

9th Annual DFI Corporate Governance Conference



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

**March 4-6, 2015
Mexico City**

Opening Remarks



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

**Dr Jacques
Rogozinski**
Nafin

Keynote Address



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Pedro Zorrila
*Bolsa Mexicana
de Valores*

Coffee Break



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

Conference Overview



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Rebeca Sanchez de Tagle

*Chair of the Annual Conference and
Reporting Committee*



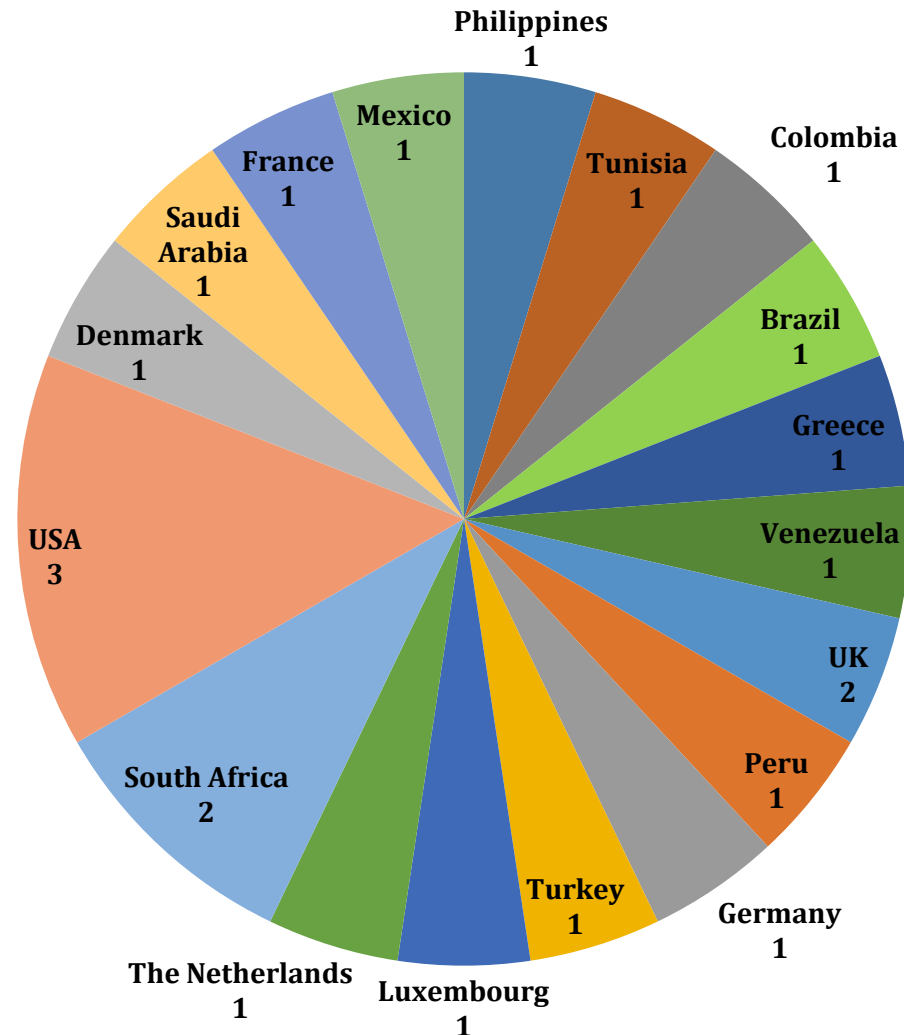
Background: Our main events

- Paris, June 2004, hosted by [IFC](#)
Introduction & sharing of the IFC CG Methodology
- Amsterdam, March 2007, hosted by [FMO & IFC](#)
DFIs CG Approach Statement & CG Working Group
- Tunis, October 2008, hosted by [AfDB](#)
Strengthening CG collaboration among DFIs
- Rio de Janeiro, November 2009, hosted by [CAF](#)
Implementation assessment and agreement on creating common CG tools
- Jeddah, January 2011, hosted by [IsDB](#)
Introduction of the DFI Toolkit on CG
- Washington DC, September 2011, hosted by [IFC](#)
Signature of the CG Development Framework by 29 DFIs
- Cologne, February 2012, hosted by [DEG](#)
Introduction of the CG Development Framework
- Manila, February 2013, hosted by [ADB](#)
Implementation of the CG Development Framework
- Washington, DC, March 2014, hosted by [IIC](#)
Follow up on the implementation of the CG Development Framework



50 confirmed participants; Representatives from 21 Institutions from 18 countries

- ADB
- AFBD
- Bancoldex
- BNDES
- BSTDB
- CAF
- CDC
- Cofide
- DBSA
- DEG
- ECO
- EIB
- IADB
- IDC
- IFC
- IFU
- IIC
- IsDB
- NAFIN
- PROPARCO





Participants





Working Group Members and Organizing Team

Working Group Members

ADB- Enzo Gregori
BSTDB- Vassilis Christakis
CAF- Andres Oneto
CDC- Barry Lawson
DEG- Anne Keppler
FMO- Martin Steindl
IFC- Sanaa Abouzaid
IIC – Rebeca Sanchez de Tagle
IsDB- Ababacar Gaye

Nacional Financiera's Organizing Team

Administration and Finance/ Treasury and Financial Markets

- Susana Berruecos
- Claudia Colosio
- Yesicka Peña
- Carmen Rodriguez
- Adriana Covarrubias
- Marianna Lara

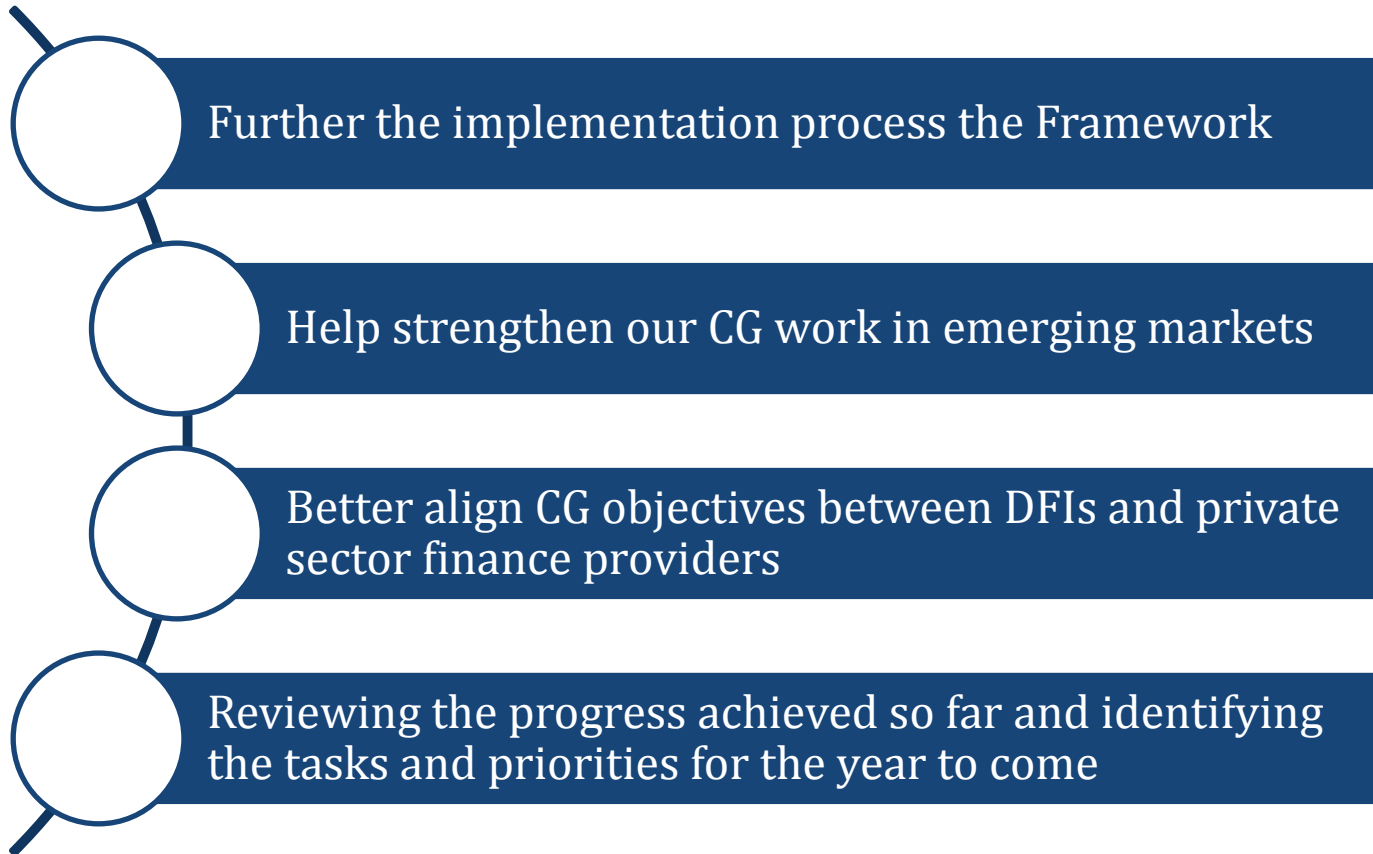


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Conference Objectives



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Priorities for 2014

- Continue to hold the annual meeting
- Develop tools for virtual communication and knowledge
- Investigate further the process of nominating directors in investee companies
- Complete the study on a “Business Case for Corporate Governance”
- Start working on individual case studies to share practical lessons based on DFI experience
- Explore the relationship between business integrity and corporate governance



