



**13th Annual
Development
Finance Institutions
Corporate
Governance
Conference**

27-28 March 2019
Washington DC



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

Welcome & Opening Remarks

Ethiopsis Tafara, Vice President & General Counsel, IFC
Marta Viegas, Chair, DFI CG Working Group



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

Welcome & Agenda Overview

Sanaa Abouzaid, MENA Corporate Governance Lead, IFC

AGENDA
Wednesday | March 27
IFC Auditorium (B2 Level)

08:00 – 09:00	Registration & Breakfast (<i>IFC Auditorium Foyer</i>)	
09:00 – 09:30	Welcome & Opening Remarks	<i>Ethiopia Tafara, Vice President & General Counsel, IFC</i> <i>Marta Viegas, Chair, DFI CG Working Group</i>
09:30 – 09:45	Welcome & Agenda Overview	<i>Sanaa Abouzaid, MENA Corporate Governance Lead, IFC</i>
09:45 – 10:45	Advancing the Vanguard: The IFC Integrated Corporate Governance Methodology	<i>Chuck Canfield, Global Corporate Governance Lead, IFC</i> <i>Atiyah Curmally, Principal Environmental Specialist, IFC</i>
10:45 – 11:15	Coffee Break	
11:15 – 12:30	Investing in Fragile and Conflict Affected States (FCS): Understanding and Mitigating CG Risks	<i>Michael Apel, Head of Financial Intermediaries for the Caribbean Region, IDB Invest</i> <i>Mary Porter Peschka, ESG Director, IFC</i> <i>Martin Spicer, Blended Finance Director, IFC</i> Moderator – Merima Zupcevic, ECA Corporate Governance Lead, IFC
12:30 – 13:30	Lunch (<i>IFC Auditorium Foyer</i>)	
13:30 – 15:00	CG Trends in Early Stage Innovation Companies	<i>Gian Piero Cigna, Associate Director, EBRD</i> <i>Lauren Cochran, Managing Director, Blue Haven Initiative</i> <i>Emmanuel Smadja, CEO, MPOWER Financing</i> <i>Martin Steindl, Manager Corporate Governance and Capacity Development, FMO</i> Moderators – Deborah Drake, Vice President, Centre for Financial Inclusion <i>Jasper Veel, Corporate Governance Officer, FMO</i>
15:00 – 15:30	Coffee Break	
15:30 – 17:00	Funds – Towards Better Alignment with the CG Development Framework	<i>Stephanie Komsa, Head of Operations, Quona Capital Management, Ltd.</i> <i>Monika Scherer, General Counsel, Microvest Capital Management, LLC</i> Moderator – Mike Lubrano, Managing Director, Cartica Management, LLC
17:00 – 17:30	Closing – Wrap-up Session	<i>Vassilis Christakis, Principal Officer, BSTDB</i>
18:00 – 20:00	Cocktail Reception (<i>IFC Atrium</i>)	



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

Social Media | **#CorpGov #ESG @IFC_org #sustainability**



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

Advancing the Vanguard: The IFC Integrated Corporate Governance Methodology

Chuck Canfield, Global Corporate Governance Lead, IFC
Atiyah Curmally, Principal Environmental Specialist, IFC

Overview of IFC Integrated Corporate Governance Methodology

Introduced by: Atiyah Curmally
Principal Environmental and Social Specialist

Presented by: Chuck Canfield
Principal Corporate Governance Officer



*Creating Markets,
Creating Opportunities*

March 27, 2019
Washington, D.C.

OVERVIEW

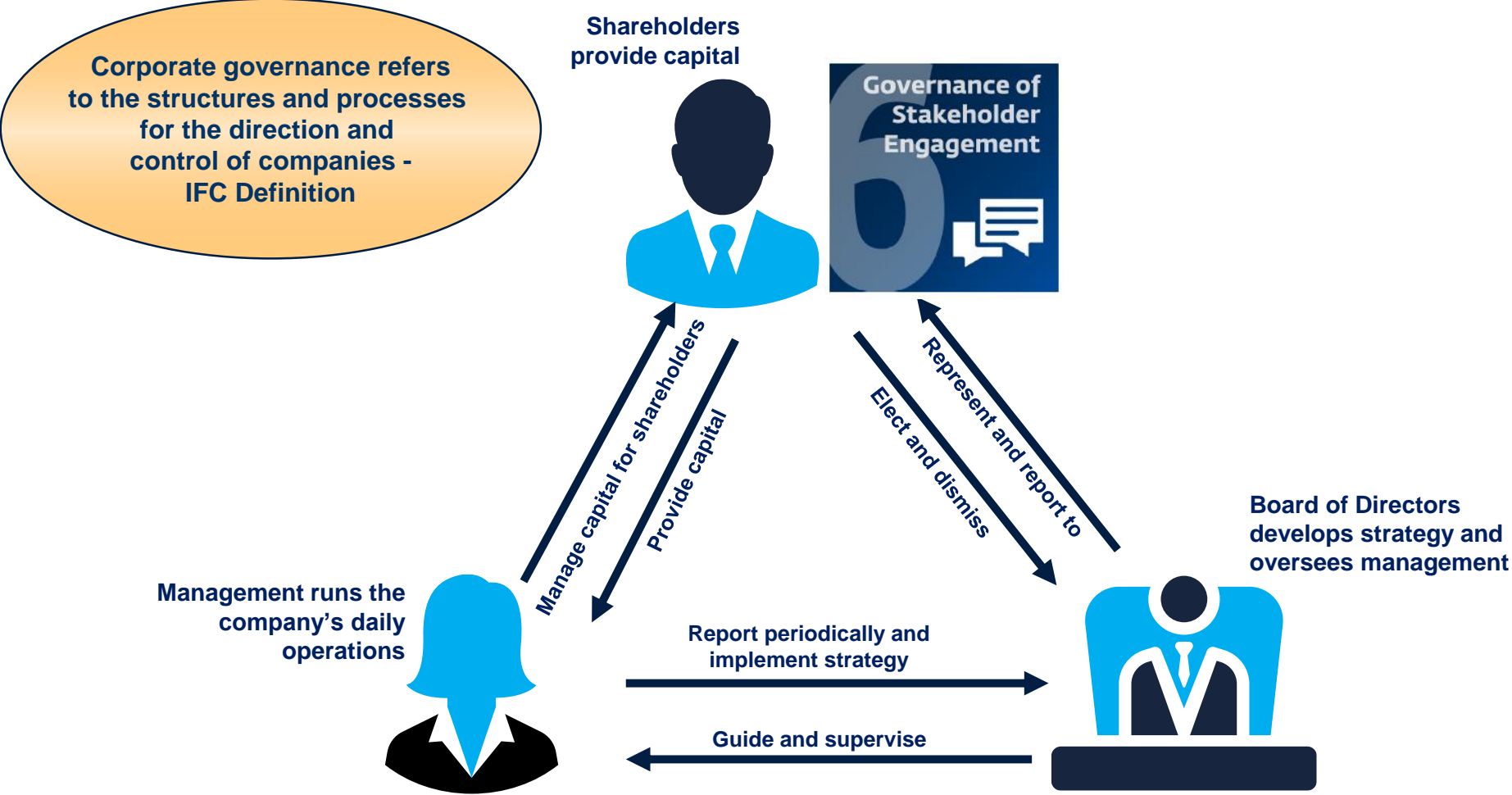
- Background on ESG integration
- Definition of Corporate Governance (CG)
- Overview of CG Elements
- Overview of E&S Integration into CG Methodology
- Sample CGA Under New Methodology

