



Corporate Governance and New Commercial Law in Turkey

Fikret Sebilciođlu

TKYD Board Member

CEREBRA Consulting Ltd., Partner

Outlook



Turkey

17th biggest economy in the world

one of the world's ten "Big Emerging Markets"

Source: World Bank Report

Aims of New Turkish Commercial Code

- Infrastructure for transparency and information society
- Corporate Governance principles
- Generally accepted accounting and audit standards
- Fair competition
- Democracy among shareholders
- Use of information technology tools
- Integrates code with EU Law



MAIN PILLARS OF THE NEW CC

STANDARDS

CORPORATE GOVERNANCE

GOOD GOVERNANCE

AUDIT MECHANISM

TRANSPARENCY

INFORMATION COMMUNITY

ACCOUNTABILITY OF BOARD AND MANAGEMENT

SHAREHOLDERS DEMOCRACY

PROFESSIONAL BOARDS OF DIRECTORS

RADICAL CHANGES

- BoD formation and roles and responsibilities
- BoD's duty of care and duty of loyalty-Business Judgment Rule
- Delegation of management
- Group of companies and consolidation
- Internal mechanism – (a) internal control, (b) internal audit, (c) risk management and (d) financial planning
- Accounting system
- Audit mechanism – independent audit
- Reporting through internet

Corporate Governance elements reflected to the New CC...

Transparency	<ul style="list-style-type: none">•Turkish Accounting Standards identical to IFRS and announcement of the audited accounts through websites•Annual reports•Independent audit•Comprehensive disclosure of transactions with group companies•Corporate Governance report to be published by public companies•Internet site
Fairness	<ul style="list-style-type: none">•Electronic voting on General Board and Board of Directors•Corporate representation•Protection of rights of minority shareholders
Accountability and Responsibility	<ul style="list-style-type: none">•Professionalism and specialization in bodies emphasized•Finance management, internal audit, financial planning and risk management

Challenges ?

- Change management
- Education in:
 - ✓ Corporate managements (BoD members, top management)
 - ✓ Audit accounting professions (Chartered accountants /auditors)
 - ✓ Legal systems (Judges)
- Communication between stakeholders



Family Owned Business in Turkey

- %95 percent of companies
- First and second generation
- Mainly private companies



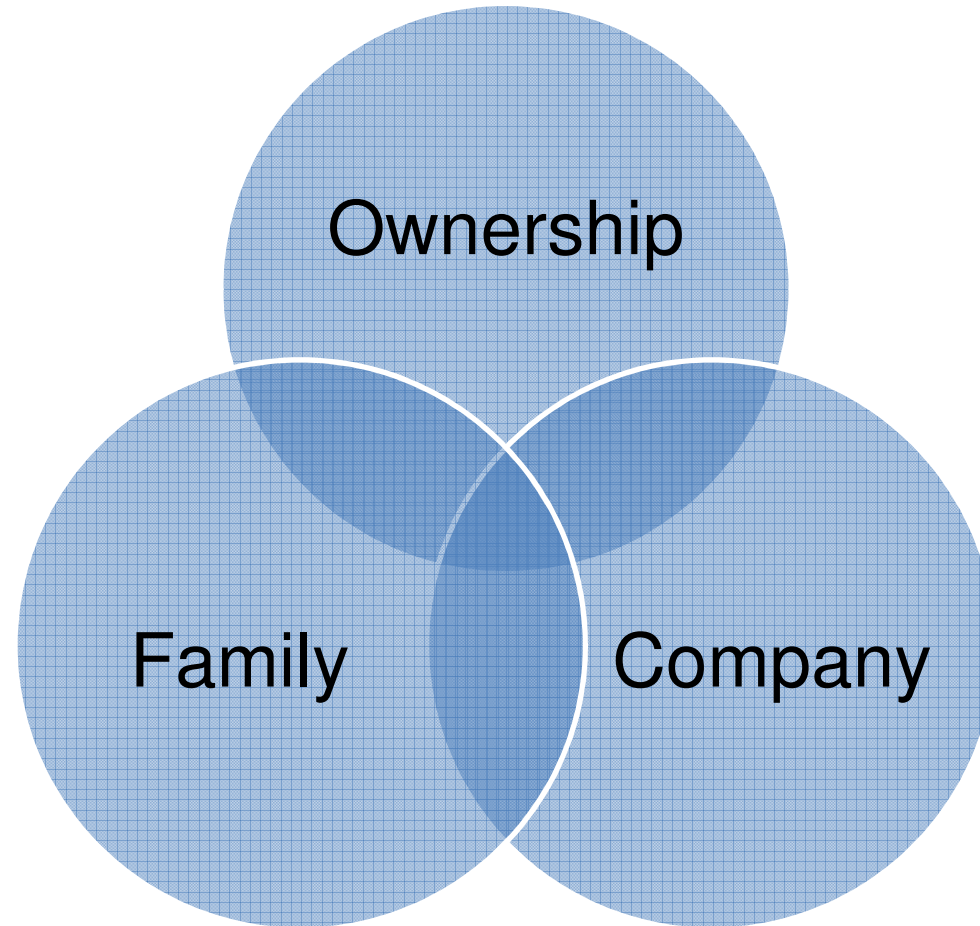
Challenges for CG in Turkish Family Owned Business

