Corporate Governance Scorecards Training and Consultation

IFC ESG Department - Corporate Governance Group

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Contribution to Panel: Measurable Outcomes – What does a Scorecard achieve?

German and international perspectives

by

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German perspective:

While being accepted by the German Financial Analyst Society (DVFA) the level of usage has been moderate at best. Even the two main advantages of the scorecard model: the low threshold for implementation and usage as it comes with practically no cost (there are examples freely available in the internet) and the great have so far not helped to promote this tool substantially. Reasons for this are:

- No obligation of disclosure for scorecard-results
- Companies do not want to admit that they do not achieve 100 %
- Still too little awareness among analysts and researchers
- No neutral agency that checks the validity of the scoring results
International perspectives for application:

The need for an appropriate tool to measure governance received good implementation worldwide. Emerging markets have seen intensive introduction of the scorecard system. South-eastern European countries such as Bulgaria, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia have implemented a scorecard. But also among the Asian countries progress can be observed: e.g. Vietnam introduced a scorecard tool with a questionnaire consisting of a hundred questions. In the Philippines a two-step approach was introduced by the Institute of Corporate Directors (ICD) to assess the company’s level of compliance. First, a self-assessment by the companies is conducted and in a second step a university (Ateneo Law School) validates the results from the self assessment. These assessments focus on the level of public disclosure by regulatory and stock exchange filings, the corporate websites and investor communications.

Further Scorecard projects were conducted in Kazakhstan and Azerbaijan with support of and in close cooperation with the IFC.

These examples show that the idea of a scorecard is valid and the potential for further country application exists.