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A Revised Set of G20/OECD Corporate Governance Principles Announced by the Capital Markets Board of Turkey

Having been subject to many discussions and revisions, the G20/OECD Corporate Governance Principles (Principles) have been finally published by the Capital Markets Board (CMB) following the meetings held in Ankara on September 4-5 with the participation of G20 Finance Ministers and Central Bank Governors.

What changes do these Principles bring?

Following the G20 Finance Ministers and Central Bank Governors meeting held on 9-10 February 2015 in Istanbul and the G20/OECD Corporate Governance Forum convened in Istanbul on 10 April 2015, the G20 Finance Ministers and Central Bank Governors finally agreed on the revised set of Principles during the September 4-5 meetings held in Ankara, Turkey.

Deputy Prime Minister Mr. Cevdet Yılmaz and OECD Secretary General Mr. Angel Gurría held a joint press conference to introduce these Principles. Mr. Cevdet Yılmaz at the conference stated that investors have quite reasonable expectations with regard to a more transparent, accountable and effective corporate governance system, and that therefore, the newly accepted G20/OECD Corporate Governance Principles would significantly contribute to the growth aim of the year 2015, during which Turkey has been the chairman of the G20.

OECD Secretary General Mr. Angel Gurría has stated that the newly accepted Principles reflect a common ground with regard to good corporate governance in the sense that the priority should be the application of the Principles and the better functioning of the financial markets.

Background Information on the Principles

The principles have first been developed by OECD in 1999 to guide the governments and regulatory authorities in the field of regulatory authorities. In 2013, the Corporate Governance Committee of OECD, which has been vice-chaired by Turkey, has initiated an updating effort and the new principles have been presented to the G20 Ministers and Heads of Central Banks for their approval.

What is actually aimed with these Principles?

According to the OECD, the revised Principles maintain many of the recommendations from earlier versions as continuing essential components of an effective corporate governance framework. They also introduce some new issues and bring greater emphasis or additional clarity to others. While some of the Principles may be more appropriate for larger than for smaller companies, it is suggested that policymakers may wish to raise awareness of good corporate governance for all companies, including smaller and unlisted companies.

Good corporate governance is not an end in itself. Essentially, good governance should perform as a means to support economic efficiency, sustainable growth and financial stability. It should also facilitate companies' access to capital for long-term investment and help ensure that shareholders and other stakeholders who contribute to the success of the corporation are treated fairly.

During the last decade, corporate governance rules and practices have improved in many countries and companies. However, since there are still many steps to take for the ultimate aim of good governance, policy-makers and regulators are faced with the important challenge to adapt corporate governance frameworks to rapid changes in both the corporate and financial landscape.

Examples of such challenges include the increasing complexity of the investment chain, the changing role of stock exchanges and the emergence of new investors, investment strategies and trading practices.

It is with these targets in mind that the Principles have been developed and then updated in 2004, the 2015 revision of the Principles of Corporate Governance addressing these and other emerging issues that are increasingly relevant. Building on the expertise and experience of policy makers, regulators, business and other stakeholders from around the world, the Principles provide an indispensable and globally recognised benchmark for assessing and improving corporate governance. The Principles have been adopted as one of the Financial Stability Board's key standards for sound financial systems, and have been used by the World Bank Group in more than 60 country reviews worldwide. They also serve as the basis for the guidelines on corporate governance of banks issued by the Basel Committee on Banking Supervision.

References:

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- Trade Union Advisory Committee to the OECD, *OECD releases revised Principles of Corporate Governance – Unions call for more ambition*, September 2015, http://www.tuac.org/en/public/e-docs/00/00/10/F9/document_news.phtml

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