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Agenda

Wednesday, March 4 th Girasoles Salon		
Time	Topic	Speaker / Presenter
09:00 – 09:30am	Opening Remarks	Jacques Rogozinski , General Director, <i>Nacional Financiera</i> Sanaa Abouzaid , Regional Corporate Governance Lead, <i>IFC</i> & Chairwoman, <i>DFI CG Working Group</i>
09:30 – 10:30 am	Keynote Address: Corporate Governance Challenges of Mexican Listed Companies	Pedro Zorrilla , Vice President of Corporate Services and Institutional Relations, <i>Bolsa Mexicana de Valores</i>
10:30 – 11:00 am	Coffee Break	
11:00 – 11:30 am	Overview of the Conference and Introduction of Participants	Rebeca Sanchez de Tagle , Senior Corporate Governance Specialist, <i>IIC</i> & Chairwoman of the <i>Annual Conference and Reporting Committee</i>
11:30 – 12:30 pm	Update on the Framework Implementation Progress	Enzo Gregori , Unit Head of Project Administration, <i>ADB</i> Andres Oneto , Principal Executive, <i>CAF</i>



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Agenda

12:30 – 02:00 pm	Lunch Meeting participants & Special Guests Camino Real Hotel's Maria Bonita Restaurant	Federico Ballí , Deputy General Director of Administration and Finance, Nacional Financiera
02:00 – 03:15 pm	Newly Developed CG Tools and Materials	Andres Oneto , Principal Executive, CAF Martin Steindl , Senior Corporate Governance Specialist, FMO
03:15 – 04:30 pm	Integrating CG into Investment Operations, with a Focus on CG Action Plans.	Martin Steindl , Senior Corporate Governance Specialist, FMO
04:30 – 05:00 pm	Coffee break	
05:00 – 06:00 pm	DFI Clients Sharing their Experience with Corporate Governance Improvement Plans Case of EDILAR, A Family-owned Mexican Company & Client of the Inter-American Investment Corporation	Ignacio Uribe , Edilar CEO and Shareholder & Carlos Roa , Chief of Staff of PEMEX and Independent Board Director Moderated by Sanaa Abouzaid , Regional Corporate Governance Lead, IFC
06:30 pm	Dinner Reception Hosted by Nacional Financiera Meeting Participants & Special Guests Camino Real Hotel's China Grill Restaurant	Toast offered by Jacques Rogozinski , General Director of Nacional Financiera Remarks offered by Ary Naim , IFC Country Manager, Mexico



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Agenda

Thursday, March 5 th Girasoles Salon		
Time	Topic	Speaker / Presenter
09:00 – 09:15 am	Day 1 Summary & Introduction of Day 2	Barry Lawson , Head Business Integrity, <i>CDC</i>
09:15 – 10:30 am	Ensuring Internal Responsibility. DFI's Choice of their 'CG Champions' Locations and Advantages/Disadvantages of the Different Models	Anne Keppler , Senior Investment Manager, <i>DEG</i>
10:30 – 11:00 am	Coffee Break	
11:00 – 12:30 pm	Implementation of the CGDF: Experience, Challenges and Condition for Success?	Odile Conchou , Head, Environmental, Social & Impact Division, <i>PROPARCO</i> Darrin Hartzler , Global CG Manager, <i>IFC</i> Moderated by Enzo Gregori , Unit Head of Project Administration, <i>ADB</i>
12:30 – 02:00 pm	Lunch Meeting participants & Special Guests Camino Real Hotel's Centro Catellano Restaurant	Juan Pablo Newman , Deputy General Director of Treasury and Financial Markets, <i>Nacional Financiera</i>



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Agenda

02:00 - 03:15 pm	Corporate Governance in Family Businesses	Roberto Danel Díaz , President of Corporate Governance Practices Committee, <i>Consejo Coordinador Empresarial</i>
03:15 - 03:45 pm	Coffee Break	
03:45 - 04:15 pm	Presentation of the CGDF Website	Ababacar Gaye , Adviser to the Vice President, <i>IsDB</i> & <i>Chair of the Communications Committee</i>
04:15 - 04:45 pm	Nominee Director Committee Update	Martin Stendl , Senior Corporate Governance Specialist, <i>FMO</i> & Chair of the <i>Nominee Director Committee</i>
04:45 - 05:15 pm	Making the Business Case for CG	Vassilis Christakis , Principal Officer, <i>BSTDB</i> & Chair of the Business Case Committee
05:15 - 06:00 pm	Concluding Session	Chairperson for the 2015-2016 period
6:00 pm	Closing Remarks	Claudia Colosio Murrieta , Consultant of Business Development, <i>Nacional Financiera</i>



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Agenda

Friday, March 6th
Girasoles Salon

Time	Topic	Speaker / Presenter
09:00 – 10:30 am	Practical Case: Screening Tool	Martin Steindl , Senior Corporate Governance Specialist, <i>FMO</i>
10:30 – 11:00 am	Coffee Break	
11:00 – 01:00 pm	Practical Case: Progression Matrix / Questionnaire & Preparing a Corporate Governance Action Plan	Rebeca Sanchez de Tagle , Senior Corporate Governance Specialist, <i>IIC</i>



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Thank you



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

Rebeca Sanchez de Tagle

30 YEARS IIC Inter-American
Investment Corporation
A Member of the IDB Group

Update on the Framework Implementation Progress



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Enzo Gregori - *ADB*

Andres Oneto - *CAF*



Agenda

- Signatories' implementation
- Conclusions & issues to consider



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1. Distribution of investments

Response

- 2013: 27 of 31 DFIs (87%)
- 2014: 28 of 33 DFIs (85%)

Institutions size:

- Over 50% 'small' < \$1.2bn
- Less than 20% 'big' > \$20bn 

Public vs. Private

- 15%: PUBLIC dominated.
- 5%: balanced between.
- 80%: PRIVATE dominated.

Geographic and Sector distribution

- Almost all DFIs are multiregional and multi sector and minimally all have considerable overlaps.

This means there is much opportunity for collaboration.

Product distribution

- The vast majority of all activity is debt.

What does this mean for (a) training, (b) due diligence, (c) methodology and toolkit?



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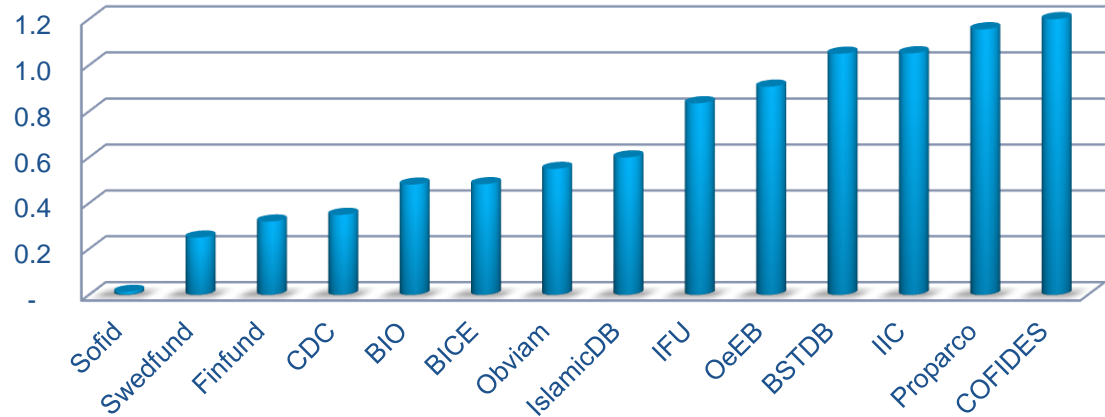


1. Distribution of investments

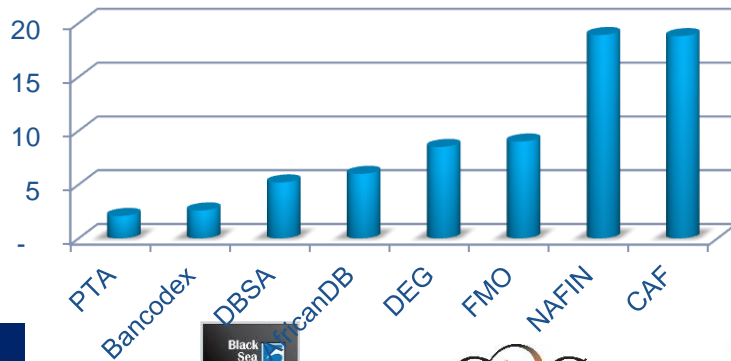
Portfolio size.