BACKGROUND ON ESG INTEGRATION

- ✓ Changes in Best Practices/Conclusion that E&S needs to be integrated into CG:
 - Standard setters > UN PRI, ICGN, WFE, UN SSE, IOSCO, OECD, EU, US SEC, TCFD
 - Reporting & Disclosure > GRI, IIRC, SASB, UN GC, ISO, UN SSE, CDP, CDSB, TCFD, etc.
 - Institutional Investors / Asset Managers > Aviva Investors, Blackrock, Cartica Capital, Bank of Montreal, Triodos, etc.
 - Various Standards and Codes (S.A., Brazil, H.K., etc.) incorporated E&S/Sustainability
 - Data providers > Bloomberg, ISS, MSCI, Sustainalytics, etc.
 - Rating agencies > S&P, Moodys

- ✓ Governance of Stakeholder Engagement

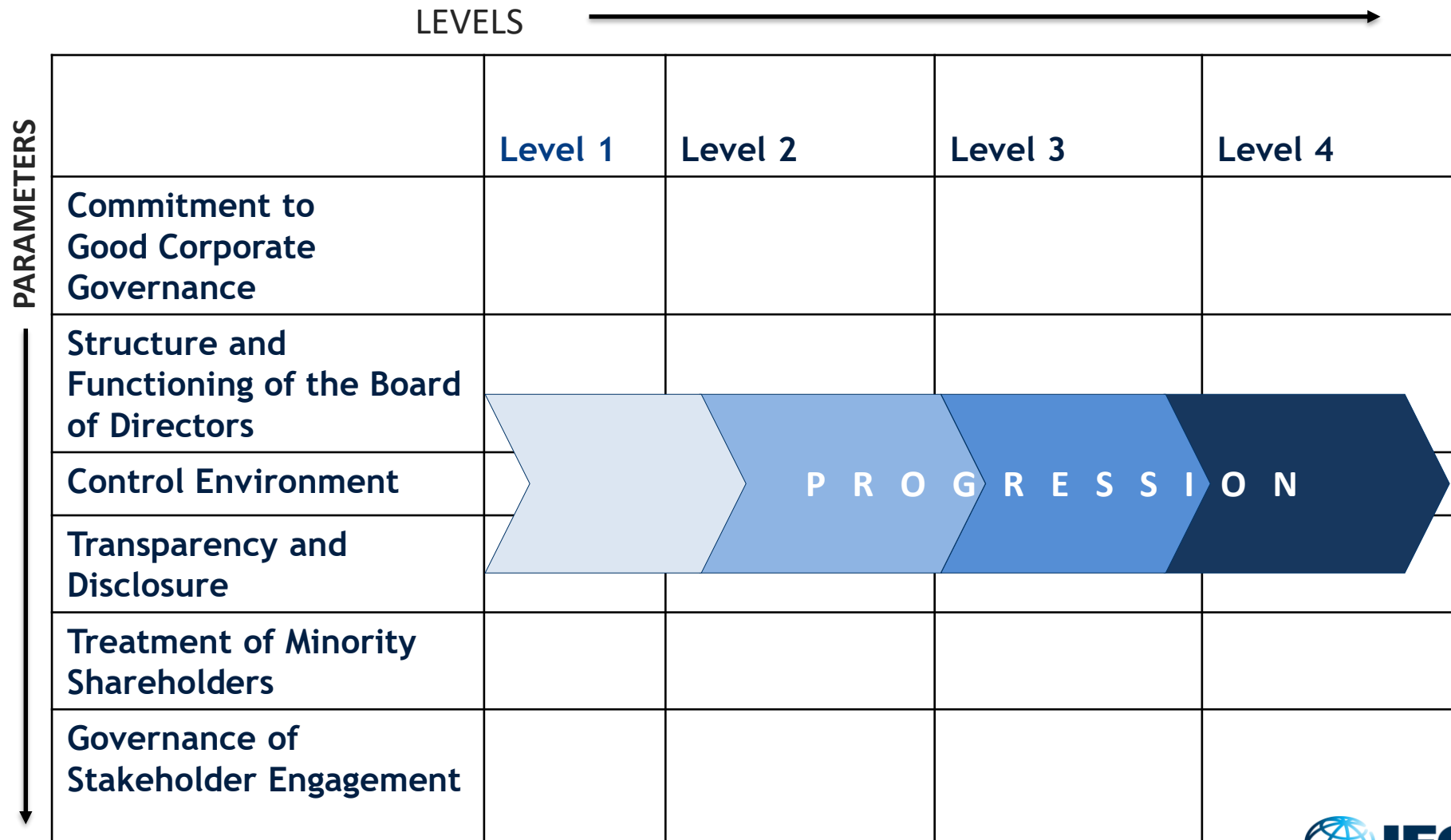
WHAT IS CORPORATE GOVERNANCE?



