

Karen Alexandra  
Hudes

Subject Re:Corporate Governance 

02/16/2007 11:55 AM  
81622 LEGKM

Dear Alex,

Thank you for getting back to me. The Russell Reynolds report in question is not restricted to feedback on my candidacy, but also concerns the failure of Mr. Wolfensohn to properly disclose to the Board the Bank's role in the failed Philippines Banking Sector Reform Loan. During my interview with Denise Grant, we discussed the fact that this damaging corporate cover-up had led to the resignation of Mr. Ko-yung Tung, and had also negatively affected Mr. Danino's relationship with the Board of Directors. Ms. Grant informed me that Russell Reynolds would recommend for this situation to be resolved before the next General Counsel assumed office.

I am attaching my memoranda to Ms. Palacio on this subject, as well as the recommendations which were before Ms. Grant.

      
mpalacio.doc mpalacio1.doc jointanonym.pdf maudit3..pdf recommendations.pdf

Under the Bank's COSO Framework, those aspects of the Russell Reynolds report which concern this matter of corporate governance are required to be fully disclosed so that ongoing internal control lapses can be properly resolved.

Best, Karen  
Alexander Anthony Ferguson

Alexander Anthony  
Ferguson  
02/16/2007 11:08 AM  
84953 CFO

To Karen Alexandra Hudes  
cc Lisa Finneran, Lisa Finneran  
Subject Communication to Mr. La Via

Dear Ms. Hudes,

Thank you for your communication of February 12 addressed to Mr. La Via in which you ask for his consent for the release of candidate information provided by the executive search firm Russell Reynolds.

We understand that Ms. Karen Merszei in HR has explained to you that candidate information and assessments provided by an executive search firm are considered highly confidential. The Bank respects this confidentiality and does not disclose such information to candidates. We understand from Ms. Merszei that Russell Reynolds has provided you with feedback on your candidacy and we suggest that if you want to seek additional information you can ask for another oral briefing from them.

Yours sincerely,

Alex Ferguson

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Alexander Ferguson,  
The Office of Group Chief Financial Officer,  
The World Bank Group,  
Tel.: 202 458 4953

Fax.: 202 522 1853

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To: Alexander Anthony Ferguson  
cc: Lisa Finneran  
Vincenzo La Via  
Fayezul H. Choudhury

Karen Alexandra  
Hudes

Subject Our Conversation

02/08/2007 11:02 AM  
81622 LEGKM

Lisa,

Per our conversation, I am forwarding you the email from Pieter Stek concerning the cover-up on the Philippines Banking Sector Reform Loan. I would appreciate your help in convening a meeting between Fayezul Choudhury, Vincenzo La Via and Paul Wolfowitz so that a situation can be avoided which involves reputational risk to the Bank.

Best, Karen

From: "Pieter Stek  
Yahoo"  
<pieter\_stek  
@yahoo.com  
>

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To: <ascoffier@cityfirstbank.com>  
Subject: visit+an issue  
Date: Wed, 23 Feb 2005 13:30:14 +0000 [\[View Source\]](#)

Dear Ann,

The issue: Karen Hudes of the Legal Department has a problem and I think it would be very useful for her to hear a passionate dispassionate view from an intelligent person who knows the Bank. The passion would be for the Bank, truth, and fairness; the dispassionateness would come from intelligence and a bit of distance. Karen has bitten into a case of failure of the Bank, harm to a country, cover-up, failure of evaluation, failure of controls, and threatening failure of the Board (Audit Committee) to take up the issue. The corollary is not hard to envisage: the Bank runs the risk of being caught with its pants down (in an area where it is lecturing the developing world on how to dress) and the whistleblower (who has not whistled in public) is at imminent risk of being dismissed, due to failure of the checks and balances in the Bank meant to protect individuals (the Integrity Directorate, the Ombudsman, the Tribunal, the President himself). I hope you will be willing to talk with her and give her the benefit of your thoughts.

In my opinion, somebody in the Bank needs to be interested and brave (staff) or a bit brave (Board). By far the most elegant way forward would be for the Audit Committee to discuss the material case from the point of view of whether the accusations against the handling of the case are correct and, if so, whether there could be a systemic aspect to this kind of failure.

One thing in my view is certain: if the truth is withheld from the Board and the Board does not even react when it has indications that this may be the case, the Board is negligent in exercising its responsibility and, therefore, also at risk. An underlying issue is whether a staff member has the duty to inform the Board if he or she hits upon a cover-up. Is one's duty towards the Bank or towards one's bosses? The parallels with other corporate, US Administration, and European Commission cases is obvious, not to speak of broader and more emotional analogies from recent history.

Karen lives at 5203 Falmouth Road in Bethesda and her private e-mail is kandbspergel@att.net

With love from us both,

Pieter

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To: Lisa Finneran