Corporate Governance Scorecards

Training and Consultation

June 2-3, 2014

Venue for June 2: World Bank Office, Praterstrasse 31, 21st Floor, Vienna-4 conference room 1020 Vienna, Austria

Venue for June 3: Hotel Stefanie - Schick Hotels Taborstrasse 12, Konferenzsaal “The Conference room” 1020 Vienna, Austria

| Agenda |
Background

Corporate governance scorecards are quantitative tools to measure the level of observance of a code and/or standard of corporate governance with a view to help: 1) regulators assess observance of codes and standards of best practices, 2) investors make informed decisions, 3) companies/banks analyze gaps and shortcomings of their corporate governance practices against national standards; and 4) business associations evaluate governance practices of their members and help improve governance among their membership.

Corporate governance scorecards emerged in Germany in the late 1990s as government owned companies were privatized, blue-chip companies experienced serious failures, and young companies needed equity capital. In 2000, the scorecard came out as one of a number of solutions for investors and analysts who sought a tool to assess the quality of a company's governance, which would guide them in making investment decisions. Since then, the tool has been used in many emerging market and developing countries (including Azerbaijan, Bulgaria, Bosnia and Herzegovina, Croatia, Indonesia, FYR Macedonia, Montenegro, Mongolia, Kazakhstan, Jordan, the Philippines, Serbia and Vietnam), often with the support of IFC.

As part of its strategy to develop state-of-the-art and innovative knowledge tools IFC published a supplement to its Toolkit 2 on “Developing Codes of Best Practice” focused on Corporate Governance Scorecards. This supplement provides practical guidance and a step-by-step approach on how to develop a corporate governance scorecard. It also presents different approaches to scorings based on the experience of different scorecard users in different countries. The supplement also shows how scorecards are adapted to local circumstances and the local corporate governance framework.

Meeting strategy:

This is a one-and-a-half day training and consultation designed to assist experts from regulators, stock exchanges, director training organizations and IFC in learning how to develop and implement corporate governance scorecards. The training will be based on the IFC Toolkit 2 "Developing Codes of Best Practices" supplement on Corporate Governance Scorecards.

The first day of the meeting is designed to explain the five steps in developing corporate governance scorecards and the outcomes of implementing a scorecard. The objective is to go through the step-by-step process as defined in the Corporate Governance Scorecards supplement, so participants can understand and practice each step and get to use the knowledge tool.

Each session will be a combination of short presentation introducing the issue giving theoretical background, followed by a discussion and practical exercises and group work. Each session has 3 to 4 discussants that have 5 minutes to provide the context for the group discussion that follows. All participants are encouraged to join the discussions and share thoughts, ideas and concerns.

The role of the discussant is to present the experience of their institution relative to each step in the process. Participants selected as discussants are from institutions that already have developed scorecards. All meeting participants have an equal opportunity to speak and are encouraged to take an active role in the discussion.

Written contributions are encouraged. All discussants are encouraged to select a topic from the questions found in the session during which they will speak and contribute 1-2 pages of written text that summarize the messages they would like to deliver. These could draw on existing work done in the past. No power point presentations are required. Participants who do not appear formally upon the agenda are encouraged to do the same.

The role of the facilitator - beyond keeping to the schedule--is to set the stage, present the key terms and issues, focus the discussion, lead the group work and exercises and synthesize the discussion.

The role of the expert – at the end of each session an expert with experience in developing and implementing scorecards will provide key take away messages on the discussed topic based on his/her experience.

The second day is a half day devoted to practical work on how to develop a scorecard. Working groups will be required to develop solutions to real problems in selected countries building on the knowledge acquired in Day 1.

The countries which do not have scorecards will be asked to work on developing a scorecard project, following the steps discussed the day before, paired with representatives of IFC and countries which have already developed scorecards. In this way they will have the opportunity to practice the knowledge they have acquired the day before and have a ready action plan after the training. They will present their action plans and ideas to the group and the experts’ team and the rest of the participants will prepare to comment and provide ideas and suggestions.

Countries that do not have scorecards and are willing to work on developing a scorecard project (or have a scorecard but would like to work on an action plan for its implementation) will be required to provide in advance background information about:

- Corporate Governance Code and/or standards in their country (copy in English)
- Background information about relevant legislation
- Issues to be considered
- Stakeholders that are important
- Others
## Corporate Governance Scorecards Training and Consultation