CORPORATE GOVERNANCE PARAMETERS



PROGRESSION APPROACH: IFC CG METHODOLOGY



HIGHLIGHTS OF CHANGES-E&S COMPONENTS

<p>Commitment to <u>ESG (Leadership and Culture)</u></p>	<ul style="list-style-type: none"> • ESG integration and Stakeholder Engagement • Oversight of ESG at the Board level / Board level committee to review ESG issues • National / Global Leader in ESG
<p>Structure and Functioning of the Board of Directors</p>	<ul style="list-style-type: none"> • Board approves sustainability strategy and E&S policies • Board verifies ESMS is in place and audited • E&S issues are a recurring Board agenda item • Board member with understanding of E&S risks, and if sensitive industries, then at least one E&S Expert
<p>Control Environment</p>	<ul style="list-style-type: none"> • ESMS integrated into the corporate Risk Management framework • Head of E&S/ Sustainability has unfettered access to the Board and reports to the Risk Management Committee or Sustainability Committee of the Board
<p>Transparency and Disclosure</p>	<ul style="list-style-type: none"> • Annual Report includes ESG reporting • Annual Report uses IIRC, GRI, SASB and/or other acceptable framework • E&S data is subject to independent assurance
<p>Treatment of Minority Shareholders</p>	<ul style="list-style-type: none"> • Addition of Sixth Parameter Governance of Stakeholder Engagement

GOVERNANCE OF STAKEHOLDER ENGAGEMENT

Stakeholder Mapping	<ul style="list-style-type: none"> • Key stakeholders are identified • Designated senior executive assumes responsibility for stakeholder relationships • Commitment to SE is visible to staff, contractors, suppliers and collaborators via codes of conduct or similar that set out core expectations in relation to issues such as stakeholder interactions
Stakeholder Engagement Policy	<ul style="list-style-type: none"> • Stakeholder engagement (SE) policy • SE incorporated into Board decision-making and ext. reporting • Board ensures appropriate dialogue with key stakeholders. • SE activities is recurring board agenda item • Annual report includes sustainability data/information and how the company's activities materially affect stakeholders
Worker Grievance Mechanism	<ul style="list-style-type: none"> • Grievance mechanism for workers • Management responds on a regular basis • Elevated issues resolved with worker representative • Board informed of grievance outcomes on a regular basis
Affected Communities Grievance Mechanism	<ul style="list-style-type: none"> • ECM where stakeholders can ask questions or complain • Grievance mechanism for Affected Communities • Unresolved SE issues require Management action Plan • Independent audit on grievance mechanism effectiveness to Board

REVISED MATRIX, SELECT PROVISIONS

B. Structure And Functioning Of The Board Of Directors

1. Basic ESG Practices	2. Intermediate ESG Practices	3. Good International Practices	4. ESG Leadership
<ol style="list-style-type: none"> Board meets regularly and is charged with objectively overseeing management. Board members are given sufficient time and information to exercise their duty. 	<ol style="list-style-type: none"> The board as a whole undergoes an annual evaluation. Strategy and risk appetite approved by the board. 	<ol style="list-style-type: none"> Committees and individual directors undergo an annual evaluation. Formal performance evaluation of management conducted annually. Independent committee approves all material related-party transactions. Non-executive directors meet separately at least once a year. Board-established succession plan for its members and senior management. 	<ol style="list-style-type: none"> Board and committee evaluations conducted by third party. Independent directors periodically meet separately.
<ol style="list-style-type: none"> The board has a level of independent directors in accordance with law and regulations. 	<ol style="list-style-type: none"> Board composition is based on a skills matrix. 1/5 or more of board members are independent from management and controlling shareholder 	<ol style="list-style-type: none"> 1/3 or more of board members are defined as independent in accordance with international good practice norms. Board diversity, including but not limited to gender, achieved in all aspects. Roles of chair and CEO are separate. Board chair is independent, or a lead independent director has been designated. Majority of audit committee membership is independent. Specialized committees address special technical topics or potential conflicts of interest (e.g., nominations, compensation, technology/cybersecurity, E&S/sustainability, risk management, etc.). 	<ol style="list-style-type: none"> 1/2 or more of board members are defined as independent in accordance with international best practices. Independent and non-executive board chair. Special board-level CG committee established. Specialized committees (governance, nominations, E&S/sustainability, and compensation) composed of a majority of independent directors, including the chair. Compensation committee ensures that executive compensation is based on performance and long-term incentives (and adjusted for all types of current and future risk), based on financial and nonfinancial performance. Audit committee membership 100% independent. Risk management or other specialized committee with a majority of independent directors, and a majority who have experience managing risks.

