training to 20 companies and advise them on best reporting practices and developing annual reports that are in line with international standards. An independent jury then selects the best annual reports produced.
- **Audit Committee Master Class:** The team conducted a master class for the internal audit team of one banking client in Mongolia. This two-day training program aimed to enhance the team's knowledge of internal audit methodologies and leading practices to carry out their duties more effectively.
- **Supporting Firm-Specific Improvements:** IFC worked with several firms in the banking and mining sectors to help strengthen their corporate governance practices. One of the latest clients of IFC was a state-owned enterprise with stakes in the country's mining deposits of strategic importance.



The Philippines

IFC has ramped up its work in the Philippines over the past fiscal year, working with the government to develop a corporate governance reform plan and improve regulations as well as strengthening the capacity of its partner institutions to provide more training. In particular, IFC supported the Securities and Exchange Commission (SEC) with its efforts to strengthen the Philippines' governance standards of listed companies and agreed to help the central bank (BSP) with further regulatory improvements. The project team also continued to support the Philippines Institute of Corporate Directors (ICD) with various market-level initiatives.

Key FY16 project highlights include:

- Institute of Corporate Directors:** The team signed an agreement with the ICD to further enhance its capacity to champion good governance practices among Philippine companies. IFC organized a series of train-the-trainer workshops to help directors, corporate secretaries, and other executives improve their general training skills and share practices on managing difficult conversations on boards. IFC also supported the ASEAN Corporate Governance scorecard initiative through the ICD. IFC will support the ICD in developing new programs and activities to further raise the governance standards of Filipino companies.
- SEC Collaboration:** IFC signed a memorandum of understanding with the SEC in May 2016 to strengthen the country's regulatory framework and corporate governance practices. The cooperation aims to raise market awareness of good governance to entice more foreign investment to the country. IFC and the World Bank will support efforts to revise the country's corporate governance code for listed companies and set best practices for Philippine companies to follow. IFC also provided inputs on the development of a corporate governance blueprint for the country over the next five years. The blueprint was issued in November 2015.
- ASEAN Corporate Governance Scorecard Initiative:** Publicly listed corporations in the region that scored best on the ASEAN Corporate Governance Scorecard were recognized during the first ASEAN Corporate Governance conference and awards ceremony held in Manila. More than 300 participants from 74 companies attended the event supported by IFC, the ICD, and the Asian Development Bank.
- Strengthening Shareholder Rights:** IFC signed a cooperation agreement with the Shareholders' Association of the Philippines (SharePHIL) in June 2016 to promote good corporate governance including shareholder protection in the Philippines. Under the agreement, IFC will support SharePHIL in educating investors and shareholders of their rights, duties and responsibilities to advance the development of the Philippine capital market.
- Supporting Firm-Specific Improvements:** IFC worked with several firms in the Philippines to help strengthen their specific governance practices and ultimately lead to a demonstration effect for the country. This includes companies in the banking, microfinance and services sectors.

Key FY16 Project Highlights throughout the Region



Cambodia

During the fiscal year, IFC began helping Cambodia's regulators and central bank to strengthen the regulatory environment, improve transparency and bolster investor confidence in the capital market, which will help entice more foreign investment to the country.

The project team signed a memorandum of understanding (MoU) with the Securities and Exchange Commission of Cambodia to develop a roadmap for strengthening the country's corporate governance, including the creation of a corporate governance code. The two sides will organize public seminars to promote best practices, including a roadshow to introduce the ASEAN Corporate Governance Scorecard initiative.

IFC also signed another MoU with the National Bank of Cambodia to provide training to its staff to enhance its regulatory, supervisory and enforcement capabilities. IFC's assistance will contribute to a wide scope of capacity building and the implementation of proper corporate governance practices in the banking sector.

Lao People's Democratic Republic

IFC signed an MoU with the Lao Securities Commission Office during the fiscal year to improve corporate governance practices among Lao companies. IFC completed in May 2016 a country-wide corporate governance assessment to identify gaps and challenges in Lao's regulatory framework, covering areas such as shareholder rights, corporate board practices, disclosure, and transparency. The team devised an action plan, which will lead to the development of a corporate governance code to establish good practice standards, with which Lao companies must comply. The partnership aims to strengthen the country's capital market and boost sustainable growth.

The Pacific

Throughout the fiscal year, IFC met with firms, regulators, and other stakeholders across the region to identify potential projects, particularly in Fiji. This included conducting seminars in Fiji and the Solomon Islands with various government and private sector stakeholders.

The project team has been exploring programs with the banking sectors in Papua New Guinea and Fiji, which would hopefully lead to activities targeting other types of companies and possibly other Pacific markets as well. The team has also been targeting specific Fiji state-owned enterprises that are identified for divestment. The team aims to help them

with their corporate governance practices and support their transition to become public listed companies through initial public offerings as envisaged by the Fiji government in the medium term.

In Timor Leste, the team completed work with a microfinance institution to help strengthen its governance practices as it transformed into other deposit-taking institution. The change allows the institution to be supervised by the Central Bank of Timor Leste, thus ensuring better and more transparent services to its clients.



EAP Firms Benefitting Directly from IFC Corporate Governance Advisory Services

2015

| Country | Industry |
|-------------|-----------------|
| China | Bank |
| China | Bank |
| China | Bank |
| China | Construction |
| Indonesia | Bank |
| Indonesia | Bank |
| Indonesia | Investment Fund |
| Indonesia | Media |
| Indonesia | Health |
| Indonesia | Telecom |
| Indonesia | Transportation |
| Indonesia | Transportation |
| Mongolia | Bank |
| Mongolia | Bank |
| Myanmar | Agriculture |
| Myanmar | Bank |
| Myanmar | Bank |
| Philippines | Bank |
| Philippines | Hospitality |
| Vietnam | Bank |
| Vietnam | Bank |
| Vietnam | Bank |
| Vietnam | Equipment |
| Vietnam | Pharmaceutical |
| Vietnam | Private Equity |
| Vietnam | Private Equity |
| Vietnam | Property |

2016

| Country | Industry |
|-------------|----------------------|
| China | Financial technology |
| China | Bank |
| China | Bank |
| Cambodia | Microfinance |
| Cambodia | Microfinance |
| Cambodia | Microfinance |
| Indonesia | Consulting |
| Indonesia | Bank |
| Lao PDR | Bank |
| Mongolia | Mining |
| Myanmar | Bank |
| Myanmar | Microfinance |
| Myanmar | Retail |
| Myanmar | Transportation |
| Philippines | Bank |
| Philippines | Bank |
| Thailand | Investment Fund |
| Vietnam | Bank |
| Vietnam | Bank |
| Vietnam | Tourism |
| Vietnam | Agriculture |
| Vietnam | Telecom |
| Vietnam | Chemical |

