

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
CORPORATE GOVERNANCE COMMITTEE**

Committee Progress Report - January to December 2015

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-- 2015 COMMITTEE PROGRESS REPORT --

This report provides members with succinct and relevant information on progress achieved between 1 January and 31 December 2015 with the ongoing implementation of the 2015-16 Programme of Work and Budget (PWB). This information is presented in the standard reporting format required for all OECD Committees.

The budgetary overview (see Table 1) covers the reporting period 1 January 2015 to 31 December 2015. Overall expenditure is at 81% of the Total Estimated Costs (TEC) for 2015.

All work is on track for completion as planned, with the exception of output result 2 on increasing global relevance and impact which will be delivered with a slightly reduced scope due to receiving less voluntary contributions than anticipated. Some VCs for this output result were received later than expected so the expenditure and results will be seen in 2016. This will reduce the gap between the estimated costs and actual costs. These variations are not uncommon with PWB implementation given the stage at which they are in their implementation cycle. The Secretariat monitors PWB execution closely and will inform the Committee should formal PWB adjustments be required.

Programme of Work and Budget 2015-16

OUTPUT GROUP: 4.1 Business Climate

Progress Report

(January – December 2015)

STRATEGIC OBJECTIVE:	4 Enhance Public and Private Sector Governance		
OUTPUT GROUP:	4.1 Business Climate		
OUTPUT AREA:	4.1.3 Corporate Governance		
RESOURCES:		2015 (K EUR)	
		Total Estimated Cost (TEC)[1]	Expenditure[2]
	Part I	1 418	1 306
	CPF	210	210
	VCs	2 671	1 949
	Total	4 298	3 464

Committee Accountability:	Mandate or Sunset
Corporate Governance Committee (CGC) <i>Participants/Observers:</i> Bank for International Settlements (BIS), International Monetary Fund (IMF), World Bank	31/12/2016
Working Party on State Ownership and Privatisation Practices (WPSOPP)	31/12/2016

Expected Outcomes:
Awareness/Understanding:
<ul style="list-style-type: none"> The revised OECD Principles of Corporate Governance increase the awareness among policy makers, regulators and business practitioners of internationally acceptable corporate governance practices. The work will also increase the analytical understanding of the links between the quality of the regulatory framework, corporate value creation and economic growth. The revised OECD Guidelines on Corporate Governance of State-Owned Enterprises will also improve the understanding of the technical skills, processes and structures that are needed to ensure efficient and transparent governance of state owned enterprises.
Usage:
<ul style="list-style-type: none"> The <i>Principles of Corporate Governance</i> and the <i>Guidelines on Corporate Governance of State-Owned Enterprises</i>. The analytical work is used by policy makers, regulators and market participants to improve effective adaption and implementation of OECD standards to country specific circumstances and a constantly changing business environment.
Effects:
<ul style="list-style-type: none"> An improved international standard for corporate governance. Restored trust in the corporate sector and public stock markets. Better access to long term risk capital for entrepreneurs and growth companies. Better and more secure investment opportunities for households and institutional investors worldwide. A more open, efficient and equitable investment climate in national economies as well as in the global market place. Better ownership and management of state owned enterprises. Competitive neutrality between state owned and private enterprises.

			K EUR		
2015-16 Output Results [3] (and Intermediate Outputs)	Accountable Committee/ Subsidiary Body/ Global Forum	Ongoing / Time Bound (end-date)	Total Estimated Cost (TEC) 2015	Expenditure as at 31 December 2015	Comments on implementation (Budget and delivery of Output Result)
1. Global standard setting, reform assistance and policy analysis to strengthen trust, resilience and economic performance: Revised OECD Principles of Corporate Governance, an assessment methodology, two thematic reviews with recommendations, three analytical reports with recommendations, one comprehensive survey of	CGC	Ongoing	978	842	Partially Completed – On track for completion as planned

