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CORPORATE GOVERNANCE IN BUSINESS LAW: THE EXPERIENCE OF NORTH MACEDONIA AND TÜRKIYE

Emilija Gjorgjioska[1], Mustafa Yasan[2]

Abstract

Corporate governance has become an increasingly important topic in the contemporary business environment, particularly in fostering sustainable and responsible corporate behavior. Effective corporate governance provides the framework through which companies are directed, controlled, and held accountable, while promoting transparency, ethical conduct, responsible decision-making, and the protection of stakeholders' interests. In the paper, authors exploit the legal framework for implementation of corporate governance codes by trade companies in the Republic of North Macedonia and Türkiye, a long-standing candidate countries for membership of the European Union. The study uses a qualitative method consisted of analysis of legal and regulatory acts and reports of the both countries. The paper shows the differences in the way of regulating corporate governance in both countries, and the difficulties in the implementation process that companies are faced with. Regarding the results of the analysis, the authors will propose recommendations for improvement of corporate governance legal framework and implementation of the contemporary corporate governance principles in the practice.

Keywords: corporate governance, compliance, OECD Principles of corporate governance, trade companies, annual reports.

1. Introduction

A series of major corporate failures during the late twentieth and early twenty-first centuries, involving companies such as Robert Maxwell's business empire, BCCI, Polly Peck, Barings Bank, Enron, Crédit Lyonnais, etc. exposed significant weaknesses in corporate governance. These scandals revealed

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widespread instances of fraud, corruption, financial mismanagement, and unethical practices at the highest levels of corporate management. They demonstrated that corporations appearing financially sound and well-managed to external stakeholders could in reality conceal serious governance failures. As a result, these corporate collapses highlighted the need for stronger corporate governance frameworks, greater transparency, enhanced accountability, and more effective oversight of management.

Corporate governance plays a crucial role in balancing and reconciling the often conflicting interests of management, shareholders, and other stakeholders. Managers may prioritize their own private interests, such as higher salaries, bonuses, and other benefits, whereas shareholders are primarily concerned with maximizing returns on their investments through dividends and the efficient use of corporate capital. This conflict becomes more pronounced when there is a clear separation between ownership and management, giving rise to the classic agency problem. Consequently, corporate governance is particularly important in corporations where ownership and managerial control are separated, as it provides the mechanisms necessary to align managers' actions with the interests of shareholders while also considering the legitimate interests of other stakeholders.

Corporate governance guides how a company is directed and its relationships with its shareholders and stakeholders. Corporate governance also regulates the relationships among key stakeholders, including the board of directors, shareholders, management, employees, and other interested parties. With the right structure and systems in place, good corporate governance enables companies to create an environment of trust, transparency and accountability, which promotes long-term patient capital and supports economic growth and financial stability (OECD).

Corporate governance is a broad term that describes the processes, customs, policies, laws, and institutions that direct and control the way organizations and corporations are governed and operated, providing a framework through which companies pursue their objectives while overseeing their management and operations (Khan, 2011). Corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected (John & Senbet, 1998).

Good corporate governance requires a complex system of check and balances (Monks and Minow, 2011) According to Monks and Minow (2011) corporate governance seeks to answer two fundamental questions: How can managers be encouraged to commit to creating long-term shareholder value as if they were investing their own capital; and how can corporate value creation be managed in a way that minimizes the externalization of costs to society at large? The primary objective of good corporate governance is to ensure that an organization achieves its strategic goals while effectively managing the relationships among its key stakeholders, including the board of directors, shareholders, management, employees, creditors, customers, suppliers, and the wider community.

Awareness of the importance of good corporate governance first emerged in the United States after the Second World War, when states began amending their corporate laws to promote a better balance among the interests of shareholders, management, employees, and the public. The Delaware General Corporation Law (DGCL), renowned for its business-friendly approach, laid the foundation for a corporate legal framework in which sound corporate governance plays a central role in ensuring accountability, protecting shareholder interests, and promoting efficient corporate management. On the ground of the UK the Report for the financial aspects of corporate governance, more known as Cadbury Report is the landmark for implementation of good practices in corporate governance. This report commissioned by the Financial Reporting Council, London Stock Exchange and accountancy professionals, was one of the remedies for restoring confidence in financial reporting and reputation of the corporations. The principles of the Cadbury report were incorporated into the London Stock Exchange's Listing Rules and introduced the principle of "comply or explain" (The Committee on the Financial Aspects of Corporate Governance and Gee and Co. Ltd. 1992).