REVISED MATRIX, SELECT PROVISIONS

C. Control Environment (Internal Control System, Internal Audit Function, Risk Governance And Compliance)			
1. Basic ESG Practices	2. Intermediate ESG Practices	3. Good International Practices	4. ESG Leadership
<ol style="list-style-type: none"> 1. Company has established documented internal control policies and procedures. 2. Written Management Letters received from external auditor. 	<ol style="list-style-type: none"> 1. Audit committee ensures corrective actions on control deficiencies identified in Management Letters. 	<ol style="list-style-type: none"> 1. Board routinely monitors risk management and compliance with policies and procedures. 2. "Three lines of defense" model of risk management, internal control and internal audit has been adopted.³ 	<ol style="list-style-type: none"> 1. Control environment in accordance with highest international standards, including but not limited to IIA⁴, COSO, ISO 31000, 19600, 37001, and 27001. 2. The organizational structure adopted by management has a positive effect on performance, productivity, and leadership effectiveness.
	<ol style="list-style-type: none"> 2. Company has established risk-management framework with a chief risk officer (CRO) or equivalent with unfettered access to the board. 	<ol style="list-style-type: none"> 3. CRO reports to risk management committee. 	
<ol style="list-style-type: none"> 3. Internal audit function that regularly interfaces with external auditors and accountable to the board. 		<ol style="list-style-type: none"> 4. Internal audit function is independent, objective, risk-based, and has unlimited scope of activity. 5. Head of internal audit reports to the audit committee and administratively to management. 	<ol style="list-style-type: none"> 3. Audit committee ensures that the internal audit function is subject to periodic quality assessment by third party.
	<ol style="list-style-type: none"> 3. Comprehensive compliance program annually reviewed, with mechanisms to report wrongdoing and misconduct. 4. Designated compliance officer. 	<ol style="list-style-type: none"> 6. Chief compliance officer reports to the audit committee and administratively to management. 	
		<ol style="list-style-type: none"> 7. Audit committee owns relationship with external auditor (EA), agrees on scope and audit fees, and undertakes a periodic quality assessment of EA, using relevant Audit Quality Indicators. 	<ol style="list-style-type: none"> 4. Audit committee reviews long association of external auditors.

REVISED MATRIX, SELECT PROVISIONS - STAKEHOLDER ENGAGEMENT

F. Governance of Stakeholders Engagement ⁶

	1. Basic Practices	+	2. Intermediate Practices	+	3. Good International Practices	+	4. Leadership
Stakeholder Mapping	1. Ad hoc stakeholder-identification, including workers, customers, regulators, and the locally Affected Community.		1. Key stakeholders identified also include local nongovernmental organizations (NGOs) and civil society organizations (CSOs).		1. Formal stakeholder-mapping process and expanded definition of stakeholders includes contracted workers, primary-supply-chain workers, neighboring projects, and international NGOs and CSOs.		1. Senior executive responsible for stakeholder relationships, including ensuring integration with strategy and target setting.
Stakeholder Engagement Policy			2. Established Stakeholder Engagement (SE) policy and procedures.		2. SE policy and strategy includes procedures with stakeholder analysis, differentiated approaches for priority groups, iterative disclosure and consultation requirements, and reporting. ⁷		2. Commitment to SE visible to staff, contractors, suppliers, and collaborators via codes of conduct setting out expectations for stakeholder interactions and human rights. 3. SE practices incorporated into requirements for primary suppliers. 4. SE activities and outcomes included in board decision making and external reporting procedures.
Worker Grievance Mechanism	2. HR policy and procedures for worker engagement.		3. Basic grievance mechanism for workers.		3. Management responds to grievances from workers and contracted workers on a regular basis.		5. Issues raised through grievance mechanism for workers are analyzed and resolved with the participation of a worker representative. 6. The board is informed about grievance outcomes and trends on a regular basis.
Affected Communities Grievance Mechanism	3. Informal response to stakeholder requests and concerns.		4. External Communications Mechanism for stakeholder questions and complaints, and if there are Affected Communities, a grievance mechanism is established.		4. External and publicly accessible communication procedure. ⁸ 5. Grievance mechanism facilitates the resolution of concerns from Affected Communities. 6. Designated Affected Communities engagement personnel have clearly defined responsibilities, training, and reporting lines to senior management and the board. 7. SE policy incorporated into requirements for contractors. 8. Unresolved stakeholder issues require a management action plan.		7. Periodic analysis of grievances to identify trends and root causes is conducted by senior management. 8. Senior management participate actively in international industry discussions on related topics. 9. SE and reporting consistent with international standards (AA 1000 Standards on Stakeholder Engagement and Accountability Principles and ISO 26000).

DIVISION OF ROLES

BOARD Roles & Responsibilities	<ul style="list-style-type: none"> • Are stakeholder engagement activities and outcomes included in board discussions and external reporting procedures? • Are grievance mechanisms (or external communications mechanism) overseen by the board? • Are there processes for consultation between stakeholders and the board on environmental and social issues? • Does the board ensure that management has developed and implemented an effective Stakeholder Engagement Mechanism? 	CGO Focus
SENIOR MANAGEMENT Roles & Responsibilities	<ul style="list-style-type: none"> • Manage SE as a business function? • Have defined objectives and targets? • Allocate professional, dedicated staff? • Have established timelines and budget ? • Ensure senior management responsibility and oversight? • Create clear reporting lines between the community liaison function and senior management? • Communicate the strategy internally? • Develop and maintain a commitments register? • Manage contractor and supply chain risk? • Track changes in the quality of stakeholder relationships? 	E&S SPECIALIST FOCUS

Sample Corporate Governance Assessment Findings and Risks

Overall CG risk is MODERATE. The Company adheres to local governance structure and practices; however, there are a number of issues to be addressed that could help reduce risks, as highlighted on the following slides. Additionally, the Company has numerous opportunities to improve CG.

