



Asia Network On Corporate Governance Of State-Owned Enterprises – New Delhi

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DEFINITION

OECD Guidelines on Corporate Governance of State Owned Enterprises	PICG Proposed Draft Regulations for Public Sector Companies
Enterprises where the State has significant control , through full, majority, or significant minority ownership	A company which is directly or indirectly controlled, beneficially owned or more than fifty percent of the voting securities of which are held by the Government or in respect of which the Government otherwise has power to elect, nominate the Chairman and Chief Executive or appoint more than fifty percent of its directors
Significant control includes:-	
Full	100% voting securities
Majority	Greater than 50% voting shares
Significant minority – The State retains a relatively small stake but nevertheless acts as a responsible and informed shareholder	Directly/Indirectly controlled Beneficially owned Power to elect, nominate Chairman and CEO or appoint more than 50% of Directors

TRANSPARENCY AND DISCLOSURE (Part 1 of 2)

OECD Guidelines on Corporate Governance of State-Owned Enterprises	PICG Proposed Draft Regulations for Public Sector Companies
Aggregate reporting on SOEs	Concept of holding companies and disclosure of interest in subsidiaries and associates is covered under CO 1984
Develop efficient internal audit procedures and establish an internal audit function	Explicit responsibility of the Board to develop and establish an internal audit function <ul style="list-style-type: none"> - Establishment of an audit committee - Head of audit committee to be an independent director
Annual independent external audit based on international standards	<ul style="list-style-type: none"> - Annual accounts are required to be audited by an external auditor (approved by SECP) under CO 1984 - The external auditor to comply with IFAC guidelines as adopted by ICAP
Accounting and auditing standards to be at par with listed companies (Internationally Recognized Standards)	Compliance with IAS and IFRS is mandatory under CO 1984

TRANSPARENCY AND DISCLOSURE (Part 2 of 2)

Statement of company objectives and fulfillment	Principal responsibility of the Board to state in clear terms the company objectives and fulfillment thereof through prescribed statements for disclosure
Shareholding structure	Pattern of shareholding to be reported disclosing the aggregate number of shares and held by government and various other entities including shareholders holding 10% or more
Risk assessment	Principal requirement of the Board to formulate as a significant policy for the company and also report thereon to the shareholders
Financial Assistance and Guarantees	Specific requirement to make a disclosure to this effect and in the context of the “going concern” concept
Related party transactions	Included in responsibilities, powers and functions of the Board. Also, as part of key information along with disclosure of interest therein by directors and officers

EQUITABLE TREATMENT OF SHAREHOLDERS

OECD Guidelines on Corporate Governance of State Owned Enterprises	PICG Proposed Draft Regulations for Public Sector Companies
<p>SOE/Ownership entity to treat all shareholders equitably</p> <p>High degree of transparency for all shareholders</p> <p>Active policy of communication and consultation with all shareholders</p> <p>Facilitation to minority shareholders in shareholder meetings</p>	<p>Rights of all shareholders are well protected under CO 1984 whereby, amongst other, 20% shareholders as a class can seek legal redress</p> <p>Rights of minority shareholders are given specific protection and equal treatment including provisions for facilitation in shareholder meetings</p>