



# JOURNÉE D'ÉTUDE: « GOUVERNANCE DES SOCIÉTÉS D'ÉTAT ET LE RÔLE DES CONSEIL D'ADMINISTRATION »

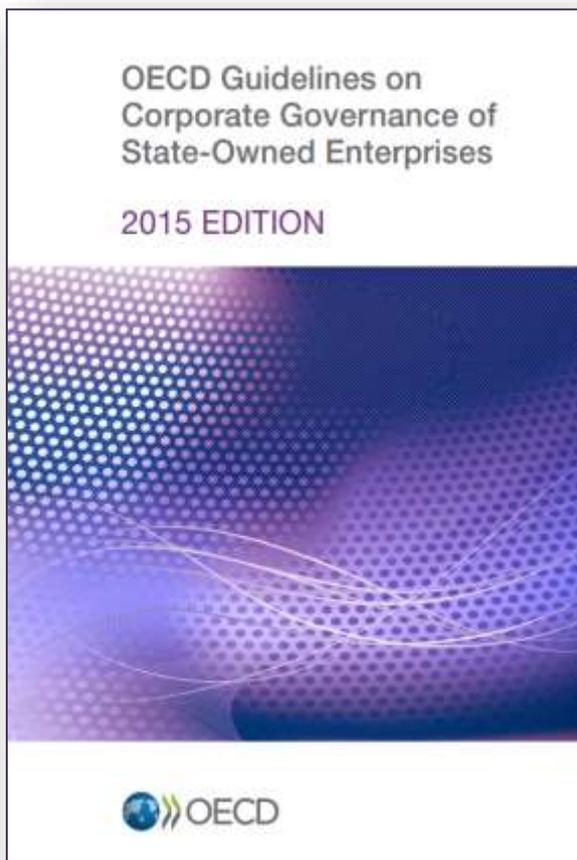
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July 12, 2021



## The OECD Guidelines on Corporate Governance of State-Owned Enterprises (“SOE Guidelines”)

- **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.
- **Addressed to the SOE ownership.** The Guidelines makes recommendations to policy makers and public officials responsible for exercising the ownership of enterprises.
- **Non-binding.** No government or SOE is in any given situation legally obliged to follow the Guidelines.
- **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.



# The OECD Guidelines on Corporate Governance of State-Owned Enterprises





# The OECD SOE Guidelines concerning the state's role as an owner

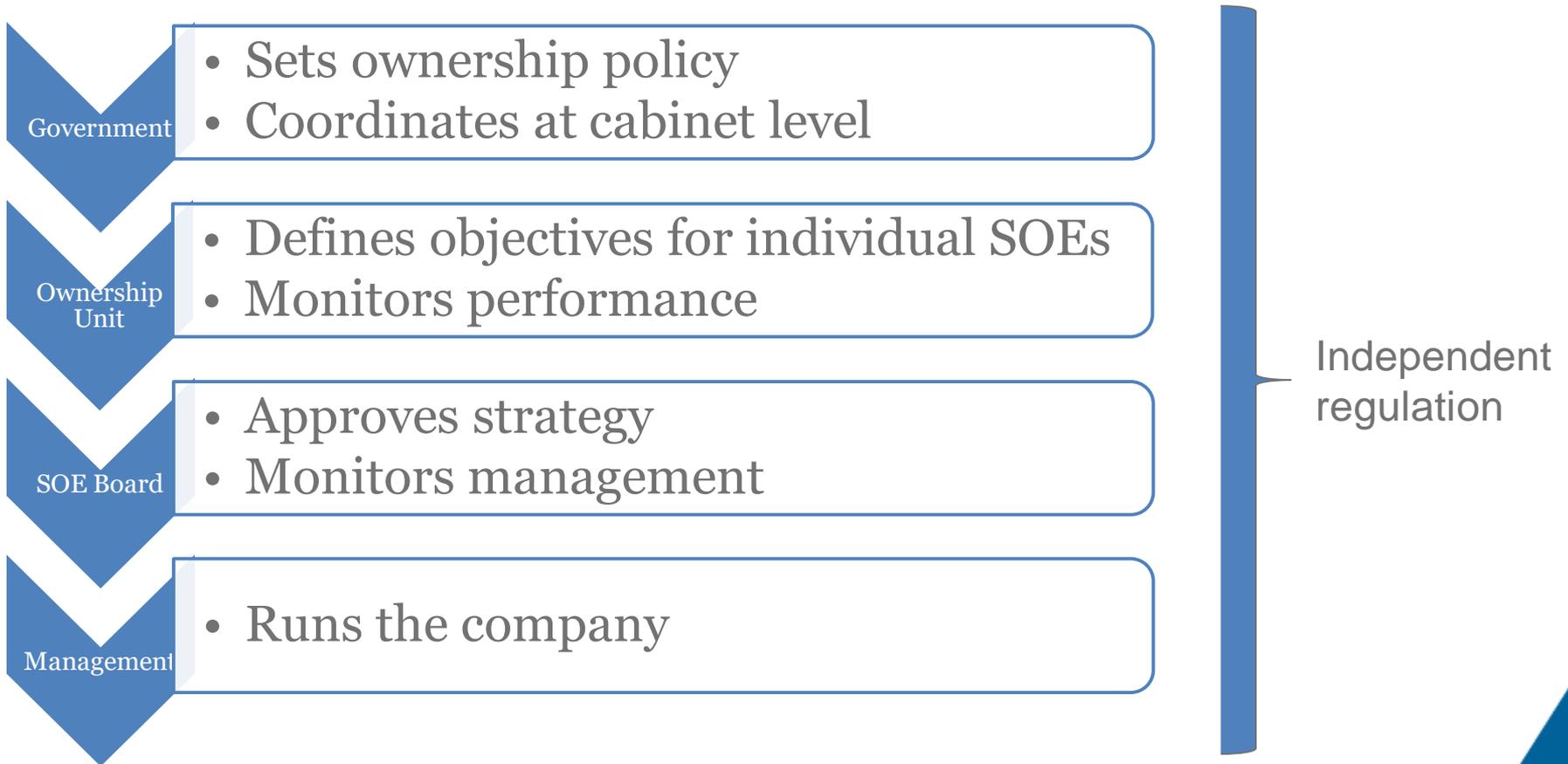
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- ***The Government should develop an ownership policy.*** The policy will specify rationales for ownership, implementation mechanisms and the respective roles of different government offices. (Guideline I.B)
- ***The exercise of ownership rights should be centralised in a single ownership entity, or, if this is not possible, carried out by a coordinating body.*** Ownership should always be exercised on a whole-of-government basis.
- ***The government should allow SOEs full operational autonomy to achieve their defined objectives and refrain from intervening in SOE management.*** The government acts as an active and informed owner, but at arm's length from the company.

The “ownership function” of SOEs is defined as an entity that exercises the following faculties: The power, responsibility, or steering ability to (1) appoint boards of directors; (2) set and monitor objectives; and (3) to vote company shares on behalf of the government



# The “OECD model”: Separation of Roles





# Summary of main OECD Recommendations on the responsibilities of the boards of directors (Chapter VII)

## Board Nomination

The decision to nominate members to SOE boards should be supported by transparent and consistent methods for nominating candidates to the board. These methods can include:

- Setting clear minimum criteria for board nominations
- Informally vetting or advising on ministerial board nominations
- Establishing nomination committees

## Board composition

- SOE boards of directors should be composed so that they can exercise professional, objective and independent judgment. SOEs must strike a sometimes-delicate balance when choosing directors, so that the board can effectively steer the SOE toward meeting the interests of both the enterprise and its shareholder.

## Board powers

- SOE boards should effectively carry out their functions of setting strategy and supervising management, based on broad mandates and objectives set by the government.
- SOE boards should have the power to appoint and remove the company's top executive management, including the CEO.

## Board evaluation and controls

- SOE boards should, under the Chair's oversight, carry out an annual, well-structured evaluation to appraise their performance and efficiency.
- SOEs should develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee or the equivalent corporate organ.

*The boards of SOEs should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions*



## Recent progress on SOE board practices

- *Two thirds of the 31 reviewed countries have made notable efforts and progress in enhancing SOE board governance in the last five years.*

