

CG Updates

Newsletter produced by
IFC's Corporate Governance Group

Feature



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IFC Updates CG Methodology to Include ESG Considerations

An important key to IFC's success has been embracing good governance and sustainability principles in the way we do business and the way we select the companies to finance. Over the past sixty years, IFC has methodically built up our knowledge and experience and created our own standards and methodology, which have become recognized as global benchmarks for environmental, social and governance risk management in the private sector. Full feature on page 12 or [online](#).
[IFC CG Methodology](#) | [IFC CG Investment Services](#)

News

GLOBAL

USA: Staying Ahead of Enterprise Risks

Washington DC, September 20, 2018—Risk professionals must update their risk management insight on a continuous basis if they are to help their firms increase their competitive advantage in the global business environment. In response to this need and as part of a week-long [Enterprise Risk Management \(ERM\) Benchmarking Program](#), the Center for Risk Management Studies (CRMS) Global organized on-site visits to IFC and some other organizations in the United States for a delegation from Indonesia to discuss and share practices about corporate governance and ERM implementation at the corporate environment. IFC's corporate

IFC's Corporate Governance Program

In Numbers

\$11 BILLION
in financing
facilitated due
to improved CG
practices

1,600+
firms reached
and 1300+
firms reporting
improved CG
practices

35
DFIs have
adopted the CG
Development
Framework

133
laws, regulations
and codes adopted

98
partner
intermediaries now
promote CG and
provide CG training
and other services

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.

July–September 2018

governance group hosted the delegation and presented the [IFC Corporate Governance Methodology](#) with a focus on the control environment and disclosure and transparency, including presentation of the [Disclosure and Transparency Toolkit](#). The delegation consisted of several Indonesian board members and senior managers from various industries.

The Netherlands: Conference Unveils New Research on Emerging Markets Corporate Governance

Amsterdam, July 5–6, 2018—At the 6th International Conference on Corporate Governance in Emerging Markets, corporate governance experts from around the world gathered to share cutting-edge research and recent trends in governance-related policies. Hosted by the Institute for Governance and Organizational Responsibility and the Emerging Markets Corporate Governance Research Network with support from IFC, the conference featured presentations on 23 papers by scholars from 19 countries.

The papers, presented in seven thematically different sessions, explored recurring issues in corporate governance research, such as governance in family-controlled firms, governance of financial institutions, and related-party transactions in controlled firms, as well as less studied topics, such as the effect of board gender quotas on firm performance in an emerging-market context. The conference concluded with a discussion on implementing environmental, social, and governance practices in emerging markets. The goal of this annual conference is to support academic research, as well as development of corporate governance policies and practices.

[Conference report](#) | [Agenda](#)

EAST ASIA AND THE PACIFIC

China Launches Revised Corporate Governance Code to Focus on ESG

Beijing, September 30, 2018—The China Securities Regulatory Commission has unveiled a newly revised corporate governance code—the first revision since it was first issued in 2002. The new code broadens the scope of corporate governance to focus on environmental, social, and governance disclosure, the role of institutional investors as stewards, board diversity, and board director accountability. IFC's East Asia corporate governance team and their World Bank colleagues assisted the Chinese regulator with developing the revised code. Efforts included reviewing and commenting on the draft code and presenting at corporate governance seminars. The work is the latest in IFC's long-time support for China's drive to strengthen its companies' corporate governance. Since 2003, IFC has worked at multiple levels, providing advice to individual companies, building the capacity of local



partner institutions so they could offer corporate governance training, and working with regulators to improve the regulatory framework. In addition, IFC takes a lead role in organizing public seminars to share best practices.

Vietnam: Building and Running Effective Boards

Ho Chi Minh City and Hanoi, September 25 and September 26, 2018—

At a high-profile event that drew more than 180 senior business leaders, market representatives, and members of the media, focus was on building strong boards by attending to the specific role played by the chairperson—and by developing sound succession plans to ensure leadership continuity. The program, supported by IFC, was organized by a notable consortium of groups across the market spectrum: the Vietnam Institute of Directors, Global Integration Business Consultants, Talentnet, the Hochiminh Stock Exchange, the Hanoi Stock Exchange, and Advisory Board Architects. Attendees included board chairs and other representatives of listed companies on the two exchanges, along with representatives from investment funds and advisory firms. The event was among the first to attract such strong market interest since the Vietnam Institute of Directors opened its doors in April 2018.

Myanmar: Boosting Gender Diversity on Boards

Yangon, July 31 and August 3, 2018—Closing gender gaps in senior business leadership was the theme of two well-attended workshops jointly hosted by IFC, the Myanmar Institute of Directors, and the Myanmar chapter of Women Corporate Directors. During the workshops, participants highlighted the gender gaps in their own organizations and discussed ways to increase the number of women on boards. Focus was on practical steps, along with tools and techniques to catalyze change.

[Press release](#)

Myanmar: How to Comply with New Companies Law as Market Opens to Foreign Ownership

Yangon, July 30 and August 1, 2018—With the rapid pace of change in Myanmar—and the opening of the market to foreign investment—Myanmar companies have a great deal of new information to absorb and apply. In particular, the new Myanmar Companies Law, which took effect on August 1, 2018, adds new reporting requirements and spells out director roles and responsibilities, among other changes—all designed to improve companies' overall governance. The law also relaxes foreign ownership in Myanmar companies as a way to level the playing field for international investors.