CG areas	Findings	Risks/Benefits
<p>Transparency and disclosure (HIGH)</p>	<p>No established disclosure policy or Annual Report; Crowe auditor for an extended period of time; Website disclosure could be improved; and CSR-like report as opposed to ESG disclosure in the form of a sustainability report.</p>	<p>Though a family owned company, continued international expansion will likely lead to increased stakeholder demand of more disclosure, without which could impact company reputation. Producing a better ESG disclosure could improve reputation amongst stakeholders and investors.</p>
<p>Board (MOD/HIGH)</p>	<p>The 15-member Board is not be maximizing its oversight role as it is largely comprised of members from management with ultimate owner veto of any decision. There are no specialized committees which oversee external/internal audit, compliance, risk management or sustainability.</p>	<p>There may be <i>de facto</i> checks and balances, but no clear oversight at the group level, which could lead to risk/control issues that could impact the profitability & reputation of the Company. Improved board oversight would reduce risk.</p>
<p>Control environment (MOD)</p>	<p>Internal controls, internal audit, compliance and risk management, and, reportedly, all these functions are housed under one entity, reporting to the CEO of this entity through which all interaction flows to the Board.</p>	<p>Lack of board oversight and independence of the internal audit function could lead to control deficiencies and ineffective corrective action. Enhanced oversight could lead to operating, reporting and compliance efficiencies.</p>
<p>Commitment to good CG (MOD)</p>	<p>Company follows legal requirements related to corporate governance, which on their face are adequate; however, given that it is a family owned company, such provisions are not as extensive as one would find in a public corporation.</p>	<p>A compliance orientated approach to CG could provide minimum structures and functions, which could fail to enhance reputation. An ESG performance approach would improve reputation amongst companies and stakeholders.</p>
<p>Governance of Stakeholder Engagement (MOD)</p>	<p>Stakeholder Engagement (SE) appears to be <i>ad hoc</i> outside of Country; and the Board does not appear to oversee, though the Chair has handled issues individually.</p>	<p>If SE is not adequately overseen by Board it could lead to increased E&S risk, which could impact reputation, especially amongst NGOs and CSOs. Better SE would improve reputation.</p>
<p>Shareholder Rights (LOW)</p>	<p>Currently, family owned with no outside shareholders. No reported issues with owners.</p>	

Risk

TRANSPARENCY AND DISCLOSURE (HIGH RISK):

Key positive features

- The Company reports according to IFRS and its auditor, Crowe utilizes ISA in conducting the audit.
- Unqualified audit opinions on financial statements examined (2016-2018).
- Reportedly, external auditor does not provide any other services beyond the audit.
- Company issues a corporate social responsibility report.

Key risks

- No auditor rotation policy and Crowe has been the auditor for 15 years.
- Company does not issue an annual report.
- Company website is limited and does not include any governance- or investor-related information.
- No disclosure policy and practice seems to be *ad hoc* in response to specific requests.
- Website could provide more information about the Company.

Recommendations:

1. Formalize the policy on external auditor selection, rotation and quality review to be conducted by the Board/Audit Committee.
2. Develop a Disclosure Policy to ensure timely stakeholder disclosure and set rules and timelines for disclosure of major transactions and other material events.
3. Publish an integrated annual report that includes at a minimum material financial, environmental, social and corporate governance information. Form an investor relations function for the group and improve website information with a focus on investor relations function.

SHAREHOLDERS' RIGHTS (LOW RISK):

Key positive features

- Reportedly, there have been no major shareholder complaints/defaults.
- Some family governance structures established.

Key risks

- Family owned with founder, who is arguably involved in management.
- Succession planning in place, but not disclosed publicly.

Recommendation:

As discussed above, disclosure and transparency should be improved and more formalized, including information about ownership and succession.

GOVERNANCE OF STAKEHOLDER ENGAGEMENT (MOD RISK):

Key positive features

- In its corporate social responsibility report, the Company identifies some stakeholders, i.e., employees, and discussed treatment, such as training, minimum wage, promoting women, other benefits.
- Reportedly, the Board Chair has handled stakeholder issues well as they arise.
- The management of social and labor risks in supply chains is established in with an in-house team, which is currently developing a fully integrated supply chain management tool, and an outsourced auditing program carried out in partnership with a new initiative.

Key risks

- Stakeholder engagement seems *ad hoc* and informal rather than a formal stakeholder mapping process.
- While the company has a formal whistle-blower function, there does not appear to be a an effective grievance mechanism for workers.
- No external communication mechanism for stakeholder questions and complaints.
- Reporting on stakeholder engagement limited to employees.

Recommendations:

1. Formalize an external communication mechanism.
2. Establish a formal grievance mechanism.
3. Develop a formal stakeholder-mapping process that includes key stakeholders, i.e., local and international Non Governmental Organizations, local and international Civil Society Organizations, customers, regulators, affected communities, contracted workers, primary-supply-chain workers and neighboring projects.
4. Formally charge a senior executive with the responsibility of stakeholder relationships, including ensuring integration with strategy and target setting.

Key Take-Aways

- Corporate Governance underpins E&S performance
- Stakeholder Engagement is a growing area of governance
- CG Specialists should consider governance of E&S in assessing company governance
- Methodology is not static

Thank you!

Questions?

More help:

ifc.org/corporategovernance



**13th Annual
Development
Finance Institutions
Corporate
Governance
Conference**

27-28 March 2019
Washington DC



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

Investing in Fragile and Conflict Affected States (FCS): Understanding and Mitigating CG Risks

Michael Apel, Head of Financial Intermediaries for the Caribbean Region, IDB Invest

Mary Porter Peschka, ESG Director, IFC

Martin Spicer, Blended Finance Director, IFC

Moderator – Merima Zupcevic, ECA Corporate Governance Lead, IFC



13th Annual
**Development
Finance Institutions
Corporate
Governance
Conference**

27-28 March 2019
Washington DC



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

CG Trends in Early Stage Innovation Companies

Gian Piero Cigna, Associate Director, EBRD

Lauren Cochran, Managing Director, Blue Haven Initiative

Emmanuel Smadja, CEO, MPOWER Financing

Martin Steindl, Manager Corporate Governance and Capacity Development, FMO

Moderators – Deborah Drake, Vice President, Centre for Financial Inclusion

Jasper Veel, Corporate Governance Officer, FMO



13th Annual
**Development
Finance Institutions
Corporate
Governance
Conference**

27-28 March 2019
Washington DC



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

Funds – Towards Better Alignment with the CG Development

Stephanie Komsa, Head of Operations, Quona Capital Management, Ltd.

