assonime

Associazione fra le società italiane per azioni

CONFINDUSTRIA

Assonime and Confindustria comments on the "Review of the OECD Guidelines on Corporate Governance of State-Owned Enterprises"

The Italian Association of Joint Stock Companies (Assonime) and the General Confederation of Italian Industry (Confindustria) welcome the opportunity to contribute to the revision of OECD Guidelines on Corporate Governance of State-Owned Enterprises (hereinafter the "Guidelines") and are eager to follow also the future works of the OECD Corporate Governance Committee and the OECD Secretariat at this regard.

As stated in the Guidelines Preface, this OECD policy-making instrument is aimed at setting general, internationally agreed recommendations on how governments should exercise professionally the state ownership function to avoid the pitfalls of both passive ownership and excessive state intervention, ensuring that SOEs operate efficiently, transparently and in an accountable manner. The goal is clearly demanding but right for purpose assigned to the OECD, which is the appropriate international forum for keeping such a key discussion effective and efficient.

From a general perspective, while we find the attempt to provide for a clearer definition of 'SOE' and, in particular, of what is meant by 'state's control' commendable, we would like to raise some doubts about the contents of the latter definition, as this is a key issue for a proper understanding of the boundaries of the Guidelines.

In particular, we notice on one hand an uncertain use of the terms 'ownership' and 'control' and of their mutual connections and, on the other hand, some degree of uncertainty regarding the possibility of extending the scope of the Guidelines beyond cases of control. This second case occurs, for example, when the Guidelines state that entities not covered by the control criteria encompass those where the government holds equity stakes of *less* than 10%, therefore apparently including conversely under the scope of the Guidelines also cases of significant (and not only dominant) influence.

Accordingly, we would recommend the OECD to clarify unambiguously whether the Guidelines apply only in cases of control or even in cases of significant influence; and, once the scope of the Guidelines is made clear, we would suggest refraining from recurring to a detailed list of different circumstances under which the control (and, in case, the significant influence) exists, rather opting for a simplified and clearer definition that relies on high-quality internationally recognised standards, such as, for example, the International Financial Reporting Standards. In our view, a simplified and clearer definition of the scope of application of the SOEs Guidelines is fundamental for ensuring their

effectiveness, that would be enhanced by the nature of policy-oriented principle-based tool for governments' public action featuring such definition. Please consider that, if the proposed document aims at qualifying a scope that is broader than that of controlled companies, this would obviously entail, for the purpose of the Guidelines, a broader recognition of the proportionality principle through which they shall find application.

Under a different perspective, as far as enterprises owned by territorial public entities are concerned, we find the general provision of the 'applicability' section of the Guidelines too vague. On page 9, while explaining the definition of 'level playing field', the Guidelines refer to state's ownership, *"including central, regional, federal, provincial, county, or municipal level of the state"*; on the following page 10, when considering the 'applicability' of the Guidelines, it is stated that *"as a guiding principle, those entities responsible for the ownership functions of enterprises held at sub-national levels of government should seek to implement as many as recommendations in the Guidelines as applicable"*. On this point we suggest a clearer position of the Guidelines *vis a vis* the central governments to explicitly consider the application of the Guidelines in cases of enterprises owned at sub-national levels, in so far as these enterprises have a significant size (i.e. large companies owned by local entities).

Besides these general proposals regarding the boundaries of the definition of SOEs, we provide for more detailed observations on the public consultation document (see attached). Our technical comments are led by four main motivations:

(i) better clarity for listed SOEs, considering that – especially for pure corporate governance recommendations – they are already subject to the general framework of the G20/OECD Corporate Governance Principles, irrespective of their ownership structure. For listed SOEs we therefore propose some specific amendments and a general clarification at definition level, according to which SOE Guidelines shall find application as long as they are compatible with the framework of listed companies. Otherwise, the SOE Guidelines would have the unintended consequence of strengthening the state's influence over a company whose shares are listed and whose governance is firmly tied to the principle of shareholders' equal treatment.

