



Global Corporate Governance Forum

Corporate Governance Codes of Best Practice

MENA Regional Corporate Governance Forum
OECD Working Group 5

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Many countries have now introduced corporate governance codes of best practice ...

- To restore investor confidence
- To improve the investor climate
- To foster corporate governance reform



What are corporate governance codes of best practice?

Corporate governance codes of best practices are sets of nonbinding recommendations aimed at improving and guiding the governance practices of corporations within a country's specific legal environment and business context.

Corporate governance codes of best practice are not to be confused with legal codes, which constitute a body of laws, nor with international standards or company codes.



What are the types of corporate governance codes?

- Codes for generic business activities
- Codes for listed companies
- Codes for specific types of companies
- Codes on specific aspects of corporate governance



Why are codes useful?

- Raise local standards
- Translate international standards
- Foster legal reform
- Serve as benchmarks for evaluation
- Provide guidelines for corporate policies



Codes versus Laws

- Codes articulate “good” or “best” practice. Laws set minimum standards
- Codes are faster to develop than passing new legislation
- Codes are easier and more flexible to implement
- Codes are voluntary. Laws are compulsory.
- Codes are easier to review and modify.
- Codes are evolutionary.
- Codes are more accessible and easier to comprehend, whereas laws give priority to legal precision.



Implementing codes

- Effective consultation process
- Wide endorsement by market players, regulators, business associations
- Integration of key provisions into listing rules and/or company laws
- Complying or/and explaining



Drafting codes...

- Precise terms of reference
- Short and simple
- Separate the principles from the guidelines
- Separate best practice recommendations from legal reform recommendations



How can the GCGF Toolkit help?

A step by step approach to crafting, implementing, monitoring, reviewing and improving corporate governance codes.

Request your copy at
cgsecretariat@ifc.org