WHAT BENCHMARKS WERE USED FOR THE SCORECARD OF PHILIPPINES INSTITUTE OF CORPORATE DIRECTORS AND ASEAN SCORECARD?

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ICD Corporate Governance Scorecard

The introduction of corporate governance reforms into the Philippines began in 1998. It was associated with the realities we were facing on the ground back then. The regional neighbourhood was going through a painful financial and economic crisis (1997-1998), which also affected us in a negative, although not in as severe a manner as it affected the other parts of the region. We took the decision that corporate governance should be a major reform initiative in the Philippines. Reform initiatives continued to draw support for key segments of business, civil society, and government. It was within this broad context of realities on the ground in the Philippines that the Institute of Corporate Directors was launched. The Institute---which goes by the acronym ICD---was set up as:

a) An advocacy for corporate governance reforms
b) An autonomous teaching and reform assistance entity
c) An agency within civil society

We worked in a productive and positive partnership with government regulators to help them push the cause of corporate governance. It is with this background of promoting private-public partnership in favor of corporate governance reform that we launched our Corporate Governance Scorecard initiative in 2005. We launched the initiative of a CG Scorecard, first for Philippine publicly-listed companies (PLCs), to monitor compliance with corporate governance rules and regulations in the Philippines as an integral component of a collaborative program we were pursuing with other similar Institutes of Directors in East Asia under the umbrella of the Institute of Directors in East Asia network (IDEA.net).

For the CG Scorecard questionnaire was derived from the Organization for Economic Cooperation and Development (OECD) Principles on Corporate Governance. These principles were translated into a set of questions including those derived from rules, regulations, circulars and codes articulated in various issuances by Philippine regulators, particularly the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The scorecard aims to create awareness among Philippine corporations and other stakeholders, to measure compliance of companies to the existing rules and regulations to the internationally-accepted corporate governance practices. It is a “developmental tool” which can be used by companies to level their corporate governance practices with global practices.

The scorecard is a “compliance tool” which encourages companies to comply with the basic parameters and global standards of good corporate governance. The CG Scorecard results give investors and shareholders a general sense of the governance culture of the Philippine companies.
ASEAN Corporate Governance Scorecard

Under the ASEAN Capital Markets Forum (ACMF), 6 ASEAN economies decided to adopt a common questionnaire that will be used for an ASEAN Corporate Governance Scorecard (ACGS). This is in anticipation of the eventual inter-connection between the different participating ASEAN stock exchanges; it is also a step towards promoting the ASEAN brand to the international investment community.

To put together the ACGS, ACMF convened 6 corporate governance experts from 6 ASEAN economies: Indonesia, Malaysia, Singapore, and Thailand; with Vietnam and the Philippines eventually joining. The CG Experts Group (ACGE) formulated the questions to include in the questionnaire. The questions are consistent with the latest version of the OECD principles on corporate governance and with the recommendations of the International Corporate Governance Network (ICGN) and where appropriate, from a few economies in the forefront of promoting higher standards of corporate governance practices, e.g. Australia and the UK. The OECD framework is adopted for the ACGS, as evidenced by adoption of the 5 chapters under which the OECD corporate governance principles are grouped. These chapters are: The Rights of Shareholders; Equitable Treatment of Shareholders; The Role of Stakeholders in Corporate Governance; Disclosure and Transparency; Responsibilities of the Board. Each specific item under each chapter has been separately assessed under the principle of "racing to the top" rather than "racing to the bottom", i.e. in general, the higher standard of CG practice in any ASEAN economy became the benchmark. Furthermore, ease in obtaining information and other CG disclosure materials on the part of international investors became the operative standard. As a result, awareness and adoption of international best practices among ASEAN PLCs increased.

(Source: Corporate Governance in the Philippines by Dr. Jesus P. Estanislao, Chairman, ICD)