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COUNCIL

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Council

REVISION OF THE MANDATE OF THE STEERING GROUP ON CORPORATE GOVERNANCE AND PROPOSAL TO RENAME IT THE CORPORATE GOVERNANCE COMMITTEE

(Note by the Secretary-General)

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1. The purpose of this note is to seek Council approval of a mandate for the Corporate Governance Committee to replace that of the Steering Group on Corporate Governance[1] as the committee has been known to date. The new name and proposed mandate are put forward in response to Council recommendations arising from the recent In-Depth Evaluation of the Steering Group [C(2009)37 and its CORR1].

Proposed Mandate

2. The proposed mandate is intended to reflect the OECD's more prominent role in corporate governance and takes full account of the recommendations of the in-depth evaluation report. The Council, in considering the evaluation in May 2009, noted that corporate governance was one of the key areas in the Organisation's strategic response to the financial crisis, and welcomed the Steering Group's decision to increase its focus on monitoring the implementation of corporate governance in Member countries.

3. The Corporate Governance Committee will support the OECD's role as the global standard setter in corporate governance via the *OECD Principles of Corporate Governance* which form part of the Financial Stability Board's twelve key standards for sound financial systems. The Committee will help improve the capacity of policy makers, regulators and market participants to develop and implement effective corporate governance rules and policies, and to address key market and policy developments. The Committee will serve as a policy dialogue forum and monitor the implementation of agreed corporate governance standards at national, regional and global levels. It will promote co-operation and co-ordination of corporate governance work across the Organisation and consult and share information with the OECD advisory bodies, international organisations and other stakeholders.

In-Depth Evaluation

4. In 2009, the Steering Group received a positive In-Depth Evaluation by the Evaluation Committee, concluding that it ranked "High" or "High to Very High" in terms of relevance, efficiency and effectiveness. The evaluation noted the strong and long-lasting impact of the committee's work, particularly of the *OECD Principles of Corporate Governance* and the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*. It also noted Members' increasing interest in this work as evidenced through delegate participation from capitals, the ratings of high quality or better for almost all its outputs, and the way it used close links to other international organisations and its global relations programme to further extend its impact.[2]

5. Acting on the evaluation report, Council approved the following recommendations proposed by the Evaluation Committee that the Steering Group:

1) *Revise its mandate* to ensure that its policy objectives provide an unambiguous basis for both the setting of its policy orientation and the evaluation of its future achievements. It should also be denominated as a Committee and its mandate duration brought into line with other Level I bodies;

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1 The Steering Group's mandate was established in June 2000 and is set out in DAFFE/CA/CG/M(2000)1.

2 The results of the 2009 Medium-Term Orientations (MTO) Survey, conducted after the evaluation report was finalised, shows corporate governance re-emerging as one of Members' highest priorities, ranking in the top ten of OECD output areas on the basis of net responses, i.e., the number of Members favouring increased resources over those favouring declines [see C(2009)166, attachment 3].

2) *When reviewing the mandates of its sub-committees*, identify and formalise clear policy objectives for its work on state-owned enterprises and assess whether there remains a need for a sub-body dedicated to its non-Member activities; and

3) *Develop its participation in horizontal work*, given the inherently cross-cutting nature of corporate governance issues, including through mechanisms that provide a means of direct delegate involvement.

6. The Steering Group has responded to these recommendations by:[3]

1) Developing the proposed mandate set out in the Annex, which in line with other level I bodies establishes clear overarching objectives, mid-level objectives and the methods for achieving them; a new name and a five-year sunset clause;

2) Inviting its Working Group on Privatisation and Corporate Governance of State Owned Assets to propose revisions to its mandate and to its duration to be undertaken as a Working Party; and fully integrating its non-Member work into the committee's mainstream agenda so that the Advisory Group on Non-Member work will be terminated [see document DAF/CA/CG(2009)2/FINAL; this review was also made with reference to the provisions of Rule 21 c) of the Rules of Procedure];

3) Including in the new mandate specific language on horizontal work to "promote co-ordination of all work carried out within the Organisation in the field of corporate governance, and present proposals for this purpose to other committees or to Council," and to "collaborate with other relevant bodies of the OECD on cross-cutting issues related to corporate governance." This will be further addressed in the development of the 2011-2012 Programme of Work and Budget proposal.