- Which cluster is your institution?
- Who else is in your cluster?

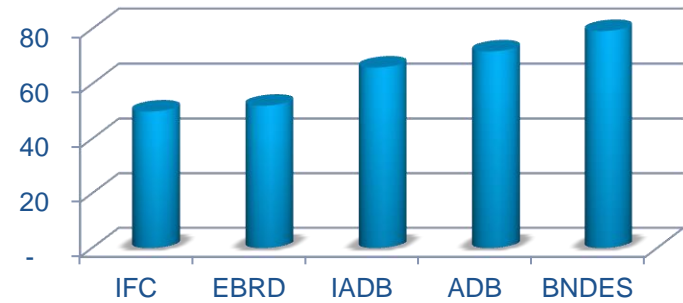
Small < US\$ 1.2bn



Medium US\$1.2bn to US\$20bn



Large > US\$20bn



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2. Integrating CG in Investment Operations

Operationalizing commitments made in the Framework

- Almost all DFIs have made concrete actions to commit in the implementation of the framework
- Almost 60% confirm their tools are modified versions of the CGF; 22% indicate they have developed their own tools
- Concentrated in: policies, guidelines, training and toolkits. →

Significant improvement in developing more activities and tools to operationalize the framework over last year

Deals subject to assessment:

- 68% of DFIs have **all deals** subject to a CG assessment. →
- Risk and Project Analysis Division are the main units who decide what deals are subject to a CG assessment
- Criteria for selection is diverse (Type of product, institution, size, opportunity for GC risk or value addition)
- Most DFIs that perform a light review, go one step forward and perform a deep review.

CG assessment is improving. More DFIs are incorporating due diligence as mandatory.

Action plans

- 32% of DFIs indicate that more than half of CG assessed deals go through an action plan →

Better implementation of action plans than 2013. What do we need to get the extra mile?



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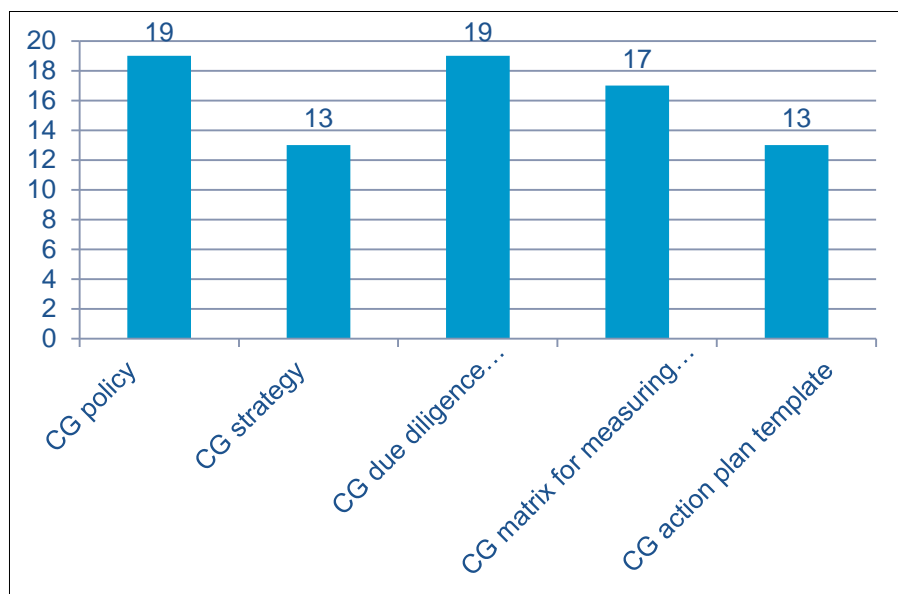


2. Integrating CG in Investment Operations

Commitments made in the Framework are operationalized through:



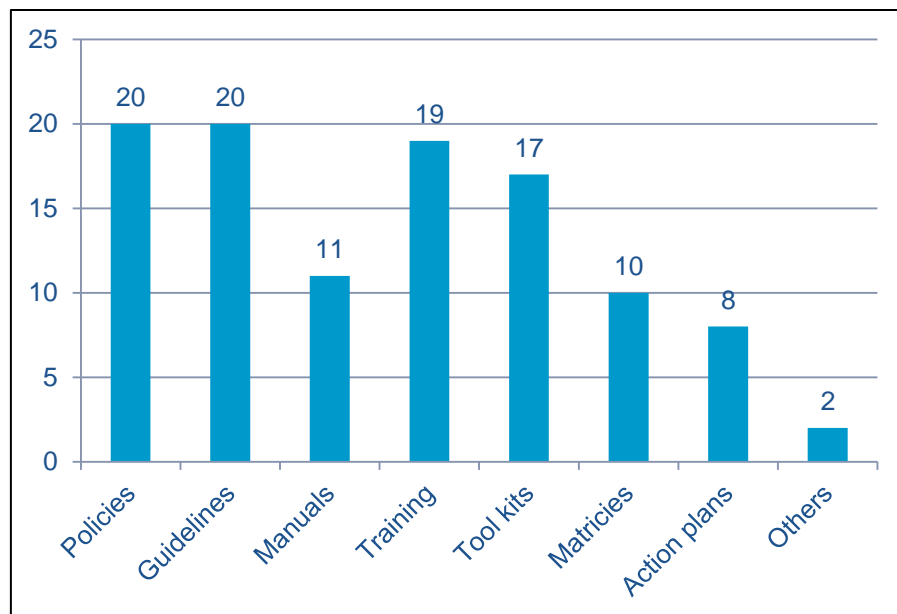
2013



Responding DFIs: 27/31

Total: 81

2014



Responding DFIs: 28/33

Total: 107



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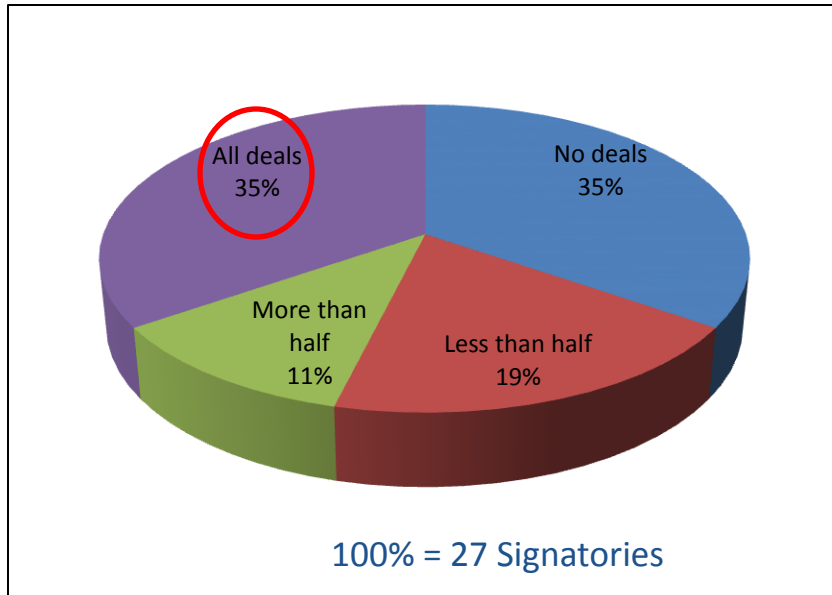


2. Integrating CG in Investment Operations

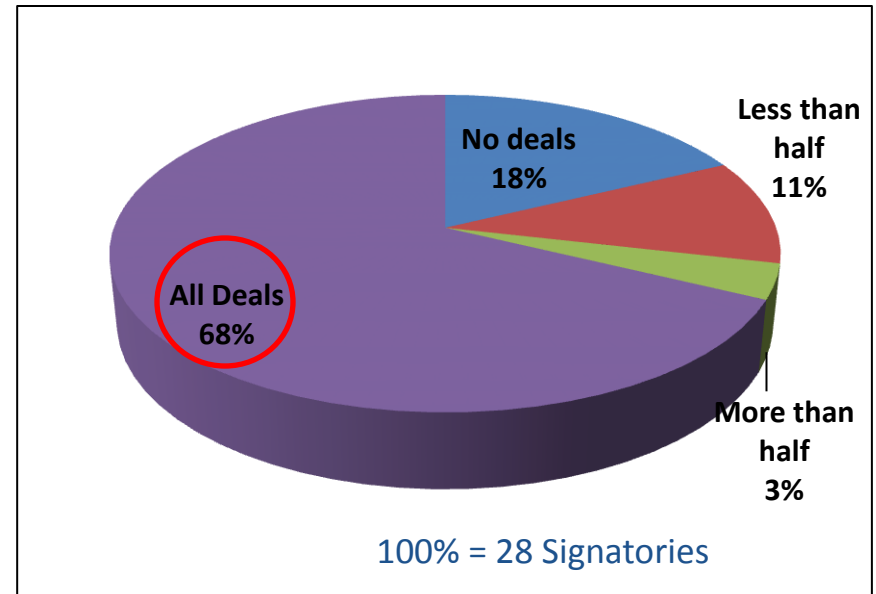
Percentage of deals subject to a CG assessment



