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Step-by-Step Process in Developing Corporate Governance Scorecard

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**Key Steps in Developing Scorecard**

1. Establish clear and realistic goals
2. Recruit the institutions to lead and implement the scorecard
3. Develop the scorecard
4. Conduct the scorings
5. Summarize and present the results
STEP 1
Establish Clear and Realistic Goals

In-country Environmental Assessment

- Legal traditions
- Strengths and weaknesses of the CG framework
- Company attitude toward compliance with the law versus codes
- Stakeholders – powers, capacity and willingness of regulators, stock exchanges
- Commitment - Company willingness to participate
- Ownership – if there is willing and capable institution to lead the implementation
STEP 1
Establish Clear and Realistic Goals

Different Institutions Have Different Goals

• REGULATORS
  • How effective their regulations and oversights are
  • Identify governance practices where companies are weak or strong
  • Use scorecards to refine their regulations and codes and develop techniques to enhance compliance

• STOCK EXCHANGES
  • Emphasis on encouraging companies to improve their governance practices
  • Measure change in CG practices among listed companies over time
  • Awareness-raising and training events
STEP 1
Establish Clear and Realistic Goals

INSTITUTE OF DIRECTORS, CHAMBERS OF COMMERCE, INDUSTRY ASSOCIATIONS

- Provide value-adding services to their members
- Educate companies on the impact of good CG
- Encourage better governance practices among companies/members
- Raise awareness of CG issues

DEVELOPMENT FINANCIAL INSTITUTIONS

- Strengthen local institutions, building local capacity and transfer knowledge to local institutions so scorecards become self-sustaining
Red Flags and Caveats

- Unclear or Unreastic Expectations
- Lack of Ownership
- Lack of Commitment and Participation
Thank You