



East Asia and the Pacific Corporate Governance Program Annual Summary 2015

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IFC

**International
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SELECTED CUMULATIVE PROGRAM RESULTS AS OF JUNE 2015:

- **Direct firm engagements facilitated more than \$1.5 billion in financing due in part to corporate governance improvements.**
- **More than 100 public-awareness events attracted over 8,500 participants and 2,000 firms.**
- **Over 350 trainers in countries throughout the region received training.**
- **Partner-conducted workshops— enabled through train-the-trainer workshops—reached more than 7,000 executives.**
- **14 laws, regulations, codes, and policies in countries throughout the region were improved.**
- **More than 6,000 women at the board and senior management levels were trained and/or attended corporate governance events.**

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Dear Reader,

Welcome to the 2015 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). IFC has been active in promoting corporate governance in EAP for the past several years. IFC's approach is to leverage its private sector development expertise – gained through its investment activity and World Bank Group knowledge – to promote good governance practices at different levels of a market. This includes working with individual firms, strengthening laws and regulations, building capacity of partners and market intermediaries, and supporting various awareness raising activities. The goal is to help both individual firms and entire markets attract investment and build vibrant, sustainable private sectors.

During the past fiscal year, highlights of IFC's work included support for Indonesia's newly created regulatory agency, Otoritas Jasa Keuangan (OJK), as it created a landmark corporate-governance roadmap to strengthen the nation's governance regulatory framework. In partnership with our World Bank colleagues, we also advised Vietnamese lawmakers as they revised the country's Law on Enterprises, which took effect on July 1, 2015. Likewise, we provided assistance to regulators in various other markets as they revised their corporate-governance codes and regulations in support of investment climate improvements. We also partnered with institutes of directors, the media, and other associations to organize awareness-raising events and train-the-trainer workshops to broaden governance expertise across the region.

Through these efforts, IFC, along with the World Bank and various other local partners, has achieved significant results the past several years. Yet there is much more to be done. The year ahead will present many monumental challenges and opportunities. On the one hand, the region continues to cope with an economic slowdown and work through various sector restructurings such as banking consolidations and corporatization of state companies in many markets. Meanwhile, the formation of the Association of Southeast Asian Nations (ASEAN) economic community will increase the flow of goods, services and investment in the region, providing significant new opportunities for many companies. It remains crucial, therefore, that the region continue its momentum to raise corporate governance standards across all markets to address these challenges and opportunities.

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 primary donor partner, the State Secretariat for Economic Affairs of Switzerland (SECO), for their valuable cooperation and support.

Sincerely,

Chris Razook
IFC EAP Corporate Governance Lead

Vietnam

IFC is working at multiple levels to improve Vietnam's investment climate. This past year, the project team advised the government on improving regulations, supported the effort to form an institute of directors, and promoted the annual report awards for listed companies, the corporate-governance scorecard, and the corporate-secretary master training. These activities build on achievements from prior years, including: collaborating with regulators in enacting three key regulations incorporating good corporate governance practices; advising the government on a Decree for implementing the Law on Enterprises; advising on circulars for Corporate Governance Regulations and Information Disclosure for Public and Listed Companies; developing the first corporate governance manual and Corporate Governance Scorecard for Vietnamese Public and Listed Companies; and helping companies improve their governance in order to enable over \$1 billion in financing.

Project FY15 highlights include:

