

G O V E R N A N C E

Promoting good corporate governance in development finance institutions

Volume II Issue No. 3

www.adfiap.org

September 2005

GOVERNANCE PROGRAM

GOVERNANCE TOOL

ADFIAP Gets Another Grant from CIPE



ADFIAP gets its third grant in as many years from the Washington, D.C.-based Center for International Private Enterprise (CIPE) to fund the Association's "Compliance Officership Program" (COP). The US\$55,000 grant aims to develop a corps of Compliance Officers (COs) in member-banks to institute good governance and anti-corruption initiatives and to set up Compliance Units (CUs) in their respective institutions to sustain these efforts.

The program will pave the way for the enhancement and strengthening of the function and role of the COs in development banks from one of documentary compliance and public relations to being more proactive in the governance and anti-corruption due diligence policies and practices in their respective organizations. This will also redound to sounder internal business management systems as their function and relationship with other units of the banks begins to be clearer and more defined. The program also will initiate the formal organization of a compliance unit within the bank as the COs expanded function takes shape. This unit will push for the earliest implementation and enforcement of good corporate governance and anti-corruption policy and practice in member-banks.

The twelve-month project includes a 5-day regional workshop to be held in Manila for present and prospective COs to equip them with new tools and best practices on the subject and to allow for an exchange of experiences among participating member-banks. The participants attending the workshop will be trained by experts and in turn will become the "pointpersons" acting as the training facilitators for the ensuing four national programs to be held in India, Fiji, Malaysia and China.

What is Corporate Governance Quotient (CGO)?

CGO is a corporate governance rating system provided by Institutional Shareholder Services (ISS) on over 7,500 companies worldwide. It evaluates the strengths, deficiencies and risks of a company's corporate governance practices.

CGQ uses a comprehensive set of objectives and consistency applied criteria for each of the companies rated. The database features corporate governance rankings on more than 7,500 companies around the world, and includes underlying data points for up to 61 corporate governance variables, categorized under eight areas of focus: 1) board of directors, 2) audit, 3) charter and bylaw provision, 4) anti-takeover provisions 5) executive director and compensation, 6) progressive practices, 7) ownership, 8) director education. Some of the variables are reviewed together under the premise that corporate governance is enhanced when selected combinations of these variables are adopted. To facilitate analytical comparison,

each company is scored individually, relative to its market index and its industry group.

The data provided in CGQ is derived primarily from public disclosure documents, press releases and corporate websites. It then goes through a rigorous verification process by ISS senior governance analysts and is put into the CGQ database

Source: <http://help.yahoo.com/help/us/fin/research/research-57.html>

"The governance of the corporation is now as important in the world economy as the government of countries"

---James Wolfensohn
President, World Bank

"Governance" is a quarterly publication of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). It highlights ideas, best practices and trends in good corporate governance. Copyright, 2004, ADFIAP. Article contributions can be sent to robertj@adfiap.org

Tips for Savvy Board Travel Planning

Let's acknowledge that arranging travel for board meetings is a high-stakes game, with your company's VIP often jetting in from around the country. Every corporate travel manager or secretary can tell horror stories of board meeting plans gone wrong, but a few steps can increase your odds for a boardroom full of happy travelers:

- Paperwork rules. Draw up checklists for every step from when the board of directors get on a plane to when they touch down there again on return. "We try to make a paper trail so that everything is documented," says Vanessa Merchant, who arranges board and corporate meetings for Capital Travel in Minnesota. Know who the contact person is at every step—travel bureau, airline, airport transport, hotel.
- Know everything you can about your directors. "We put together a registration that includes name, e-mail, fax, food needs, allergies, preferences, and put this into a database for each traveler," says Merchant.
- International companies, or those moving board meetings around to different countries, face additional headaches. "Make sure your directors have documentation to travel abroad and for every step of their trip," says Merchant.
- Rolf Shellenberger, senior travel planner for business travel firm Runzheimer, notes that one of the least considered links in the director's itinerary (and one of the most commonly fumbled) is airport transport. Shellenberger suggests a "meet-and-greet" approach, where a driver picks up the director at the airport.
- As directors become more strategic part of the company, more firms are upgrading director's travel option. Runzheimer figures show that 34% of corporate travel managers now allow board members special travel privileges (first-class air, lodging upgrades, full-size rental cars), up from 23% in 1992.

CSR

Environmental and Social Sustainability at the World Bank

Corporate Social Responsibility (CSR) is a global movement in which companies and organizations are voluntarily integrating social and environmental concerns into their operations and reporting practices.

Acknowledging that the World Bank's mission is different from the private sector, the Bank have adopted its own approach to CSR—called the Environmental and Social Sustainability (EES). EES activities are:

- ⇒ Improving the environmental impacts of the Bank's physical facilities
- ⇒ Integrating environmental and social concerns into corporate and operational procurement
- ⇒ Supporting clients on issues related to CSR
- ⇒ Disseminating information on CSR

Division of Company Functions

The role of the three parties in a limited liability company can be described in general terms, with the directors in a pivotal position between shareholders and management.

- ➔ The shareholders provide equity capital. Their powers are important but limited. They alone can appoint and dismiss directors. Their agreement is required for certain types of transaction (specified either by the general law or by the company's by-laws), such as raising new capital, or major acquisitions and disposals.
- ➔ The directors are entrusted by the shareholders with the running of the business. They owe their loyalty to the company and are accountable to the shareholders for their stewardship. Accountability implies transparency.
- ➔ Managers are appointed by and are answerable to the directors, and have authority delegated by them for running parts of the business.
- ➔ There is another dimension to accountability in respect of what are sometimes called stakeholders, people who have an interest in the company's prosperity but do not necessarily hold shares in it. They include the depositors, customers, employees, suppliers, existing and potential shareholders and investors and local communities.

CORPORATE GOVERNANCE FORUM

Promoting Corporate Governance for Sustainable Development

The Global Corporate Governance Forum is a multi-donor trust fund co-founded by the World Bank Group and the Organization for Economic Co-Operation and Development (OECD) to promote global, regional, and local initiatives that aim to improve the institutional framework and practices of corporate governance. The Forum's unique activities promote sustainable economic growth and poverty reduction within the framework of agreed international development targets. The Forum's extensive work program encompasses:

- ❑ raising awareness and building consensus for implementing of reform through meetings, briefings, policy papers, and conferences;
- ❑ supporting institution and capacity building and providing technical assistance to ensure implementation at the field level through training programs and toolkits;
- ❑ supporting research relevant to the needs of developing countries to underpin reform efforts by sound analysis through sponsoring papers and building sustainable networks for academics in developing countries; and
- ❑ disseminating best practice materials and publications through networks and knowledge management tools.

Source: www.gcgf.org