Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

29th SESSION
31 October – 2 November 2012
Room XIX, Palais des Nations, Geneva

Thursday, 1 November 2012
Afternoon Session

Regulatory and institutional foundations for high-quality corporate reporting

Presented by

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Legal and Regulation Framework: Corporate Governance (Pillar A6) ISAR: 29th Session, 2012

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Objectives

- Identify the parameters of corporate government measurement (A6)
- Apply to the parameters corporate governance to the case of Turkey
- Present results of expanded parameters
- Raise some questions.
Legal and Regulatory Framework Measurement

**Objective**
Factual measures are used to assess performance

**Corporate Governance**

**Normative:**
Subjective judgments are used to assess performance
Pillar A6: Parameters of Corporate Governance

- Regulatory requirements
- In line with OECD Principles of Corporate Governance
- Audit committee or equivalent required
- Financial literacy required of some directors
- Internal control procedures and framework required
- Financial statement certification by board or audit committee
Pillar A6:
Laws Governing Corporate Governance: Turkey

- Capital Market Law No. 2499
- Banking Law No. 5411
- Insurance Law No. 5486
Pillar A6: Parameters of Corporate Governance: Turkey

- Regulatory requirements (3Yes-1No)
- OECD Principles (6Yes-0No)
- Audit committee (2Yes-2No)
- Financial literacy (2Yes-2No)
- Internal control (2Yes-7No)
- Financial statement certification (4Yes-0No)
- Overall (19Yes-12No)

(Needles, Turel, Sengur, and Turel, 2012)
Pillar A6: Expanded Parameters of Corporate Governance: Turkey

Corporate Governance Scorecard

Parameters

- Shareholders: 16
- Public Disclosure and Transparency: 15
- Stakeholders: 8
- Board of Directors: 15
- Total: 54

(Neattles, Turel, Sengur, and Turel, 2012)
### Pillar A6:
60 Companies Groups by Scores on Corporate Governance: Turkey

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Range: 11-43
Possible: 54

(Needles, Turel, Sengur, and Turel, 2012)
Problems of Corporate Governance: Turkey

- Family controlled companies with a high degree of cross ownership
- Unclear separation of management and control roles
- Market abuse (market manipulation, insider trading)
- Weaknesses in enforcement
- Weak risk management and internal audit practices
- Poor reporting on transfer pricing and related party transactions
- No role for shareholders in major asset transactions
- Wide use of privileged share classes and share groups

(Needles, Turel, Sengur, and Turel, 2012)
Pillar A6: Some Questions

- What are the causes of improper functioning of the corporate governance systems?
- How is quality ensured in the functioning of the Board of Directors and how is the collective wisdom of the Board enhanced?
- What is the essence of corporate governance and how is it related to value management?
- What should be roles and responsibilities of ordinary shareholders, institutional shareholders, large investors and other stakeholders?
Pillar A6: Some More Questions

- Is it enough to have laws in place for corporate governance?
- How can enforcement be evaluated?
- Do more in depth studies of expanded parameters need to be made?
- Are objective measures sufficient or do more subjective measures also need to be incorporated in the assessment process?
Review of Objectives

- Identify the parameters of corporate government measurement (A6)
- Apply to the parameters corporate governance to the case of Turkey
- Present results of expanded parameters
- Raise some questions.
Thank you for your attention

What questions do you have?