To help companies work through it all, the Myanmar Institute of Directors and IFC organized two workshops as part of the institute's ongoing Learning Series that combines board training with raising awareness about important governance topics. More than 40 board directors and senior executives built their skills and gained insight into what the new law means for their companies at the workshops. [Press release](#)

EUROPE AND CENTRAL ASIA

Georgia: IFC Partners with National Bank of Georgia to Boost Governance and Sustainable Finance

Tbilisi, September 26, 2018—IFC signed a cooperation agreement with the National Bank of Georgia (NBG) to enhance environmental, social, and corporate governance standards in the private sector and help commercial banks and companies improve performance, enhance competitiveness, and attract investment. IFC will help NBG in updating their Corporate Governance Codes for Banks and Listed Entities, including to introduce standards for governance of environmental and social issues. The IFC-supported Sustainable Banking Network (SBN) will work with the bank on designing a sustainable finance roadmap, developing a regulatory framework, and providing technical guidance, as well as helping financial institutions develop and issue green and climate finance products such as green bonds. To kick off the cooperation and share global and regional experiences, the bank, together with IFC and SBN co-hosted Tbilisi's first sustainable finance workshop. Participants included more than 50 representatives of the nation's financial sector, the SBN, and central banks from across the region. [Press release](#)

Austria: For OPEC's Development Finance Arm, Lessons on Corporate Governance Due Diligence

Vienna, September 14, 2018—As the development finance arm of the Organization of the Petroleum Exporting Countries, the OPEC Fund for International Development (OFID) serves as a channel of aid to developing countries. Earlier this year, to address risks arising from investing in emerging markets, OFID became a [signatory](#) to the [Corporate Governance Development Framework](#) and has taken steps to learn more about assessing the corporate governance of the companies in which it might invest. At a workshop in Vienna, OFID representatives heard a presentation by Merima Zupcevic, IFC Corporate Governance Lead for Europe and Central Asia, on [IFC's Corporate Governance Methodology](#). IFC also shared insights on its approach to mainstreaming corporate governance due diligence into its investment processes. During the workshop, OFID's investment, legal, and risk teams worked with IFC counterparts to identify an OFID-specific approach similar to IFC's but aligned with OFID's own resources and leverage potential.

Press Releases

Georgia

IFC Joins Forces with the National Bank of Georgia to Boost Governance and Sustainable Finance

Myanmar

IFC, Myanmar Institute of Directors, and WCD Help Companies Strengthen Governance and Boost Gender Diversity

LATIN AMERICA AND THE CARIBBEAN

Peru: Transforming Ethics in Action

Lima, September 18–21, 2018—Company managers are opinion leaders in the Peruvian market and as such play a critical role in instilling core ethical values into the corporate environment, starting with setting an example through their own ethical behavior. This was the key takeaway from a series of highly engaging events and workshops in Lima, which drew key market players and business leaders. Featuring respected academics such as Alexandre Di Miceli from São Paulo, Brazil, who delivered a keynote address and also participated in a session on the importance of gender diversity on boards, the events focused on corporate behavior, integrity and ethics—a highly relevant topic in Peru and the wider region, given recent headlines about corporate wrongdoing. The events were hosted by IFC's partner in Peru, the University of Lima, together with [Universidad Peruana de Ciencias Aplicadas](#), Asociación de Administradoras de Fondos de Pensiones, and Asociación de Secretarios Corporativos de América Latina.

Colombia: At Annual Latin American Companies Circle Meeting, Focus on What Investors Want

Bogota, September 20–21, 2018—Against a changing macroeconomic and political landscape in Latin America, the members of the Latin American Companies Circle gathered for their annual meeting in Bogota. A key theme of the meeting: investor expectations. According to keynote speaker Axel Christensen, Managing Director and Chief Investment Strategist for Latin America and Iberia at Blackrock, investors are increasingly looking for a definition of corporate purpose, stakeholder engagement, board and senior management diversity, a clear articulation of long term strategy, shareholder activism, and sound metrics on environmental, social, and governance standards. Ultimately, he said, investors want a positive answer to the question of whether or not the company is a good corporate citizen and neighbor. Participants included member company chairpersons, directors, CEOs and senior executives, along with invited guests. Sessions featured presentations on communication and the board's role in times of turbulence, the importance of sustainability practices (examples discussed included biodiversity and child nutrition programs), corporate social responsibility, gender diversity on boards, and how financial institutions are acting as agents of change for their clients. [The Latin American Companies Circle Website](#)



Colombia: Undergraduate Research Forms Basis of Recommended Updates to Governance Guidelines

Bogota, August 10, 2018—At more than 170 pages, with detailed analysis and in-depth research, a report by five undergraduates at one of Colombia's leading business universities is making waves. The study, supervised by professors Maria Andrea Trujillo and Alexander Guzman of IFC Partner, Colegio de Estudios Superiores de Administración (CESA) and supported by IFC, assessed the impact and effectiveness of the 2009 Colombian Corporate Governance Guide for Closed and Family-Owned Businesses. Based on an analysis of global developments and best practices over the past decade, the report proposed extensive recommendations for changes to the guidelines, including a greater focus on the role of technology, as well as on environmental, social, governance and transparency practices. As a planned update of the guide gets underway in the coming months, these recommendations will inform the process, according to those involved in the work. [Report](#)