(ii) better clarity for group structures. We suggest clarifying that the parent SOE cannot be considered to exercise the ownership rights *"on behalf of the state"* in the interactions with its subsidiaries: in this case, ownership rights of the parent company shall be interpreted according to the common company law provisions, namely the ownership rights that any parent (private or public) company has towards its subsidiaries. This qualification allows to prevent a number of material inconsistencies, especially if we consider listed parent SOEs, that would otherwise arise with company law provision and regulations. Moreover, we would suggest the OECD to clarify that – at least for reporting and governance recommendations – Guidelines shall refer only to parent companies and cannot be extended to any of its subsidiaries.

(iii) better proportionality for mid-small and/or wholly-owned enterprises. In this case our concern regards Guidelines recommendations that tend to equally extend to all SOEs governance measures and tools that have been typically developed for listed companies (e.g. board self-evaluation, board committees, detailed provisions on board composition):

such a general extension appears, in some cases, too burdensome and even inefficient, considering the risks of a general pressure to formal compliance.

(iv) fine-tuning of some specific proposed amendments as they appear, in some cases, inconsistent with other parts of the same Guidelines and/or other OECD policy-making instruments, such as the G20/OECD Corporate Governance Principles.

Annex - Specific comments

Page of the consultation document	Comments
Page 7	**Definitions of "SOE" and "ownership and control".** As stated in our introduction, while we find the attempt to provide for a clearer definition of 'SOE' and, in particular, of what is meant by 'state's control' commendable, we would like to raise some doubts about the content of the latter definition, as this is a key issue for a proper understanding of the boundaries of the Guidelines. In particular, we notice, on one hand, an uncertain use of the terms 'ownership' and 'control' and of their mutual connections and, on the other hand, some degree of uncertainty regarding the possibility of extending the scope of the Guidelines beyond cases of control. This second case occurs, for example, when the Guidelines state that entities not covered by the control criteria encompass those where the government holds equity stakes of less than 10%, therefore apparently including conversely under the scope of the Guidelines also cases of significant (and not only dominant) influence. In first instance, we would recommend the OECD to clarify unambiguously whether the Guidelines apply only in cases of control or even in cases of significant influence; and, once the scope of the Guidelines is made clear, we would suggest refraining from recurring to a detailed list of different circumstances under which the control (and, in case, the significant influence) exist, rather opting for a simplified and clearer definition that relies on high-quality internationally recognised standards, such as, for example, the International Financial Reporting Standards. In our view, a simplified and clearer definition of the scope of application of the SOEs Guidelines is fundamental for ensuring their effectiveness, that would be enhanced by the nature of policy-oriented principle-based tool for governments' public action featuring such definition. Secondly, once the scope of the Guidelines is clarified, we suggest some fine-tuning of the proposed wording as the reference to 'ownership and control' appears rather unclear. At first, it is stated that "*for the purpose of the Guidelines, any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership OR control, should be considered as an SOE*": based on this formulation, an enterprise is apparently considered an SOE when the state holds any stake (i.e. not necessarily a controlling stake) "*OR",* otherwise*,* it exercises control – through different means (…) – over the enterprise. Under a different perspective, the following Definition is entitled instead "*ownership AND control*". The first sentence of this Definition states in turn that "*the Guidelines apply to enterprises that are owned by the state, with the term "ownership" understood to imply direct or indirect control*". The overall analysis of the quotes above seems to highlight an uncertain use of the terms "ownership" and "control" and of their mutual connections. As this is a key issue for a proper understanding of the boundaries of the Guidelines, if the intention is to limit the scope to cases of control, we would