The European Union has adopted a lot of acts, directives, recommendations and Action Plan: European Company Law and Corporate Governance. Most important are: Shareholder Rights Directive II (Directive (EU) 2017/828), Accounting Directive (Directive 2013/34/EU), Directive regarding the encouragement of long-term shareholder engagement, (Directive (EU) 2017/828), Corporate Sustainability Reporting Directive (CSRD) (Directive (EU) 2022/2464), Corporate Sustainability Due Diligence Directive (Directive (EU) 2024/1760) etc. The last two Directives expanded the responsibilities of corporate governance including Environmental and Social dimensions of companies' operation. Directive on corporate sustainability reporting (Directive (EU) 2022/2464 – CSRD) strengthens corporate governance by increasing transparency and accountability regarding companies' sustainability-related impacts, risks, and opportunities, thereby supporting informed decision-making by management, supervisory bodies, and shareholders. CSRD currently requires sustainability reporting primarily from large undertakings exceeding 1,000 employees and meeting the applicable financial thresholds. With the DIRECTIVE (EU) 2025/794 of the European Parliament and of The Council of 14 April 2025 amending Directives (EU) 2022/2464 and (EU) 2024/1760 the application of CSRD for large and small and medium undertakings was postponed for two years. The Corporate Sustainability Due Diligence Directive (Directive (EU) 2024/1760 – CSDDD) strengthens corporate governance by requiring companies to integrate human rights and environmental due diligence into their strategies, decision-making, risk management, and oversight processes. CSDDD as amended in 2026, will apply from 2029 to the largest companies, establishing mandatory human rights and environmental due diligence obligations for companies exceeding 5,000 employees and €1.5 billion in worldwide net turnover, as well as certain non-EU companies meeting the corresponding EU turnover threshold.

The most influential global standard for corporate governance is the OECD G20 Principles of Corporate Governance. The Principles of Corporate

Governance adopted by the OECD Council on 8 July 2015 and revised on 8 June 2023, are intended to help policy makers evaluate and improve the legal, regulatory, and institutional framework for corporate governance, with a view to supporting economic efficiency, sustainable growth and financial stability (OECD, 2023).

The importance of Corporate governance increased dramatically and it is widely accepted that good corporate governance is one of the prerequisites for the development of a market economy. For the Republic of North Macedonia and Türkiye, as long-standing candidate countries for membership of the European Union and developing economies, establishment of good corporate governance is very important. Therefore, the main aim of the paper is exploiting the legal framework for corporate governance codes of trade companies in both countries, the difficulties in the implementation process and their harmonization with good practices in the area of well-developed market economies.

2. Historical development of corporate governance in the Republic of North Macedonia

The roots of corporate governance in the Republic of North Macedonia may be found after leaving the system of workers' self-management and privatization process when the most of joint stock companies in the country have been established (Belicanec at al. 2014). The first Law on trade companies in the country was adopted in 1996 when for the first time the operation of the joint stock companies was regulated with Macedonian legislation. The second Law on Trade Companies was adopted in 2002 and was scheduled to enter into force on 1 May 2004. However, before it could take effect, the third and current Law on Trade Companies was adopted and entered into force in May 2004. Consequently, the second Law on Trade Companies never entered into force. The current Law on trade companies was amended more than twenty times and incorporates most of the European Union directives regarding the trade companies. This Law incorporates European solutions regarding company law.

At the beginning, as a result of privatization, the ownership structure of joint stock companies in North Macedonia shows certain characteristics as significance of ownership by insiders, remaining state ownership and control, and the emergence of various forms of institutional investors, mainly former privatization funds, that creates a series of specific problems and difficulties regarding corporate governance practices described with the statement "who guards the guards" (Maassen, 2003). According to Koevski (2005), there are 300.000 shareholders, of which 98.5% are natural persons, and 1.5% legal persons. Legal persons own more than a half of shares and 88% of shareholders possess shares in only one joint stock company. According this, seemingly in the country exist wide dispersed ownership of shares, but the numbers shows that the most of the shares are possessed by only few shareholders. At the end of 2025, the number of joint-stock companies listed on MSE is 90 companies (Macedonian Stock Exchange, 2026). The peak of listed companies on MSE was gained in 2013 when 116 companies were listed. Regarding this, the number of joint-stock

companies that should apply good corporate governance practices is not so big, but taking into consideration the value of the market capitalization of these companies (357.185.104.158 mkd in 2025), this issue should receive appropriate attention.

