ASEAN CORPORATE GOVERNANCE SCORECARD: BACKGROUND, OBJECTIVES AND CHALLENGES

1. BACKGROUND

In the frame of the market integration of the ASEAN\(^1\) economic community (AEC), the latter has set up a forum of capital market regulators (ACMF\(^2\)) tasked with the development of a regional, interlinked capital market in order to ease cross border access to investors and capital, and improve market liquidity, scale and capacity\(^3\).

To this end, an Implementation Plan has been developed setting out the integration strategy based on the following objectives\(^4\):

- Creating an enabling environment conducive to regional integration;
- Creating market infrastructure and regionally focused products and intermediaries;
- Strengthening implementation; and
- Improving the visibility, integrity, and branding of ASEAN market as an asset class.

Under the umbrella of this Implementation Plan, the ACMF has launched an ACMF Corporate Governance Initiative comprising the development of an ASEAN Corporate Governance Scorecard and the ranking of ASEAN publicly listed companies (PLCs).

2. PROCESS, PRINCIPLES AND OBJECTIVES

Based on previous country specific experiments, using internationally recognized best practices\(^5\), and through the hiring of independent experts from the region, a Scorecard has been developed along with assessment criteria.

The objectives sought through the CG Scorecard are threefold and are fully in line with the Implementation Plan goals:

- Raising the corporate governance standards and practices of ASEAN publicly listed companies (PLCs),
- Providing greater international visibility to well-governed ASEAN PLCs and showcasing them as investable companies, and
- Complementing other ACMF initiatives and promoting ASEAN as an asset class.

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\(^1\) ASEAN: Association of Southeast Asian Nations. The ASEAN area aims at integrating into a single market with unrestricted flow of goods, services, investments, skilled labor and capital. A Blueprint has been developed setting out the framework for an integrated capital market by 2015

\(^2\) ACMF: ASEAN Capital Markets Forum

\(^3\) See: http://www.theacmf.org/ACMF/webcontent.php?content_id=00014

\(^4\) See 3 above

\(^5\) OECD principles, and guidelines or assessments from World Bank, ICGN, ACGA, etc.
To this end, the ASEAN Scorecard has been developed while relying on the following principles:

- It should reflect global principles and internationally recognized good practices while it may exceed the requirement and standards recommended in national legislations;
- It should not be based on the lowest common denominator, but should aim to encourage PLCs to adopt higher standards and aspirations;
- It should be comprehensive capturing the salient elements of corporate governance;
- It should enable identification of gaps in practices among ASEAN PLCs so as to draw attention to good corporate governance practices;
- It should be universal and applicable to different markets in ASEAN;
- The methodology should be robust to allow the accurate assessment of the corporate governance of PLCs beyond minimum compliance and box ticking;
- There should be extensive and robust quality assurance processes to ensure the independence and reliability of the assessment.

3. **Lessons Learned**

Taking stock from the development stage of the scorecard and the performance of the first cycle of assessments at the country level, a few lessons might be drawn:

- Differences in national jurisdictions (CG framework, structure) could lead to greater complexities in the development of a scorecard instrument as well as to further difficulties at the assessment stage. However, this is only relevant for multi-jurisdictions scorecards;
- The sustainability of the instrument is still being debated as the main sponsor (ADB) is no longer funding the assessment phase, which is currently supported by local authorities (mainly, market regulators);
- The assessment methodology and guidelines need to be thorough and comprehensive. For instance, follow-up meetings at the ACMF level have been taking place in 2013 to revise the scorecard criteria based on feedback from country assessors;
- In line with the above observation, as only academicians were involved in the development stage (no business practitioners) a number of complexities have been faced and raised during the assessment of PLCs (understanding the underlying objective of specific criteria/questions, finding relevant information, etc.)
- Promoting the scorecard through socialization and other events (Scorecard Award, conferences) is equally important to foster companies’ awareness and adoption.

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6. See “ASEAN Corporate Governance Scorecard, Country Reports and Assessments 2012-2013”