2013



2014



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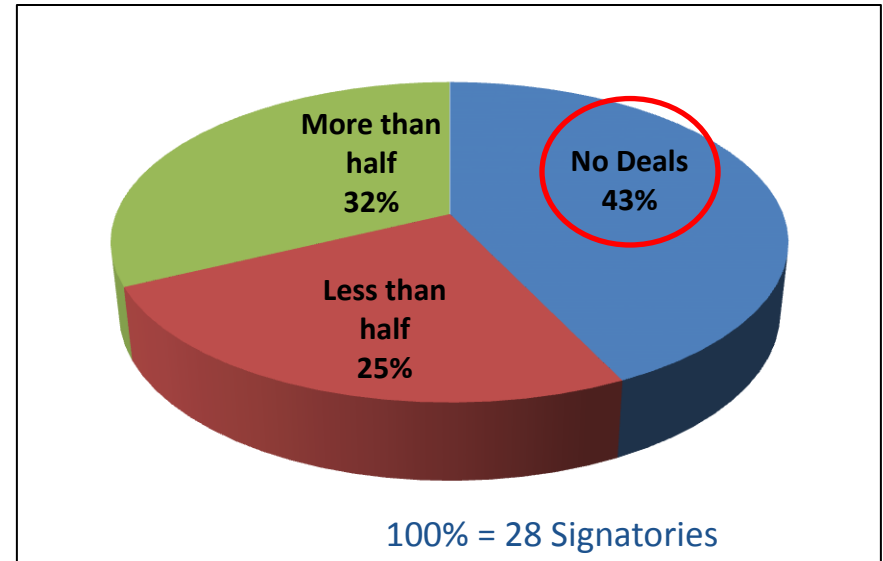
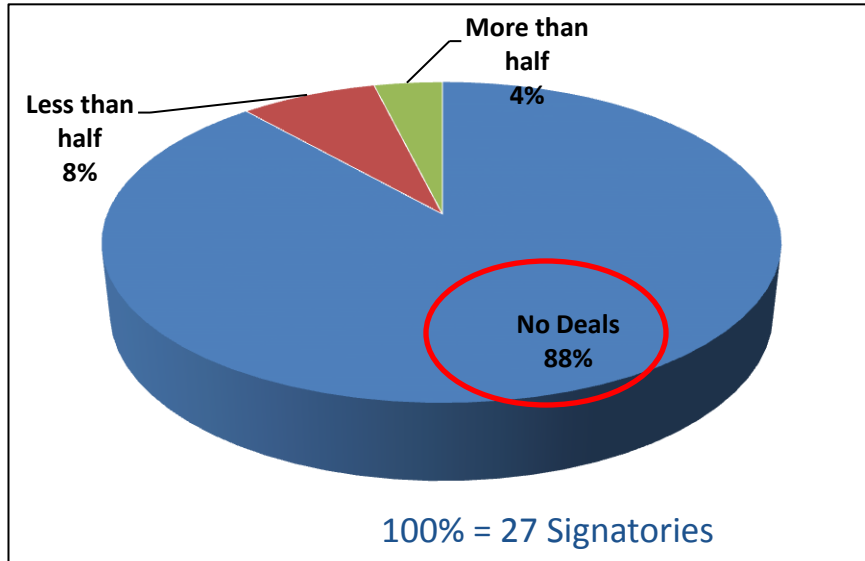
2. Integrating CG in Investment Operations

% of CG assessed deals that had Action Plans



2013

2014



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3. Ensuring Internal Responsibility

Focal Point

- Almost all have a focal point: an improvement over last year
- 5 DFIs have a full time CG unit
- DFIs with no full time CG unit have their FPs dedicate an average of 26% of their time



Seems that only 5 DFIs have a permanent staff dedicated exclusively to CG, however average time dedicated to CG is relevant

Centre of gravity of CG in the organization

- Concentrated in the **Legal** and **Risk** Division, also relevant **Operations** and **Equity** units

Benefits to have CG in the Legal department instead of the business units?

People dedicated to CG

- Mostly part time dedication, however it is recurrent to have investment officers trained to evaluate CG.

If no CG permanent staff, investment officers get involved. Any DFI have not IOs doing CG assessments?

What is the scope CG activity

- CG concentrated in: due diligence activities, helping setting policy and staff training.

“Other” activities appear as relevant.

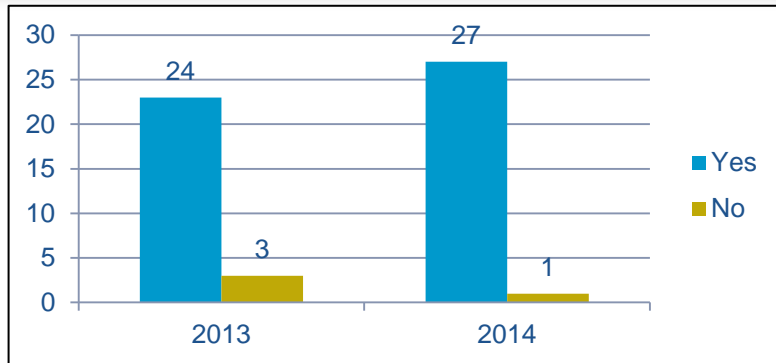
Less intensive in Director Training: Low because of limited equity investment activity in some signatories



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3. Ensuring Internal Responsibility

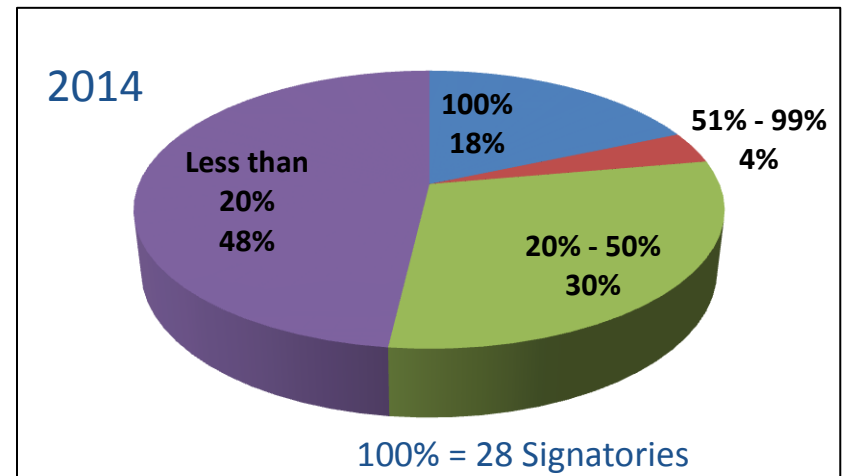
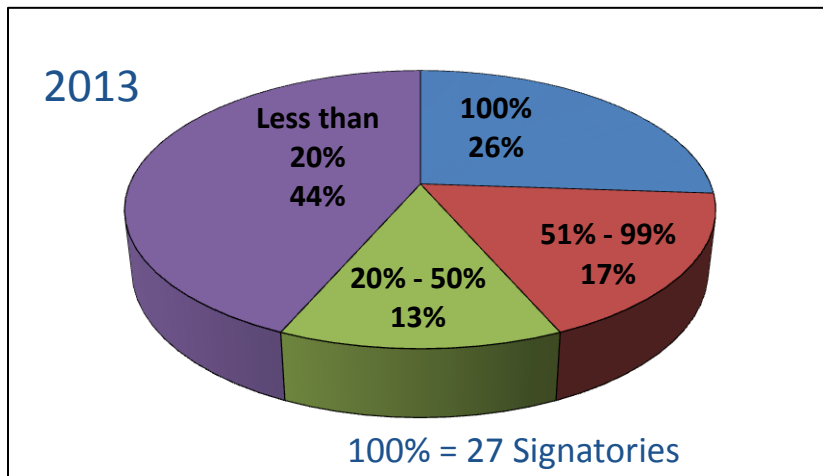


CG Focal Point time dedicated to corporate governance

Indication of a Focal Point



This year only one DFI does not have a focal point



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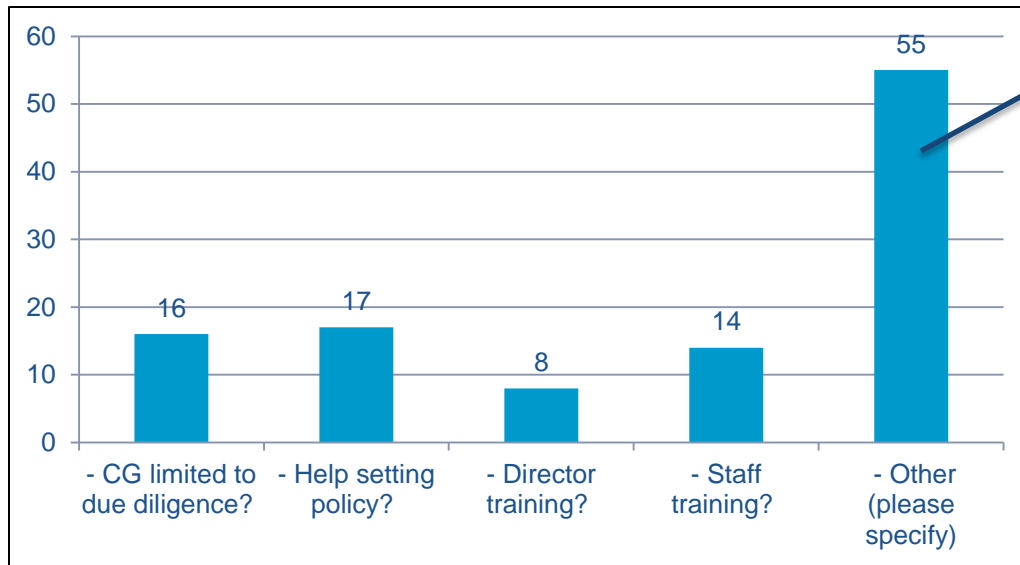