MIDDLE EAST AND NORTH AFRICA

Pakistan: Women on Boards and in Business Leadership - Igniting Change

Karachi, September 25, 2018—At a groundbreaking training program aimed at accelerating the pace of women joining company boards, 40 of Pakistan's most prominent male and female executives learned more about the value of gender-diverse boards and the obstacles getting in the way of better gender balance at the top. The specialized [Women on Boards and in Business Leadership](#) program, developed and facilitated by IFC, aims to empower talented female executives, equipping them with the necessary skills to serve on company boards and in senior management. A new component to the program targets male executives, to help them understand more about the business case for gender diversity in leadership and to enfranchise them as agents of change. On the final day of the program in Karachi—a first for Pakistan—male and female participants came together in a lively session where they collaborated on strategies to deepen the female leadership talent pipeline in their own companies, among the nation's largest. The initiative, a partnership with Pakistan Business Council and Pakistan Institute of Corporate Governance, is part of a larger IFC effort to drive economic development in Pakistan and encourage more women in the workplace. [Topic page](#) | [Photo album](#) | [Brochure](#)

Egypt: Certifying Board Directors for More Effective Governance

Cairo, September 2018—A recently revamped certification program is

New and Updated IFC CG Topic Pages and Fact Sheets

Board Leadership Training
ifc.org/corporategovernance/boardleadership

Building Corporate Governance Institutes
ifc.org/corporategovernance/iod

Corporate Governance Codes and Scorecards
ifc.org/corporategovernance/codes
- Fact Sheet

Corporate Governance Development Framework
ifc.org/corporategovernance/cgdevelopmentframework
- Fact Sheet

Corporate Secretaries
ifc.org/corporategovernance/corpsec

Disclosure and Transparency
- Fact Sheet

Family Business Governance
ifc.org/corporategovernance/familybusinessgovernance

Fragile and Conflict-Affected Situations
ifc.org/corporategovernance/fcs
- Fact Sheet

Microfinance Institutions
ifc.org/corporategovernance/mfi
- Fact Sheet

Resolving Corporate Governance Disputes
ifc.org/corporategovernance/cgdisputes

Small and Medium Enterprises
ifc.org/corporategovernance/sme
- Fact Sheet

State-Owned Enterprises
ifc.org/corporategovernance/soe
- Fact Sheet

Women on Boards and in Business Leadership
ifc.org/corporategovernance/gender
- Fact sheet

All topics:
ifc.org/corporategovernance/topics

helping to build the governance skills of Egypt's board members while standardizing the corporate governance knowledge board members need to steer their companies in the right direction. The Corporate Directors Certification Program, CDCP, an initiative of IFC in partnership with the Egyptian Institute of Directors, is designed to give executives the tools they need to improve their companies' corporate governance practices.

Iraq: Stimulating Private Sector Growth through Better ESG

Baghdad, July–September 2018—The organization formerly known as the Kurdistan Institute of Directors has expanded its footprint nationwide and broadened its offerings to provide the range of specialized environmental, social, and governance (ESG) training. Now called the Iraqi Institute of Directors, the IFC-supported institution is working with businesses and boards to help them understand the business value of enhanced ESG standards and practices and to help them implement governance changes. IFC is providing technical training and capacity-building assistance as the new entity develops a business plan and expands its board to include directors that represent all of Iraq and the range of skill sets needed for effective leadership. Plans for the institute include opening several new branches, beginning with Baghdad, followed by Basra. The launch of the nation-wide institute is part of IFC's strategy to spur private sector growth by improving business performance and competitiveness. With IFC support, the newly established institute has already trained 176 Iraqi board members, senior executives, and entrepreneurs. Early November marked the launch of the first independent institute of directors in Iraq with a new branch in Baghdad.

In a related development, the IFC team conducted a series of specialized workshops to raise awareness about the business case for ESG and about the importance of independent directors and effective boards in elevating governance practices. The programs are part of a new IFC service agreement with Iraq's central bank that is designed to help the country's banking sector strengthen its ESG framework. Among the participants at the workshops were 174 top level executives and board members from the Central Bank of Iraq and other Iraqi banks. To extend the impact of the first agreement, The IFC team has signed a new agreement with the Central Bank of Iraq to launch the newly created ESG code, integrate a list of sustainable banking principles as an essential part of the code, and to create a quota for the number of women on boards of commercial Iraqi banks, among other advisory services and workshops.

Yemen: Transforming SME Governance

Sana'a, July–September 2018—Despite on-going hostilities and a challenging political and economic environment, efforts to strengthen Yemen's small and medium businesses through better corporate



governance are continuing. IFC has partnered with the Yemen Institute of Directors to train representatives from the all-important SME sector in how to integrate good governance into their business frameworks and how to strengthen their leadership pipeline. The goal is to transform Yemeni SMEs, so they can become more productive, competitive, and resilient, beginning with a first cohort of 25 companies. Known as the Yemen SME 25 Initiative, the project to date has worked with 23 firms, providing a series of corporate governance trainings attended by 44 company representatives.