A big step forward for improvement of corporate governance in N. Macedonia was made in 2021 when Macedonian Stock Exchange adopted Corporate governance code for companies listed on the Macedonian Stock Exchange. The purpose of the Code is to promote effective corporate governance and transparency of companies listed on the Macedonian Stock Exchange. The implementation of this Code by companies listed on the Macedonian Stock Exchange is expected to enhance corporate transparency and strengthen the balance between management bodies and shareholders. Furthermore, it may reduce information asymmetry between management and other stakeholders, promote greater awareness of companies' social responsibilities, and increase investor confidence, thereby making listed companies more attractive for future equity investments (MSE, Securities and Exchange Commission, EBRD, 2021). The Code is expected to generate a mutually beneficial outcome by enhancing companies' reputation and market value, providing shareholders with greater transparency regarding the management of their invested capital, and promoting stronger corporate social responsibility practices for the benefit of the wider community.

According to article 384-a of Law on trade companies, effective from December 2020, the legislator obliged the management body of the company listed on the Macedonian Stock Exchange to give a statement on the application of the Corporate governance code for companies listed on the Macedonian Stock Exchange, as an Annex of the annual operation report. In accordance with Article 42-a of the Listing Rules the application of the Code is mandatory for all listed joint stock companies that meet certain quantitative criteria prescribed in the Listing Rules. These companies should meet at least 3 of the following 4 conditions: Market capitalization of at least 5,000,000 euros; At least 100 shareholders; At least 5% spread of the share yield in the public and the issuer's shares were traded on at least 30% of the total number of trading days in the current year. At the end of the year, the Stock Exchange publishes on its website the updated list of joint stock companies that according to the criteria are obliged to apply the CGC. For 2026 that will be only 24 joint-stock companies. All other companies may voluntarily use the Code’s recommendations and suggestions as guidelines for complying with the law and gaining ethically sound and responsible behavior. For the fulfillment of the Code, companies should answer a Questionnaire that contains seven parts, first dedicated to shareholders, second to supervisory board or board of directors, third to management board, or executive members of the board of directors, forth to conflict of interests, fifth for risk and control, sixth for stakeholders, sustainability and social issues and the last one for transparency and disclosure. While answering the Questionnaire the companies should apply the approach known as “comply or explain”. That means that companies are not obliged to meet the standards set out in the Code, but they need to have good reasons and explanations in order to justify their Code’s deviation to

shareholders (Gjorgjioska, Gligorovski and Obednikovska 2025). According to research conducted by Gjorgjioska et al. (2025) on 20 indicators related to sub-section 7.1, 7.2 and 7.3 of the Questionnaire for the 26 joint stock companies that were obliged to comply to CGC in 2023, the average transparency level is 73%, which means that the Macedonian companies can be categorized in companies with "good level" of transparency.

2.1. Exemplary Regulations Regarding the Principle of Corporate Governance in Macedonian Law

Some of the issues regarding the rights of shareholders, accurate informing, control over the work of the managing bodies etc. are defined with a lot of mandatory provisions in the Law of trade companies in the section for joint-stock companies but also in the section for major business deals and business with an interested party.

Most of these provisions are detailed in the Questionnaire that should be answered by the joint-stock companies that are obliged to apply the CGC. Some of them are given below:

- Maintaining a website with a separate section describing the rights attached to each class of shares, the Company's Statute and any other internal acts that regulate shareholders' rights.
- Publishing on the website the necessary information about the date, venue and agenda of Shareholders' General Meeting and any other materials related to the Meeting in accordance with the requirement of the law and Listing Rules.
- Disclosure whether shareholders have the ability to vote by means of communication technology and by correspondence, or to participate in the meeting by electronic means.
- Providing the option for shareholders to vote by proxy.
- Appointing a person who is responsible for ensuring a timely and adequate response to questions or provision of information to shareholders and investors. The person's name, e-mail address and telephone number shall be published on the Company's website.
- The Supervisory Board shall hold meetings at least four times a year in accordance with the law.
- The Supervisory Board Chair may not have been a member of the Management Board of the Company for at least two years before their appointment.
- The Company shall take action to ensure that it has at least 30% female members of the Supervisory and Management Boards by 2025.
- The Supervisory Board shall report in the Annual Report on the committees, including their composition and activities, the number of meetings held and how many were attended by each committee member, and the main items discussed.
- The Management Board shall report to the Supervisory Board at least every quarter, in accordance with the law, on the company's operational

performance, financial situation, its major financial and non-financial risks, the results of its engagement with shareholders and other stakeholders etc.

