

Charter for the Working Group of the Signatories to the Corporate Governance Development Framework

1. Introduction

1.1 On September 23, 2011, 29 Finance Institutions (FIs) adopted the Corporate Governance Development Framework (the “Framework”), a common set of guidelines to support sustainable economic development in emerging markets. Through the Framework, its Signatories strive to strengthen their coordination and adopt a methodology for reviewing and improving the corporate governance practices of their investee companies. The number of Signatories for the Framework has risen since 2011 to 33.

1.2 Prior to the Framework, 31 FIs signed the Approach Statement on Corporate Governance (the “Approach Statement”) in 2007 and created a Working Group to support the implementation of the Approach Statement, develop the Framework and arrange an annual conference for Signatories and other interested parties. The Working Group has thus become the quasi-executive arm of the Signatories to both, the Approach Statement and the Framework.

1.3 This document codifies the roles and responsibilities of the Working Group.

2. Purpose

2.1 The purpose of the Working Group is to facilitate the implementation of the Framework or any future Agreement the Signatories may decide to agree upon in relation to cooperation on corporate governance. More specifically, the Working Group is tasked to i) organize an annual conference in which Signatories gather to share experience and foster communication among signatories, ii) facilitate the annual reporting about progress in the implementation of the Framework, and iii) perform other tasks the Signatories may deem useful or provide specific assignments for.

2.2 The Working Group shall promote the Framework among the group of Signatories and with Non-signatories and overall foster and support the cooperation of Signatories. Yet, the Working Group is not authorized to represent the Signatories individually, collectively or any sub-group thereof.

3. Current and Future Composition

3.1 The Working Group is currently composed of 10 institutions, namely Asian Development Bank (ADB), Black Sea Trade and Development Bank (BSTDB), Banco de Desarrollo de América Latina (CAF), the UK’s Development Finance Institution (CDC), Deutsche Institutions- und Entwicklungsgesellschaft mbH (DEG), European Bank for Reconstruction and Development (EBRD), the Dutch Development Bank (FMO), International Finance Corporation (IFC), Inter-American Investment Corporation (IIC), and Islamic Development Bank (IsDB).

3.2 The Working Group should strive to limit its members to nine representatives of Signatories. It should also consider an adequate geographical representation of Signatories in the Group. At the annual conference in 2015, a rotation mechanism should be thus adopted that foresees the departure of up to three existing and the involvement of up to three new Signatories every year. For reasons of continuity, however, not more than three Working Group institutions should rotate every year at the occasion of the annual conference. Each representative should remain with the Working Group for a minimum of two and a maximum of five years. The Working Group by majority vote can decide that a representative from a so-called Key Signatory Institution that has been instrumental for the implementation of the Framework can continue beyond the maximum duration of five years upon its request.

3.3 To be considered as a candidate for membership in the Working Group, the sending Signatory can send an expression of interest in writing to the Chairman of the Working Group. If there are more expressions of interest than available spots, the Signatories will undertake a selection of the new Working Group members at or after their annual event.

3.4 The Working Group elects a Chairperson and a Secretary to provide leadership and ensure the Working Group operates efficiently and effectively. The Terms of Reference for the Chairman and the Secretary are in Annex A and Annex B respectively. Both assignments are for one year ideally from one annual conference to the next. It is expected that each Signatory institution in the Working Group for at least one time during its tenure either hosts an annual event or presents its candidacy for the role of a Chairperson or Secretary.

4. Committee Structure

4.1 The Working Group can establish Committees to better complete its tasks and assignments. The Committee can be a standing one or only last until the assignment or task is completed. Current Committees are, for example, established on organizing the next annual event; designing and improving the annual reporting or helping establish the business case for good corporate governance. The current list of all Committees is attached in Annex C.

4.2 The composition of a Committee is not limited to Working Group members. Other representatives of Signatories who are not participating in the Working Group are encouraged to join any Committee. The total number of Committee members, however, should be limited to five and should be comprised of a minimum of three members. It should involve at least one Working Group member to facilitate the communication with the Working Group.

5. Working Procedures

5.1 The Working Group should at least gather through a bi-monthly (every other month) conference call depending on the intensity of Committee work existing in parallel. Once a year, the Working Group should meet in person, for example, one day prior to the annual conference.

5.2 The Working Group calls and meetings should be organized by an agenda provided by the Chairman and Secretary well in advance so that every Working Group member can provide input on the agenda. The meetings should be documented by minutes, and the minutes should be shared promptly after the meeting. The Secretary should file all minutes of the Working Group and pass on the folder containing all minutes at his/her resignation to his/her successor.

