



### Client Engagement

Investment Officer identifies preliminary corporate governance (CG) risks / development opportunities and involves CG Officer as needed



### CG Due Diligence

CG Assessment Methodology\*

- Commitment to good CG
- Structure and functioning of Board of Directors
- Control environment and processes
- Transparency and information disclosure
- Shareholders' rights and treatment



### Financial Closure and Disbursement

Action Plan (as applicable) with concrete steps and deadlines, potentially impacting the transaction's development impact score (DELTA)



### Supervising and Monitoring

Portfolio Management and CG Officers supervise compliance with CG Action Plan and client evolution



### Advisory Services and Capacity Building

Promote CG awareness and raise trust in the markets by developing CG framework: board of directors, risk management, internal audit, compliance program, AML/CFT policies

**RISK MANAGEMENT**  
Strategic client selection



**DEVELOPMENT IMPACT**  
Improves CG practices



**MARKET IMPACT**  
Demonstration effect

**TRUST**

## Boosts Financial Returns

Firms with stronger shareholder rights exhibit higher financial returns

Positive abnormal returns from an investment strategy that over-weights firms with strong shareholder rights

**+ 850  
basis  
points**

Gompers, P., Ishii, J., &Metrick, A. (2003). Corporate Governance and Equity Prices. The Quarterly Journal of Economics, 118(1), 107-156

## Bolsters Firm's Value

Markets reward good CG practices with higher valuations

Percentage increase in Tobin's Q ratio (equity market value/book value) that would arise from an improvement in CG practices

**20%  
70%**

Chong, A., & Lopez de Silanes, F. (Eds.)(2007). Investor Protection and Corporate Governance: Firm-level Evidence across Latin America. Inter-American Development Bank. Stanford University Press (p.50)

## Protects Brand Value and Reputation

Independent and capable audit committees reduce the occurrence of accounting scandals

Lower probability of restating earnings in firms whose board audit committee includes an independent financial expert

**↓ 31%**

Agrawal, A., & Chadha, S. (2005). Corporate Governance and Accounting Scandals. The Journal of Law and Economics, 48(2), 371-406

## Enhances Operating Performance

Professional management improves firm's operational practices and productivity

Percentage improved in management scores (World Enterprise Survey) for professionally managed firms

**↑ 34%**

Lemos, R. &Scur, D. (2013). Todo se queda en familia. Propiedad y prácticas de gestión en firmas en Latinoamérica. In Perspectivas sobre el Desarrollo. CAF, 11(1), 102-146 (p. 128)

## Grants Access to Capital

Complying with international corporate governance best practices grants access to a massive and fast-growing pool of institutional capital

In assets under management of funds that adhere to specific ESG guidelines

**> \$20  
Trillion**

Bernow, S., Klemper, B. &Magnin, Clarisse (2017). From "why" to "why not": Sustainable Investing as the New Normal. Private Equity and Principal Investors Practice. McKinsey&Company (p. 2)