Monika Scherer, General Counsel, Microvest Capital Management, LLC

Moderator – Mike Lubrano, Managing Director, Cartica Management, LLC

Engagement:

Engagement	Issue	Specific Strategy	Why Not Addressed Yet	Champions & Resistors	Alignment	Probability of Success	Upside Estimate
Disclosures – Operational	Quarterly disclosures adequate, however no AR for 2015, just financial statements. Limited disclosure of operational data (e.g. port mkt share, productivity, weight, safety).	Recommend AR to accompany financial statements. Recommend investor fact book similar to Canadian Pacific.	Rumo / ALL merger still being integrated. Likely management time is still focused on investment plan, regulatory, capital structure rather than disclosures.	Likely supported by CEO, CFO. Possible resistance from IR – would create significant more work.	Most likely aligned – expect intention of mgmt. to introduce better disclosure, but likely focusing on other areas in meantime.	Medium	Not key value driver, but demonstrates professional approach. Could attract more international investors.
Disclosures – English	Only select documents translated to English, but no apparent materiality threshold.	Recommend all documents released simultaneously in Portuguese and English.	Unclear – Cosan does not appear to translate all documents, may be a group level decision.	Possible resistance from IR – would create significant more work.	Aligned with interest of all shareholders, particularly foreign investors.	Medium	Not key value driver, but demonstrates professional approach. Could attract international investors.
Disclosures – E&S	Overall E&S disclosure is lacking. Only disclosure post merger is consolidated in Cosan report.	Recommend standalone annual Sustainability report for Rumo in English.	Management may still be distracted with post-merger integration.	Should be receptive, disclosure already at Cosan Group level.	Aligned with interests of all stakeholders (including employees, exchange).	High	Inclusion in one of the many local sustainability indices or a global index could lead to increased liquidity.
Investor Day	Investors may not be aware of changes to former ALL under Rumo mgmt. Investor Day would help educate market.	Recommend scheduling an investor day. Cartica offer to assist with materials.	Management may still be distracted with post-merger integration.	Should be receptive, Cosan Group already hosts an annual investor day.	Provides mgmt. opportunity to re-educate market. In best interests of all shareholders.	Medium	Increased certainty over ability to execute should help expand multiple.
Collapse Cosan Logistica	RLOG3 trades at ~20-25% discount to RUMO3.	Push Cosan Group + Rumo mgmt. to collapse structure.	Management may still be distracted with post-merger integration.	Receptive, already flagged collapsing structure in future.	Aligned with RLOG3 shareholders (incl. Cosan).	High	Ownership of RLOG3 would unlock ~20-25% additional value.
Regulatory – concession extensions	Paulisa, Oeste and Sul concessions expiring in 2026-28.	Push mgmt. to extend Paulista by end of 2016. Encourage mgmt. to review if worth extending Oeste, Sul.	Mgmt. in discussions with ANTT on final terms for Paulista. Also waiting impeachment.	Likely supported by mgmt. ANTT / government may not be supportive of Oeste / Sul not being extended.	Aligned with shareholders. Need to consider however damage to regulatory relationships.	High	Certainty over concession extension (particularly Paulista) could be a catalyst event.
Contingent liabilities	Rumo has R\$7.5bn of contingent liabilities not recognized on balance sheet, but analysts / investors adj. valuation to varying extent.	Encourage mgmt. to either resolve issues more quickly or have scripted response stating why they do not expect to incur these liabilities.	Mgmt. may not realize extent of valuation impact.	Likely supported by CEO, IR. CFO may not want to discuss due to accounting disclosures.	Aligned with shareholders. Need to consider legal impact of disclosures (already in judicial process).	Medium	Removing valuation adjustment for contingent liabilities could increase our base case valuation by up to R\$2.5 per share.
Non-core businesses	Rumo has full or partial ownership of port terminal assets.	Sell-down 100% stakes to part ownership.	Management may still be distracted with post-merger integration.	Likely aligned, mgmt. may already be considering.	Aligned with shareholders	Low	Positive for equity value as proceeds could pay down debt. Could be negatively perceived if sold to Cosan Group.
New opportunities	Gvmt. Infrastructure plan should include numerous rail opportunities, but Rumo is leveraged.	Encourage mgmt. to consider asset-light opportunities (e.g. operating partner for Ferrograu). Consider equity for accretive opportunities.	Management may still be distracted with post-merger integration. High leverage. Infrastructure plan not yet announced.	Mgmt. may resist – already have enough on their plates.	Ferrograu would be ideal opportunity – would more closely align Rumo with key customers.	Low	Positive, if the right opportunity, accretive & well capitalized. If poorly disclosed, could damage mgmt. reputation.