5.3 The Working Group strives to decide unanimously. In case such decision cannot be reached, the majority of Working Group members present will decide. In case of a tie, the Chairperson will have a casting vote. The presence quorum for any decision of the Working Group is at least 50%.

5.4 Every institution should only nominate one permanent member to the Working Group. Only one member per institution has a vote. A proxy in case a meeting is missed cannot be provided for.

6. Budget

The Working Group is currently operating without a budget. It is expected that the Signatories of each member in the Working Group cover the respective costs and expenses of its member.

ANNEX A: TERMS OF REFERENCE FOR THE CHAIRPERSON OF THE WORKING GROUP

1. Introduction

- 1.1 The Working Group of the Signatories of the FI¹ Corporate Governance Development Framework will appoint a Chairperson among its Members. The Working Group members will elect a Chairperson among its members on an annual basis. In case that consent on a certain method cannot be reached, the Working Group members will cast a vote.
- 1.2 The tenure of the Chairperson will last for one year.
- 1.3 The role of the Chairperson is to provide leadership to the Working Group members and to ensure for the Working Group's overall effectiveness. Under the discretion of the Working Group, the Chairperson's role is also to liaise with the Signatories.
- 1.4 The Working Group will review annually these Terms of Reference and recommend any changes that it considers appropriate. The Terms of Reference for the Chairperson will be approved annually by the Working Group.

2. Ensuring the Effectiveness of the Working Group

- 2.1 The Chairperson will perform the following duties:
 - a) Ensure that the Working Group satisfies its duties and responsibilities as set forth in its Charter;
 - b) Provide leadership, foster effectiveness and develop teamwork within the Working Group;
 - c) Guide the Working Group in establishing a consensus on important issues and decisions, while allowing full and open debate;
 - d) Oversee the delegation of responsibilities to Working Group Committees² [*aka 'topical groups' or 'sub-committees'*] and become a Member of the Annual Conference Committee;
 - e) Ensure that Committees perform effectively and efficiently and report key developments regularly to the Working Group;
 - f) Provide advice and guidance to Committee chairs;
 - g) Assist and orientate new Working Group members;
 - h) Be the focal point for individual concerns expressed by Working Group members
 - i) Oversee the update and maintenance of the website
- 2.2 The Chairperson will perform the following duties and can resort to the support of a Secretary at his/her discretion:
 - a) Propose the frequency for regular Working Group meetings—usually via conference call—and determine special meetings to be called;
 - b) Determine matters that should be addressed by the Working Group and develop the agenda for meetings;
 - c) Be vigilant that the Working Group has adequate resources, in particular that the agenda and all necessary documents are distributed well in advance of the meetings;
 - d) Arrange for a decision-making process including at times voting and the administration of a ballot;
 - e) Provide for an adequate induction of new Signatory members in the Working Group
 - f) Perform other duties as specified in the Charter for the Working Group.

¹ FI stands for Finance Institution.

² Representative of Signatories who are not Working Group Members are encouraged to participate in Working Group Committees.

- 2.3 The Chairperson is entitled to:
- a) Nominate a Secretary among Working Group members on a rotating basis and outline and define the scope of work³;
 - b) Chair all meetings of the Working Group and appoint an alternate for cases of his/her absence;
 - c) Attend all Committee meetings upon his/her discretion;
 - d) Initiate an annual evaluation on the effectiveness of the Working Group upon his/her discretion.

3. Liaising with Signatories

- 3.1 The Chairperson will send periodic updates to the Signatories on matters such as upcoming conferences or training events, availability of communication resources, and activities as well as finalized projects of the Working Group;
- 3.2 In coordination with the hosting institution, the Chairperson will represent the Working Group at the annual conference of Signatories;
- 3.3 The role of the Chairperson can be passed on to a representative of a higher echelon within the Institution (for example to the CEO of the Signatory from which the Chairperson as a member of the Working Group has been appointed) if a special occasion so requires and as agreed by the Working Group.

