The corporate governance scorecard for joint stock companies in Serbia (hereinafter: the Scorecard) has been introduced as a result of the collaboration between the Belgrade Stock Exchange and the International Finance Corporation (IFC). The collaboration included: development of the scorecard, piloting and testing its implementation, and development of the educational programs for the pilot participants. The Scorecard was approved by the Belgrade Stock Exchange Management board, and made available on www.belex.rs.

The Scorecard was modeled using the methodology of the scorecard for German Corporate Governance with specific questions that focused on the legislation and legal procedures that had been in effect in Serbia at the time, recommendations of the corporate governance codes of the Belgrade Stock Exchange and the Serbian Chamber of Commerce and the experience from the corporate governance practice in Serbia. The Scorecard was developed by IFC consultant Lok Institute for Organization and Economics Ltd Sarajevo, BiH, along with the representatives of IFC in Belgrade, Serbian Securities Commission and Belgrade Stock Exchange. The draft of the Scorecard was reviewed by the corporate governance experts from the Global Corporate Governance Forum, whose suggestions were incorporated into the final version.

During the development of the Scorecard, IFC, Serbian Securities Commission and Belgrade Stock Exchange endeavoured to incorporate the most relevant issues, primarily from the corporate governance domain that had not been legislated and which was the least developed in the context of the global practice. The main goal was to create not only a relevant tool which allows for a simple and quick assessment of the corporate governance practice in the companies, but also a tool that would assist and point the companies in the right direction in the process of corporate governance improvements and working toward adopting best practices in the field.

The Scorecard encompasses six areas:

I Dedication to corporate governance principles and social responsibility
II Shareholders and shareholders' meeting
III Management board
IV Executive bodies and secretary of the company
V Supervision, control and independent audit operations
VI Transparency and disclosure

Each of these areas is weighted in percentages depending on its relevancy, leading to 100% of the total score. Each area consists of up to ten questions, with each question having the relevant weighting factor expressed as a percentage of the area.
The Scorecard has been piloted and assessed with the companies from the financial and other sectors, including manufacturing, retail, and service sector. The participation of the companies in this stage was voluntary and confidential. The pilot assessment was conducted “on site” - in the premises of the participating companies and included in person communication between the team of assessors (representatives from IFC, Belex and Serbian Chamber of Commerce) and the designated company representatives (member of the executive bodies, financial departments, company's secretary...). The discussion involved the review of the company's by-laws and other relevant informations and internal documents. All companies were provided with a detailed report with an analysis and explanation of the assessment by specific areas, along with basic recommendations and suggestions for the improvements in the areas with identified gaps and weaknesses.

The results of the pilot phase and assessments revealed the following key conclusions:

- The Scorecard allows for a relevant and realistic assessment of the corporate governance practice in Serbia and provides some useful guidance for the improvements in accordance with the internationally accepted practice;
- The Scorecard gives an optimal identification of discrepancies between the reality and best practices;
- Additional criteria that are introduced in the Scorecard beyond the minimal legal requirements are defined in the way that is acceptable and achievable by the companies;

However, the quality of the implementation of the Scorecard is directly dependent of the quality of the analysis of the documents and informations received and/or made available in response to each question. This is particularly emphasizing the need to have the Scorecard evaluation done by individuals who have sufficient knowledge and experience, as well as the ability to detect potential misrepresentations. Also, the companies themselves needed additional education and training for appropriate application of the Scorecard.

Following the successful pilot, IFC and Belex organized educational programs for the participating companies that focused on the topics where, based on the assessment, there was the greatest need for improvement (governance bodies, internal oversight and audit and transparency and disclosure issues).

Due to the regulatory changes introduced in year 2011 in the areas of capital market and corporate legislation (new Capital Market Law and new Corporate Law) the Scorecard lost lot of its relevancy. New legislation contributed to the creation of the environment considerably different than the one the Scorecard was based on. This made the existing Scorecard, soon after its adoption only the good starting point for the creation of a new, updated version.

BELGRADE STOCK EXCHANGE

Lidija Seskar, Corporate Communication Adviser