- The Company shall publish full and accurate data on each individual Supervisory Board Member's remuneration in the previous year in the Annual Report.
- The Remuneration Committee, or the Supervisory Board if there is no Committee, shall formulate a policy on Management Board's remuneration, which may consist of fixed and performance-related parts. The policy shall define the methodology, principles and performance criteria for determining the method and amount of remuneration for the Management Board. Fixed remuneration (salary) shall adequately reflect the expertise, experience and responsibilities of each Management Board member, as well as the size and financial standing of the Company.
- The Company shall publish full and accurate data on each individual Management Board member's remuneration in the previous year in the Annual Report.
- The independent external auditor shall be appointed by the General Shareholders Assembly at the proposal of the Supervisory Board. The proposal shall include a description of the criteria used by the Board or the Audit Committee to select the auditor.
- The Management Board shall promote a corporate culture that encourages ethical conduct, respect and a commitment to compliance in all employees. For this purpose, the Company shall adopt a Code of Ethics and establish a system for ensuring compliance and business ethics in the Company. The Code of Ethics shall be approved by the Supervisory Board and published on the Company's website.
- The Company shall have internal acts relating to its responsibilities for environmental and social issues and policies and procedures that enable it to identify material factors and assess the impact on the company's activities.
- For better transparency, in addition to the mandatory content prescribed by law and the Listing Rules, the Company shall publish on its website other additional data, listed in the Questionnaire.

According to analysis of all joint stock companies listed on MSE, Gligorovski et.al, (2026) found that almost 75% of the companies do not have published Code of Ethics on their web pages. MSE as an action for following up the level of compliance with the CGC, in the last three years examines the compliance level of the companies that are obliged to comply with CGC.

The Stock Exchange began to prepare a Report on the compliance of the listed companies with the Corporate Governance Code, which will be published every year and thus the progress of the companies in fulfilling the objectives of the Code will be monitored. The level of compliance with the provisions and sections of the Code varies in 2023; and the average rate of corporate governance compliance with the Code stands at 79%, marking a 3% increase compared to the previous year. According to the last Report (MSE, 2025) the average compliance

rate of analyzed companies is 80%, which is quite solid, and expresses a trend of a slight increase in relation to the compliance rate in 2022 and 2023According to the last Report (MSE, 2025) the average compliance rate of analyzed companies is 80%, which is quite solid, and expresses a trend of a slight increase in relation to the compliance rate in 2022 and 2023. The results show that companies are progressing in terms of their corporate governance.

Regarding the European Commission Report for North Macedonia (2025) North Macedonia's corporate governance and company law framework requires further alignment with the EU acquis, particularly regarding cross-border mergers, divisions and conversions, the use of digital tools and processes in company law, takeover bids, and long-term shareholder engagement under the SRD II Directive, while further progress is also needed in adopting the Law on Accounting, strengthening transparency requirements for listed companies, ensuring compliance with statutory audit requirements, and continuing alignment with the Corporate Sustainability Reporting Directive and the Non-Financial Reporting Directive. There is also note that CGC is mandatory only for listed companies that meet certain criteria.

3. Corporate Governance in Turkish Law: Historical Development, Fundamental Principles, and Legal Basis

3.1 Historical Development in Turkish Law

The principle of corporate governance, as one of the fundamental concepts of Turkish company law, has undergone a modernization process spanning over a century and is a strategic building block of the Turkish Commercial Code No. 6102 (TCC), which came into force in 2012. The corporate governance principle aims to ensure that companies, especially joint-stock and limited liability companies, conduct their relations with their shareholders, boards of directors, employees, creditors, and society in a fair, transparent, accountable, and responsible manner. In Turkish law, the norms related to the principle of corporate governance are based on external motivations such as developments in international comparative law, Türkiye's European Union candidacy process, and the framework studies of international organizations such as the OECD, of which Türkiye is a member, while also taking into account national market needs and expectations (Öcal, 2019). The normative order of the principle of corporate governance in Turkish law is based on the legal reflections of four fundamental principles: fairness, transparency, accountability, and responsibility. These reflections are primarily seen in the TCC and the Capital Markets Law No. 6362 (CML).