4. Personal Characteristics of the Chairperson

- 4.1 *Leadership:* The ability of the Chairperson to influence, motivate and enable other Working Group Members and Signatories to contribute toward the effectiveness and success of the FI Corporate Governance Framework Agreement.
- 4.2 *Communication:* The Chairperson should be able to communicate and work effectively with members of the Working Group in a supportive and cohesive manner, initiating, guiding, and overseeing activities.
- 4.3 *Integrity:* The Chairperson should be honest, of moral soundness and consistently upright in character.
- 4.4 *Maturity:* The Chairperson should be able to intellectually develop and work out complex matters, and present these in a clear and concise manner.
- 4.5 *Open-minded and non-judgmental:* I.e. the Chairperson should have the ability to listen and respect other viewpoints expressed during Working Group meetings and discussions.
- 4.6 *Commitment and time:* The Chairperson should be fully committed to the task at hand and should have the necessary time to fulfill his or her duties.

³ The Terms of Reference of the Secretary is defined by Annex B of the Charter and reviewed and approved by the Working Group (as per Annex B clause 1 (1.4))

ANNEX B: TERMS OF REFERENCE FOR THE SECRETARY OF THE WORKING GROUP

1. Introduction

- 1.1 The Working Group of the Signatories of the FI⁴ Corporate Governance Development Framework will allow for its Chairperson to appoint a Secretary.
- 1.2 The tenure of the Secretary will last for one year.
- 1.3 The role of the Secretary is to support the Chairperson in ensuring the Working Group's overall effectiveness. S/he acts under full supervision and at the discretion of the Chairperson.
- 1.4 The Working Group will review annually these Terms of Reference and recommend any changes that it considers appropriate. The Terms of Reference for the Secretary will be approved annually by the Working Group.

2. Duties and Responsibilities

- 2.1 The Secretary will
 - a) Keep minutes of all meetings of the Working Group and ensure for minutes during the annual conference,
 - b) Have possession of and keep current the Working Group's records (including minutes, agendas, notices of meeting),
 - c) Ensure the Working Group's compliance with any applicable laws and regulations, if any,
 - d) Perform other duties as specified in the Charter for the Working Group;
 - e) Become a Member of the Annual Conference Committee in lieu of the Chairperson if the latter so requires.
- 2.2 The Secretary will support the Chairperson in:
 - a) Proposing the frequency for regular Working Group meetings—usually via conference call—and determine special meetings to be called;
 - b) Determining matters that should be addressed by the Working Group and develop the agenda for meetings;
 - c) Being vigilant that the Working Group has adequate resources, in particular that the agenda and all necessary documents are distributed well in advance of the meetings;
 - d) Arranging for a decision-making process including at times voting and the administration of a ballot; and
 - f) Developing and periodically reviewing the Working Group's governance, procedures and practices.

3. Information Requests and Communication

- 3.1 The Secretary will assist members of Working Group and Signatories in obtaining documents or information they request.
- 3.2 The Secretary will assist in establishing and maintaining clear communication between the Working Group and the Signatories. To this extent, the Chairperson of the Working Group and other relevant persons should promptly provide the Secretary with any information s/he requests.

4. Sufficient Qualifications

The Secretary must have the necessary qualifications to properly carry out his or her duties.

⁴ FI stands for Finance Institution.

ANNEX C: LIST OF CURRENT COMMITTEES OF THE WORKING GROUP

The Working Group of the Signatories of the FI⁵ Corporate Governance Development Framework has currently established the following Committees:

1. Governance & Nomination Committee

The purpose of this Committee is to adopt a Charter for the Working Group and suggest the nomination of new Working Group members and the removal of existing ones.

2. Annual Conference & Reporting Committee

The purpose of this Committee is to help organize the next annual CG meeting of the Signatories and facilitate the annual reporting. Its tasks include:

- Ensuring for timely reports of all Signatories;
- Developing the agenda of the meeting;
- Coordinating/contacting the speakers and moderators of the meeting;
- Providing advice/assistance to the hosting institution on logistics/communication/post-meeting work, etc.

3. Business Case and Case Study Committee

The Business Case & Case Study Committee will seek to build on the methodology presented in the Manila conference in February 2013 in order to build a database of companies/banks that are evaluated according to the common progression matrix. The results will then be correlated with certain financial indicators to demonstrate possible linkages or trends. In addition, it will collect qualitative success stories and case studies as well.

4. Nominee Director Policy Committee

The purpose of this Committee is to advance joint practices on the nomination of board members to the DFI's investee companies. It will deal with questions of the use of internal and external nominee directors and produce a summary and/or guidance for Signatories.

5. Website and Communication Committee

The purpose of this Committee is to restructure the existing website to allow improved access to information for all interested parties, Non-signatories as well as Signatories. It will also deal with the update and closer involvement of Signatories.

6. Business Integrity Committee

Tbd.

⁵ FI stands for Finance Institution.