Lebanon: Why the Corporate Secretary Matters

Beirut, July 2018—Representatives from businesses across the industry sectors gathered in July to learn more about the critical role of the corporate secretary in ensuring the integrity of a company's governance framework and compliance with regulatory requirements, as well as in implementing board decisions and interacting with shareholders and management. Co-hosted by IFC and Excellence in Governance Lebanon, the event featured series of panel discussions designed to encourage give-and-take with the audience. Panel members included representatives from Bank Audi, AXA Insurance, and the family-owned Malia Group. Each discussed the roles and responsibilities of the corporate secretary within the context of their industry and ownership structure. Panelists also discussed the emergence of corporate governance regulations in the region and the implications for Lebanon. The conference culminated with a graduation ceremony at which the first two cohorts in the corporate directors' program received their certifications. [Topic page](#)

South Asia

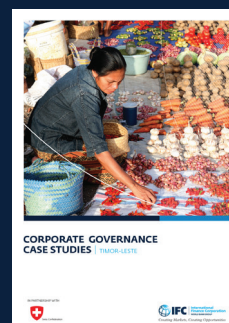
India: At Business Summit, Prioritizing Sustainability

Mumbai, September 10, 2018—Increasingly, investors and customers and other stakeholders have an expectation that companies will do more to promote sustainable practices and better environmental, social, and governance standards. This was a central theme of the fifth Asia Business Responsibility Summit, which brought together representatives of companies across the region, as well as other market stakeholders. Co-hosted by IFC and the Asian Centre for Corporate Governance and Sustainability—an independent institution focused on improving Asian companies' ESG practices—the event featured sessions on the role of the board and CEO in setting the tone at the top and prioritizing the integration of sustainability practices into board activities. Other sessions addressed the business case for the UN's Sustainable Development Goals, as well as emerging global governance challenges. Featured speakers included Mervyn King, chairman of the U.K.'s International Integrated Reporting Council, Uday Khanna, chairman of Bata India, and N. Venkatram, CEO, Deloitte India.

Latest Publications



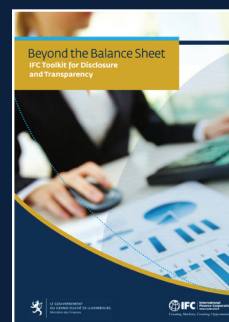
Good Practice Note:
Managing Risks
Associated with
Modern Slavery



Corporate Governance
Case Studies In
Timor-Leste



Women in Business
Leadership Boost ESG
Performance: Existing
Body of Evidence Makes
Compelling Case



Beyond the Balance
Sheet - IFC Toolkit
for Disclosure and
Transparency

India and Bangladesh: Building Board Directors' Corporate Governance Knowledge Base

Mumbai, August 27–28, and Dhaka, September 10–11, 2018—For IFC, good corporate governance is a critical factor in its investment decision-making process. As with other development finance institutions, IFC focuses on corporate governance—and on board effectiveness—as a way to mitigate investment risks. This was the message shared with participants—including independent, executive, and nominee directors—at two IFC-sponsored board enhancement programs, held in India and Bangladesh. At both events, focus was on improving corporate governance knowledge, with a look at future governance trends, the role of boards in strategy and risk, and effective board decision making.

The Mumbai program, co-hosted by the Indian Institute of Corporate Affairs, drew a range of directors from major public and private sector enterprises across India. Participants heard from a variety of distinguished speakers, who shared local, regional, and international perspectives. In Dhaka, the audience was limited to IFC's investment portfolio clients in Bangladesh's banking sector—where IFC holds a \$1.6 billion portfolio. Bank clients from Nepal also participated in the program, which covered such key topics as the board's role in monitoring bank performance and ensuring effective internal control and risk management systems. The Dhaka event culminated in a board simulation, requiring participants to work through solutions to a governance challenge, based on a real-world case study. Future plans for the board enhancement program include offering similar sessions for select groups throughout South Asia. [Video](#)

Sri Lanka: 50 Outstanding Professional Women Honored at 2018 Awards Ceremony

Colombo, August 7, 2018—At this year's Professional and Career Women Awards, 50 of Sri Lanka's most accomplished businesswomen and female entrepreneurs received prestigious "Top 50" honors. The annual awards program, co-sponsored by IFC and Women in Management—an organization that develop women's professional capacity—culminates in a gala that celebrates the winners of the competition. The event recognizes women who excel in their careers, businesses and everyday lives, while also inspiring others. This year more than 450 participants attended, including the speaker of Sri Lanka's parliament. Other prestigious guests included Australia's Ambassador for Women and Girls, who delivered the key note address. [Video](#)



Sub-Saharan Africa

Kenya: At National Conference, Focus on Good Governance as Enabler of East Africa's Transformation

Nairobi, September 27–28—East Africa's growth potential is enormous, but it will require considerable effort—including a heightened focus on good corporate governance—to unleash this potential. That was the message delivered at a high-level conference co-hosted by IFC's East Africa Corporate Governance team and Kenya's Institute of Directors. The conference brought together public and private sector leaders in the East African community to share their perspectives on how good governance translates transformative aspirational socio-economic visions into reality, from strategy to planning to implementation.

Nigeria: Reporting Practitioners' Dialogue on Governance and Sustainability

Lagos, September 27, 2018—At a roundtable on governance and sustainability reporting hosted by the Global Reporting Initiative, IFC's corporate governance team presented key elements of IFC's new [Disclosure and Transparency Toolkit](#) and discussed recent corporate governance interventions in the region. The roundtable is part of an on-going series of practitioners' dialogues, designed to share knowledge about the critical role governance plays and the benefits of governance reporting. The well-attended event attracted stakeholders from various industries, who also learned more about how to report effectively on different aspects of governance.