	suggest clarifying whether that control is nothing but the concept used to identify cases where state ownership exists, it is therefore suggested: • to modify as follows (amendments in bold and barred types) the aforesaid quote from the Definition of "SOE": "*for the purpose of the Guidelines, any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership* ***~~or control~~****, should be considered as an SOE*"; • to modify as follows (amendments in bold and barred types) the title of the subsequent Definition: "ownership ***~~and control~~***". On the contrary, if the intention of the proposed revision was to extend the scope of application of the Guidelines, namely including under the definition of SOEs also companies that are not necessarily controlled (according to IFRS) but are subject to significant influence, intended as circumstances when it retains the power to participate in the financial and operating policy decisions of the company even without formally controlling it (i.e. definition of significant influence under IFRS), we suggest to state it clearly and refer to internationally accepted definitions (such as the above mentioned IFRS one). Please consider that, if the proposed document aims at qualifying a scope that is broader than that of controlled companies, this would obviously entail, for the purpose of the Guidelines, a broader recognition of the proportionality principle through which they shall find application.
Page 7	**Definition of "ownership and control"**. • <u>As an alternative to our main proposal of simplifying the definition of ownership</u>, whether it is intended as control or not, by making reference to the IFRS standards, we would like at least highlight some other fine-tunings in the definition of control. • In the first paragraph of this definition it is indicated that "*In the case of statutory corporations, the state's control is conferred by the legislative provisions pertaining to the corporations. Otherwise control can be exercised by the state either (i) directly or indirectly holding the majority of the share capital, (ii) directly or indirectly holding the largest number of shares where those shares provide control, (iii) being the ultimate beneficiary owner of the majority of voting rights, or (iv) otherwise exercising an equivalent degree of direct or indirect control*". It is unclear how the two sentences indicated above actually interplay each other. On the one hand, it is assumed as the common case that SOEs are statutory corporations set up under the framework of one of the various corporate types provided for by the law (i.e., joint stock companies, limited liability companies, limited or special partnerships, etc.). In these cases "*the state's control is conferred by the legislative provisions pertaining to the corporations"* and therefore the other criteria indicated in the draft revision of the Guidelines would not be applicable (or, better, would be applicable only if expressly quoted by the law applicable to corporations). This is the meaning that stems from the literal interpretation of the above provisions. In this perspective, it would anyway sound odd that material changes to the definition of control, included in the draft revision of the Guidelines, would directly apply to a very limited number of SOEs. On the other hand, if the aim of the above provisions is instead to allow the application of the aforesaid criteria also to the statutory corporations (in addition to the cases of control provided for by the law), it is suggested to make explicit such purpose in a clearer way, for example as follows (amendments in bold and underscored types): "*In the case of statutory corporations, the state's*

	*control is conferred by the legislative provisions pertaining to the corporations. **In any case** control **is deemed to** be exercised by the state either …*" • In the second paragraph, the last sentence indicates that "*Control may also be exercised through rights or contracts conferring decisive influence on the composition, voting or other commercial decisions of the undertaking; the ownership or right to use all or substantial parts of its assets*." It is suggested to better specify the reference to the "composition … of the undertaking" (e.g., reference is made to the ownership structure and/or to the composition of the board of directors?).
Page 8	**Definition of "Group Corporate structures".** It is indicated that "*SOEs can also be owned indirectly by the state through corporate group structures such as parent SOEs or a similar legal entity or holding company that is state-owned. In such cases the parent company will generally be considered to exercise the ownership rights. However, some provisions in these Guidelines concerning "ownership entities" do not apply equally to parent companies. This is in each case indicated in the annotations.*" It is suggested to clarify from the outset that the parent SOEs cannot be considered to exercise the ownership rights "on behalf of the state" in interactions with its subsidiaries: in this case, the ownership rights of the parent company shall be interpreted according to the provisions of common company law, namely the ownership rights that any parent (private or public) company has towards its subsidiaries. This qualification allows to prevent a number of material inconsistencies, especially if we consider listed parent SOEs, that would otherwise arise with company law provision and regulations. At the same time, we would suggest the OECD to clarify that – at least for reporting and governance recommendations – the Guidelines shall refer to parent companies only and cannot be extended to any of its subsidiaries.
Page 9	**Definition of "The governing bodies of SOEs".** We suggest to clarify and simplify the wording used for the definition of the governing bodies as follows: *"… In the context of this document "board" refers to the corporate body charged with the functions of governing the enterprise and monitoring management**; in a two-tier system, the document refers to**, ~~typically referring~~ the supervisory board ~~in a two-tier system~~. …"* Moreover, we suggest to slightly amend the definition of "independent board members" as follows, in accordance with the wording of Supporting Guideline VI.D and to keep the definition of board members simpler, avoiding the addition of "recommendations" (e.g., where the definition is mixed with "should"): "…*Broadly speaking, independent board members are understood to mean individuals free of any material interests (including remuneration) or relationships with the enterprise (non-executive board members), **its management,** the state (neither civil servants, public officials, nor elected officials), ~~its management,~~ and other major shareholders, as well as with institutions and interest groups with a direct interest in the operations of the SOE that could jeopardise their exercise of objective judgement. **All** ~~Independent~~ board members**, including independent ones, are** ~~should be~~ in possession of ~~an independent mindset and~~ sufficient competencies to carry out the board duties. (…) **As in private companies, t**~~T~~he CEO **is** ~~should be~~ accountable to the board**, according to the provision of national company law**."*

