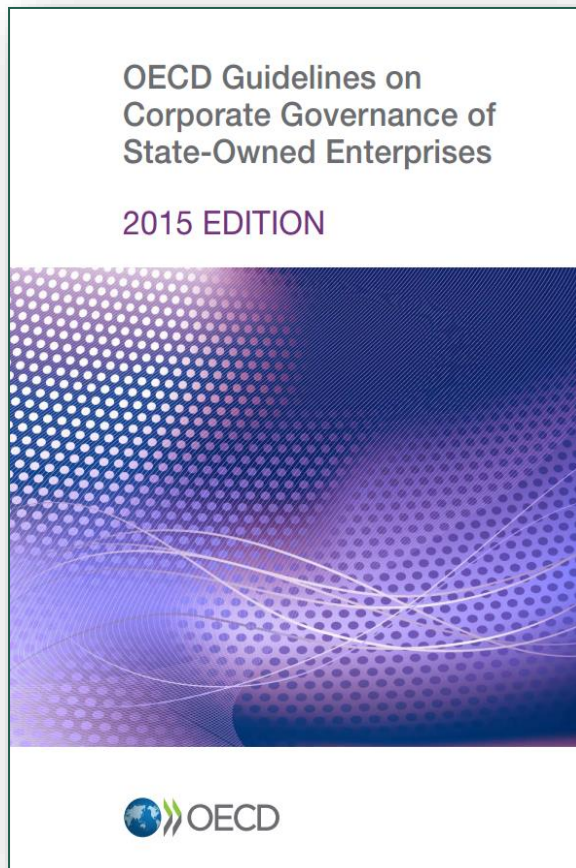


# Revising the OECD Guidelines on Corporate Governance of State-Owned Enterprises

Working Party on State Ownership and Privatisation Practices

# OECD Guidelines on Corporate Governance of SOEs

**The Working Party** is the world's only standing body of "SOE practitioners" from national capitals. We meet twice per year.

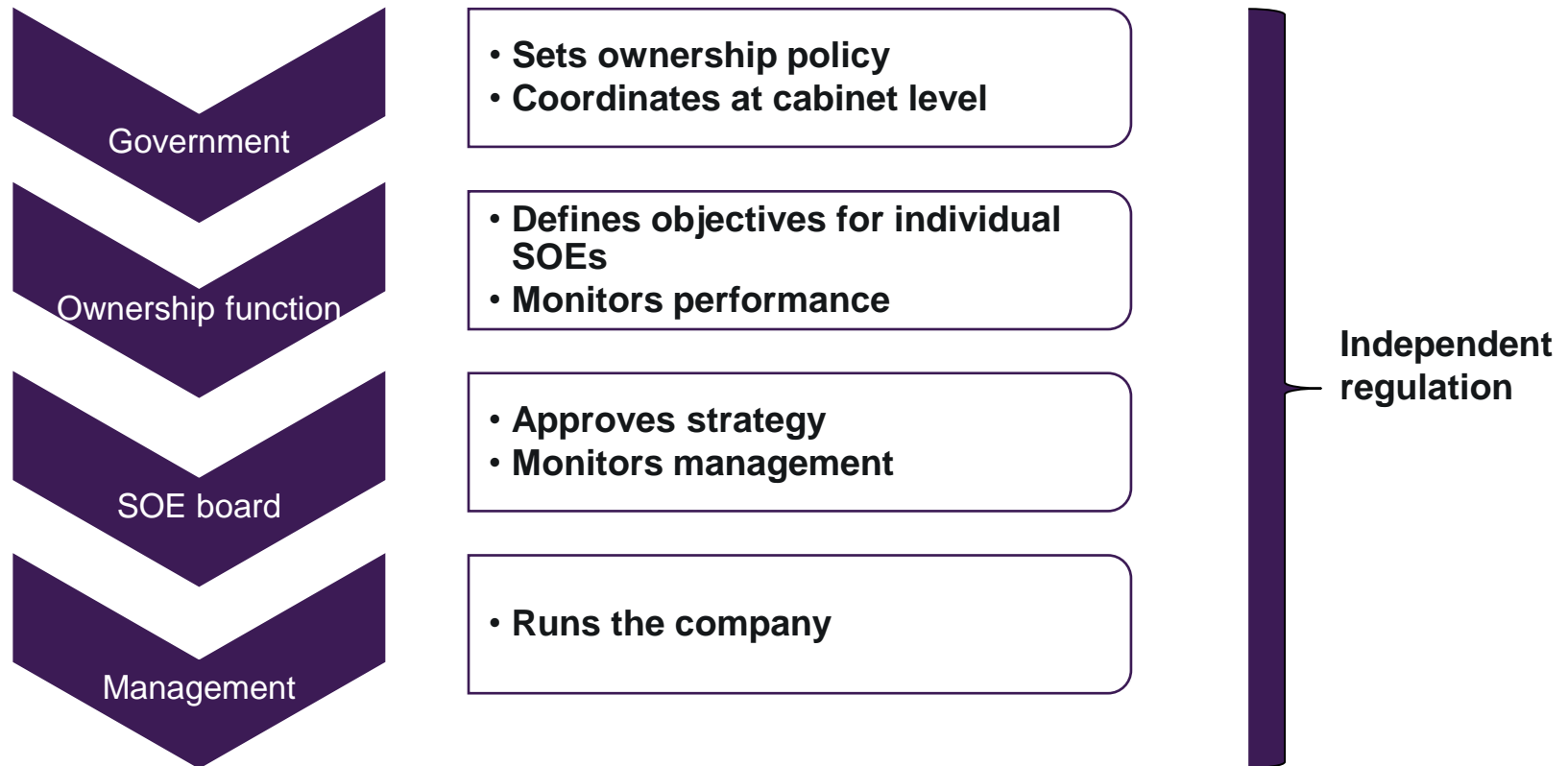


- **An OECD instrument.** All OECD countries must associate themselves with the recommendations laid down in the Guidelines, non-binding.
- **Addressed to the SOE ownership.** The Guidelines makes recommendations to policy makers and public officials responsible for overseeing the ownership of enterprises.
- **High level of aspiration and outcomes based.** Purposefully set a high level of ambition. No one size fits all, and sufficient flexibility to adapt to different legal and administrative traditions.
- **Not limited to OECD members.** Any country can, following a review of its national SOE sector, become an adherent to the Guidelines and participate fully in OECD's work on SOEs.
  - Adherents: 38 OECD Member Countries, plus Argentina, Bulgaria and Brazil
  - Reviewed countries: Argentina, Azerbaijan\*, Brazil, Bulgaria, Colombia, Croatia, Kazakhstan\*, Latvia, Lithuania, Romania, Thailand\*, Ukraine, Viet Nam

# OECD Guidelines on Corporate Governance of SOEs

## *The “OECD model” implies:*

- The ownership of SOEs is separated from regulation and policy-making
- Each ownership decision should be taken at the appropriate level



# OECD Guidelines on Corporate Governance of SOEs



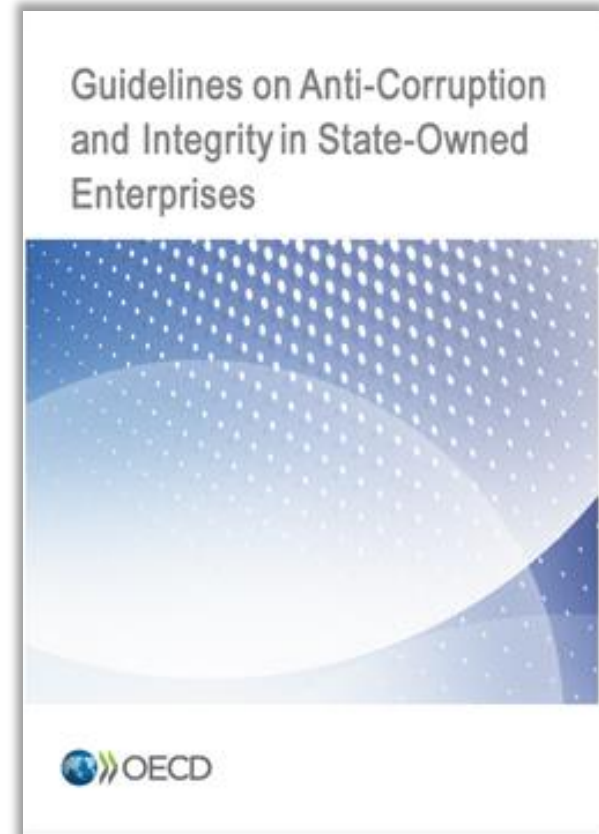
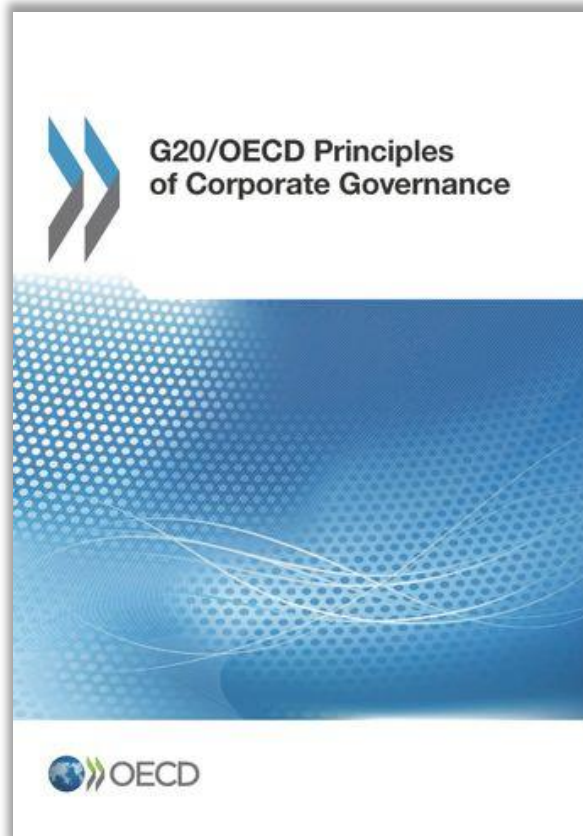
# Strategic Priorities of the Revision

- ✓ Strengthen the Guidelines to ensure that SOEs contribute to:
  - ❖ **sustainability**
  - ❖ **economic security** and **resilience**
  - ❖ maintaining a **global level playing field**
  - ❖ high standards of **integrity** and **business conduct**
- ✓ Ensure complementarity with other OECD instruments including :
  - ❖ G20/OECD Principles of Corporate Governance
  - ❖ 2019 OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises
- ✓ Reflect nearly a **decade of experience** in its implementation and **evolving best practices** since it was last revised in 2015