- **The Law on Enterprises:** At the behest of the Central Institute for Economic Management (CIEM), the project team advised the CIEM drafting team and the National Assembly's reviewing team on corporate-governance-related provisions in the revised Law on Enterprises. IFC and the World Bank provided substantial inputs to the corporate-governance reforms in the revised Law, including strengthening independent directors and audit committees, improving shareholders' rights by reducing the approval threshold on material transactions at general meetings of shareholders, and introducing good governance board and control environment practices to state-owned enterprises. The revised law was enacted in November 2014 and came into effect on 1 July 2015.
- **Institute of Directors (IOD):** The project team is supporting efforts to form an institute of directors. This institute would promote good governance, train board members, hone their professional development, and encourage boards to adopt best practices to improve transparency and accountability. IFC has been supporting the State Securities Commission (SSC) by advocating international good practices for the IOD that fit Vietnam's operating environment, and organizing consultative meetings with the SSC and a number of private sector stakeholders. This project is being implemented in collaboration with the Asian Development Bank and the World Bank and a number of private sector organizations.
- **Guidebook on Related Party Transactions:** Reviews of the banking and financial sector indicate a number of corporate-governance weaknesses. Non-performing loans and issues in certain corporate cases demonstrate the need for stricter regulations and increased transparency and disclosure requirements for related party transactions. IFC, FMO (the Netherlands Development Finance Company), Dragon Capital, and the State Bank of Vietnam (SBV), developed a Guidebook for Banks on related party transactions and transparency issues in order to provide good governance models that will support sound development of Vietnam's financial markets.





- **Annual Report Awards:** To improve standards and transparency in financial reporting for Vietnam's listed companies, the project team provided technical support for the 2014 Annual Report Awards, that are organized by the Ho Chi Minh City stock exchange and the Vietnam Investment Review. The awards recognize the top 50 annual reports out of nearly 700 listed companies. IFC will continue to support the Annual Report Awards as a means to improving transparency, attracting investment across Vietnamese industries, and enhancing firm performance as a precursor to economic growth.
- **Corporate Governance Scorecard:** IFC is supporting listed companies in Vietnam by training them to go beyond national legislation requirements for corporate governance and board practices. Part of this support includes incorporating corporate-governance standards established in the Corporate Governance Scorecard developed by the Asian Development Bank and the Association of Southeast Asian Nations (ASEAN) Capital Markets Forum. The scorecard's methodologies are based on international best practices. Vietnam is one of six ASEAN countries participating in the annual exercise.
- **Corporate Secretaries Toolkit:** IFC issued the Corporate Secretaries Toolkit in partnership with the Corporate Secretaries International Association (CSIA). The toolkit was developed in response to strong demand from companies and institutions in emerging markets for corporate-secretary practical training and skills development (the Corporate Secretary is responsible for initiating and improving governance standards in their company). IFC also sponsored four delegates to attend a regional corporate secretary training-of-trainers workshop; the four have completed the training and become Corporate Secretary Champions.
- **Corporate Governance Success Stories:** To further public awareness of the value of good corporate governance, IFC published and distributed a "Corporate Governance in Vietnam: Success Stories" report profiling the case studies of two companies. Ho Chi Minh City Securities and Mobile World stand out as good models of corporate governance among portfolio companies managed by private equity investment firms in Vietnam. To read the report, please go to the following: http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/corporate+governance/publications/lessons+learned/cg_in_vietnam_success_stories
- **State Capital Investment Corporation Workshop:** For the purpose of equipping companies with the capability to implement sound corporate governance processes and structures, IFC organized a corporate governance workshop on March 6, 2015, aimed at attendees from the State Capital Investment Corporation's selected large-scale portfolio companies. The workshop attracted fourteen participants who were company directors and senior managers.
- **Supporting Firm-Specific Improvements:** IFC worked with several firms to help strengthen their specific governance practices and ultimately lead to a demonstration effect for Vietnam. This includes companies in the banking, tourism, pharmaceuticals, property, and equipment sectors. IFC also partnered with Mekong Capital to provide in-depth training to Mekong's portfolio companies spanning multiple sectors.