Page 9	**Definition of "Stakeholders".** It is suggested to conform such definition with that of stakeholders used in the Preamble to the 2023 edition of OECD Principles of Corporate Governance (i.e. "Throughout the Principles, the term "stakeholders" refers to non-shareholder stakeholders and includes, among others, the workforce, creditors, customers, suppliers and affected communities"). As "*the Guidelines are intended as a complement to the Principles, with which they are fully compatible*" (see Preamble to the 2015 edition of the Guidelines), any departure from the Principles' definitions must be carefully evaluated and properly justified. According to the Definition of "Stakeholders" adopted in the draft revision of the Guidelines, on the one hand it is unclear if shareholders of the SOEs other than the state are considered as "stakeholders" for the purpose of the Guidelines and, on the other hand, it could result that each citizen can be considered as a stakeholder of an SOE.
Pages 9-10	**Applicability** We would like to highlight also that, the general provision of the 'applicability' section of the Guidelines, regarding enterprises owned by territorial public entities, appears too vague. While explaining the definition of 'level playing field', the Guidelines refer to state's ownership, *"including central, regional, federal, provincial, county, or municipal level of the state"*; on the following page, when considering the 'applicability' of the Guidelines, it is stated that *"as a guiding principle, those entities responsible for the ownership functions of enterprises held at sub-national levels of government should seek to implement as many as recommendations in the Guidelines as applicable"*. On this point we suggest a clearer position of the Guidelines *vis a vis* the central governments to explicitly consider the application of the Guidelines in cases of enterprises owned at sub-national levels, in so far as these enterprises have a significant size (i.e. large companies owned by local entities).
Page 12	**Supporting Guideline II.C** *"… The ownership entity should establish and maintain appropriate frameworks for communication with SOEs highest governing body, typically through the Chair.*" Such provisions (and the corresponding quote in the Annotations) seem to request an explicit clarification for SOE listed companies, that operate under the overarching principle of equitable treatment of all shareholders (see Guideline No. IV) and the rules on the management of price sensitive information. In this light it shall be considered that in some jurisdictions listed companies, including listed SOEs, are also invited to draft suitable policies for managing dialogue with the generality of shareholders, taking into account the engagement policies adopted by institutional investors and asset managers. In addition, please consider that such clarification of the aforesaid "frameworks for communication" would result better aligned with the same annotations of the SOEs Guidelines: e.g. see the last sentence of Annotations to Supporting Guideline IV.A.2 (page 46), according to which "*particular care should be taken to ensure that when SOEs are partially privatised, the state as shareholder should have no greater … access to information, than what its shareholding provides as a right*".
Page 12	**Supporting Guideline II.F., point 3)** recommends to the state as an owner to *"set(ting) and monitor(ing) the implementation of broad mandates and objectives for the SOEs, including financial targets, capital structure objectives and risk tolerance level consistent with the state's rationales for ownership"*. This recommendation shall be calibrated with a better degree of proportionality, considering especially (but not only) the case of listed SOEs, in order to ensure