national corporate governance practices and three unique databases.					
<p>1.1. Standard setting, reform assistance and implementation: Revised OECD Principles of Corporate Governance and an accompanying assessment methodology for monitoring implementation. An on-line portal for information and country level reform assistance, one thematic review and one comprehensive survey of national corporate governance practices.</p>	CGC	Ongoing			<p>Partially Completed – On track for completion as planned</p> <p>The revised G20/OECD Principles of Corporate Governance were approved by Council on 8 July 2015, launched at the meeting of G20 Finance Ministers and Central Bank Governors in Ankara on 4-5 September 2015 and subsequently endorsed at the G20 Leaders Summit in Antalya on 15-16 November 2015. They were published in November 2015.</p> <p>As part of the discussion on content and direction of the Principles review, a G20/OECD 'Corporate Governance Forum', Istanbul, April 2015, was held.</p> <p>One comprehensive survey of national corporate governance practices - OECD Corporate Governance Factbook 2015 - published in April 2015; re-issued with preface for G20 Finance Ministers meeting, September 2015.</p> <p>One analytical report, How is corporate governance in Japan changing? (Corporate Governance Working Paper N° 17), published August 2015.</p>
<p>1.2. Corporate governance, value creation and growth: One database on corporate finance, one database on public equity and one database on corporate bond markets. Two-three analytical/outlook reports with recommendations.</p>	CGC	Time Bound Q4 2016			<p>Partially Completed – On track for completion as planned –</p> <p>Frameworks for the databases on public equity and the corporate bond markets were developed and updated with 2014 data.</p> <p>One analytical report with recommendations, Corporate Bonds, Bondholders and Corporate Governance (Corporate Governance Working Paper N° 16), published February 2015.</p> <p>One draft report, <i>Growth Companies, Access to Capital Markets and Corporate Governance</i>, presented to the Committee in November 2015.</p>
<p>1.3. Horizontal co-operation: Two surveys/analytical reports and recommendations.</p>	CGC	Time Bound Q4 2016			<p>Partially Completed – On track for completion as planned –</p> <p>OECD Business and Finance Outlook 2015 (published May 2015) -</p>

					<p>drafted one chapter ("Strengthening market-based financing of corporate investments") and contributed to two other chapters ("Shifting risks and the search for yield in financial markets" & "Pro-competitive policy reform for investment and growth").</p> <p>Completion of the corporate governance chapter of the revised <i>Policy Framework for Investment (PFI)</i> (published June 2015).</p> <p>One analytical report, Corporate Governance and Business Integrity: A Stocktaking of Corporate Practices, published November 2015.</p> <p>The corporate governance chapter of the <i>Investment Policy Review of Viet Nam</i> drafted in Q4 2015, to be published in Q3 2016.</p>
2. Increasing global relevance and impact: Four-five analytical/outlook reports with recommendations. Four-five good practice reports. One database.	CGC	Ongoing	2 434	1 625	<p>Partially Completed – On track for completion with reduced scope</p> <p>Reduced scope due to less VCs than anticipated for both 2.1 and 2.2.</p>
2.1. Assisting corporate governance reform, regional roundtables and networks: Three-four analytical/outlook reports with recommendations. Three-four good practice reports. One database on corporate governance and corporate finance in Asia.	CGC	Ongoing			<p>Partially Completed – On track for completion with reduced scope –</p> <p>One survey, <i>Disclosure of beneficial ownership and control in Asia</i>, finalised in Q4 2015, to be published in Q1 2016.</p> <p>One good practice report, Corporate Governance of Company Groups in Latin America, published September 2015.</p>
2.2. Assisting corporate governance reform, key partners, dialogue and country programmes: One or two analytical/outlook report(s) with recommendations. One or two good practices report(s).	CGC	Ongoing			<p>Partially Completed – On track for completion with reduced scope –</p> <p>One good practice report, <i>Improving Corporate Governance in Indonesia: Policy Options and Regulatory Strategies for Tackling Backdoor Listings</i>, finalised, to be published in Q1 2016.</p>
3. Corporate governance of state-owned assets and privatisation practices: Three good practice reports, two benchmarking studies, one policy recommendation, one piece of (revised) soft law,	COMP, INV, WPSOPP	Ongoing	886	997	<p>Partially Completed – On track for completion as planned</p> <p>Expanded scope due to more VCs than anticipated for 3.2.</p>

two annual external engagements, one analytical report and international dialogue on cross-border aspects of competitive neutrality.					
3.1. The state in the market place: One good practice report; one analytical report and international dialogue on cross-border aspects of competitive neutrality.	COMP, INV, WPSOPP	Ongoing			<p>Partially Completed – On track for completion as planned –</p> <p>One interim report, <i>Does state ownership raise additional challenges for investment regulators and owners? Issues for discussion</i> [DAF/INV/WD(2015)7], prepared for the Freedom of Investment Roundtable (March 2015), and further tabled for information at the Working Party (March 2015).</p> <p>One survey-based report, <i>Concerns when SOEs internationalise: Perspectives from Regulators and Owners of SOEs</i> [DAF/INV/WD(2015)14], was prepared for the FOI Roundtable (October 2015) and is to be issued as a Working Paper.</p> <p>A final “synthesis” report, <i>State-owned enterprises in the Global Market place: A Horizontal Approach</i> [DAF/INV/WD(2015)13], with input across four committees was prepared for the FOI Roundtable (October 2015) and is being issued as a book in 2016.</p> <p>A best practice report on <i>Assessing Foreign State-Owned Enterprises: Guidance for Regulators Based on the OECD Guidelines on Corporate Governance of SOEs</i> was prepared for the FOI Roundtable on 15 March 2016.</p> <p>The international dialogue is currently ongoing in four OECD committees, and through an informal Taskforce of delegates; an international hearing and additional analytical work involving the four communities as well as consultation partners and outside experts is under preparation for 2016.</p>
3.2. Assisting SOE reform, global and regional networks: One good practice report, two external engagement events per year.	WPSOPP	Ongoing			<p>Partially Completed – On track for completion as planned –</p> <p>OECD Review of the Corporate Governance of SOEs: Lithuania published December 2015.</p> <p>One survey-based report, Board Practices and Financing for Latin American State-owned Enterprises, to be finalised in Q1 2016.</p> <p>One stock-taking study on <i>Ownership models for SOEs in OECD</i></p>