Liberia: Push for Women on Boards Moves to Next Level with Launch of Business Network for Women

Monrovia, September 18, 2018—At a well-attended press conference that featured representatives of the media as well as a cross-section of Liberia's business community, Liberian vice president Jewel Howard Taylor kicked off the new Women on Boards Network, delivering a keynote focused on the importance of gender diversity in leadership—in all its forms. With the goal of promoting gender diversity on the boards of public and private organizations and enhancing corporate governance throughout the Liberian economy, the network, supported by IFC, will focus on encouraging and enabling more women to become actively involved in business, economic, and political decision making. Its advocacy campaign, "33 by 23" is based on the work of the nation's Women on Boards Task Force, which had gathered initial data about women's representation on boards in Liberia, identified main challenges to getting women on boards, and recommended ways to achieve 33 percent female representation on boards by 2023. With this first phase of work complete, the taskforce has been folded into the new network.



INSTITUTE OF
DIRECTORS
KENYA



Learn About our Latest Programs

>> [Download the brochure](#)

For more information about our women on boards and in business leadership training, visit: www.ifc.org/corporategovernance/gender

WOMEN ON BOARDS AND IN BUSINESS LEADERSHIP

The push toward greater diversity—and specifically, gender diversity at the top—is already happening. It's driven by a growing number of qualified women with backgrounds, experience, and perspectives that companies need to succeed in the future. IFC's Women on Boards and in Business Leadership training program aims to help women build the skills and confidence they need to advance their careers and take on leadership roles in their organizations.

THE PROGRAM

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

The program:

- Positions gender diversity as a strategic tool to leverage talent, stimulate innovation, and open business growth.
- Highlights successful women who block the advancement of talented leaders.
- Leverages the effective leadership skills of successful women.
- Elaborates the efforts of male champions to support the benefits of diversity.
- Enhances financial, environmental, social, and governance performance.

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 members of their organizations to deliver the WBL program.

INTEGRATED ESG SOLUTIONS FOR BUSINESS

IFC, a member of the World Bank Group, is a recognized global leader in standard setting and 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 which 35 development finance institutions have subscribed.

IFC's Performance Standards are globally recognized benchmarks for environmental and social risk management in the private sector. Now we are bringing these two standards to the market through a package of ESG solutions to help companies maintain their competitive position, reliability, 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, a way to support companies' financial performance and their ability to grow and compete.

IFC's global presence and unique experience helping companies improve their ESG performance allows 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 tailored and cost-effective ESG solutions to support the sustainable growth of companies.

>> [Download the brochure](#)

For more information about our ESG services in the ECA region, visit: www.ifc.org/corporategovernance/eca

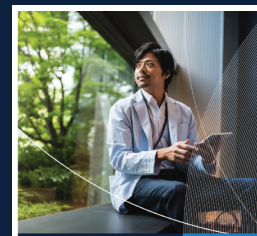
In the next CG Updates Newsletter

October - December 2018

Signing of IFC and the UN Sustainable Stock Exchanges Initiative partnership to strengthen ESG disclosure and reporting requirements for listed companies across emerging markets.

Signing of trade finance agreement and a memorandum of understanding to adopt better corporate governance practices between IFC with the National Bank of Iraq.

Corporate Governance Case Studies in East Asia and the Pacific



CORPORATE GOVERNANCE CASE STUDIES | CAMBODIA

In Cambodia



CORPORATE GOVERNANCE CASE STUDIES | INDONESIA

In Indonesia



CORPORATE GOVERNANCE CASE STUDIES | TIMOR-LESTE

In Timor-Leste



CORPORATE GOVERNANCE CASE STUDIES | VIETNAM

In Vietnam

Lead Feature: IFC Updates CG Methodology to Include ESG Considerations

An important key to IFC's success has been embracing good governance and sustainability principles in the way we do business and the way we select the companies to finance. Over the past sixty years, IFC systematically built up knowledge and experience and created its own standards and methodology, which have become recognized as global benchmarks for environmental, social and governance risk management in the private sector.

In the last ten years, we estimate that \$4.5 trillion in project finance across emerging markets has adhered to [IFC's Performance Standards](#) and [Corporate Governance Methodology](#) or principles inspired by this guidance. The voluntary adoption and application of these standards is testimony to what is now broadly accepted—environmental, social and governance considerations are central to business and economic success.

To expand the application of sustainability standards across entire financial systems of emerging markets, IFC has updated and expanded its methodology, to encompass environmental and social issues into corporate governance practices.

The core tool of the Methodology is the IFC CG Progression Matrix, which can guide companies, investors, regulators, corporate governance evaluators, and other stakeholders in assessing and improving a company's governance framework in relation to environmental and social issues. It emphasizes the importance of continuing progress—rather than static minimum standards—in corporate governance and sustainability practices of a company.

The Matrix focuses the assessment along six parameters—commitment, the structure and functioning of the board of directors, the control environment, disclosure and transparency, treatment of minority shareholders, and governance of stakeholder engagement (which expands the traditional definition of stakeholders to include civil society and communities affected by a company's operations).