	that such recommendation does not affect the rules of company law regarding the duties and the accountability of the board. While the **Annotations to Supporting Guideline II.F** (identifying the primary responsibilities of the state as an active owner, p. 32) clarify that *"… The applicability of these responsibilities depends on the degree of ownership of the state over the SOE. … In the case of [presence of] other shareholders, the ownership rights need to be exercised … in line with general corporate law, by-laws and regulations"*, we believe that more explicit clarification could also be provided at the level of principle. In this perspective, we suggest adding at Supporting Guideline II.F., end of point 3) ***"****… consistent with the state's rationale for ownership**, and ensuring the integrity of the role, duties and accountability of the SOEs highest governing body**"*.
Page 12	The **Supporting Guideline II.F.4)** considers the introduction of appropriate reporting systems as one of the primary responsibilities of the state as an informed and active owner. From a general perspective, this provision seems to overlap the role of the state as regulator and the role of the state as the owner of the company, considering that any SOE would be required, according to its company type, status, and dimension to ensure compliance with the national reporting obligation framework. More in detail, this provision appears rather confusing with regard to listed SOEs that are already subject to a very detailed reporting obligation framework, with regard to both financial and non-financial information; for sake of clarity, we would suggest considering at least a specific clarification for this class of SOEs, namely listed ones, by stating that they are already subject to an adequate reporting framework.
Page 13	The **Supporting Guideline II.F.8)** considers the establishment of a clear overarching remuneration policy for the SOE boards as one of the primary responsibilities of the state as an informed and active owner. Also in this case, due attention shall be paid to the applicable laws and regulations. As in our previous points, we suggest considering at least a specific clarification for listed SOEs, that are already subject to detailed information disclosure obligation regarding both the remuneration policy and the remuneration actually paid to board members. Same considerations could be extended also the **Annotations** regarding directors' remunerations, such as the reference to the remuneration policy's approval by the annual AGM (mentioned at page 62), considering that according to EC Directive 2017/828 in European listed companies the AGM vote on the policy can occur even every four years; (ii) general policies on the amount of directors' remuneration (mentioned on page 36, as well as in the Annotation on page 60 e ff.), shall find application as long as they are compatible with the legal framework, especially with regard to listed SOEs, where the remuneration policy is proposed by the board and subject to a periodic vote of the AGM.
Page 16	The **Supporting Guideline IV.B.** refers to corporate governance codes and, in the proposed amendment, encourage not listed SOEs to adhere to a code *"to the extent possible"*. While we agree in principle with this statement, we would suggest recalling at the same time the principle of proportionality. For this purpose, the adherence to code could be considered by not listed SOEs ***"taking into account the company's size and organisational complexity"***. Otherwise, a general and unqualified recommendation of adhering to high corporate governance standards such as those provided by national corporate governance codes could lead to the unintended consequence of, on one hand, imposing unnecessary burdens for companies of smaller size and/or that are wholly-owned

	by state, and, on the other hand, voiding the codes effectiveness with a high risk of formal compliance with their best practices.
Page 17	**Supporting Guideline V.A.3** states that, with due regard to enterprise capacity and size, material information on the enterprise to be disclosed by SOEs should include "*the governance, ownership, and legal and voting structure of the enterprise or group, including the content of any corporate governance code or policy and implementation processes*". Please note that in the corresponding **Annotation** (page 51) the reference to "group" is accompanied in the title of Supporting Guideline V.A.3 by the following expression: "as well as any subsidiaries".
Page 19	Under **Supporting Guideline VI.A.**, we observe that the wording does not appear fully in line with the G20/OECD Principles of Corporate Governance; we therefore suggest a proper alignment.
Page 19	**Supporting Guidelines VI.C, D, F, I** set forth ambitious board requirements (in terms of diversity, share of independent directors, independent chair, board evaluation) without considering any proportionality principle. For sake of clarity but also of better effectiveness of the Guidelines themselves, we suggest the OECD to clarify that all those requirements shall find application ***"taking into account the company's size and organisational complexity****".*
Page 20	**Supporting Guideline VI. H** states that SOEs board should consider setting up specialised committees, composed of independent and qualified members, to support the full board in performing its functions. It is important to underline that, also in this case, it should be clarified that the establishment of board internal committees shall apply according to a proportionality principle. The reference to the establishment of specialised committees shall therefore be limited to listed and large SOEs, namely ***"taking into account the company's size and organisational complexity"***; this clarification appears consistent with the approach developed in the G20/OECD Principles of Corporate Governance and with the Supporting Guideline itself, as it clarifies that the establishment of specialised committees should improve boardroom efficiency and should not detract from the responsibility of the full board, which retains full responsibility for the decisions taken.
Page 21	The **new Guideline VII** regarding SOEs and sustainability provides a general overview about the manner through which sustainability issues shall be considered and developed in the context of state ownership. In doing so, the Supporting Guidelines refers to both the role of the state as regulator, the role of the state as an owner and the company itself: this distinction is however not always clear and could be double-checked in order to prevent inconsistencies with the legal framework applicable to SOEs in each jurisdiction. In particular, it is very important to ensure consistency with the applicable company law framework, especially with regard to listed and large companies who are already subject to significant legal provisions on this matter.
Page 27	The **Annotations to Chapter II** are introduced by a general reference to the G20/OECD Corporate Governance Principles. In particular, the document states that in order to carry out its ownership functions, the government should refer to private and public sector governance standards, notably the G20/OECD Principles of Corporate Governance, which are also applicable to SOEs when it is not the sole owner of SOEs, and of all relevant sections when it is the sole owner of SOEs. For sake of clarity and proportionality we propose the following amendments:

	*"In order to carry out its ownership functions, the ~~government~~ **state** should refer to private and public sector governance standards, notably the G20/OECD Principles of Corporate Governance, which are also applicable to SOEs **to the extent possible, considering their size, ownership structure and organisational complexity** ~~when it is not the sole owner of SOEs, and of all relevant sections when it is the sole owner of SOEs~~."*
Page 29	The **sixth paragraph of the Annotations to Supporting Guideline II.C** state *inter alia* that "*The state ownership entity should establish and maintain appropriate frameworks for communication with SOEs highest governing body, and typically through the Chair. … The SOE should maintain accurate record of communication between the ownership entity and SOEs."* See previous comment on page 12, Supporting Guideline II.C.
Page 31	**Annotations to Supporting Guideline II.E** state *inter alia* that: • "*The ownership entity … accountability to the legislature should be clearly defined, as should the accountability of the SOEs themselves, which should not be diluted by virtue of the intermediary reporting relationship.*" The reference to the accountability of SOEs to the legislature would require an explicit clarification for SOE listed companies. • "*The ownership entity … should provide quantitative and reliable information to the public and its representatives on how the SOEs are managed in the interests of their owners. In the case of legislative hearings, confidentiality issues should be dealt with through specific procedures such as confidential or closed meetings."* This provision would require an explicit clarification for SOE listed companies, whose procedures for handling and disseminating inside (and, more in general, confidential) information are drafted in accordance with the regulations on market abuses prevention.
Page 32	**Annotations to Supporting Guideline II.F** (identifying the primary responsibilities of the state as an active owner) maintain in the preamble that "… *The applicability of these responsibilities depends on the degree of ownership of the state over the SOE. … In the case of [presence of] other shareholders, the ownership rights need to be exercised … in line with general corporate law, by-laws and regulations.*" This drafting technique is positively evaluated, as it allows to consider as not applicable to SOE listed companies some activities hereby indicated and assigned to the state as an active owner (i.e., (i) the setting of broad mandates and objectives for the SOEs, including financial targets, capital structure objectives and risk tolerance levels, (ii) the setting up of reporting systems that allow the state to regularly monitor and assess the SOEs performance, (iii) the drafting and communication of coherent transparency and disclosure policies applicable to SOEs and (iv) the maintaining of continuous dialogue with the SOE external auditors). Nevertheless, we would suggest clarifying it explicitly, at least in the Annotations.
Page 53	The last sentence of **Annotations to Supporting Guideline V.A.8** (which requires SOEs to report on "all" contractual relations and transactions with state-owned institutional investors) seems to be inconsistent vis-a-vis the wording of such Supporting Guideline (that requires SOEs to report only on any "material" transactions with the state and other related entities, including state-owned financial institutions).