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3. Ensuring Internal Responsibility

Scope of CG activity



Other:

- Technical assistance programs with clients and regional allies
- lobbying for a FTE
- legal reform projects
- Best Banking Practices
- Alignment of use of CG tools within EDFI community
- Develop CG tools and materials



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4. Providing or Procuring Training

Training for investment staff

- Most institutions provide training
- Models vary from 2 hours to 3 days

This means there is much to choose from and no need to re-invent the wheel.

Training for non-investment staff

- Much lower than investment staff. Around 20% provide something
- Duration 2 hours to 1 day

Is this good enough?

Is there a 'small pack' that can be created and shared with all signatories and delivered locally?

Training for Clients

- FMO, IFC, IIC , NAFIN and BANCOLEX active in this area.

See them about family owned business, state owned enterprises and individuals.

Director training

- Very low. Less than 50%. EBRD, IFC and NAFIN most active.

Low because of limited equity investment activity in some signatories



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5. Collaborating with other Signatories

Collaboration via training

- 10 of 28 collaborated in this way
- EDFI cluster led by FMO and DEG and Latin America cluster led by IIC and NAFIN

Familiarize yourself with what each cluster provides.

Information sharing

- 17 of 28 collaborated in this way
- Majority as co-lenders on deals
- Significant pick-up in ad hoc collaboration amongst signatories

CG signatory community becoming more active and more networked

Website to provide additional avenue for information sharing – see session later

Joint cg events and capacity building

- Restricted to large DFIs and limited to European and Latin American clusters mentioned above

Familiarize yourself with what each cluster provides.



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Checking on 2014 Next Steps:

Our situation vs. last year:

- Adoption of clear CG procedures in investment operations (ideally in line with the common DFIs CG tools): *more activities and tools have been implemented to operationalize the framework*
- Assessment of CG in investee companies as needed: *More DFIs are incorporating due diligence as mandatory.*
- Monitoring of CG action plans: *Better implementation of action plans*
- Staff dedicated mostly to CG: *If no CG permanent staff, investment officers get involved.*
- Regular and in depth CG training for staff and nominee directors (when applicable) and clients: *Wide options for staff, less for non staff, directors and clients*
- Increased collaboration among signatories in joint training and information sharing/advice on implementation: *Currently European and Latin American clusters*



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Questions from 2014

Questions left from 2014 already answered:

- What is the best way to measure progress? *Questionnaire and Conference*
- What is the best way to Report on progress? *Annual letter to CEOs*

2014 Questions which remain outstanding:

- Debt dominates – are our tools, methodology and training suited?



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Thank you



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Lunch



**CORPORATE GOVERNANCE
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Newly Developed CG Tools and Materials



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Martin Steindl – *FMO*

Corporate Governance and Determinants of Risk in Corporate Debt Issuance



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

Andrés Oneto

CAF
DEVELOPMENT BANK
OF LATIN AMERICA



1. Background
2. Importance of debt instruments in Latam
3. Key Actors
4. CG and debt issuance indicator
5. Conclusions



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CG and determinants of risk in corporate debt issuance: Objectives and Contents

- **Objective:** Identify key elements of CG for determining debt instrument issuance risk.

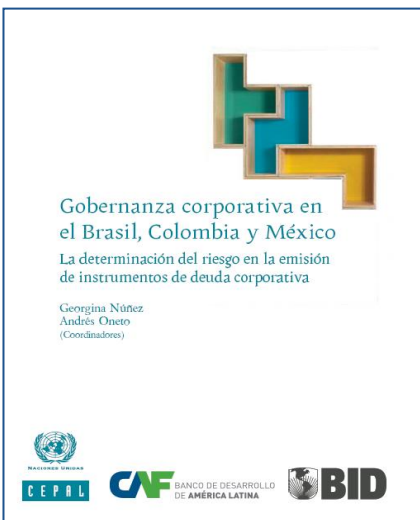
- Contents:

I. Methodological Framework to build a CG Indicator:

- **Building a matrix:** include main strengths and weaknesses of CG regulations, directly related to debt issuance.
- **Define CG standards:** taking into account local regulations and enforcement mechanisms.
- **Establishment of a *benchmark*:** based on CG principles to strengthen bond issues.
- **Definition of an index:** structure metrics that can help better reflect future debt issuance risks.

II. Key actor in corporate debt issuance

III. Company Cases: Brazil, Chile, Colombia, Mexico & Perú



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1. Background

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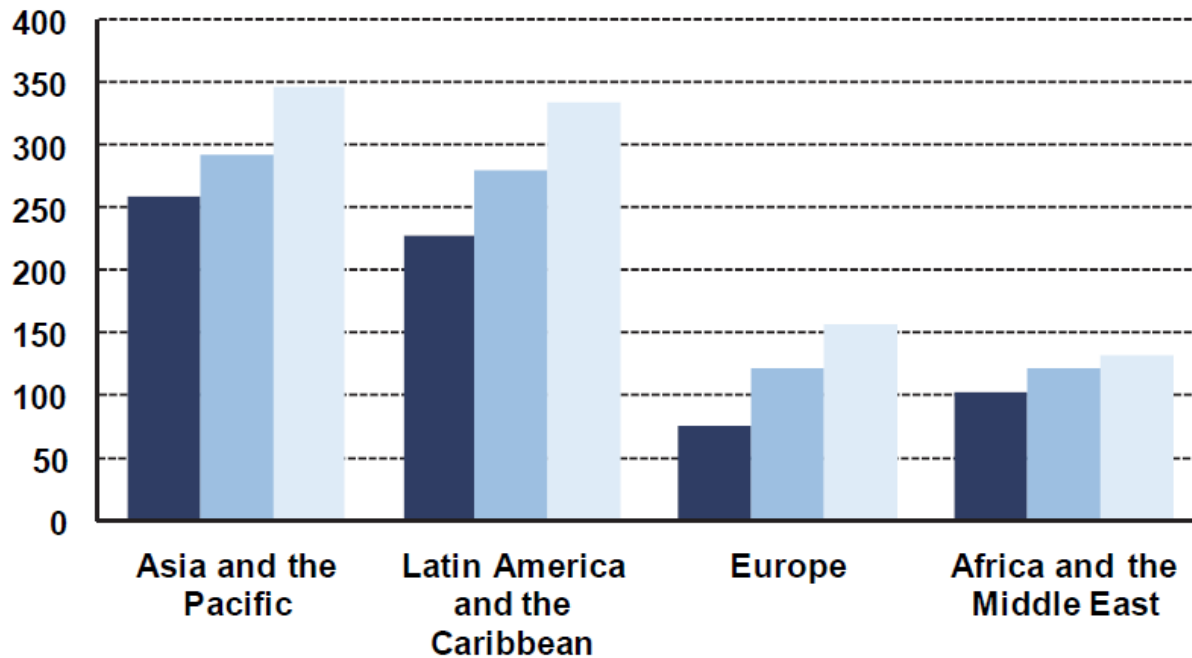
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Stock of developing-country international corporate debt securities

The stock of Latin America's international corporate issues totalled **US\$ 334 billion in 2013 (34% share)**

(Value as of December of each year, in billions of dollars)