It is no coincidence that the principle of corporate governance has gained validity in capital companies, especially in joint-stock companies, which possess the most typical characteristics of capital companies under Turkish law. Joint-stock companies, in which savings are converted into investments that can be publicly traded, have a large number of shareholders, with powers and duties separated among organs, and play a locomotive role for the Turkish economy,

need to be managed corporately, as professionalism requires. The fact that the interests of society, due to the legal personality of the company and the concept of sustainability that has emerged in recent years, are placed before the interests of those who manage the joint-stock company, and even the shareholders who own the company, is causing the importance of corporate governance to increase day by day (Özdemir and Tamer, 2019).

In Turkish legal terminology, we sometimes see the term "corporate governance" used instead of "corporate management." The principle of corporate governance stands out in Turkish practice as an interdisciplinary concept involving fields such as business administration, finance, and economics (Delice, 2023). From a legal perspective, the TCC, a product of the European Union accession process that began with the Helsinki Summit in 1999, is a dynamic set of norms that inspires and lends spirit to the concept of corporate governance. It stands at the intersection of the mandatory norms of company law and the principles of public disclosure in capital market law, and is equipped with legal sanctions (Tenteriz and Akkaya, 2021).

The historical evolution of corporate governance directly parallels major global financial scandals, company bankruptcies, and economic crises. Indeed, sensitivities regarding the principle of corporate governance in Turkish company law are merely reflections of the accumulation of legal regulations, including the Cadbury Report of 1992, the OECD principles published in 1999, and the Sarbanes-Oxley Act adopted in 2012 (Zengin and Yılmaz, 2017). The clearest evidence of this is the numerous references to these legal regulations in the TCC's explanatory memorandum (Akyüz, 2009).

However, it would be incorrect to claim that corporate governance principles did not exist or have any impact on Turkish law before the enactment of the TCC in 2012. We can acknowledge that the first traces of corporate governance principles in Turkish law date back to the 1980s. The decisions of January 24, 1980, taken to help the Turkish economy overcome a deep crisis, stand out as a turning point in Türkiye, marking the clear acceptance of an open, export-oriented free market model (Özsoy, 2011; Akyüz, 2009). The enactment of the Capital Market Law No. 2499 in 1981, the first law specifically for capital markets, and the establishment of the Capital Market Board to oversee market functioning are considered the first steps towards the principle of corporate governance in Türkiye (Tenteriz and Akkaya, 2021; Akdoğan and Akdoğan, 2011). The institutionalization of corporate governance principles in Türkiye only began in the 2000s (Özsoy, 2011). This was again due to an economic crisis (Delice, 2023). The severe economic crisis of 2001 necessitated fundamental structural changes in the Turkish banking and finance sector (Öcal, 2019). Upon realizing that governance weaknesses in financial institutions were deepening the crisis, the CMB published the "Corporate Governance Principles" guide for the first time in July 2003. This guide initially contained rules that were not mandatory to implement, had no sanctions for non-compliance, but required explanations for non-compliance (Zengin and Yılmaz, 2017). Another turning point in Turkish law on corporate governance principles was the launch of the Borsa İstanbul (BIST) Corporate Governance Index (XKURY) in 2007 by the

Istanbul Stock Exchange, which lists companies with high corporate governance ratings. The structure of corporate governance principles, which were initially optional and based on principles, transitioned from a voluntary structure to a mandatory legal reform period from 2011 onwards, with non-compliance resulting in sanctions (Akdoğan and Akdoğan, 2011). The TCC, which came into force in 2012, and the CML, which repealed the previous Law No. 2499, became the highest-level legislative sources regulating the principle of corporate governance. These two fundamental laws transformed corporate governance principles from optional to binding positive legal rules for companies of a certain size (Zengin and Yılmaz, 2017).

3.2. Basic Principles of Corporate Governance According to Turkish Law

In parallel with comparative law, corporate governance under Turkish law is built on four fundamental pillars that complement one another. These principles are considered the main legal criteria for interpreting legislation and in resolving disputes among internal company bodies. These principles can be listed as equity, transparency, accountability, and responsibility (Aytar, 2022).

