Day 1, Wednesday, March 27, 2019

Ethiopis Tafara, IFC Vice President and General Counsel, opened the conference with a video address, signaling the importance of attracting many corporate governance champions. This year’s conference marks the eighth anniversary of the establishment of the Corporate Governance Development Framework (CGDF), which took place during the 2011 World Bank/International Monetary Fund Annual Meetings. He emphasized IFC’s enhanced focus on CG and noted that the updated CG Methodology now includes the governance of sustainability.

Tafara highlighted IFC’s active promotion of better gender balance in boardrooms and positions of influence, through its Women on Boards and in Business Leadership program. Finally, he noted the effort to extend CGDF membership to the wider investment community, as part of the heightened focus on our stakeholder engagement.

This year’s CGDF chairperson Marta Viegas, Principal CG Officer at IDB Invest, welcomed the audience. She affirmed the position of the 35 CGD signatories that well-governed companies create trust in the markets. They help to stimulate a healthy and competitive environment, giving investors confidence. She thanked the nine-member working group that organized the conference as well as the efforts of committees on project finance, communications, and private equity. She concluded by thanking IFC, Sanaa Abouzaid, IFC MENA Corporate Governance Lead, and the excellent IFC conference team.

Presentation of updated Corporate Governance Methodology and CG toolkit

In the next session, IFC’s Chuck Canfield and Atiyah Curmaly highlighted the new attributes of stakeholder engagement in the updated Corporate Governance Methodology. Over the last decade, stakeholder engagement requirements have made their way into national CG codes. As part of this trend, the definition of stakeholders has expanded to include companies’ customers, suppliers, employees, adjacent or related local or global communities, and national authorities and
regulators. Investors who make the effort to understand the local context have a better understanding of their clients’ ESG performance, the presenters noted.

**Financing businesses in fragile and conflict-affected states**
In the next panel, four distinguished panelists from IFC and IDB Invest discussed the challenges of financing businesses in fragile and conflict-affected states. They highlighted the importance of creating local networks before engaging on the ground. They added that training of local stakeholders well in advance was critical. During the conversation, it became clear that DFIs will need to settle for lower returns and significantly higher credit risks when operating in such environments. Still, they should stand firm on mitigating reputational risks, carefully selecting counterparties, and implementing a strong ESG approach. No one-size-fits all approach is possible, as macro conditions differ from one fragile state to another, panelists noted. Given the difficult circumstances, DFIs also should plan to allot more time for investment exit, compared to typical operations. As conflict zones often erupt again, investors should be prepared with an exit plan in case things go wrong, they said.

**Corporate governance in early-stage companies**
In this session, a trailblazing start-up founder, a seed investor, a top-level executive, and two DFI senior experts discussed corporate governance in early-stage innovation companies. They underscored the importance of coupling founders’ enthusiasm with outside board members’ risk and market perspectives. Through their networks, these board directors also can provide access to financing and investors. Early-stage company boards typically focus on providing leadership and enhancing the founders’ business vision. More formalized control and risk functions generally come at a later stage of the company’s development, panelists said. Trust and knowledge infusion brings together early-stage boards. It is also what keeps them together. Key components of successful founder/investor boards include diverse industry experience and agility: the ability to react quickly and respond to challenges, given the rapid changes that characterize such companies.

**Private equity and corporate governance priorities**
During the discussion on private equity funds and their corporate governance priorities, top-level executives noted funds’ emphasis on unbanked or unbankable businesses. They said that solid governance structures can help deliver the intended effect on company development. Corporate governance also can help mitigate the risks inherent to investing in such businesses, particularly since they typically have not undergone a rigorous banking due diligence. Strong local board members are actively promoted by funds to cultivate a local board culture and increase impact in the communities where investments are made. An active engagement strategy is drawn for every investment, coupled with an exit strategy closely aligned to the company’s maturity in governance terms.
Sustainability Rating Tool

In presenting the Sustainability Rating Tool, IFC’s Davit Karapetyan emphasized that the tool’s risk-based approach is based on qualitative factors and focused on the client/partner. Either the CG specialist or the investment officer could undertake the rating analysis, which is housed in an online platform. To capture the range of governance issues facing the client, the tool makes use of a variety of dimensions. The sustainability rating helps measure quality control. It is then incorporated into the project’s overall risk rating of the project. Other DFIs use a more contextual environment approach, they said, given that a scorecard tool could become too automatic.

Launch of nominee director support center

The newly founded IFC Nominee Director Support Center brings together experts from all of IFC’s practice areas who are involved in nominating directors. This group ranges from lawyers to compliance professionals to insurance experts. According to IFC’s Marie-Lawrence Guy, who led the session, the center’s goals include supporting nominee directors by providing industry intelligence, negotiation tactics, and cyber-risk awareness. The center can provide assistance in placing nominee directors, by finding the right person for the position. A key focus of the center is to facilitate the IFC target of full gender parity among IFC nominee directors by 2030. Currently, 34 percent of IFC’s nominee directors are female. Other DFIs are moving in this same direction, she said. Some have created databases of new and younger directors, often using national director institutes to pool qualified candidates, in order to bring fresh talent. This approach also avoids overreliance on DFI retirees as nominee directors, which is currently the case.

Surveys and questionnaires enhance knowledge

In the next session, Andres Oneto La Faye, CAF Principal Corporate Governance Officer introduced the results of a recent CAF study on the role of corporate secretary. Based on a questionnaire sent by CAF to about 95 Latin American companies, the study assesses the corporate secretary role and highlights best corporate secretary practices. As a follow up, the team sent individual reports to the participating companies, along with specific recommendations on how to enhance their corporate secretary’s role and practices.

Veronika Seibt, DEG Corporate Governance Officer, followed with a presentation on the DEG handbook on nominee directors. It offers guidance for
investment portfolio officers in the selection and employment of nominee directors. Session participants expressed strong interest in developing similar handbooks for their institutions. Both the CAF and DEG initiatives are good examples of the ways in which DFIs make contributions through dedicated toolkits and surveys for the benefit of their clients.

This session also provided a unique opportunity for participants to share their own corporate governance action plans for 2019-2020. They discussed anticipated challenges in implementing their plans. During the session, participants engaged in a lively and fruitful discussion on how to more efficiently involve risk/investment officers and top management as champions at different stages of operational transactions. Many suggestions and innovative ideas were shared.

**Raising awareness on increasing the number of women in business leadership**

The final session of the conference, led by Loty Salazar, Corporate Governance Officer, ESG, addressed the critical need to prioritize better gender balance at the top of company organization charts. Participants discussed the importance of raising awareness and elevating the visibility of company performance on female participation in top executive and board positions as part of IFC’s women on boards and in business leadership program.