				<p>and Partner Countries, developed with SASAC (China) was discussed at the Working Party (October 2015). Publication is expected in the second quarter of 2016.</p> <p>One guidance report presented at the 6th annual Network meeting of the OECD-SOE Network for Southern Africa (November 2015), Ethics and business integrity in Southern Africa: A handbook for governments as owners and state-owned enterprises, on track for finalisation in 2016.</p> <p>One good practice report, Stocktaking of Anti-Corruption and Business Integrity Measures for Southern African SOEs, published September 2015.</p> <p>One good practice report, <i>State-owned enterprises in Asia: National practices for performance evaluation and management</i>, has been produced and is subject to finalisation in co-operation with Korea Institute of Public Finance.</p> <p>Five external engagements events on SOE reform: *Beijing conference organised jointly with Peking University, China, May 2015. *SOE reform event, Viet Nam, May 2015 in the context of the South East Asia project on corporate governance. *The Asia Network on Corporate Governance of SOEs organised its 8th meeting in Viet Nam, November 2015. *OECD Network on the Governance of SOEs in Southern Africa organised its 6th annual meeting in Zimbabwe, November 2015. *Latin American Network on Corporate Governance of SOEs organized its 4th meeting in Chile, June 2015.</p>
3.3. Implementing the revised SOE Guidelines: international dialogue and two external engagement events per year.	WPSOPP	Time Bound Q4 2016		<p>Partially Completed– On track for completion as Planned –</p> <p>Guidelines approved on 8 July 2015, and implementation commenced in Q3/4 2015, including during the external engagement events on SOE reform (see 3.2 above).</p> <p>A first discussion was held in Working Party (October 2015) on Implementation of the revised Guidelines, based on a discussion paper issued by the Secretariat [DAF/CA/SOPP/WD(2015)1]. Translation of the Guidelines is underway in multiple languages</p>

					including: Chinese, German, and Spanish. A first draft of the <i>SOE Governance Factbook</i> was discussed in the Working Party (October 2015), the report will be expanded and revised in 2016. [DAF/CA/SOPP/WD(2015)3]
3.4. Privatisation and other divestment: One analytical report.	WPSOPP	Time Bound Q4 2016			Not Started – As Planned – Project will commence in April 2016. However, two outputs from the 2013-14 PWB were published. These included: One analytical report, Broadening the Ownership of State-Owned Enterprises: A Comparison of Governance Practices , to be published in Q1 2016. One stocktaking report, State-owned enterprise governance: A stocktaking of government rationales for enterprise ownership , published September 2015.
3.5. Risk management in SOEs: One good practice report.	WPSOPP	Time Bound Q4 2016			Partially Completed – On track for completion as planned – One draft report [DAF/CA/SOPP/WD(2015)2] , based on the questionnaire responses taking stock of national practices toward risk management in the SOE sector, was discussed by the Working Party in October 2015 and is to be finalised in 2016.
		Total	4 298	3 464	

[1] Total Estimated Cost (TEC) includes Part I funds (Part I Budget, CPF and SGAF), Annex Budget funds, Voluntary Contributions in Hand and New Voluntary Contributions.

[2] Some variances may arise where new voluntary contributions are a significant source of financing for the Output Result. Progress and spending information will depend on the timing of receipt of those voluntary contributions.

[3] VC-funded Output Results are shown shaded in the table.

Table 1. 2015-16 CGC PWB: Reporting 1 January - 31 December 2015

2015-16 Output Results	Budget/Total Estimated Cost (TEC) 2015 (in KEUR)	Actual expenditure as of 31 December 2015 (in KEUR)	TEC Utilisation
Output Area 4.1.3 Corporate Governance	4,298	3,464	81%
1. Global standard setting, reform assistance and policy analysis to strengthen trust, resilience and economic performance: Revised OECD Principles of Corporate Governance, an assessment methodology, two thematic reviews with recommendations, three analytical reports with recommendations, one comprehensive survey of national corporate governance practices and three unique databases.	978	842	86%
2. Increasing global relevance and impact: Four-five analytical/outlook reports with recommendations. Four-five good practice reports. One database.	2,434	1,625	67%
3. Corporate governance of state-owned assets and privatisation practices: Three good practice reports, two benchmarking studies, one policy recommendation, one piece of (revised) soft law, two annual external engagements, one analytical report and international dialogue on cross-border aspects of competitive neutrality.	886	997	113%