The principle of equity, also described as fairness and equality, aims to ensure that company management treats all stakeholders, especially minority shareholders and foreign investors, equally and impartially, preventing the majority from violating the rights of the minority. Indeed, the principle of equal treatment, which also applies to limited companies, is regulated in Article 357 of the TCC for joint-stock companies and reflects the principle of equity in the TCC. According to TCC Article 357, the board of directors is obliged to treat shareholders equally under equal conditions (Karasu, 2013).

Another pillar of corporate governance is transparency and public disclosure. Accordingly, information about company activities, financial status, ownership structure, and management strategies must be made available to the public and investors in a timely, accurate, complete, understandable, and cost-effective manner. Transparency helps prevent market manipulation. The legal implications of the principle of transparency are set out in the TCC and the CML. Financial reporting obligations and the active use of the Public Disclosure Platform (PDP) reflect this principle from the CMB's perspective (Öcal, 2019). In contrast, the obligation for joint-stock companies subject to an independent audit to establish a website and publish mandatory content elements (TCC Article 1524) is a regulation embodying transparency from the perspective of the TCC.

Accountability means that professional managers and board members who manage the company are legally and criminally accountable to the company and shareholders for every step they take and every decision they make. Thanks to this principle, a balance of power is ensured among the organs, and the principle of separation of functions among the organs is upheld. The non-transferable duties and powers of the board of directors, regulated in TCC Article 375, are among the legal reflections of the principle of accountability (Tuğ, 2019). The assumption of legal and criminal responsibilities by the board of directors is also considered among the most prominent legal reflections of accountability (TCC Articles 553

and 562). The obligation of the board of directors to inform the general assembly, their duty to make statements, the control of all the board's actions and decisions through the audit mechanism, the ability of shareholders to examine the company's books, and their ability to request information and documents from the board of directors are other reflections of the principle of accountability found in the TCC (Karasu, 2013).

Another pillar of the corporate governance principle is the principle of responsibility. Responsibility here refers to social responsibility (Ayboğa, 2021). According to this principle, in conducting its activities, the company must consider not only the profit margin for its shareholders but also the interests of society, environmental legislation, consumer rights, and its obligations under labor law. Responsibility means that the company, as a corporate citizen, must act in accordance with the law. Sustainability, social development, the green economy, and environmental protection are closely related to the principle of responsibility, and the Sustainability Principles Compliance Framework, added to the Corporate Governance Communiqué published by the Capital Markets Board (CMB), can be considered the most current reflection of that principle in Turkish law.

3.3. Exemplary Regulations Regarding the Principle of Corporate Governance in Turkish Law

First of all, regulations on corporate governance principles are found across a wide range of legislative sources in Turkish law. In this section of our study, we will focus on exemplary provisions, particularly those found in the TCC and the CML in Turkish law. However, regulations on corporate governance principles are also included in the Banking Law No. 5411 and the Insurance Law No. 5684 in Turkish law (Tuğ, 2019).

3.3.1. Corporate Governance Regulations in the Turkish Commercial Code (TCC)

3.3.1.1. Structure and Functioning of the Board of Directors

The TCC has validated radical innovations aligned with corporate governance in the board of directors' formation and decision-making processes (Cindoruk, 2026). Examples of corporate governance regulations regarding the structure and operation of the board of directors include: the ability of a single-person board to accelerate decision-making processes, especially in companies with foreign capital; the ability of legal entities to serve as members of the board of directors (managers' board) in joint-stock and limited liability companies (TCC, Article 359), but the requirement to appoint a natural person as a representative; the fact that, despite this requirement, the membership of the board of directors and all legal consequences arising from this membership, including legal responsibility, apply to the legal entity board member; the possibility of

delegating management authority, partially or completely, to one or more board members or entirely to third parties, as a requirement of professionalism, through an internal regulation to be prepared with a provision in the articles of association (TCC, Article 367); and the continuation of the board's duty of care even if delegation or division of labor occurs (Karasu, 2013; Cindoruk, 2026; Aksoy, 2013).