- Lack of family system structure
- Lack of company institutionalization
- Communication
- Planning
- Ownership & Family & Business
- Out-of-book records

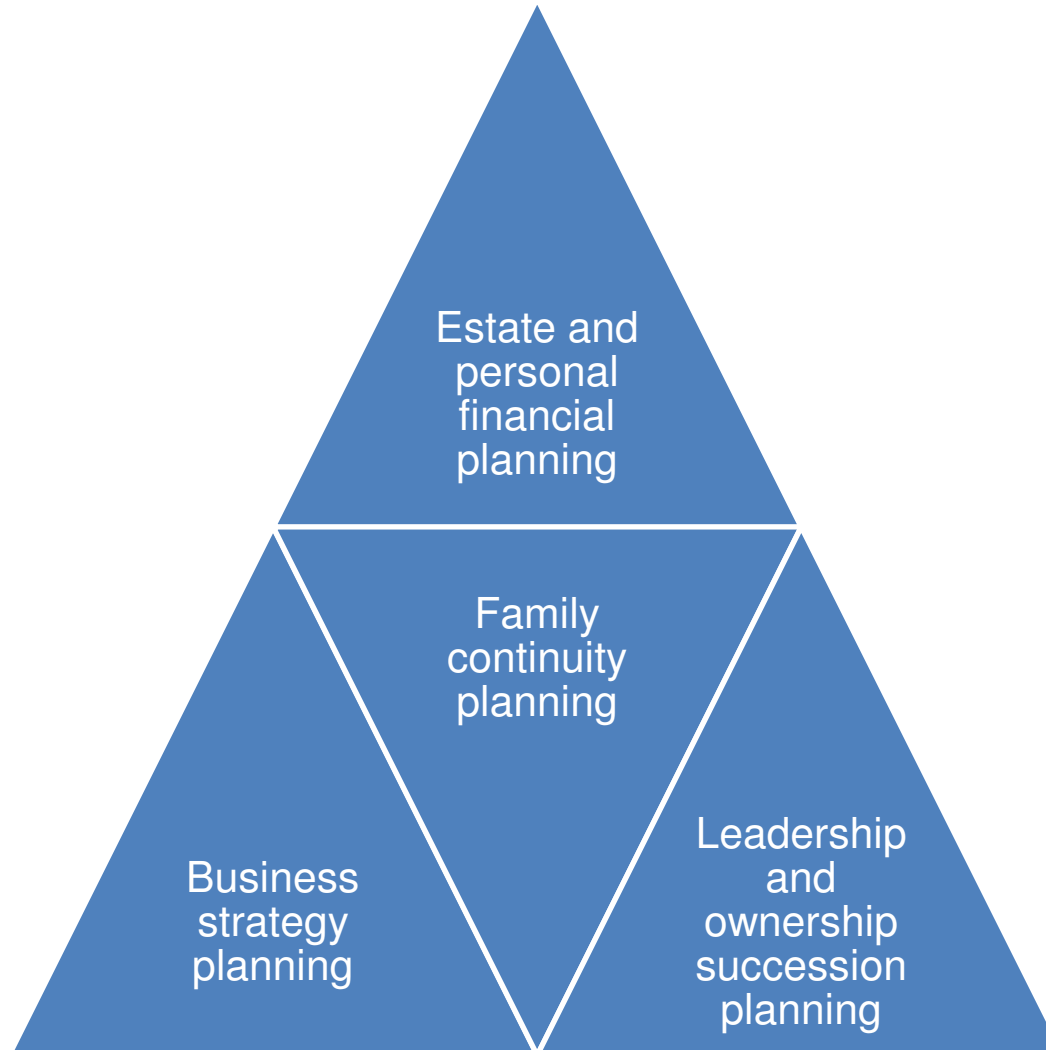
Drivers for CG in Turkish Family Owned Business

- Growing family and business → increasing challenges
- Finance requirements → IPO, private equity etc
- Changing and complex regulatory environment → New Turkish Commercial Code

Relationship....



Planning...



Thank you.



www.cerebra.com.tr