### No. of countries with recent progress in SOE board practices





## Key progress on SOE board practices

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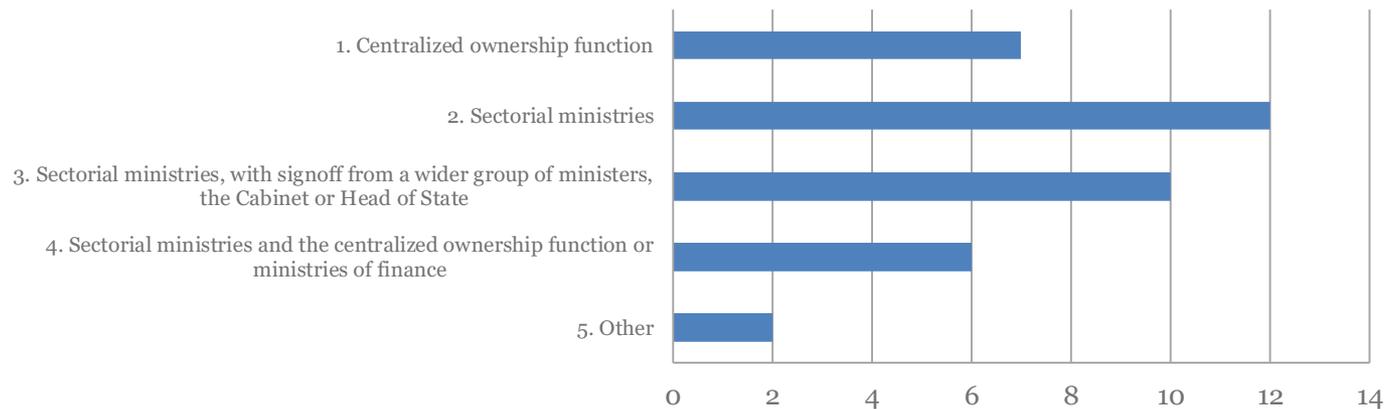
- Half of the reviewed countries reported they ***had established minimum qualification criteria for board members***.
- A couple of Scandinavian countries have established a ***comprehensive board nomination framework*** to empower SOE boards to appoint the chief executive officer, while other reviewed countries have aimed to do so to a certain extent.
- A quarter of the reviewed countries have re-arranged or improved their board nomination practices, through ***centralising the powers of nomination or increasing the number of independent directors***.
- One third of the reviewed countries have implemented ***rules for the remuneration of either senior management or boards of directors*** (or both).
- ***Continued or stronger emphasis on gender equality on SOE boards*** is noted in one third of the reviewed countries.
- It is also notable that some of the countries that have undertaken SOE reviews or undergone OECD accession negotiations have made significant progress with regard to professionalising board of directors of SOEs



# Institutions responsible for the appointment and election of SOE board members

- In countries where the state enterprise ownership function is centralized one minister may be in charge of the ownership function, including nominating members to SOE boards.
- In other countries, the responsibility for board nominations is shared between the agency exercising the state enterprise ownership function and sectorial ministries. To varying degrees, this is the practice pursued in the countries with Twin Track Model or Dual Model.
- Where ownership is more decentralised, line ministries are more often responsible for nominations, though parts of the general government responsible for public finance may maintain the right to appoint one or more representatives to the board. In these cases, it is good practice to subject ministerial decisions concerning board nominations to some form of consensus by a wider group of ministers, the Cabinet or Head of State.

## Institutions responsible for the appointment and election of SOE board members in 37 countries



Sources : OECD (2020), Implementing the OECD Guidelines on Corporate Governance of State-Owned Enterprises: Review of Recent Developments, OECD Publishing, Paris, <https://doi.org/10.1787/4caa0c3b-en>

OECD (2020), “Organising the State Ownership Function”, <http://www.oecd.org/corporate/organising-state-ownership-function.pdf>



## National examples on professionalising boards of directors of SOEs

**Costa Rica** passed a Presidential Decree to better define board member profiles and the roles and responsibilities of board members. The government also initiated a comprehensive training programme for existing and prospective SOE board members, key executives and certain government officials with the goal of developing a better shared understanding of their roles and their decision-making authorities.

**Switzerland**'s Federal Council established guidelines for the representation of national languages and gender on boards (e.g. at least 30% males and females on the boards) in 2013. The ownership entities are required to state the measures taken and to be taken, if they fail to meet the requirements for gender and language regional representation. In 2015, a model requirement profile for board members was published. It defines the requirement for the board as a body, for the individual board members and for the president of the board.

**Latvia** With the 2015 adoption of the Law on Governance of Capital Shares of a Public Person and Capital Companies and the regulation of Cabinet of Ministers regarding the procedures for nomination of the members of the board and the council, the board nomination practices are publicly announced and the nomination committee should be established to decide on a detailed criteria and evaluation procedure, conduct evaluation of candidates and nominate candidates for election.

**Estonia** established a Nomination Committee in the Finance Ministry in 2017 with an objective to make competence-based choices for supervisory boards. Since the foundation of the committee, presence of representatives with experience in private sector in supervisory boards has significantly increased.



## Resources

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For more information on OECD work on state-owned enterprises, please visit:

<http://www.oecd.org/corporate/soes/>