Source: Bank for International Settlements (BIS), 2014

■ 2011 ■ 2012 ■ 2013



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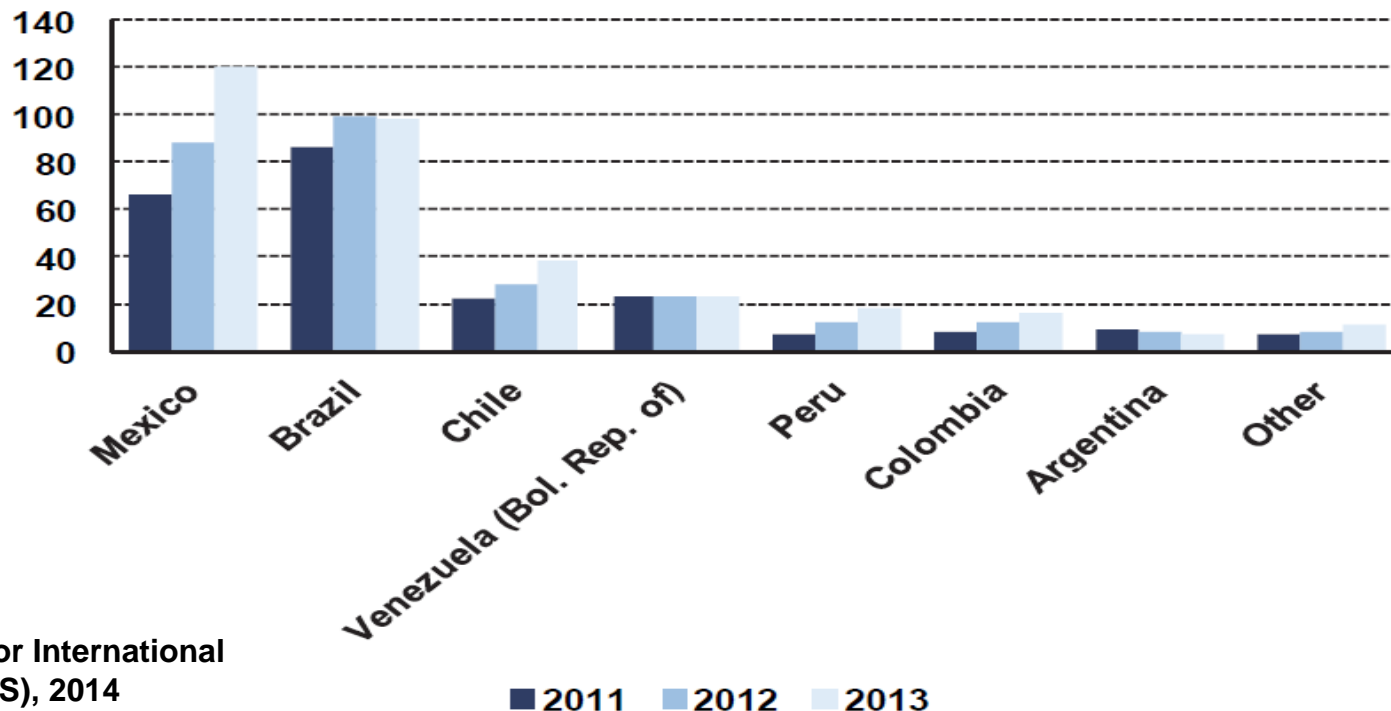
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Stock of international corporate debt securities in Latin America

In aggregate terms Mexico and Brazil account for 66% of the regional total

(Value as of December of each year, in billions of dollars)



Source: Bank for International Settlements (BIS), 2014



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Relationship between CG, corporate debt and key actors

- **Investment Banks:** through underwriting operations call for greater transparency to ensure that their securities have attractive features for investors.
- **Institutional Investors:** can play a crucial role in the performance of issuers when they demand better CG practices that tend to reduce risk for their investments.
- **Rating agencies:** Despite improvements, some areas of CG that affect company risk are not yet part of their valuation methodologies.



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CG Categories of the Indicator: Building a benchmark

29 standards grouped in the following categories:

- **Role of the board of directors**
- **Structure of the board of directors**
- **Chair of the board of directors**
- **Selecting board members (Inside & Outside)**

**General:
Indirect link**

**Specific:
Direct link**

Board of directors committees:

- **Audit committee**
- **Financial asset investment committee**
- **Corporate finance committee**
- **Risk committee**

- Preventive assessment of CG standards
- Only refer to aspects of CG that are critical for the issuance of corporate debt



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Index Matrix: Benchmark vs. aggregate company values by category of CG standards

Category	Benchmark	Average	Median	Average/ Benchmark
Role of the board of directors	2,075	1,642	1,698	80%
Structure of the board of directors	0,094	0,067	0,078	71%
Chair of the board of directors	0,566	0,174	0,189	31%
Selecting board members (Inside & Outside)	2,079	1,014	0,993	49%
Audit committee	1,885	1,132	1,131	60%
Financial asset investment committee	0,285	0,104	0,119	36%
Corporate finance committee	1,508	0,478	0,566	32%
Risk committee	1,508	0,604	0,943	40%
Total	10,000	5,215	6,038	52%



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Average findings for companies in Brazil, Chile, Colombia, Mexico and Peru

Category	Benchmark	Brazil (2012)	Colombia (2012)	Mexico (2012)	Chile (2014)	Peru (2014)	Average
Role of the board of directors	2,075	1,19	1,60	1,73	1,79	1,93	1,65
Structure of the board of directors	0,094	0,06	0,08	0,06	0,06	0,06	0,07
Chair of the board of directors	0,566	0,03	0,24	0,22	0,19	0,19	0,17
Selecting board members (Inside & Outside)	2,079	0,38	1,09	0,85	1,61	1,13	1,01
Audit committee	1,885	0,13	1,41	1,38	1,51	1,23	1,13
Financial asset investment committee	0,285	0,00	0,12	0,16	0,12	0,12	0,10
Corporate finance committee	1,508	0,00	0,00	1,07	0,75	0,57	0,48
Risk committee	1,508	0,00	0,28	0,75	1,13	0,85	0,60
Total	10,000	1,79	4,82	6,22	7,16	6,08	5,22



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How to use the tool



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1. Background
2. Importance of debt instruments in Latam
3. Key Actors
4. CG and debt issuance indicator
5. Conclusions



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Conclusions

- CG is a necessary but insufficient condition for the success of a bond issue. By applying the indicator and the adoption of CG standards companies can:
 - **enhance risk transparency**
 - **decrease transaction costs, improving financing conditions.**
- The active role of institutional investors, investment bankers and credit agencies can:
 - **improve the operation of the capital market,**
 - **optimize issuer yield and value**
 - **improve corporate governance of companies that issue debt.**
- There are areas of opportunity for improving debt issuance performance, through better CG structures:
 - **Companies do not publicly disclose all of their CG requirements in a consolidated manner, there is a need to improve transparency and reporting.**
 - **Selection of board members, defining their functions and formalizing their responsibilities.**
 - **Composition and operation of the audit, risk and corporate finance committee.**



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Integrating CG into Investment Operations, with a Focus on CG Action Plans



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Martin Steindl

FMO



Part 1: 'Groundhog day'

Adopting CG procedures in line with the CGDF methodology: (20 minutes)

- How early in your project cycle have you been able to introduce the review of CG?
- How do you enhance the focus on CG during the due diligence process?
- How can you draw the Investment Committee's / Credit's attention to CG?



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Part 2: 'The Good, the Bad, and the Ugly'

Developing CG action plans and monitoring: (50 minutes)

- Three examples of a CG action plan will be analysed by the different Groups.
- What have been the experiences of different institutions in the development of action plans?
- To what extent contractual obligations around CG being incorporated into the Loan Agreements?
- How are action plans monitored?



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Plan 1

Item	Proposed Time Frame	Recommendation	Comments
<i>Commitment to Corporate Governance Principles</i>			
1	March 2010	(i) Formalize the shareholders agreement - there are some informal understandings among the two families but these need to be formalized and disclosed to all shareholders – Short Term.	<p>The informal understandings that need to be finalized and disclosed to all shareholders are:</p> <ul style="list-style-type: none"> (ii) Involvement of only a limited number of family members in the business (iii) Involvement of additional family members – family employment criteria. (iv) Handover to the next generation - the role of their heirs in relation to the company (v) Exit procedure for one of the families (any restriction on transferability, preferential right, tag along between existing shareholders) (vi) Other issues that may require the two shareholders to act in concert (vote the same way), i.e., the decisions that will require their consent; (vii) involvement in other, competing businesses (viii) distribution of senior board and management positions - e.g., who appoints/nominates which position (ix) attracting new shareholders/investors (x) any policy regarding the distribution of profits <p>dispute resolution (mediation, buy-out)</p>
2	December 2009	Formalize CG-related policies, such as the CG code, Ethics Code, Board and Board Committee charters - medium-term, but at least a year or so before the intended IPO;	
3	June 2010	Develop a road map for IPO preparation (consistent with these recommendations and the CG provisions of the listing requirements) and assign a corporate body, e.g., Board committee, or a special committee, to be in charge of overseeing the implementation of the road map.	