Indonesia

In keeping with the landmark Corporate Governance Road Map launched in 2014 by the Indonesia Financial Services Authority (Otoritas Jasa Keuangan (OJK)), IFC helped OJK develop four new corporate-governance laws and regulations over the past fiscal year. IFC also enabled three institutes to deliver corporate-governance training, and introduced new training modules and 46 qualified corporate-governance trainers. These activities are evidence of the project's growing impact on the business sector and underpin a broader effort by Indonesian companies and regulators to prepare for the ASEAN Economic Community by harmonizing corporate-governance standards in their financial markets. Such progress builds on prior achievements including: building capacity of training institution partners, Indonesia Corporate Secretary Association (ICSA) and the Center for Risk Management Studies (CRMS); and collaboration with the World Bank and the OJK in the launch of the aforementioned Road Map.

- **Corporate Governance Code:** Support for Indonesia's financial services authority, OJK, included developing a Corporate Governance Code for publicly listed companies and resolving gaps in Indonesia's regulatory framework. The code, planned to be released by OJK at the end of 2015, will provide best practice guidelines for board members and senior executives of listed companies.
- **Road Map Impacts:** Based on IFC's recommendations for the Indonesia Corporate Governance Road Map published in January 2014, OJK drafted four new regulations related to boards, nomination and remuneration practices, the annual general meeting, and corporate secretaries. This will enhance the role of boards in Indonesian companies on par with other markets and help strengthen shareholder protection.
- **Family-Owned Businesses:** IFC signed a memorandum of understanding with the Family Business Nusantara (FBN) Foundation (Indonesia) in June 2014 to improve the corporate governance of family-owned businesses. During the last fiscal year, FBN has engaged with targeted family businesses and launched its monthly trainings and workshops on various family-governance topics in order to raise awareness on the importance of good corporate governance. Given the importance of family-owned businesses in Indonesia, the partnership aims at helping these businesses operate more efficiently and strengthen their sustainability.



- Risk Governance Programs:** The project continues to support the Center for Risk Management Studies (CRMS) in regular Master Classes on Enterprise Risk Governance (ERG). These master classes aim to help boards better understand audit and risk oversight, and carry out their duties and responsibilities more effectively to achieve better control environments. Three master-class events were organized in Indonesia the past fiscal year, attracting more than 30 participants from different companies. IFC will help CRMS further expand its client base and market outreach to achieve a bigger impact in the Indonesian market.
- Corporate Secretary Support:** IFC signed an agreement with the Indonesian Corporate Secretary Association (ICSA) to improve corporate secretaries' capacities and promote good corporate governance in Indonesia. Two corporate-secretary workshops were organized during the fiscal year: the first regional training-of-trainers workshop for corporate secretaries in cooperation with the Institute for Corporate Directorship (IICD) and ICSA; the second was the first fee-based workshop (also organized with IICD), which attracted 32 participants, including 20 women. The project will continue to support ICSA on being a leading voice on corporate-governance issues and international best practices, and a driving force behind advancing the role of corporate secretaries in Indonesia. The project team also signed license agreements on the Corporate Secretary Toolkit with ICSA and IICD, helping them enhance their capabilities in terms of developing their own tools for corporate secretaries.
- Supporting Firm-Specific Improvements:** IFC worked with several firms in Indonesia to help strengthen their specific governance practices and ultimately lead to a demonstration effect for the country. This includes companies in the banking, transportation, healthcare, media, and infrastructure sectors.



Project Highlights throughout the Region

Cambodia



IFC intends to begin selected activities in Cambodia to help strengthen the regulatory environment and raise market awareness on the importance of corporate governance in the coming years.

Early initiatives: IFC conducted a corporate governance seminar attracting more than 100 companies, followed by an in-depth workshop for more than 40 participants to begin to raise awareness of corporate governance. IFC is now coordinating with the Securities and Exchange Commission (SEC) of Cambodia to identify areas of cooperation. IFC and the SEC are exploring a country-wide corporate-governance diagnostic assessment, which will lead to the development of a Corporate Governance road map for the country. IFC will also target the banking sector in particular, given its catalytic effect on the market. These efforts will continue to help Cambodia harmonize with the rest of the ASEAN community and attract investment to its private sector.

