Step 4 - Conduct the scorings – VIETNAM DISCUSSANT

What is the correct “platform”?

In 2010, the Vietnam CG Scorecard has been conducted for the first time in Vietnam and it was rolled out for three consecutive years 2010, 2011 and 2012. It is a project of collaboration among the IFC’s Vietnam Corporate Governance Project, the Global Corporate Governance Forum and the State Securities Commission of Vietnam. The Vietnam Scorecard used **external assessments** done by external consultants (including an international expert and a local consulting company) who collect and analyze data.

The Scoring way “external assessment” used by IFC is the most relevant and effective way for Vietnam at that time because the concept of corporate governance was still not well understood and applied by companies in the country. It might have been very difficult (or even impossible) for companies to carry out their own assessment or scoring their CG practices due to companies were not familiar with CG. In addition, the Scorecard’s key objective was to develop a sound base for assessment of the implementation of good corporate governance principles in Vietnam and to provide a framework for future policy discussions and corporate governance development; therefore, it is essential to get an objective assessment taking the “external investor perspective”. The whole cost of the assessment was jointly funded by the IFC’s Vietnam CG Project and the Global Corporate Governance Forum with contributions received from the State Securities Commission.

In 2012, the Asian Development Bank (ADB) started funding for Vietnam to participate in the annual Asean CG scorecard assessment which also uses the “external assessment” way to conduct the Scoring and companies’ data was based on English publically available data by companies. Accordingly, the score results for Vietnamese companies are very low compared to neighboring countries, mainly due to: (i) CG development at an early stage in most Vietnamese companies; and (ii) limitation of publically available data in English by companies.

Going forward, it is a good idea for the Stock exchange to consider using other ways of the scorecard conducting such as “Assisted self-assessment” or “self-assessment” that could involve Vietnamese companies more in the assessment process, increasing “self-initiation” for companies and reducing the assessment cost significantly. The “Assisted self-assessment” way could also be considered once an Institute of Directors is established in Vietnam in the near future. Our Vietnam CG Project is interested to explore and support further on other ways of conducting the CG Scorecard for companies with an objective to further improve CG practices in companies.

Do you need to pilot test?

Yes, the pilot test was needed in the process of conducting scoring for Vietnam.

Pilot testing helps ensure that the assessment team is prepared to familiarize themselves with the scorecard and the process. The pilot results are used to share among the team as well as related stakeholders of the Project such as IFC, GCGF, the State Securities Commission and the Hanoi and Ho Chi Minh city stock exchanges to ensure that all partners are on the same pace. Pilot testing helps ensure that problems and issues are discussed and solved among the team members and partners in anticipation of the actual rating process.

Can/should scorecards be mandatory or voluntary?

For the Vietnam Scorecard conducted in 2010, 2011 and 2012 by IFC, this activity is neither mandatory nor voluntary to companies because it is a survey of 100 largest companies listed on the Hanoi and the Ho Chi Minh Stock Exchanges (which together represent more than 90% of the combined market) based
on their publically available data, taking the “external investor perspective”. The overall scorecard results were launched annually to the public as part of CG raising awareness for companies. Some companies in the market were finally interested in the methodology and used the questionnaires as a tool to assess their CG practices internally.

The other current on-going Vietnam Scorecard (as part of the ASEAN scorecard and being funded by the ADB) also uses the same approach as the IFC’s scorecard but it applied to a smaller number of companies which provide their publically data in English in their websites (in between 30-40 companies).

Due to a low average score result, Vietnamese companies still need a long term and better commitment in adopting good CG practices. From regulatory perspective, authorities such as the SSC or the Stock Exchanges may consider a “mandatory” scorecard as an effective tool to raise the bar of CG level adopted by companies. However, in the long-run, more raising awareness on the importance of good CG should also help to drive companies to a voluntary scorecard to gain more substance and effectiveness in developing CG practices for companies.

How can one encourage participation?

For Vietnam, this point may not be applicable because we use the “external assessment” scoring way. However, the scoring process actually involved participation from representatives of the two stock exchanges (beside the supporter role of the State Securities Commission) - which is considered a good engagement of listed companies through their householders. This help to create greater participation at the next step when the score owners are moved to the stock exchanges, for example.

What are techniques for an effective scoring? How can one ensure that the quality of the collected information is satisfactory?

The scorecard project in Vietnam took a number of steps to ensure accuracy and consistency and to reduce bias in external assessments. First, raters received thorough training to reduce variability of assessments. Second, to ensure that no single company was rated by one person, scorers specialized in particular indicators and then rated a group of companies on that indicator. This ensured that the same critical eye was applied to different companies, which is important because different scorers tend to assess compliance differently even when presented with identical facts. Finally, each assessment was cross-checked and audited to ensure consistency across ratings.

What are the challenges and how does one respond?

The benchmark of the Vietnam Scorecard is observed from publicly available information, materials that would be available to current and potential investors. Indeed a company may in fact be compliant or adopt practices in a particular area, but fail to make this compliance and adoption evident in its publicly available information and accordingly this is one challenge of the VN scorecard. In addition, Vietnamese companies use a “top down” approach in compliance with CG regulations while good CG is viewed as being more than mere compliance with applicable regulations and includes the aspiration to adopt globally accepted good practices.

In order to respond to that, the VN Scorecard has been designed to capture both exploration of compliance with local laws and regulations and adoption of globally recognized good CG practices (including the OECD principles).