**Moderated by Philip Armstrong**

### June 2, 2014

<table>
<thead>
<tr>
<th>Time</th>
<th>Session Title</th>
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<tbody>
<tr>
<td>08:30 – 09:00</td>
<td>Registration and Coffee</td>
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<tr>
<td>09:00 – 09:30</td>
<td>Welcoming remarks and purpose of the meeting</td>
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<tr>
<td></td>
<td>Caroline Bright, Global Product Leader, IFC Corporate Governance</td>
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<td>Philip Armstrong, Senior Advisor Corporate Governance, IFC</td>
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<tr>
<td></td>
<td>• What is the purpose of the meeting?</td>
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<td>• How is the meeting organized?</td>
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<td>• What are the expected outcomes?</td>
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<td>09:30 – 10:00</td>
<td>Defining key terms and issues – CG Scorecards and Codes of Best Practice</td>
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<td></td>
<td><em>The moderator will ensure that we understand the nature of the problem and then guide the discussants in identifying the key terms in defining corporate governance scorecards and codes of best practice.</em></td>
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<td>Facilitated by Richard Frederick and Ralitza Germanova</td>
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<td><strong>Issues for discussion:</strong></td>
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<td></td>
<td>• What is a working definition of a scorecard?</td>
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<td>• What are the goals of scorecards and outcomes?</td>
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<td>• What types of benchmarks are being used for scorecards?</td>
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<td>• What kinds of codes are there?</td>
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<td>• What tools are available to encourage code compliance?</td>
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<td>• What is the evidence that scorecards encourage code compliance?</td>
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<td>• What is in CG Scorecards Supplement? Why was it created? How to use the supplement?</td>
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<td>10:00 – 10:20</td>
<td>The origin of the corporate governance scorecard</td>
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<td>The session will be structured in a form of an interview with Christian Strenger led by Kiril Nejkov.</td>
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<td><strong>Issues for discussion:</strong></td>
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<td></td>
<td>• Where did the idea for scorecards originate?</td>
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<td>• What need did the scorecard respond to?</td>
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<td>• What was the planning process?</td>
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<td>• What benchmark was used and why?</td>
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<td>• What platform was chosen and why?</td>
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<td>• Who were the key stakeholders?</td>
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<td>• How was the scorecard practically used?</td>
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<td>10:20 – 10:40</td>
<td>COFFEE BREAK</td>
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10:40 – 11:20

**Measureable Outcomes – What does a scorecard achieve?**

The purpose of this session is to jump directly to an outcome of scorecards. The objective is to briefly illustrate to the participants what the final goal of a scorecard is. The facilitator will ensure that participants understand the nature of the issue and then guide the discussants in identifying the key terms in defining corporate governance scorecards and codes of best practice. Each discussant has 5 minutes followed by an open discussion.

**Facilitated by** Richard Frederick

**Discussants:**
- Anne Molyneux - Inputs from Vietnam and Mongolia
- Bistra Boeva - Bulgarian overview
- Kristian Kaas Mortensen - Baltics’ story
- Christian Strenger – German and international perspectives

**Issues for discussion:**
- What types of reports were developed on the basis of the scorecards?
- What outcomes were achieved on the level of the institution owner of the scorecard?
- Were there wider impacts in the economy stemming from the usage of the scorecard?

11:20 – 12:00

**Step-by-step process in developing scorecard**

The purpose of the following sessions is to explain the five different steps in developing corporate governance scorecards. The objective is to go through the step-by-step process as defined in the CG Scorecards supplement of Toolkit 2, so participants can understand and practice each step and get to use the knowledge tool.

Each session will be a combination of short presentation introducing the issue, followed by a discussion and practical exercises. Each discussant has 5 minutes to present the experience of its institution relate to each step in the process. All participants are encouraged to join the discussions and share thoughts, ideas and concerns.

**Step 1 - Establish clear and realistic goals**

The purpose of this session is to help participants learn how to identify the goals of a scorecard project. The facilitator will ensure that participants understand the nature of the problem and then guide the discussants in identifying the key issues in setting up clear and realistic goals when beginning a scorecard development or plans for a scorecard project. Each discussant has 5 minutes followed by an open discussion.

**Facilitated by** Ralitza Germanova

**Discussants:**
- Chinyere Almona – IFC support in developing the scorecard in Nigeria
- Brunilda Paskali – Ministry of Economic Development and Entrepreneurship objectives in developing scorecard in Albania
• Lidija Seskar – BELEX objectives in developing scorecard in Serbia
• Moez Miaoui – ASEAN Corporate Governance Scorecard objectives

Issues for discussion:

• Where to start in thinking about developing a scorecard?
• Assessing the market and corporate governance framework
• What are the objectives of different institutions?
• How to align the objectives of your institution to the expectations from a scorecard?
• What are the red flags and lessons learned?

Expert take away: Anne Molyneux

12:00 – 13:00 Step 2 - Recruit the institutions to lead and implement the project

The purpose of this session is to help participants learn how to find strong leadership/owners for the scorecard project and engage key stakeholders. The facilitator will ensure that participants understand the nature of the problem and then guide the discussants in identifying the key issues in finding an owner of the scorecard and engaging key stakeholders. Each discussant has 5 minutes followed by an open discussion.

Facilitated by Philip Armstrong

Discussants:

• Amina Turgulova – Kazakhstan Stock Exchange: The need of a committed institution that leads the development and implementation of a scorecard
• Hussien Izmigna – Jordan Securities Commission: Challenges in being the institution that takes a leadership role in developing and implementing a scorecard
• Merima Zupcevic – Experience in Moldova in engaging stakeholders
• Leda Condoyanni – Hellenic Corporate Governance Council experience

Issues for discussion:

• Why is it important to have a committed institution that leads the development and implementation of a scorecard?
• What challenges the institutions leading a scorecard project face?
• How to identify key stakeholders and engage them in the beginning of the scorecard development? What issues arise if you have two institutions developing scorecards in the same market?
• Can you take advantage and engage the Task Forces that developed the corporate governance codes in the country? What are the benefits in engaging more than one stakeholder?

