

OECD provides guidance for assessment of corporate governance rules and practices



04/12/2006 - The OECD has taken an important step to reinforce the role of its [Principles of Corporate Governance](#) as a global standard by issuing guidance for users in assessing their implementation. The Principles, agreed by governments in 1999 and revised in 2004, are designed to maintain public trust in companies and stock markets.

The newly published [Methodology for Assessing Implementation of the OECD Principles of Corporate Governance](#) can be used by policy makers for self-assessments and by other interested organisations and researchers, such as director institutes, investor associations, analysts and academics. The Methodology will also be used by the World Bank in its *Review of Standards and Codes* (ROSC) programme.

The Methodology specifies assessment criteria for each of the OECD Principles, with examples to guide users. It invites analysts to look at more than just the regulatory framework – what might be called "corporate governance on the books" – by focusing on actual company practices, such as whether shareholders have access to useful remedies, whether the regulators are effective and efficient, and whether the corporate governance framework as a whole promotes transparent and efficient capital markets.

"We are seeing growing interest among analysts and researchers in assessing the corporate governance practices of companies and countries", said Grant Kirkpatrick, Senior Economist in the OECD's Corporate Affairs Division. "This Methodology is intended to assist such assessments, in an environment where the importance of specific corporate governance features can vary greatly."

Like the OECD Principles, the Methodology recognises that there may be different ways to achieve the outcomes recommended in the OECD Principles, depending on the economic and legal context. Given such complexities, it acknowledges, the assessment process cannot simply lead to an aggregate score or grade at the end of the process. While individual Principles are given an assessment rating, the importance of each Principle in the overall functioning of a corporate governance system will vary from one jurisdiction to another, depending on such factors as the degree of concentration of ownership. The Methodology offers guidance to users about how to measure such factors and how to incorporate them into an overall qualitative assessment.

A working draft of the Methodology was used in the OECD's recent report, *Corporate Governance in Turkey: A Pilot Study* and two annexes to the report, including a detailed principle-by-principle assessment, are available at <http://www.oecd.org/corporate>.