The key update of the Methodology covers significant developments in corporate governance since the 2008 financial crisis, where corporate governance shortcomings, particularly in the area of control environment (internal audit, internal controls, risk governance and compliance)

interrupted economic growth. Additionally, the methodology is revised so as to assess environmental, social and governance practices in an integrated fashion. For example, the parameters on corporate commitment, the structure and functioning of the board of directors, and disclosure and transparency were updated to include provisions on board oversight of E&S issues, better sustainability reporting, and ESG leadership. Also the methodology around the control environment incorporated provisions on the review of integrated environmental and social risk management systems as part of the company's controls, audit, risk and compliance functions. Additionally, a sixth parameter on governance of stakeholder engagement was added because the engagement of stakeholders (including contracted workers, primary supply chain workers, suppliers and contractors, local and international NGOs and CSOs) is of such importance that it warrants being an integral part of a sustainable company's corporate governance.

The Methodology is a response to the growing trend among investors who are paying more attention to the way companies manage environmental, social, and governance matters comprehensively. Investors are concerned about how companies are addressing long-term value creation and working to build a better ESG framework to serve all stakeholders. The Methodology is designed to help both investors and companies assess progress and improve in these respects.

As a major investor in emerging markets, IFC is applying this Methodology to its own investments. IFC will also apply this integrated approach beyond the companies we invest in. IFC will utilize it in its ESG advisory services work with regulators and stock exchanges—to help them apply higher disclosure standards to corporate listings, reporting requirements, and other disclosure obligations to grow sustainable financial markets.



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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.

Bangladesh

IFC organizes board enhancement program for bank directors in Dhaka

(Nuzhat Anwar)

Dhaka Tribune, September 13, 2018

Pakistan

Improving gender diversity on company boards and senior management

(Khawar Ansari)

Daily Times, September 27, 2018

Sri Lanka

SLID, IFC conduct Train the Trainers workshop for IFC Women on Boards and in Business Leadership

(Lopa Rahman, Brenda Bowman, Loty Salazar)

Daily FT, September 28, 2018

Sri Lanka

IFC, Women in Management (WIM) Highlight Sri Lankan Women's Hard-Won Successes

(Lopa Rahman, Brenda Bowman, Loty Salazar)

The Sunday Leader, August 2018

The Philippines

Companies Urged to Adopt ESG Programs

The Manila Times August 30, 2018

BETTER ESG REPORTING—A KEY TO STRENGTHENING CAPITAL MARKETS

Investors and regulators are coming together to improve environmental, social, and governance standards in capital markets as a way to help identify growth opportunities, manage risks, and promote sustainability in developing countries.

Anthony Miller, coordinator of the United Nations' Sustainable Stock Exchanges initiative, sits in his office in Geneva, peering into his Bloomberg terminal.

Tapping on his keyboard, he enters the names of leading emerging market firms. Significant data on their environmental, social, and governance (ESG) practices fills the screen, offering information on how each company ranks against recognized international sustainability benchmarks.

"When something like this pops up in the standard data sets, that tells me that sustainability investing is now mainstream," says Miller. This is a far cry from how businesses used to operate. "We all used to say, 'Wouldn't it be great if...,'" adds Miller, who has been helping local capital markets and regulators in developing countries improve ESG reporting for 15 years. "Well, we're getting there now. We have really made significant progress. But a lot more still needs to be done."

In Tokyo, Hiro Mizuno, the Executive Managing Director and Chief Investment Officer of Japan's \$1.4 trillion Government Pension Investment Fund (GPIF), says the "to-do" list includes reminding governments that part of the responsibility for ESG reporting rests with them. Governments are not just policymakers, but "the biggest user of capital markets in the emerging markets" with the sovereign bonds they issue, Mizuno says. "Political or regulatory leadership of the governments [is] critical to promote systematic ESG reporting in those countries."

Like Miller and Mizuno, industry leaders around the world agree that ESG data can create levels of trust that strengthen deep and liquid local capital markets. And that's vital for a thriving private sector.

When "What If..." Becomes "What's Next"

ESG reporting can fuel strong capital markets. That's because high standards of disclosure and transparency mitigate some of the risk of investing in the most challenging countries—where public institutions and governance are often weak and companies are smaller.

Strong ESG standards can lead to improved business performance. Mohamed Farid Saleh, Executive Chairman of the Egyptian Exchange—which in 2010 worked with Standard & Poor's to launch the first ESG index in the Middle East and North Africa—has seen this dynamic first-hand. "Our companies that are highly ranked on ESG are outperforming others that are not as highly ranked," he says.

Other evidence throughout emerging markets shows that adhering to high standards is a competitive advantage: companies participating in sustainability indexes in Brazil, India, South Africa, and the Middle East have outperformed their broader markets in recent years.

Toward a New Definition of "Performance"

In many developing countries, though, capital markets are still in their infancy and ESG reporting across emerging markets remains a low priority.

That may finally start to change as more asset managers advocate for companies to deliver positive contributions to society alongside financial performance. Larry Fink, chief executive of BlackRock, the world's largest asset manager with more than \$6 trillion in assets under management, issued a call this year for companies to benefit not just their shareholders, but also their employees, customers, and communities. The impact of this could reverberate widely because BlackRock's vast portfolio includes a \$311 million emerging-market equity fund.

State Street Global Advisors, another major asset manager, recently surveyed senior executives with asset allocation responsibilities at 475 institutions in the U.S., Europe, and the Asia-Pacific region. More than two-thirds said that integrating ESG factors into their investment strategies in developed and developing countries had significantly improved returns.