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Plan 2

30/03/2013	4	Código de Ética
30/05/2013	2	Plan de Sucesión para el Presidente del Directorio/Consejo de Administración.
30/05/2013	3	Plan de Sucesión de la Plana Ejecutiva
30/06/2013	6	Reglamento Interno para el Directorio
30/06/2013	7	Reglamento de la Secretaría del Directorio
30/07/2013	1	Código de Gobierno Corporativo
30/07/2013	5	Plan Estratégico



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Plan 3

#	Recommendations/Action Items	Responsibility	Deliverable	Deadline (Date)	Status end September 2014
Structure & Functioning of the Board of Directors					
1	Board meetings at aJ-BV level should occur at least 2 times a year; board meetings at aJ-TSC level should occur at least 4 times a year. The Board will adopt an annual calendar that determines all meetings on an annual basis.	HvN, MR	Annual calendar	January 31, 2014	DONE as per Board planning calendar issued January 2014
2	Adopt a one-tier structure for aJ-BV's board with MR as Non-executive Chair, two further Non-executive Directors, namely IS as a Nominee of AgrieVie and KC as a Nominee of Doehler and two Executive Directors, HN as CEO and DOH as CFO.	MR	Board resolution/ changes in Articles of Association	March 31, 2014	DONE as per Board resolution approved early April 2014
3	Have DOH and possibly ID ¹ resign from aJ-TSC Board once a representative from Doehler is appointed and have HvN then become the Chairperson of aJ-TSC's Board.	HvN, DOH, ID	Resignation letter, registry of changes in Company Register	First half of 2014	DONE for DOH and HvN as per EGM April 2014
4	Create Board Committee structure for aJ-TSC Board, including an Audit & Risk Committee, the latter with at least two members-one being from a minority shareholder. The audit committee will (i) suggest the appointment of external auditors and oversee their relationship with the company; (ii) define the ToR, arrange appointment and monitor the effectiveness of, and receive regular reports from, the internal audit function; (iii) review financial statements and procedures, as well as systems of internal control over financial reporting; and (iv) may also review the company's risk management framework, (v) review the auditor ICMs and ensure action taken in a timely manner	HvN	Respective Committee Charters	July 31, 2014	IN PROGRESS structure was discussed and progressed at last Board meeting and TORs will be discussed at upcoming one on 1 st November
5	Define roles of Boards in aJ-BV and aJ-TSC vis-à-vis Management. From then on, the two Boards' focus should be on performance monitoring and strategic advice, not operational or day-to-day matters.	MR, HvN	Board Charters for aJ-BV and aJ-TSC	July 31, 2014	DONE - change in focus already implemented as per April 2014 Board Meeting and to be reinforced at November meeting
6	Reduce aJ-TSC Board to 6-7 members with the Chairperson and one additional Board seat for aJ-BV Representatives. The other Nominees will be from Doehler, Agrie-Vie, F&S and PPESA.	HvN	Board Resolution/Resignation letters	January 31, 2015	IN PROGRESS Currently seven active members, ID has not been participating since but will start again as MR will resign to reduce aJ-BV and PPESA to two and AVF, F&S, and Doehler one each.



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Part 2: 'The Good, the Bad, and the Ugly'

The Specifics of CG Action Plans

- Deadlines can be counter-productive and result in box-ticking exercises.
- An objective proof is at times difficult to get.
- You have to carefully select who the responsible person for the action item should be—ideally not only resort to the Company Secretary but have a mix of the Chair of the Board, the CEO and the Company Secretary depending what type of action item.
- Just stating a headline is not enough, even if it refers to well-defined concepts such as an audit committee of the board.



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Part 2: 'The Good, the Bad, and the Ugly'

Contracting of Action Plans

Corporate Governance Improvement Plan:

The Company's Board of Directors shall adopt a Corporate Governance Improvement Plan ("**CGIP**") based on the details set out in Annex ... and shall include an implementation schedule and reporting mechanism mutually agreed between the Company and DFI.



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Coffee Break



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

DFI Clients Sharing their Experience with Corporate Governance Improvement Plans



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

Cocktail Reception



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

A reminder and a preview



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Barry Lawson
CDC Group Plc



Flexible

One size doesn't fit all



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Corporate Culture



So we're agreed - honesty is the best policy – let's call that option A



Balance





Independence





Openness Pr 9 – Disclosure and Protection





A hero or a nuisance?

- Whistle-blower
A person who exposes misconduct, alleged dishonest or illegal activity occurring in an organization.
 - a violation of a law, rule, regulation
 - and/or a direct threat to public interest, such as fraud, health and safety violations,
 - Corruption
- Whistle-blowers may make their allegations internally (for example, to other people within the accused organization) or externally (to regulators, law enforcement agencies, to the media or to groups concerned with the issues). – Wikipedia
- Hero's or pains?



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Champion



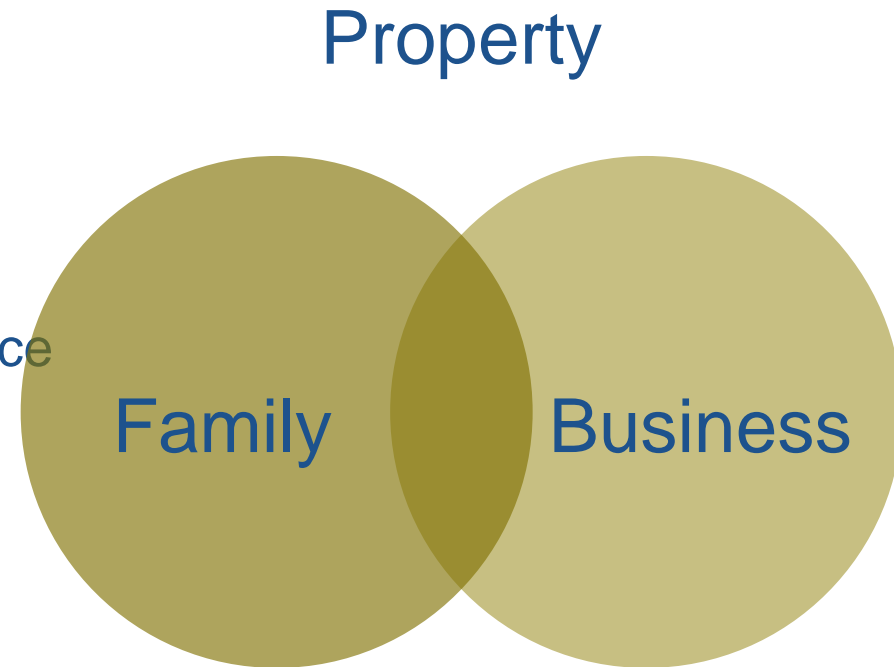


Challenges





- **Family Protocol:**
 - Succession and continuity plan
 - F-B-P interaction agreements
 - Strengthening family ties
- **Corporate Governance**
 - Improved operating performance
 - Strategic planning
 - Transparency
 - Access to financing and investment
 - Warrantees to Stakeholders
 - Risks management





Family Businesses





Family Businesses



Eventually son, you'll be in charge of all this - assuming of course that I can't come up with any better alternative.



Family Business

- Family is important and difficult
- Professionalization can hurt
- If you are measuring the performance of a board member you are measuring the performance of a family member
- Made it clear that you need to remain independent yourself – are you a lender or an investor



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Evolution





Evolution

- Funds
- Debt



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“We need to talk about” Funds

- No of people wanted to talk about how we engage funds and fund managers in the corporate governance debate
 - Corporate governance within the fund manager
 - Their driving of good corporate governance standards in portfolio managers



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Debt problem

- 80% of activity is in Debt investment
- Debt – v- Equity
 - Can you get Corporate Governance improvements?
 - Your place in a syndicate
 - Do you want to wait until there is a covenant breach?
 - So how do the E&S teams achieve it?



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Outcome may not be clear



Ensuring Internal Responsibility



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Anne Keppler

DEG



Responsibility

- The state of being responsible, accountable, or answerable.
- A duty, obligation or liability for which someone is held accountable.



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Your Experience

- Why are you interested in CG?
- What is your personal motivation?



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Role Map



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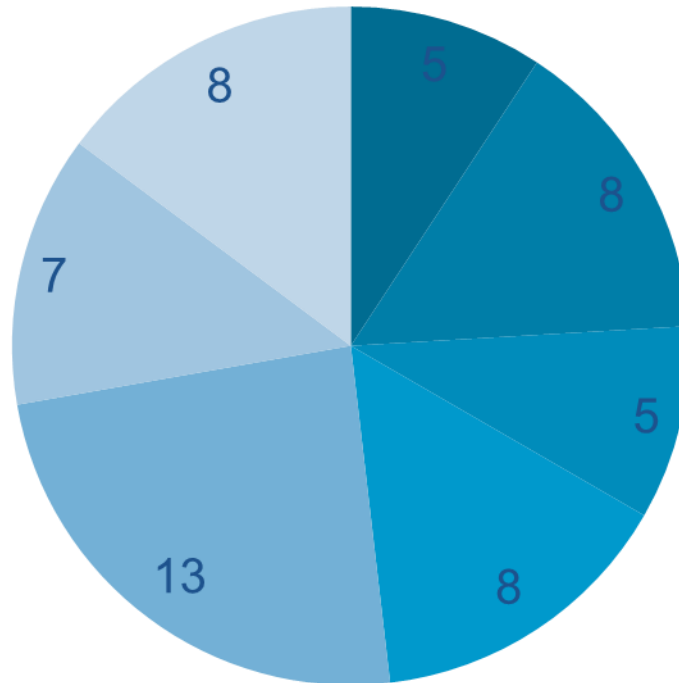


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Reporting Results



- ESG - 5
- Operations- 8
- Credit -5
- Equity - 8
- Risk - 13
- Legal - 7
- Other - 8



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How do you find your ally?



