

The Corporate Governance Development Framework

A framework for integrating corporate governance into investment operationsⁱ

Preamble

Corporate governance refers to the structures and processes for the direction and control of companies. Corporate governance matters because it improves investee companies' performance and helps develop capital markets. Sound corporate governance reduces risk, adds value to investments, and avoids reputational risks for investors.

Given the strong links between good corporate governance and sustainable economic development, improving corporate governance practices has become an important element of the development mission of financial institutions.

To advance this cause, 31 Financial Institutions signed in 2007 the "Approach Statement on Corporate Governance" and created a Working Group. The Working Group has since developed the Corporate Governance Development Framework ("Framework"), a common methodology for assessing corporate governance in investee companies, which includes a set of tools to help with the assessmentⁱⁱ. Signatories to this initiative are expected to implement the Framework at a pace and depth that suit their own circumstances and subject to their relevant internal approvals.

As signatories to this Framework, we endeavor to work together to advance the cause of good corporate governance and help improve the governance of the companies we work with. We also recommend that the global financial community adopt the Framework in their relevant investments.

Framework

Each signatory of the Framework undertakes to:

1. Integrate Corporate Governance ("CG") in its investment operations

- a. Adopt CG procedures and tools in line with the Framework's methodology;
- b. Where considered appropriate, conduct CG assessments of investee companies and develop CG action plans;
- c. Monitor progress of the implementation of CG action plans.

2. Ensure internal responsibility

Identify and assign an internal function that is responsible for the implementation of the Framework.

3. Provide or procure training

Ensure capacity building and knowledge transfer to staff for the implementation and further development of the Framework.

4. Collaborate with other signatories

- a. Share experience and resources in training and implementation;
- b. Contribute to developing case studies and progress reports on the above.

5. Report on implementation

Report annually to the other signatories on the internal implementation of the Framework.

ⁱ Investment operations refer to both lending transactions and equity participations in companies.

ⁱⁱ The CG common methodology tools are available at: <http://dfi-cg.isdb.org/Pages/Common-Methodology.aspx>.