But they had lots of suggestions, too. Executives stressed that stronger benchmarking would allow investors to track their performance against peers and make more accurate assessments of external ESG managers. They also called for clearer terminology—specifically, a shared definition of ESG—and an approach that takes into account performance measures, internal capabilities, and costs.

Building a Platform for Better Decision-Making

Influencers across the industry are already thinking ahead to what can be achieved as momentum builds for more robust ESG reporting. Mizuno, from the GPIF, is one of those leaders speaking up—in part because of his position as a board member of the UN-supported Principles for Responsible Investment, which brings together more than 1,800 financial firms. He'd like to keep the momentum going by extending ESG reporting to bond markets."

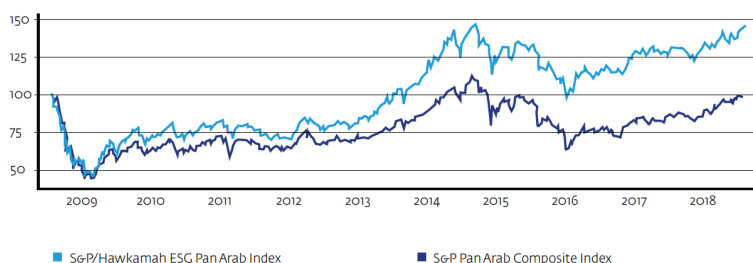
In the emerging markets where corporate bond markets have not been established, sovereign issuers play key roles," Mizuno says. "Therefore, we need to focus on the sovereign bonds in emerging markets."

GPIF recently teamed up with the World Bank Group to study how ESG factors can generate better and less volatile returns in fixed income investments in emerging markets. The joint study found that progress has until recently been held back by a lack of standard ESG definitions and benchmark ESG indexes in emerging markets.

It called for broadening and deepening available ESG data; requiring more rigorous research on the relationship between ESG factors and financial risks and returns in fixed income markets; refining standards, principles, and metrics for applying ESG and impact investing; and developing more innovative, scalable products to accommodate the growing demand for fixed-income sustainable investments.

In April 2018, J.P. Morgan unveiled an index that will support this agenda—the J.P. Morgan ESG (JESG) index, which was created with BlackRock. It integrates ESG factors in a composite benchmark that covers more than 170 countries and more than 650 issuers. Such analytical tools reward issuers for their ESG status, rather than their market capitalization. Investors are responsive because they benefit from the inclusion of ESG factors into their overall investment strategies. In August, BlackRock launched its first set of investment funds using the JESG index. The intent is to channel more investment to ESG-friendly companies over time. These initiatives constitute important progress in the development finance agenda. Still, not everyone agrees that high ESG standards automatically stimulate new investment. Saleh, from the Egyptian Exchange, says that although his organization has ramped up local ESG reporting, it has not yet seen an increase in foreign investment.

ESG Index Outperforms in MENA Region



Standard & Poor's and Hawkamah (the Institute for Corporate Governance for the MENA region) jointly created the S&P/Hawkamah ESG Pan Arab Index in response to investor demand. It is the first index of its kind in the region and uses S&P's ESG methodology based primarily on quantitative factors, bringing in qualitative analysis as an overlay. The index constituents are selected from a universe of the top 150 companies listed on the national exchanges of Bahrain, Egypt, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates. The index consists of the 50 highest-scoring stocks, according to their composite ESG scores. Since 2009, the index has significantly outperformed the S&P Pan Arab Composite Index.

He thinks it is of “paramount importance” for international financial institutions to work with specialized asset managers on new investment vehicles to help usher it in—in Egypt and other markets.

“Exchanges are showing growing commitment toward promoting ESG disclosures and facilitating finance to address sustainability challenges,” Saleh says. “There is a responsibility on international institutions to foster investments in ESG-champion listed securities to further promote the adoption of ESG practices, reporting, and disclosure.”

Interview:

Francis Stenning, the CEO of the Lima Stock Exchange, speaks with Ralitza Germanova, IFC Corporate Governance Officer, why he has made sustainability a priority in his work. All Peru-listed companies are required to report on their ESG practices as a way to help investors make better investment decisions.



“ESG is not a fashionable thing, this is something that will have an impact in the market and we need to pay attention to it.” - Francis Stenning

Listen to the interview: <https://bit.ly/2qyamuM>

The Next Stage

Even the most enthusiastic advocates of robust ESG reporting acknowledge that there’s plenty of work ahead.

“Much more needs to be done if we are to transition to a truly sustainable economy and avoid the worst risks of climate change,” says Steve Waygood, Chief Responsible Investment Officer at Aviva Investors in the UK and a co-founder of the UN Sustainable Stock Exchanges initiative.

“A business-as-usual approach is no longer enough,” Waygood says. “Market players and market regulators need to [partner] to deliver a sustainable financial

system that works for individual and institutional investors across the world.

IFC’s Disclosure and Transparency Toolkit

Reliable public information about local companies’ adherence to ESG standards can be hard to find in emerging markets.

That’s why IFC offers a disclosure and transparency toolkit for companies, investors, capital-markets officials, and regulators. It’s already helping to fill the ESG information gap.

The toolkit’s practical guidance is summarized in the free online publication [Beyond the Balance Sheet](#).