3.3.1.2. The Non-Delegable and Inalienable Powers and Duties of the Board of Directors

Professionalism is an important requirement of the corporate governance principle. However, to ensure professionalism, the board of directors may appoint a managing director, a commercial representative, etc (Aksoy, 2013). The powers and duties that cannot be delegated to professional managers are mandatorily regulated in Article 375 of the TCC. The management of the company at the highest level and the issuance of instructions, the determination of the company's management structure, the establishment of accounting, financial auditing and financial planning systems, the appointment and dismissal of directors and authorized signatories, the supervision of compliance of management personnel with laws and regulations, the keeping of share, decision and general assembly minutes books, the preparation of financial statements and annual activity reports, the preparation of general assembly meetings and the execution of their decisions, and notification to the court in case of insolvency are among the powers that cannot be delegated or waived according to TCC Article 375 (Aksoy, 2013). However, the non-delegable and inalienable powers of the board of directors are not limited only to those listed in TCC Article 375. Provisions regulating non-delegable and inalienable duties and powers, which are scattered among the provisions relating to joint-stock companies, are also included in the TCC (Cindoruk, 2026).

3.3.1.3. Risk Early Detection and Management Committee

The provision in Article 378 of the TCC regarding the risk early detection and management committee can be shown as the most concrete legal instrument of the principles of "responsibility" and "prudent management" in corporate governance. The risk early detection and management committee, which establishes and operates the system for the early diagnosis of reasons that endanger the existence, development, and continuity of the company, the implementation of necessary measures and remedies, and the management of the risk, is obliged to submit a report to the board of directors every two months. While the risk early detection and management committee is mandatory in companies whose shares are traded on the stock exchange, it is optional in privately held joint-stock companies. In privately held joint-stock companies, the optionality is eliminated in a possible scenario. Accordingly, if the auditor deems

it necessary, the board of directors is obliged to establish this committee even in privately held joint-stock companies (Aksoy, 2013).

3.3.1.4. Electronic General Assembly System (EGAS)

One of the important requirements of the corporate governance principle is to increase and diversify shareholders' opportunities to participate in the general assembly. The general assembly is the most important platform for ensuring democracy within the company and for shareholders to exercise their rights arising from their shareholding. Indeed, Article 1527 of the TCC has introduced the possibility of participating in, making proposals, and voting in the general assemblies of joint-stock companies electronically. In this way, the opportunity to participate in general assembly meetings, especially for foreign and minority investors who cannot attend physically, has emerged (Özdemir and Tamer, 2019).

3.3.2. Corporate Governance Regulations and Corporate Governance Principles Communiqué in the Capital Markets Law (CML)

Unlike the TCC, the CML and the regulations that have been adopted under the CML apply only to publicly traded joint-stock companies. Indeed, Article 1529 of the TCC provides that the authority to determine corporate governance principles for publicly traded joint-stock companies rests with the CMB (Avcı, 2022; Akdoğan and Akdoğan, 2011). The CMB, through its Corporate Governance Communiqué II-17.1, has implemented both mandatory and optional rules (Delice, 2023). While violations of mandatory rules lead to sanctions, in cases of non-compliance with optional rules, the directors of a joint-stock company are only expected to explain the reason for their non-compliance (Tuğ, 2019). To prevent decisions in publicly traded companies from being made solely in the interests of controlling shareholders, boards of directors must include at least one-third independent members; in any case, the number of independent board members must be at least two (Avcı, 2022). The independence of a member must be based on abstract and objective criteria; in other words, for a member to be considered independent, they or their spouse/relatives must not have established employment, capital, or significant commercial relations with the company or related companies within the last 5 years, they must not be working as a professional manager in the company, and they must not hold an executive position. These are among the mandatory requirements included in the CMB's Corporate Governance Principles (Avcı, 2022).

To enhance the board of directors' functionality and ensure the impartial performance of its audit duties, the establishment of several subcommittees is also mandatory. The Audit Committee, Corporate Governance Committee, Nomination Committee, and Remuneration Committee are among the mandatory committees.

To prevent controlling shareholders from draining the company's resources, the CMB has imposed strict restrictions on related-party transactions. For "Significant Transactions," such as the sale or lease of a substantial portion of

the company's assets or the purchase of goods/services from related parties, the approval of a majority of independent board members is required. If independent members do not approve, the transaction must be presented to the general assembly and, in cases where controlling shareholders do not vote, must be approved by the minority shareholders to become valid. This is among the mandatory corporate governance principles (Ayboğa, 2021).