Marico's Disclosure could improve significantly in 5 Areas



ICGN

International Corporate Governance Network

Material Issue Identified	Risk or Opportunity	Commentary on systems in place and disclosure	Assessment
Raw Material Sourcing	Risk	81% of Marico's raw materials are agricultural with only 19% being from crude and petroleum derivatives/oil. Of this, the most important raw material is copra (coconuts). 65% of raw materials are sourced directly from farmers and Marico has various programs in place for farmers to increase yields and understand best agricultural practices. After coconuts, safflower, sunflower, and Kardi seeds are used for oil. There is no added palm oil in Marico's products. Less than .5% is palm oil derivatives. Marico is the largest buyer of safflower in India. Marico has engaged with 600 farmers covering 1,250 acres, providing high yielding seeds free of cost and a buying guarantee at MSP. There are press reports claim that Marico spent years trying to dis-intermediate its supply chain through opening a copra collection center in Madurai, Tamil Nadu and establishing relationships with small farmers. Interventions have improved seed replacement rate to 31% from 0.07% resulting in 2% increase in oil content from 29.5% in FY12 to 30.15% in FY16. No indication of whether there are supply chain management includes human rights or environmental concerns.	Room for improvement - especially in regard to policies
Packaging	Opportunity	Marico sells over 1B blue bottles of Parachute coconut oil every year. Company has continuously focused on reducing plastic usage through innovation, achieving one of the lowest packaging materials/gram in its categories. Company says materials that cannot be reused are sold to authorized recyclers. Company should look to sustainability certification schemes and disclose that 97% of the packaging is recyclable.	Room for improvement
Water	Risk	Marico has a water efficiency policy and has several initiatives at plants to optimize water usage, such as rainwater harvesting systems and sewage treatment plants. Marico has reduced water consumption through automated irrigation systems, installation of sewage treatment plants. Two of eight of Marico's plants consume a large amount of water (Baddi & Pondicherry). No key performance indicators on consumption.	Room for improvement
Energy	Risk	The company has ISO 50001, an energy management system for its plant which consumes the most energy. It has an emissions reduction policy. Marico adopted a structured approach for reducing power and fuel consumption by leveraging Energy Experts, Trainings on Energy Management to key team members, and Industry benchmarking. Initiatives have resulted in energy savings and reduction in carbon footprints at its plants (page 98 of AR). 100% of manufacturing facilities have ISO 14001. Company said 84% of energy is thermal renewable and the rest is electricity from grid, but they would like to get to 100% thermal. Company discloses energy intensity, GHG emissions, and biomass energy usage KPIs.	Adequate
Health and Safety	Risk	The company employs 1,463 people, of which 11% are women. Of consumer facing roles, 33% are women. It has a health & safety policy. No complaints filed in FY15 regarding child labor, forced labor, involuntary labor or discriminatory employment. 2 complaints filed regarding sexual harassment that were resolved by end of year. 66% of permanent employees participated in safety and skill training in FY15. Has OHSAS 18001.	Adequate
Responsible Marketing & Innovation	Risk & Opportunity	Marketing is one of the Company's largest expenses, representing 10-15% of sales. Marico brands Saffola as "heart healthy." In 2014, the Advertising Standards Council of India (ASCI) upheld 56 complaints over misleading advertisements filed against a number of companies including Marico. The companies reportedly carried out promotions and other advertisements on products that they were not able to meet or substantiate. Olive oil producers in India have also written to the advertising watchdog and food regulator protesting against Marico's advertisements that claim its edible oil brand Saffola Total is healthier than olive oil. Company did not seem to understand when asked if marketing practices have since changed when mentioned on the call in Jan. 2017. Company said medium to long-term goal is to have products with sustainability certifications/organic labels, but do not currently have any.	Lacking
Product Safety	Risk	Company says all food and edible oil units are FSSC 22000 certified for Food Safety systems. Each has analytical and testing laboratory, which is certified by NABL (National Accreditation Board for Testing & Calibration Laboratories). All Raw and Packaging Material goes through stringent food safety and quality control checks during the incoming stage. All the material vendors are periodically audited for compliance to specifications and Quality and Food Safety Systems. The Manufacturing Plant is designed in-line with international standards of GMP. No sense of audit schedule given.	Room for improvement



Quona Capital Corporate Governance Approach

Stephanie Komsa
March 27, 2019

We believe in the potential of technology to catalyze financial inclusion in emerging markets.



Delivering payment solutions so that Nadeem and Huda can pursue their dream of building a successful catering business



Digitizing payments so that entrepreneurs like Maureen don't waste precious time travelling to pay bills in person



Extending working capital loans to SMEs so that retailers like Rosa can hire employees, buy inventory, and grow their business

- Venture capital firm dedicated to **financial technology for inclusion in emerging markets**.
- Invest in scale-up stage companies that are expanding **access to quality financial services for underserved consumers and small businesses** in Africa, Latin America, and Asia.
- Back entrepreneurs/companies with the potential to provide **outstanding financial returns** and promote **breakthrough innovation** in financial inclusion.
- Founded in **2015**. Approximately **US\$ 250 million assets under management** (two funds and one separately managed account). Over **\$90 million invested in 18 portfolio companies**.
- Strategic partnership with **Accion**, a global nonprofit committed to creating a financially inclusive world. Accion is founded in 1961 with **roots in microfinance**, expanding into fintech investing.
- **Investors** include fortune 100 financial service companies, global insurance firms, development banks, impact investment firms, university endowments, foundations, and high net worth individuals.

QUONA BACKGROUND (3 of 4)

Investment Portfolio



Map includes Quona's three managed portfolios: Accion Frontier Inclusion Fund (AFIF), Accion Frontier Investments Group (FIG) and Accion Quona Inclusion Fund (AQF)

Investment Profile

Mission Driven Investing

Expanding access to quality and affordable financial services

Verticals for enabling innovative business models for inclusive financial services



Company Stage

Revenue-generating companies
Tech-enabled biz models
Teams ready to scale up

Investment Size

**\$2M-\$7M initially
plus significant follow-
on investments**

Criteria

Market financial returns
Measurable social impact

Investment Instruments

Equity (~90% of our investments)

- Series A & Series B Preferred Shares
- Usually part of a **syndicate**
- Often as the lead, but not always

Convertible Debt (~10% of our investments)

- Bridge loan to upcoming financing round
- Every intention to convert (usually at discount to next round)

Board Representation/Approach

- **Quona Board Representation**
 - Hold in almost all cases
 - Held by 1 of the 4 Quona partners (each who lead a region)
- **Board Composition**
 - Typically representation by other syndicate participants (typically do not share seats)
 - Typically 5-6 members (3-15 range) and typically/ideally even split between mgmt./founders and investors (common and preferred) and one independent
- **Quona Board Strategy/Philosophy**
 - Management-driven (enable/encourage management to take lead and pitch strategies/solutions)
 - Consensus oriented
 - Open-minded, patient and flexible (nature of VC vs. PE; flexibility needed in early stages of business growth)
- **Board Meetings**
 - Quarterly meetings and monthly calls
 - Quarterly performance/financial presentations; annual budgeting/business plan
 - Commercial and impact performance/KPIs (underserved impact / responsible financial practices)
- **Board Committees:**
 - Formation from the get-go if not existing
 - HR/Remuneration, Finance/Audit, and if applicable Credit/Risk
- **Active Engagement Outside of Board Meetings**
 - Both Partners and IOs
 - Quona events (CEO forum, industry events)
 - Fundraising support, identification of venture debt, etc.