	More in general, any duty to report on every related parties' transactions, even of a negligible amount, seems to conflict with the duty to disclose only "material" RPTs, as indicated in Supporting Principle IV.A.7 of the 2023 edition of OECD Principles of Corporate Governance.
Pages 54/55	In the **third paragraph of Annotations to Supporting Guideline V.B** it emerges some wording overlapping concerning prohibition or limitation of non-audit services upon external auditors ("*This … generally involves limiting the provision of non-audit services to the audited SOE*" and just beyond *"… and prohibiting or restricting non-audit services procured by external auditors for their audit clients, such as tax services*"). As it stems from the guidelines themselves, that recall the coordination with the G20/OECD Corporate Governance Principles, we suggest adopting the same G20/OECD Corporate Governance Principles' approach, based on safeguards – such as maximum caps to costs, disclosure requirements, specific limitations – rather than a general prohibition of non-audit services. Moreover, we suggest amending the last sentence of first paragraph following Supporting Guidelines V.C, in order to ensure its compatibility with internationally accepted standards: *"They should ~~define procedures to collect, compile and present sufficiently detailed information~~* ***establish policies and procedures to guide the internal audit activity***".
Page 60	The **first paragraph of the Annotations to Supporting Guideline VI.B** states *inter alia* that "*in order to carry out their role, SOE boards should actively … (vi) decide on CEO remuneration and develop effective succession plans for key executives, with a view to ensuring business and public policy continuity.*" In order to ensure full consistency with the title of Supporting Principle V.D.4 of the 2023 edition of OECD Principles of Corporate Governance, it is suggested to slightly modify as follows the aforesaid provision of SOE Guidelines: "*in order to carry out their role, SOE boards should actively … (vi) decide on CEO remuneration and* ***~~develop~~*** ***<u>oversee</u>*** *effective succession plans for key executives, with a view to ensuring business and public policy continuity.*"
Page 60	The **fourth paragraph of the Annotations to Supporting Guideline VI.B** state *inter alia* that "… *boards may also be assisted by a nomination committee which may be tasked with defining the profiles of the CEO and board members key executives, and making recommendations to the board on their appointment, with all or a majority of committee members being independent directors*." In order to ensure full consistency with the Annotations to Supporting Principle V.D.4 of the 2023 edition of OECD Principles of Corporate Governance, it is suggested to slightly modify as follows the aforesaid provision of SOE Guidelines: "*boards may also be assisted by a nomination committee which may be tasked with defining the profiles of the CEO and board members* ***~~key executives~~****, and making recommendations to the board on their appointment, with all or a majority of committee members being independent directors*."
Page 62	It is suggested to delete the **last (added) sentence in the last paragraph of the Annotations to Supporting Guideline VI.C** (i.e., "… *SOEs should also engage in board and committee evaluation and training*"), that seems to be redundant due to the fact that board members induction and continuous training is covered in a previous paragraph of the same Annotations, while board evaluation is extensively dealt with in Supporting Guideline VI.I and its Annotations.
Page 62	The **second paragraph of the Annotations to Supporting Guideline VI.C.** states that *"Board remuneration levels should be formally approved by the annual*

	shareholders meeting". Always in light of ensuring proper applicability to listed SOEs, we suggest clarifying that different legal frameworks apply to listed companies (please refer to above to our comment under Supporting Guideline II.F.8, with regard to page 13 of the consultation document, with also further caveats for listed SOEs with regard to the structure of directors' remuneration and the fact that the remuneration policy is subject to a periodic AGM vote).
Page 64	The **first paragraph of the Annotations to Supporting Guideline VI.F** state *inter alia* that "… *the Chair can also play an essential role in board nomination procedures by assisting the ownership entity, with input from the board's annual self-assessments, to identify skills gaps in the composition of the current board*." Such provision seems to request an explicit clarification for SOE listed companies, that are bound to respect the overarching principle of equitable treatment of all shareholders (see Guideline No. IV).
Page 66	The **fifth paragraph of the Annotations to Supporting Guideline VI.H** states *inter alia* that "… *the proportion of independent members as well as the type of independence required (e.g. from management or from the main owner) will depend on the type of committee, the sensitivity of the issue to conflicts of interests and the SOE sector*." It is suggested to delete any reference to the "*type of independence required (e.g. from management or from the main owner)*", due to the fact that in the Definitions (sub "The governing bodies of SOEs") and in Supporting Guideline VI.D – as well as in a large number of jurisdictions – the concept of "independence" of directors is unitary and organic.
Page 66	The **fifth paragraph of the Annotations to Supporting Guidelines VI.H.** states that, when established, committees should *inter alia* receive appropriate funding and engage outside experts or counsels. In line with best practices that have been developed for listed companies, we suggest specifying that board committees can rely on such funding ***"according to the conditions set forth by the board of directors"***.
Page 67	The **Annotations to Supporting Guidelines VI.J.** shall better consider the differences between the role of the audit committee and the role of the risk committee, consistently with the approach developed in the G20/OECD Corporate Governance Principles.