THE NEED OF A COMMITTED INSTITUTION THAT LEADS THE DEVELOPMENT AND IMPLEMENTATION OF A SCORECARD

Kazakhstan Stock Exchange

Why is it important to have a committed institution that leads the development and implementation of a scorecard?

The importance of having a committed and powerful institution that could take a leadership role in development and implementation of the scorecards is essential for the success of the project that can be measured in the number of beneficiaries that apply scorecards in their work and in a desire of the domestic regulators, analytics and research institutes to use the scorecards as one of the key tools for assessing the level of corporate governance in the local companies.

As the main objective of scorecard project is the development of local capacity and expertise in corporate governance among the local stakeholders the earlier involvement of a committed institution will also allow both the institutions and beneficiaries to develop capacity and improve their knowledge and understanding of the corporate governance. The scorecard serves as a roadmap for improvement of corporate governance in the country.

Kazakhstan Stock Exchange is keen on attracting solid companies to be listed on our market and we recognize the importance of good corporate governance as a condition for attracting investors and gaining investors’ trust. Companies with good corporate governance can attract more liquidity on the market and ensure better price valuation. Development of corporate governance in a large number of Kazakhstani companies will positively impact the growth of the pool of our potential clients and enable us to develop an IPO pipeline.

Kazakhstan Stock Exchange worked together with IFC and other partners to promote scorecards application by Kazakhstani companies to enable them to conduct self-assessment and use the scorecards as a roadmap for further improvement of corporate governance practices. At the first stage we carefully examined the scorecards to ensure that they correspond with the local regulations, business practices, specifics (terminology, etc.) and then published the scorecards on Kazakhstan Stock Exchange’s web-site issuing an announcement to a large pool of our clients and beyond informing them about the opportunity to conduct an anonymous self-assessment.

Later, together with IFC and other partners, who participated in development of the scorecards we conducted a workshop for companies, who could be the potential IPO candidates explaining the goal and objectives of the scorecards and emphasizing the importance of conducting self-assessment. After the workshop, we followed up with the participants and made sure we are available to answer their question and/or receive further guidance. We received a very positive feedback from the companies, who conducted their self-assessment. They were very pleased with the scorecards as the tool for assessing the level of corporate governance in the country. We intend to continue such event to ensure that more and more companies are involved in using the scorecards as a mechanism for assessing and improving the corporate governance.

Although Kazakhstan Stock Exchange is not a regulator, we conduct some self-regulatory functions by means of developing and enforcing rules and regulations for market participants and listed companies, thus can influence the corporate governance requirements that include, but are not limited to having an OECD model code compliant corporate governance code in the companies prior to listing on Kazakhstan Stock Exchange.

In addition, one of the recent measures that has been introduced by Kazakhstan Stock Exchange is introduction of the annual reports of listed companies that among other things includes information about the status of corporate governance development. Kazakhstan Stock Exchange encourages listed companies to apply scorecards as a guidance in writing the part of the annual report that is
related to the scorecards. Again, together with the initiators and developers of the scorecards, we conducted a seminar for listed companies introducing the new annual reports requirement and encouraging scorecards application as an effective tool.

Improvement of corporate governance in Kazakhstani companies is important and both the public and private sector has been very supportive of the idea, however, when it comes to practice some of the companies, especially small and medium-sized business, unfortunately, still have a formal approach to this important part of corporate life. There are many reasons, including lack of tools and qualified human resources, who could have a clear understanding of the best corporate governance, but most importantly, there is a lack of motivation. Our focus is targeted towards companies that want to attract investors and our goal is to explain this companies that it is in their interest to improve corporate governance and transparency to be able to attract more investors. The scorecards provide a great opportunity to learn about the major indicators of good corporate governance, assess the companies’ status and use the indicators as a roadmap for further development.

In the nutshell, in the case of Kazakhstan Stock Exchange, we identified companies that are particularly interested in the corporate governance development (listed companies or those interested in bringing new investors), provided access to the scorecards on our web-site, which is frequently used by the market allowing companies to conduct assessment anonymously, introduced a reporting requirement for which the scorecard can be used as a helpful tool and continue explaining the companies the benefits of improved corporate governance and how the scorecards can help in developing their companies corporate governance practices.

It is important to have a committed and reputable institution to lead the development and implementation of the scorecards for successful and active application of this tool by local companies, because such institution has to take an initiative in promoting the corporate governance scorecards application, coordinate the efforts of other partners (initiators, developer) and other stakeholders, identify a pool of companies that are motivated the most in improvement of the corporate governance practices and promote the idea and explain the benefits of good corporate governance among other private sector entities.