China

IFC has been active in China for several years and continues to focus on selected activities in the country. Prior achievements include: supporting the Shanghai Stock Exchange on development of the “Guidelines of Election and Conducts of Directors of Listed Companies”, building capacity of 76 professional institutions on corporate governance training and consulting services, launching three Corporate Governance handbooks and one on-line corporate governance portal, providing in-depth services to over 20 client companies and facilitating US\$ 50 million of investments.

- **Family Business awareness:** Over the past fiscal year, the project team developed and published the Chinese version of IFC’s family-business governance video to expand outreach and raise awareness in the market. This provides a framework for China’s vast number of family owned businesses to consider key governance issues to ensure generational succession and long term sustainability of their companies. IFC will continue to reach out to family-owned businesses through its market partners in the coming years.
- **Corporate Governance Code:** IFC has offered its support to the China Securities Regulatory Commission and the China Association for Public Companies (CAPCO) for their efforts to update the Corporate Governance Code for listed companies in China. This will likely occur during the next calendar and will bring additional measures to strengthen investor confidence in the Chinese capital markets. The code has been in effect for more than a decade but has never been revised; the authorities aim to bring it in line with international best practices. IFC intends to sign an MoU with CAPCO to provide other capacity building activities.
- **Supporting Firm-Specific Improvements:** IFC worked with several firms to help strengthen their specific governance practices and ultimately lead to a demonstration effect for China. This includes companies in the financial, energy, and engineering sectors. IFC also supported a large private equity company to develop a corporate governance, environment, and social framework for its own investments in China.

Lao PDR

IFC intends to begin selected activities in Laos to help strengthen the regulatory environment and raise market awareness on the importance of corporate governance in the coming years.

- **Early initiatives:** IFC organized a conference with the Lao Securities Commission in February 2015 as a first step toward introducing good corporate-governance practices to entrepreneurs and companies and raising awareness about the benefits of a robust corporate governance framework. The conference attracted 98 participants, including 63 women.

- **ASEAN compatibility:** With the planned establishment of the ASEAN Economic Community, many countries in the region, including Lao PDR, have launched initiatives to improve their regulatory framework to strengthen corporate-governance practices, attract more investment, and foster their competitiveness. Together with the Lao Securities Commission, IFC is contemplating a capital market corporate-governance road map, including a diagnostic and action plan for reform.

Mongolia

IFC has been very active in Mongolia for the past several years and plans to continue targeted initiatives in the country going forward. Prior achievements include: supporting the development of five laws including the new Mongolian Company Law and new Corporate Governance Code, helping to build up corporate governance training capacity for eight training institutions, developing the first Mongolian Corporate Governance Scorecard of listed companies, and helping firms facilitate US \$409 million of financing partly as a result of improved corporate governance.

- **Addressing Related Party Transactions:** The dynamic development of the banking sector during the last decade has come with certain risks, including related party lending, which has become a threat to the sustainable development of the wider economy. In partnership with the Mongolian Bankers Association, Bank of Mongolia and FMO, IFC has developed a Related Party Transactions Handbook for Banks in Mongolia. The handbook aims to provide bank directors and senior management with a consolidated source of best practices and also send a strong signal to all investors and stakeholders about the Mongolian banking sector's commitment to good corporate-governance practices.
- **Improving Shareholder Practices:** IFC and the Financial Regulatory Commission of Mongolia (FRC) organized a seminar on international best practices in conducting an effective annual shareholders meeting, which gives shareholders a unique opportunity to interact with company management and board members. Keeping high standards in organizing and conducting such meetings will help shareholders understand how well companies are run, risks are managed, and their investments are safeguarded, which will boost shareholder confidence in the companies. IFC and FRC have previously partnered to revise the Mongolian Corporate Governance Code and developed sample corporate governance-related documents for listed companies.
- **Corporate Governance Awareness:** In partnership with the Corporate Governance Development Center (CGDC), IFC hosted a seminar to encourage the private sector to adopt good corporate-governance practices, which will help companies make better decisions and improve risk management.
- **Corporate Secretaries Toolkit:** IFC and the CGDC signed a licence agreement for the Corporate Secretary Toolkit. In addition, five participants from the private sector attended the regional Corporate Secretary Training. The toolkit was developed in response to strong demand from companies and institutions in emerging markets for corporate-secretary practical training and skills development. After completion of the training, participants may become Corporate Secretary Champions, responsible for initiating and improving governance standards.
- **Women Corporate Directors:** With IFC support, The Women Corporate Directors, Mongolia Chapter was launched in July 2015. The project team addressed the Chapter and participants with a keynote presentation on "The Importance of Women in Corporate Boardrooms". IFC representatives also attended the first Mongolian Board Bootcamp and provided insight into Mongolia's legal environment, corporate practices, and diversity requirements.