3.3. Evaluation of the Turkish Corporate Governance System

The legal regime governing corporate governance principles in Turkish law reflects the influence of both the continental European and the Anglo-Saxon legal systems. In other words, one can speak of a mixed legal regime. Unlike German law, Turkish law, which accepts Swiss law as its source, is subject to a Single Management System in joint-stock companies, similar to Anglo-Saxon law. In other words, there is a single Board of Directors in the company; the audit and executive functions are separated through subcommittees within this board (Audit Committee, etc.).

Although this similarity to Anglo-Saxon law seems like an advantage, especially in the application of corporate governance principles, the direct application of Anglo-Saxon corporate governance models to developing markets like Türkiye also leads to a number of structural inconsistencies. In the US and UK, where publicly traded companies distribute shares among thousands of small investors, conflicts arise between "Managers and Shareholders." However, in Türkiye, since the vast majority of companies, even those that are publicly traded, are under the absolute control of a family or holding company, the fundamental conflicts in Türkiye occur between "Controlling Shareholders and Minority Shareholders."

In Turkish law, corporate governance principles are not implemented as grassroots necessity, but rather through top-down coercion. Therefore, many Turkish companies formally fulfill legal requirements regarding independent board memberships and committee formations. However, the will of family councils or the controlling shareholder remains dominant in decision-making processes. This results in the formal application of corporate governance principles, but without the realistic realization of the expected benefits.

Regarding the European Commission report for Türkiye (2025), Türkiye should further align its national legislation with the EU acquis by strengthening shareholder rights and long-term shareholder engagement, facilitating cross-border conversions, mergers and divisions, improving company and corporate sustainability reporting, introducing country-by-country income tax disclosure, and promoting greater gender balance on the boards of listed companies.

The fact that corporate governance principles are scattered across Turkish legislation, that the CMB is not recognized as the sole authority for the implementation, supervision, monitoring, and development of these principles, and that the majority of these principles in the CMB Corporate Governance Communiqué consist of optional rules are other criticisms that can be directed at

the Turkish corporate governance system. However, it is necessary to emphasize that another development that can answer these criticisms is the innovations in digitalization and artificial intelligence technologies. Considering that the focus of Turkish corporate governance law in the future will consist of digitalization, the integration of AI assistants into board decision-making processes, blockchain-based transparent voting systems, and ESG/Sustainability-oriented green corporate governance norms, it should be accepted that the handicaps arising from the human factor in the application of corporate governance principles can be eliminated. If Turkish legislation can adapt dynamically to these technological and global transformations, corporate governance principles can be implemented in the most effective way, and the competitiveness of the Turkish capital markets will be maximized.

4. Conclusion

The Republic of North Macedonia and Türkiye have not remained immune to the global trend towards the implementation of good corporate governance practices. However, as in other areas, these two countries have traditionally been followers rather than leaders in adopting internationally recognized corporate governance practices. Nevertheless, the effective implementation of good corporate governance practices is essential if companies in these countries are to attract investment in their shares. Increased corporate transparency, greater professionalism of management and supervisory bodies, stronger protection of shareholders' rights, enhanced investor confidence, and improved corporate reputation and market value can contribute to making listed companies more attractive to current and potential equity investors. Therefore, both countries should take further steps to promote and strengthen the implementation of internationally recognized corporate governance standards, with the first step being the implementation of the recommendations issued by the European Commission in its respective reports on the two countries.

Considering that the obligation to report on the application of the Corporate Governance Code (CGC) is still relatively new for Macedonian companies, a certain period of time is required for companies to fully adapt their corporate practices to the requirements and recommendations of the Code. Consequently, there remains considerable scope for further improvement and broader application of good corporate governance practices in North Macedonia. The fact that the CGC is not mandatory for all joint-stock companies further limits its overall impact and indicates the need for continued efforts to promote wider adoption of good corporate governance principles among all listed companies.

Türkiye has made significant progress in establishing a corporate governance framework. However, the gap between the formal adoption of corporate governance principles and their effective implementation in practice remains a significant challenge. Future reforms should therefore prioritize the substantive application of these principles, with particular emphasis on limiting the influence of controlling shareholders, strengthening independent oversight, and ensuring greater transparency and accountability.

Therefore, greater digitalization of corporate governance should be considered a future priority for both countries, particularly through the integration of AI-assisted decision-making, blockchain-based voting systems, and transparent digital reporting, as these tools could strengthen accountability, shareholder participation, and the effective implementation of corporate governance principles.

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