QUONA CORPORATE GOVERNANCE FRAMEWORK (1 of 2)

Corporate Governance Aspects of Due Diligence and Investment Terms

Due Diligence

- Investor and board dynamics: Composition, decision making, any decision making challenges, transparency, shareholder and board meeting minutes, financials issued to the board – audited and unaudited, etc.
- Corporate Structure: Subsidiaries, jurisdictions in which do business, corporate documents, etc.
- Company shareholders: Full identification, outstanding options, rights, dividend policy, etc.
- Financial: Review of audited and unaudited financials issued to the board, tax review
- ESG: ESG Questionnaire, focus on customers (see below), also HR policy and office safety
- Responsible Lending/Finance Practices: Data privacy/security, disclosures, financial literacy/awareness, fair and non-discriminatory treatment. Contributor and signatory to the **Investor Guidelines for Responsible Digital Finance** (Led by Goodwell and IFC)

Investment Terms:

- Liquidation preference, drag along, first refusal, redemption, and others typical for VC
- Anti-corruption, AML, KYC, ESG requirements
- Reporting reqs. and management consultation, information access, inspection rights
- KPI reporting requirements (commercial and impact)
- Voting rights (together with common stock)
- Consent rights
- Board requirements (as per prior slide)
- Employee stock ownership plan



QUONA

CAPITAL

Fintech for Inclusion

www.quona.com

Stephanie Komsa
Head of Operations
stephanie@quona.com



Washington, DC

1101 15th Street NW
Suite 401
Washington, DC 20005
United States



Bangalore

Whitefield Main Road
Bengaluru
Karnataka, 560048
India

Disclaimer

This presentation is strictly confidential and is being furnished to you solely for your information. It may not be reproduced or redistributed to any other person, and it may not be published, in whole or in part, for any purpose. By receiving this presentation, you become bound by the above referred confidentiality obligation. Failure to comply with such confidentiality obligation may result in civil, administrative or criminal liabilities. The distribution of this presentation in other jurisdictions may also be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions.

This presentation is qualified in its entirety by the offering memorandum which should be read carefully prior to any investment in Accion Quona Inclusion Fund, L.P. (the "Fund"). This presentation does not constitute or form part of any offer for sale or solicitation of any offer to buy any securities in the United States or elsewhere nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment to purchase shares. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended (the "Act"). This presentation is being made only to investors that, by means of their attendance at this presentation or their request to review this presentation, represent that they are "Accredited Investors" as that term is defined in the Act and "Qualified Purchasers" as defined in the Investment Company Act of 1940, as amended (the "Company Act") or whose purchase of the interests otherwise qualifies for an exemption from registration under the Company Act. Quona Capital Management Ltd. (the "Investment Manager") or Accion Quona Inclusion Fund GP, LLC (the "General Partner") or any of their respective affiliates or subsidiaries has not and does not intend to register any securities of the Fund under the Act or offer any securities of the Fund to the public in the United States. Any decision to purchase shares in any offering should be made solely on the basis of the information to be contained in the confidential offering memorandum of the Fund. This presentation has not been reviewed or authorized by the Cayman Islands Monetary Authority, the U.S. Securities and Exchange Commission or any other securities regulatory authority of any jurisdiction. No reliance may be placed for any purposes whatsoever on the information contained in this document or on its completeness. All information in this presentation is subject to verification, correction, completion and change without notice. No representation or warranty, express or implied, is given or will be given by or on behalf of the Investment Manager or the General Partner or any of their respective affiliates, or agents, or representatives, or any of such persons' directors, officers, employees or advisors or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this document and any reliance you place on them will be at your sole risk. In addition, no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) is or will be accepted by the Investment Manager, the General Partner, or any other person in relation to such information or opinions or any other matter in connection with this document or its contents or otherwise arising in connection therewith.

This presentation includes forward-looking statements. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding the Fund's prospective resources, contingent resources, financial position, business strategy, management plans and objectives or future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Fund's actual resources, reserves, results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Fund's present and future business operations and strategies and the environment in which the Fund expect to operate in the future. Forward looking statements speak only as of the date of this presentation and the Fund expressly disclaims any obligation or undertaking to release any update of or revisions to any forward looking statements in this presentation, any change in the Fund's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Information in this presentation is as of December 2017, unless otherwise indicated.

Certain information contained in this presentation is based on, or derived from, information provided by third-parties. The Investment Manager and the General Partner believe that such information is accurate and that the sources from which it has been obtained are reliable. The Investment Manager and the General Partner cannot guarantee the accuracy of such information, however, and have not independently verified the assumptions on which such information is based. None of the Fund, the Investment Manager, the General Partner or any of their respective affiliates or subsidiaries assume any responsibility for the accuracy or completeness of such information.



CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK



International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

13th Annual
Development
Finance Institutions
Corporate
Governance
Conference

27-28 March 2019
Washington DC

Closing – Wrap-up Session

Vassilis Christakis, Principal Officer, BSTDB



13th Annual
**Development
Finance Institutions
Corporate
Governance
Conference**

27-28 March 2019
Washington DC



**CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK**



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities