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King Parallel’s Comments on
The Draft for Public Comment of OECD Principles of Corporate Governance

King Parallel is a cutting-edge consultancy in China. With team’s expertise in areas of corporate governance, BoD, strategy & management, state ownership and SOEs, King Parallel has received high appraisal from clients, including national and local state ownership entities, holding companies, and large corporations. In the future, King Parallel aims to become a leading consultancy for top-level decision-makers in four main areas: cross-border M&A and governance, BoD, top-level strategy and management, state ownership and SOEs.

We are excited seeing following three points in the Draft:
1. It is important to revise the Principles now days, given there are lots of changes happened during the past 10 years. And we are delighted to see a well-written draft was prepared.
2. Many research results in the past 10 years were included in the Draft, such as: the functions of stock markets in facilitating effective corporate governance; cross-border cooperation; addressing conflicts of interest in related-party transaction and disclosure them; emphasizing the varieties of institution investors.
3. The Draft mentioned some new development in the area of corporate governance, such as “stewardship code”, “investment chain’s angle”.

We have several comments on the Draft:
1. “Comply or explain” principle could be important complementary to legislative and regulatory, but it seems that the “comply or explain” principle has not be pervasive in the globe. We understand that there could be conditions for an effective role of “comply or explain” principle, and such conditions vary in different jurisdictions. We think it should be at least to state the differences of these conditions among jurisdictions.
2. The Draft emphasized that stock market is playing a pivotal role for quality of corporate governance, however, there are limited paragraphs mentioning about stock market.
3. We suggest to change the title of chapter 6 “the responsibilities of the board” to “functions and responsibilities of the board”. One reason is that the whole chapter emphasizing the functions of board and what board should act; another reason is that in real world, rights and responsibility are not always matching.

We hope above comments on the Draft is useful for OECD experts in making revision on it.

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