# Companion instruments

**G20/OECD Principles of Corporate Governance:** Directed to listed companies

**Guidelines on Anti-Corruption and Integrity in SOEs:** Directed to fighting corruption and promoting integrity in SOEs



## Overall directions of changes (1/2)

Section	Main proposed changes
<b>Applicability and definitions</b>	<ul style="list-style-type: none"> <li>A more detailed discussion of when a company that is not majority owned may be considered as “controlled” by the state.</li> </ul>
<b>I. Rationales for state ownership</b>	<ul style="list-style-type: none"> <li>More detailed recommendations regarding public policy objectives and the evaluation of their implementation and their intersection with a level playing field.</li> </ul>
<b>II. The state’s role as an owner</b>	<ul style="list-style-type: none"> <li>Clarifying and further developing the language about the role and functioning of centralised and coordinating ownership entities.</li> <li>Adding language about the exercise of ownership within corporate groups and vis-à-vis subsidiaries of SOEs.</li> <li>Adding language about the involvement of institutional investors in the ownership structure of SOEs, including entities (e.g. sovereign wealth funds, development banks and pension funds) controlled or influenced by the state.</li> <li>Additional references to the need for establishing a proper framework for communication between the ownership entity and the enterprise.</li> <li>Adding language about the chances and risks regarding the greater use of digital technologies in the supervision and implementation of corporate governance regulatory requirements and practices.</li> </ul>
<b>III. SOEs in the marketplace</b>	<ul style="list-style-type: none"> <li>Broadening the range of identified practices that may unduly favour, either financially or regulatorily, SOEs.</li> <li>Adding reference to the use of SOEs to subsidise or otherwise support other commercial entities.</li> </ul>
<b>IV. Equitable treatment of shareholders and investors</b>	<ul style="list-style-type: none"> <li>Adding reference to the use of virtual and other remote participation in shareholder meetings.</li> </ul>

## Overall directions of changes (2/2)

Section	Main proposed changes
<b>V. Disclosure and transparency</b>	<ul style="list-style-type: none"> <li>• Overall, expand on the language about quality financial and non-financial disclosure based on the Working Party's recent guide on aggregate reporting.</li> <li>• Adding language about disclosing the ownership structure, linkages to the ownership entity, subsidiaries and participation in joint ventures.</li> <li>• Further developing and clarifying the existent language about bodies involved in the auditing of SOEs, including the respective roles of external, internal and state auditors.</li> </ul>
<b>VI. The responsibilities of the boards of SOEs</b>	<ul style="list-style-type: none"> <li>• Adding language about the eligibility criteria for board members, including with regards to political affiliation and personal integrity.</li> <li>• Adding reference to the board's duty to take into account the interests of all stakeholders.</li> <li>• Adding language about the board's responsibility to ensure the effectiveness of the SOE's risk management, internal controls and internal audits.</li> <li>• Adding language about the board composition and fiduciary duties in SOEs that are part of a group structure.</li> <li>• Adding language about board remuneration, including considerations to offer competitive pay to board members.</li> <li>• Adding language about related party transactions, including recommendations on transparency and disclosure.</li> </ul>
<b>SOEs and sustainability</b>  <b>NEW CHAPTER</b>	<ul style="list-style-type: none"> <li>• An adaptation of the new Chapter VI in the G20/OECD Principles, providing recommendations on:             <ul style="list-style-type: none"> <li>• The state owners' role in setting sustainability expectations for the SOEs;</li> <li>• Transparency and disclosure regarding sustainability;</li> <li>• The role of boards of directors in setting sustainability objectives and overseeing implementation;</li> </ul> </li> </ul>



# New structure of the Guidelines

Old structure	New structure
Applicability and definitions	Applicability and definitions
I. Rationales for state ownership	I. Rationales for state ownership
II. The state's role as an owner	II. The state's role as an owner
III. SOEs in the marketplace	III. SOEs in the marketplace
IV. Equitable treatment of shareholders and investors	IV. Equitable treatment of shareholders and investors
<del>V. Stakeholder relations and responsible business conduct</del>	V. Disclosure and transparency
VI. Disclosure and transparency	VI. The responsibilities of SOE boards
VII. The responsibilities of SOE boards	VII. SOEs and sustainability

# Indicative Timeline

**December 2022**  
Agreement of  
Direction of  
Review

**May-June 2023**  
Preparation of 2nd  
draft revision

**October 2023**  
3rd draft revisions  
discussed

**Spring 2024**  
Finalisation and  
transmission to  
Council for adoption

**April-May 2023** 1st  
draft revisions  
discussed

**July- August 2023**  
consultation with  
relevant policy  
communities and  
public

**March 2024**  
4th draft revisions  
discussed by  
Working Party



**More information: <https://www.oecd.org/corporate/soes/>**