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Your Experience

- Within your institution: Who agrees ? Who objects? Who supports?
- How do you manage personal objections and/or institutional challenges?
- How can we create ownership?



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Your Mission

Creating ownership

.....



and find your ally



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Thank you



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Coffee Break



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

Implementation of the CGDF: Experience, Challenges and Condition for Success?



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Enzo Gregori – *ADB*

Odile Conchou - *PROPARCO*

Darrin Hartzler - *IFC*

Lunch



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

Corporate Governance in Family Businesses



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Roberto Danel Díaz
*Consejo Coordinador
Empresarial*

Coffee Break



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**

The Website Initiative



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Ababacar GAYE

Islamic Development Bank



Outline

- Background
- Purpose
- Approach to the initiative
- Live demo
- Q & A



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Background

IDEA

- January 2011, 5th Conference held in Jeddah.

1st Version

- 2012, Demo in Cologne

Restructuring

- Manila, 2013

Knowledge Management & Communication Committee

- Anne Kepler (**DEG**)
- Dana Wilkins (**CDC**)
- Darrin Hartzler (**IFC**)
- Henrik Jepsen (**IFU**)
- Ababacar GAYE (**IsDB**)



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Purpose

Purpose: To serve as:

- the main **repository of essential knowledge and information** related to the CGDF and its implementation by signatories
- the **platform for knowledge sharing** among signatories
- the principal **vehicle for the promotion of the CGDF**

Audience

- **Signatories,**
- DFIs non Signatories,
- Investee companies,
- CG professionals,
- Public at large

Content

- **CGDF basic materials**
- Documentation related signatories' experience in implementing the CGDF
- Training events
- Outcomes of our Meetings
- Activities of the Working Group



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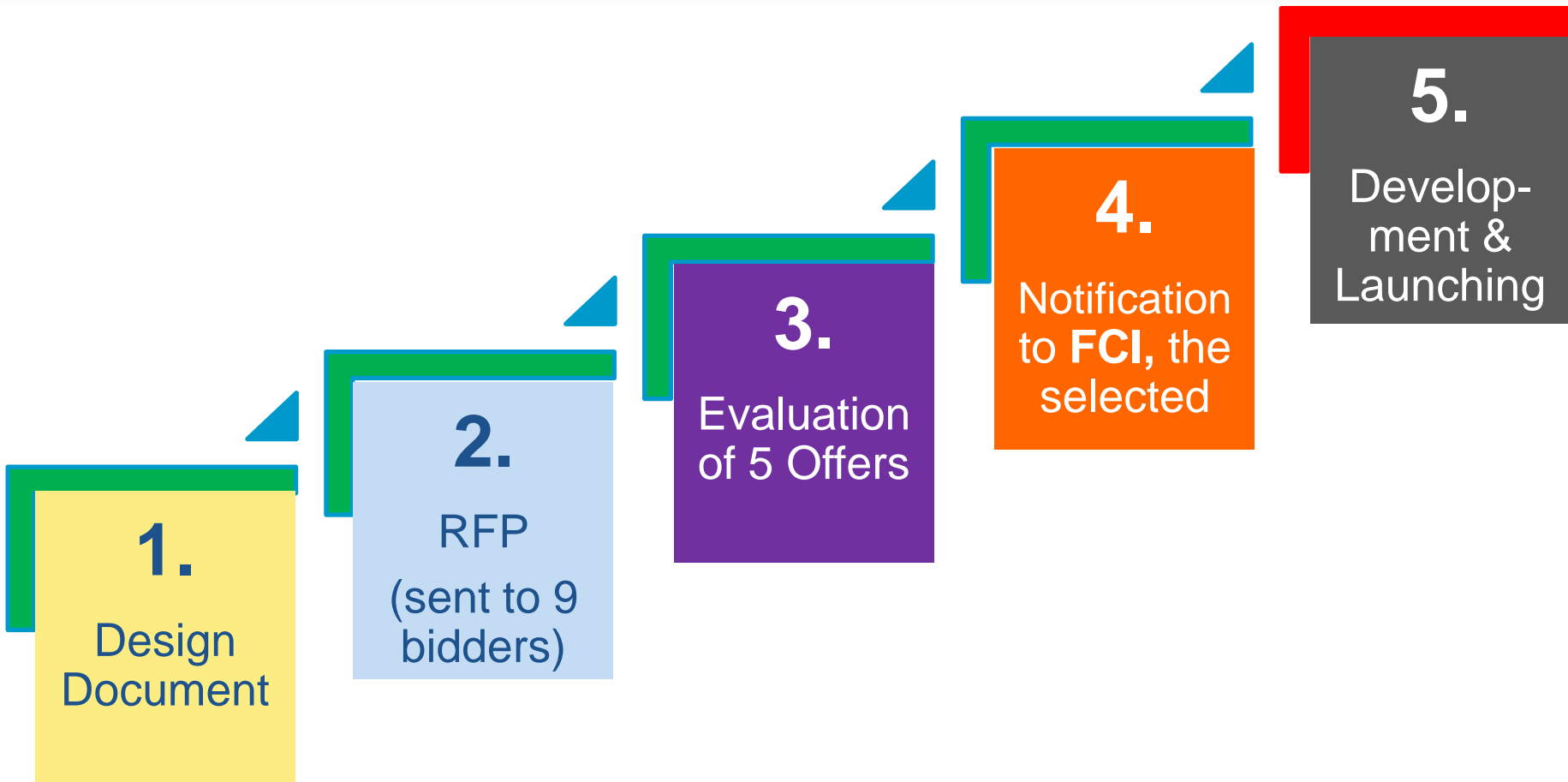


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Approach: Steps



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Approach: FCI, Services, Funding

FCI & Services procured

- ❖ Development of the website
- ❖ Hosting maintenance and the website for 3 years

Cost

- ❖ US \$: 47,560
- ❖ Including fees for 3 years maintenance and hosting

Funding

- ❖ 20 Signatories participated



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Approach: Teamwork



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DEMO



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Thank you !



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Nominee Director Committee Update



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Martin Steindl

FMO

Making the Business Case for CG



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

**Vassilis
Christakis**
BSTDB



CG Business Case

Concept

- Sub-working group formed to examine the possible relationship between the corporate governance of financial institutions (FIs) and their financial performance. Four institutions (BSTDB, FMO, IFC, and Swedfund) offered to provide CG assessments for about 15 FIs each (five for Swedfund).
- BSTDB offered to retrieve relevant financial data from Bankscope (2007-2013) and run the regression and observation analyses. The final number of FIs used was 28. Smaller number than expected due to: a) some of the proposed FIs did not have enough data in Bankscope to complete the study, and b) for confidentiality purposes, some working group members were finally not able to offer the agreed number for the sample.



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CG Business Case

Tasks and tools

- Examine the possible relationship between the corporate governance of financial institutions (FIs) and their financial performance. The CG assessment tool used was a slightly amended version of the EDFI CG assessment tool and is broadly consistent with the CG Development Framework methodology
- In the amended EDFI tool, questions regarding various CG categories relate to facts and are answered in a yes/no manner, which automatically translate to a low, medium, high (risk) score. It is, as much as possible, objective and transparent and evaluators from different institutions do not have to apply a great degree of subjective judgment.



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CG Business Case

Measuring financial performance:

- a) $Z\text{-score} = (\text{ROA} + \text{Equity}/\text{Assets}) / \text{StDev}(\text{ROA})$ in order to combine an “active” indicator such as ROA with a more stable one such as Equity/Assets to denote company shareholder strength and financial performance over time, while using the standard deviation in order to “promote” consistency of performance over time and avoid the influence of extreme outliers.
- b) Impaired Loans (NPLs)/Gross Loans in order gauge how well the FI manages its credit risk.
- c) ROA in order to determine how efficiently the FI manages its assets.



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CG Business Case

Result

- a) A large database was created with CG scores and ratios for 28 FIs in Excel. BSTDB keeps the database, which may be used for studies anonymously
- b) A regression was run in the MS Excel statistics functionality and did not reveal any significant relationship between the CG scores of the institutions and the financial indicators.
- c) NPL/Total loans and the CG scores yielded a relatively higher number than the other relationships, but still not statistically significant.
- d) The data used included the period of the financial crisis from 2008 onwards which might have influenced the above results.



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CG Business Case

Lessons

- a) Research on corporate governance issues should include as many as possible DFIs and confidentiality issues should be resolved in advance or the study should not take place.
- b) Cooperation with academic institutions or research centres should be sought under a specific framework with clear division of responsibilities.
- c) CG is more of an “art” than a science and efforts to make linkages and quantify observations should be very well thought out and researched.
- d) CG and financial performance relationships should in undertaken together with other “influencers”, such as sector, regulatory framework, size etc.



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CG Business Case

THANK YOU

For further info, please write to vchristakis@bstdb.org



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Concluding Session



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

Vassilis Christakis
*Chairperson of the
Working Group*

2015 ahead – potential tasks

- Regional Chapters
- PE Funds
- CG in debt transactions
- Involve/invite IOs



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Closing Remarks



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

**Claudia Colosio
Murrieta**

Nafin