

Corporate Governance Codes and Scorecards

"Integrating Environmental and Social Issues"

WHAT WE DO

IFC works with companies, stock exchanges and regulators to attract and retain investment by promoting the adoption of good environmental, social and governance (ESG) practices and standards.

HOW WE DO IT

IFC is building on its successful track record with the aim of delivering targeted environmental, social and governance support to more clients and stakeholders for even better results by:

- assessing a firm's corporate governance practices and providing advice on how to improve them.
- providing specialized advisory services on board effectiveness, the control environment, and family business governance.
- building capacity of local partners, institutes of directors, media, and educational institutions on environmental, social and governance services, training, and ESG and integrated reporting.
- working with regulatory institutions and governments to improve ESG laws, regulations, codes and listing requirements.
- raising awareness of ESG through conferences, workshops and publications.

CODES AND SCORECARDS ENCOURAGE GOOD GOVERNANCE AND E&S

Corporate governance codes can encourage private sector commitment to good corporate governance. They can provide guidance for financial and nonfinancial disclosure, stakeholder relations and foster better engagement of minority shareholders. They also can help clarify the roles of managers and directors.

However, an important lesson from the 2008 global financial crisis was that the existence of a corporate governance code alone will not automatically translate into better practice.

In the aftermath of the crisis, emphasis is on implementation. It is no longer enough just to have a code in place.

Increasingly, scorecards are the tool of choice to measure the quality of corporate governance implementation. Used by countries, regulators, and companies themselves, such scorecards look at areas such as board functions, the existence of risk and control systems, and disclosure and transparency of financial and non-financial information.



BACKGROUND

Corporate governance is defined as the structures and processes by which companies are directed and controlled. Good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns. Corporate governance also contributes to development. Increased access to capital encourages new investments, boosts economic growth, and provides employment opportunities.

IFC CORPORATE GOVERNANCE GROUP

The Group brings together staff from investment support and advisory operations into a single, global team.

This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance.

The Group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.

IFC'S LEADING ROLE IN CODE AND SCORECARD DEVELOPMENT

IFC works with regulators, stock exchanges and capital market stakeholders around the world on developing, implementing, and assessing codes and scorecards of best practices.

In **Europe and Central Asia**, corporate governance codes for stock exchanges developed with IFC's help, are supporting greater disclosure of governance practices, increasing awareness and catalyzing improvements that yield tangible benefits for listed companies. Kazakhstan Stock Exchange launched ESG reporting guidelines with IFC's support.

In **Latin America and the Caribbean**, IFC has reviewed the Jamaican corporate governance code and supported the update of the Brazilian Code of Corporate Governance, while working with the stock exchanges in Colombia and Peru.

In **Africa**, Nigeria's Securities and Exchange Commission developed a corporate governance scorecard and is working on updating the corporate governance code. Kenya's Capital Market Authority created a corporate governance code and scorecard with IFC's assistance. In Ghana, IFC is partnering with World Bank colleagues to support the central bank's efforts to create a governance code.

In **East Asia and the Pacific**, IFC has supported the development of codes and scorecards in Mongolia, the Philippines and Vietnam. Work is ongoing with regulators in Indonesia, China, Myanmar, and Cambodia.

In **South Asia**, IFC and the Bombay Stock Exchange jointly developed a scorecard for listed companies. Similar efforts are under way in Bangladesh, Nepal and Sri Lanka.

In the **Middle East and North Africa**, IFC collaborated with the Jordan Securities Commission and the Palestine Capital Market Authority. For both, IFC provided guidance on overall corporate governance concepts and on implementing corporate governance scorecards. IFC supported the development of Iraq corporate governance code.

Next frontier: IFC piloted its Disclosure and Transparency Toolkit helping stock exchanges and regulators develop ESG codes, scorecards and reporting guidelines in Kazakhstan, the Philippines, Georgia, Peru, Rwanda and Kenya, jointly with the UN Sustainable Stock Exchanges Initiative.

GLOBAL RESULTS AND IMPACT

138 new codes, laws and regulations in markets around the world enacted with IFC support.

Toolkit on Developing Codes of Best Practices, created by IFC and used by regulators, institutes, and governance consultants around the world.

IFC Supplement on Corporate Governance Scorecards supports implementation of governance codes.

20 scorecards developed since 2008.

60 corporate governance codes worldwide revised since 2005.

Reports and lessons learned on codes and scorecards shared widely.

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