Since the toolkit’s release in January 2018, it has been used to develop market and regulatory guidance in Kazakhstan, Kenya, Nigeria, Peru, and the Philippines. IFC clients in several countries have used it to improve their annual reports and disclosure practices. Kenyan Capital Markets Authority Chief Executive Paul M. Muthaura says that IFC’s toolkit suggestions have been “vital” in improving the agency’s corporate governance assessments.

The toolkit guides local companies on an integrated approach to corporate reporting, recommending what should be disclosed, and supporting a better understanding of the critical factors that drive corporate value today.

Among its practical tools: a large selection of ESG metrics that can be used to identify companies’ Key Performance Indicators, drawing on model indicators from IFC’s widely adopted [Environmental and Social Performance Standards](#) and [Corporate Governance Methodology](#).

“We hope this toolkit will help build momentum across capital markets—matching responsible companies in emerging markets with institutional investors,” says Ethiopia Tafara, IFC’s Vice President, Legal, Compliance Risk and Sustainability & General Counsel.

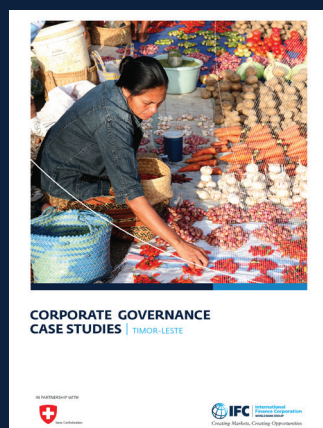
Source: Perspectives, Issue 2

>Download the Magazine [PDF] <https://bit.ly/2qxVZ9M>

October 2018

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.



Corporate Governance Case Studies in Timor-Leste



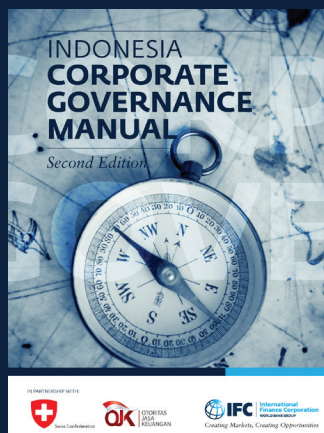
PSO 42: Women in Business Leadership Boost ESG Performance: Existing Body of Evidence Makes Compelling Case



Corporate Governance Case Studies in Vietnam



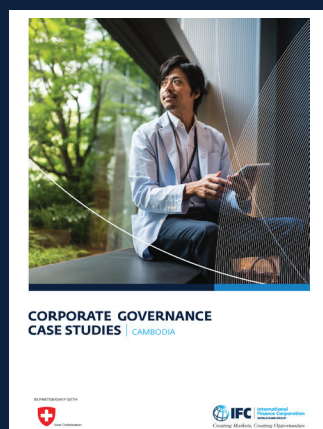
Synthesis Report: 6th International Research Conference on Corporate Governance in Emerging Markets



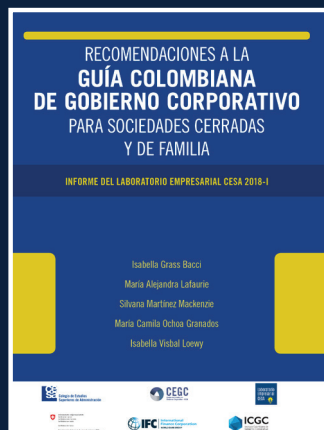
Indonesia Corporate Governance Manual, 2nd Edition



Gender Diversity in Ghanaian Boardrooms



Corporate Governance Case Studies in Cambodia



Recomendaciones a la Guía Colombiana de Gobierno Corporativo para Sociedades Cerradas y de Familia

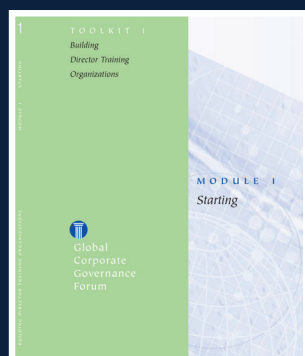


PSO 40: The State of Governance at State-Owned Enterprises

► MORE CG PUBLICATIONS

CORPORATE GOVERNANCE TOOLKITS AND MANUALS

Click on the graphics to launch the toolkit



INSTITUTION BUILDING

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



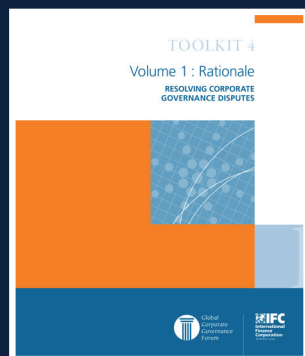
CODES AND STANDARDS/SCORECARDS

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



Women on Boards and in Business Leadership

To promote the business case for more women in business leadership positions



CORPORATE SECRETARIES

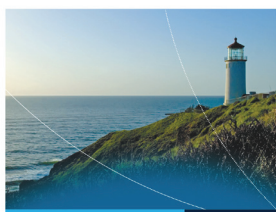
To enhance the corporate secretary's roles, functions, responsibilities, and skills

FIRM-LEVEL TOOLS FOR CG SERVICES



BOARD EFFECTIVENESS

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



HANDBOOK
IFC Family Business
Governance



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

CG METHODOLOGY AND TOOLS



The process of analyzing companies' corporate governance structures, ESG 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

Join our Corporate Governance Development Facebook page:
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