Myanmar

IFC plans to launch an active corporate governance program in Myanmar in the coming years.

Early Planning: Good corporate governance is critical in Myanmar to shore up investor confidence and help companies attract capital. The launch of the project will start with several targeted initiatives in order to create a more transparent, accountable, and attractive business environment. These will include raising awareness through a corporate governance conference, regulatory strengthening, and translation of the Family Business Handbook. IFC will also support the legal and regulatory reforms undertaken by World Bank colleagues. IFC is exploring possible collaboration with the new SEC to support the new stock market and will also build training capacity in key partners.

The Philippines

IFC has supported selected initiatives in the past in the Philippines, including work with the Institute of Corporate Directors and support for the ASEAN Corporate Governance Scorecard initiative. IFC began ramping up work in the country this year.

Supporting the Institute of Corporate Directors: The project team signed an agreement with the Institute of Corporate Directors (ICD) to provide various capacity building activities. The ICD has already played a crucial role in championing good governance in the country and across the region. IFC will help launch new programs and activities to continue efforts to raise governance standards of Filipino companies. This includes support for the ASEAN Corporate Governance scorecard initiative, launch of training for the Media and Corporate Secretaries and other activities which will be further defined.

SEC Collaboration: IFC has begun a collaboration with the Philippines Securities and Exchange Commission (SEC). This included providing inputs to the new Company Law, and developing a Corporate Governance Blueprint for the country. From this, the corporate governance code for listed companies will be updated, supported by IFC and the World Bank.

Corporate Secretaries Master Program: Two participants from the private sector attended the regional Corporate Secretary Training. After completion of the training, participants may become Corporate Secretary Champions, responsible for initiating and improving governance standards in their companies.

The Pacific

IFC began to scope possible corporate governance work in the Pacific this year.

Early initiatives: Throughout the fiscal year, the project team met with firms, regulators, and other stakeholders across the region to identify potential projects, particularly in Fiji and Papua New Guinea. This included conducting a seminar in Port Moresby with various government and private sector stakeholders. The team has been exploring programs with the banking sectors in PNG and Fiji specifically, which would lead to activities targeting other types of companies and possibly other Pacific markets as well.



EAP Firms Benefitting Directly from IFC Corporate Governance Advisory Services

2010-2014

Country	Industry
Cambodia	Insurance
China	Bank
China	Bank
China	Bank
China	Bank
China	Energy
China	Engineering
China	Mobile Banking Service Provider
China	Private Equity
Indonesia	MFI
Indonesia	Private Equity
Mongolia	Bank
Mongolia	Bank
Mongolia	Bank
Mongolia	Diverse
Mongolia	Manufacturing
Myanmar	Bank
Timor-Leste	MFI
Timor-Leste	MFI
Vanuatu	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Bank
Vietnam	Energy
Vietnam	Insurance
Vietnam	Private Equity

2015

Country	Industry
China	Bank
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	Bank
Vietnam	Equipment
Vietnam	Pharmaceutical
Vietnam	Private Equity
Vietnam	Private Equity
Vietnam	Property
Vietnam	Retail
Vietnam	Technology
Vietnam	Travel