7. The Steering Group approved the proposed mandate on 3 November 2009.

8. It is proposed that the mandate, as set out in the draft Resolution in the Annex hereto, should remain in force until 31 December 2014, unless the Council decides otherwise. The draft Resolution would supersede all previous provisions concerning the mandate of the Steering Group on Corporate Governance. The Committee would return to the Council to propose a revision to its mandate should there be any major developments that warrant such a change.

Proposed Action

9. In the light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

THE COUNCIL

a) noted document C(2010)17;

b) agreed to rename the Steering Group on Corporate Governance the "Corporate Governance Committee";

c) adopted the draft Resolution concerning the mandate of the Corporate Governance Committee as set out in the Annex to document C(2010)17.

3 The second and third recommendations will be reviewed by the Evaluation Committee and presented to the Executive Committee in spring 2010.

ANNEX

DRAFT RESOLUTION OF THE COUNCIL ON THE MANDATE OF THE CORPORATE GOVERNANCE COMMITTEE

THE COUNCIL,

Having regard to the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

Having regard to the Rules of Procedure of the Organisation;

Having regard to the mandate of the Steering Group on Corporate Governance, as set out in DAFFE/CA/CG/M(2000)1;

Having regard to the recommendations of the In-depth Evaluation of the Steering Group on Corporate Governance [C(2009)37 and its CORR1];

Having regard to the proposed revision of the mandate of the Steering Group on Corporate Governance and the proposal to rename it the Corporate Governance Committee [C(2010)17];

Considering the OECD's responsibility as standard setter and the importance of corporate governance for sustainable growth, sound financial markets and good corporate practices;

Recognising the importance of an ongoing policy dialogue, effective implementation of corporate governance initiatives in Members and the inherently cross-cutting nature of of corporate governance issues.

DECIDES:

A. The Corporate Governance Committee has the following mandate:

I. Objectives

1. The overarching objective of the Corporate Governance Committee is to contribute to economic efficiency, sustainable growth and financial stability by improving corporate governance policies and supporting good corporate practices, in Members and non-Members. Further, the Corporate Governance Committee should aim to effectively fulfill its responsibilities as an international standard setter in corporate governance, especially with respect to the OECD Principles of Corporate Governance [C(2004)61], which is one of the Financial Stability Board's twelve key standards, and the Recommendation of the Council on OECD Guidelines on Corporate Governance of State-Owned Enterprises [C(2005)47].

2. Mid-level objectives include:

- To improve the capacity of policy makers, regulators and market participants to develop and implement efficient and cost effective corporate governance rules and policies.

- To improve the capacity of policy makers, regulators and market participants to identify and respond to market developments that may influence the effectiveness and relevance of existing corporate governance policies and practices.

- To improve corporate governance of state owned enterprises and practices for implementing privatisation policies.

II. Methods to pursue these objectives include:

- Provide an effective system to monitor implementation and effectiveness of agreed corporate governance standards and initiatives at national, regional and global level.

- Identify market developments that may influence the effectiveness and relevance of existing corporate governance policies and practices, and provide timely policy advice.

- Serve as a forum for a policy dialogue among policy makers, regulators, market participants and other stakeholders.

III. Co-operation and Consultation

- Promote co-ordination of all work carried out within the Organisation in the field of corporate governance, and present proposals for this purpose to other Committees or to Council.

- Collaborate with other relevant bodies of the OECD on cross-cutting issues related to corporate governance.

- Engage with non-Members and co-operate with the World Bank and other international organisations to support improvements in corporate governance globally.

- Consult and share information with BIAC and TUAC, as well as other stakeholders.

3. The mandate of the Corporate Governance Committee shall remain in force until 31 December 2014.