Expert take away: Bistra Boeva

13:00 – 14:00 LUNCH
14:00 – 15:30

Step 3 - Develop the scorecard

The purpose of this session is to help participants learn what are the main steps and key issues in developing a scorecard. The facilitator will ensure that participants understand the nature of the issues and then guide the discussants in identifying key steps in choosing a benchmark, developing scorecards structure, selecting indicators, getting feedback and testing it. Each discussant has 5 minutes followed by an open discussion.

Facilitated by Kiril Nejkov

Discussants:

- **Arman Berdalin** – What was the plan for developing the scorecard in Kazakhstan?
- **Robert Bascon** – What benchmarks were used for the scorecard of Philippines Institute of Corporate Directors and ASEAN scorecard?
- **Graham Omenka** – What is the structure of the Nigerian scorecard?
- **Yehia El Husseiny** – How did you ensure that all relevant stakeholders provided feedback in Jordan and where was it tested?

Issues for discussion:

- Draft a delivery plan
- Choose the benchmark
- Develop the scorecard structure
- Select the platform
- Solicit stakeholder feedback
- Pilot test the scorecard

Expert take away: **Christian Strenger**

15:30 – 15:50

COFFEE BREAK

15:50 – 17:00

Step 4 - Conduct the scorings

The purpose of this session is to help participants learn different experiences in conducting scoring based on a scorecard. The facilitator will ensure that participants understand the nature of the issues and then guide the discussants in identifying different ways in conducting a scoring assessment. Each discussant has 5 minutes followed by an open discussion.

Facilitated by Richard Frederick

Discussants:

- **Anar Hajizadeh** – Experience of Azerbaijan Ministry of Economic Development
- **Adriana Baralic** – Banja Luka Stock Exchange Overview
- **Nguyet Anh** – Vietnam Corporate Governance Scorecard Experience
- **Dr. Bashar Abu Zarour** – Palestinian Capital Market Authority Methodology
- **Sanja Madzovska** – National Bank of Republic of Macedonia Plans
Issues for discussion:

- What is the correct “platform”?
- Do you need to pilot test?
- Can/should scorecards be mandatory or voluntary?
- How can one encourage participation?
- What are techniques for an effective scoring?
- How can one ensure that the quality of the collected information is satisfactory?
- What are the challenges and how does one respond?

Expert take away: Anne Molyneux

17:00 – 17:45
Implementing corporate governance scorecards
After discussing how to develop a scorecard this session will focus on what happens next. At this session the participants will be divided into 4 groups by the type of institution they are representing (regulators, director training institutions, Stock Exchanges and Development Financial Institutions) and will be asked to discuss in their groups different ways of implementing the scorecard, promoting and building on it. The group work will be followed by an open discussion.

Facilitated by Ralitza Germanova

17:45 – 18:00
Wrap-up of Day 1 and preparation for problem solving in working groups in Day 2

18:30 – 21:00
Cocktail/ Dinner
Venue: Restaurant Tempel
Praterstrasse 56, 1020 Vienna

June 3, 2014

VENUE FOR DAY 2
Hotel Stefanie - Schick Hotels
Taborstrasse 12, 1020 Wien
Hall: Konferenzsaal “The Conference room”

08:30 – 09:30
CG Solutions: Developing a corporate governance scorecards project

Working groups will be required to develop solutions to real problems in selected countries building on the knowledge acquired in Day 1.

The countries which do not have scorecards will be required to work on developing a scorecard project paired with representatives of IFC and countries which have already developed scorecards. They will present their action plans and ideas to the group and the experts’ team and the rest of the countries will prepare to comment and provide ideas and suggestions.

Countries that do not have scorecards and are willing to work on developing a scorecards project (or have a scorecard but would like to work on its implementation) will be required to provide in advance background information about:

- Corporate Governance Code and standards in their country (copy in English)
- Background information about relevant legislation
- Issues to be considered
- Stakeholders that are important and others

Coffee and tea will be available during the session
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<tr>
<td>09:30 – 10:00</td>
<td><strong>COFFEE BREAK</strong>&lt;br&gt;Note: participants should use the coffee break to continue the work on their projects</td>
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<tr>
<td>10:00 – 11:40</td>
<td><strong>Discussion of solutions</strong>&lt;br&gt;Facilitated by Richard Frederick and Ralitza Germanova with input from entire team&lt;br&gt;The groups will present their scorecard projects, followed by comments from the experts’ team and groups that have been reading and open discussion. Each group will have 10 minutes to present their scorecard project.</td>
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<tr>
<td>11:40 – 12:00</td>
<td><strong>Next steps and future work</strong>&lt;br&gt;Philip Armstrong</td>
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<tr>
<td>12:00 – 13:30</td>
<td><strong>LUNCH</strong></td>
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