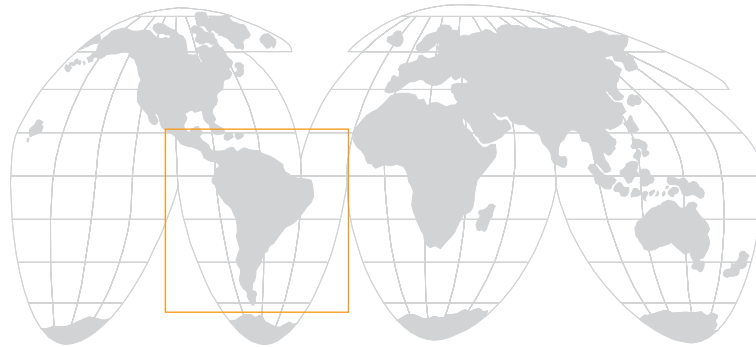


# IFC and Corporate Governance



## L A T I N A M E R I C A

### IFC Understands Latin American Business

The International Finance Corporation, the private sector arm of the World Bank Group, invested over \$5 billion in Latin America and the Caribbean during the last four years. This is IFC's largest regional portfolio. IFC's long-standing experience and knowledge of the business culture in Latin America—in privately owned as well as publicly listed companies—makes the region a focal point for its work to help clients improve their corporate governance. In fact, the methodology IFC developed in Latin America for assessing and improving corporate governance is now applied, with appropriate modifications, on a global basis.

### Corporate Governance Adds Value for IFC Clients

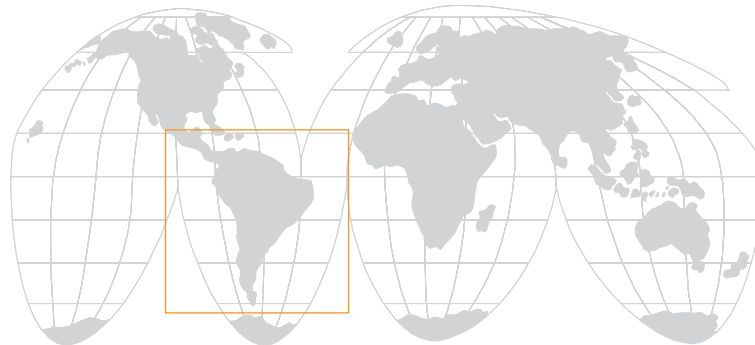
Good corporate governance practices are essential for all modern, well-managed corporations. Many Latin American enterprises are at a stage in their corporate life in which improving transparency, professionalizing board practices, and reinforcing shareholder rights have become especially important. IFC's corporate governance work with Latin American clients focuses on:

- **Realizing the Potential of Family Ownership**—Much of the global corporate governance dialogue rightly focuses on managing conflicts between controlling shareholders and other stakeholders. But it is also important to recognize the benefits, in terms of stability and

focus, that derive from having a committed set of controlling shareholders at the heart of a company. Improving governance in private companies fosters sound and efficient management. Such companies face special succession planning, capital structuring and board building challenges. In Latin America, IFC works extensively with founder- and family-controlled firms as they turn to outside managers, establish more independent and professional boards of directors, and consider listings that would bring in new shareholders.

- **Helping Banks and Other Financial Institutions**—IFC works with financial institutions to design governance systems that ensure effective oversight of the special risks these enterprises encounter on a day-to-day basis. Deposit-taking financial institutions and insurance companies require special scrutiny due to their diverse stakeholder universe, which includes depositors, policyholders, and regulators/lenders of last resort. IFC invested over \$1.5 billion in Latin America's financial sector during the last four years and in the process helped many clients tackle the corporate governance challenges that are unique to financial institutions.
- **Preparing for International Listings**—Moving into the international equity market requires many Latin American companies to elevate their corporate governance to a new level. IFC

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helps such clients develop plans for meeting the new standards in anticipation of an international IPO. As regulators in OECD countries tighten up listing requirements in response to the U.S. Sarbanes-Oxley legislation, IFC is using its position in the international market to help ensure that Latin American voices are heard.

- **Developing Local Securities Markets**—As a global investor, IFC offers experience and perspective not only to companies, but also to governments and market participants. IFC advised the Chilean, Brazilian and Colombian governments on corporate governance reforms central to developing capital markets. Technical and promotional support in the design and launch of Bovespa's Novo Mercado and other listing segments for well-governed Brazilian companies. IFC encourages its Brazilian clients to improve their practices to Novo Mercado standards and to conduct IPOs only on the Novo Mercado.

### Regional Corporate Governance Leadership

IFC is co-organizer of the Latin American Corporate Governance Roundtable, a joint effort with the OECD and the Global Corporate Governance Forum. The Roundtable brings together business leaders, investors, government officials, professionals, and corporate governance advocates to develop a public and private sector

reform agenda. This year, the Roundtable presents its findings and recommendations in a Corporate Governance White Paper for Latin America.

IFC uses the network of institutes and associations developed through the Roundtable to disseminate success stories as well as obtain feedback on emerging challenges. As this network matures, IFC has begun to tap into it to source qualified and trained individuals to sit on the boards of its client companies.

### How Can Your Company Work with IFC on Improving Corporate Governance?

The list of IFC's corporate governance clients in Latin America is growing. IFC helps them communicate the quality of their governance within their home market, across the region, and around the globe. Please contact one of our representative offices or IFC's Corporate Governance Unit in Washington, D.C. for further information.

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