SUMMARY RECORD

12th Meeting of the Asia Network on Corporate Governance of State-Owned Enterprises

4-5 September 2019
Manila, Philippines

With the support of the Korea Institute of Public Finance and the Asian Development Bank

Summary Record of the 12th meeting of the Asia Network on Corporate Governance of State-owned enterprises

This year, the OECD organised the 12th meeting of the Asia Network on Corporate Governance of State-Owned Enterprises in Manila, Philippines on 4-5 September 2019. The meeting was hosted by the Governance Commission for Government Owned or Controlled Corporations in the Philippines (GCG) with financial support from the Korea Institute of Public Finance (KIPF) and Asian Development Bank. The meeting brought together around 120 national delegates and corporate practitioners representing 20 countries from Asia.

The event allowed an exchange of national experiences on state ownership and governance of state-owned enterprises (SOEs) as well as a discussion of challenges in bringing their SOE disclosure and transparency practices in line with the standards of the OECD Guidelines on Corporate Governance of State-owned enterprises ("SOE Guidelines"). The meeting also served as a launch event for the recently adopted OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises ("ACI Guidelines"), the first international instrument to offer the state, in its role as an enterprise owner, support in fighting corruption and promoting integrity in SOEs. The participants agreed that the meeting provided an opportunity for them to discuss key ownership and governance issues that limit SOEs' efficiency and performance in the region.

A new OECD stocktaking paper on SOE transparency and disclosure practices based on questionnaire responses submitted by the national authorities of contributing countries was presented and welcomed. It was agreed that it would be enriched with supplementary information based on meeting discussions and additional national submissions and finalised subsequent to the meeting. The paper is expected to facilitate global participation in the ongoing discussions of the Asia Network on the topic of SOE governance.

The meeting started with a session on state ownership practices in the Philippines. It was followed by a roundtable on stocktaking of the recent developments of SOE reform related to ownership practices, privatisation and corporate governance in select participant countries (China, India, Mongolia, Viet Nam) relative to the SOE Guidelines. Topical sessions focused on performance management and evaluation systems; anti-corruption and anti-money laundering; and disclosure and transparency. Some of the main takeaways from the discussions can be summarised as follows:

- A majority of the participating Asian countries have made important progress regarding putting in place legal regulatory frameworks to improve accountability and performance of SOEs, bringing their national practices more in line with internationally recognised good practices. To begin with, most of the reviewed countries have implemented some degree of policy co-ordination to further centralise the state ownership function through the creation of a central coordinating body or a holding company to oversee a portfolio of large SOEs. They have established some forms of SOE-specific disclosure and requirements and a performance evaluation system for SOEs to a certain extent, by developing performance contracts or performance indicators.
- However, common governance related challenges to the SOEs indicated by national authorities include politically motivated ownership interference leading to

unclear lines of responsibility and a lack of accountability and efficiency losses in the corporate operations. Passive ownership by the state can weaken the incentives of SOEs and their staff to perform in the best interest of the enterprise. While reporting standards of individual SOEs and some categories of SOEs have improved, most of the participating countries still lag behind when it comes to aggregate reporting on a whole-of-government basis. The participants agreed that centralisation of the ownership function can help reinforce and mobilise relevant competencies as it requires organising pools of experts on key matters, such as financial reporting or board nomination.

- The autonomy of corporate boards and executive managers is also considered as a common weak point. The top management is still often closely linked to state ministries, or is routinely bypassed by the government like when, for example, ministers bypass boards of directors to appoint CEOs. Participants pointed out that corporate governance arrangements of SOEs in Asia should further evolve so that respective roles of the ownership entity, SOE boards of directors and executive management are be clarified and clearly delineated.
- While the surveyed Asian jurisdictions have taken different approaches to identify and monitor related party transactions (RPT) in SOEs, only a few pay attention to the role of the audit committee and the board of directors to curb abusive RPTs. Recurrent RPTs could be taken to the shareholders for approval.
- An inadequate regulatory inspection of non-financial reporting practices often reduces ESG reporting to a "box-ticking" or "green-washing" exercise. In the absence of clarity around the financial and non-financial objectives that each SOE is expected to perform, a meaningful performance monitoring is not possible.
- In the coming decade, facilitating national implementation of both the new and the old Guidelines will be a key focus of the OECD's engagement with both OECD member countries and its partners.

Details of the meeting discussions

DAY ONE - Wednesday 4 September 2019

Welcoming Remarks

Secretary Samuel G. Dagpin (Jr., Chairperson, Governance Commission for GOCCs) thanked the participants for their presence. He said that the meeting is significant for the GCG, state-ownership entities, policy makers and practitioners as it allows them to learn about corporate governance policies and practices of their neighbour countries and to benchmark against others' experiences. He added that likewise, this gathering facilitates the development of partnerships that would help the GCG align its policies and practices with international standards. He emphasied that from the Guidelines on Corporate Governance of State-Owned Enterprises to the most recent Guidelines on Anti-Corruption and Integrity in SOEs, the OECD has served as a guidepost for the GCG – a relatively young oversight agency for Government Owned or Controlled Corporations (GOCCs) – in developing policies and undertaking reforms that would raise the corporate governance standards of the GOCCs.

Dr. Si kyung Seong (Research Center for State-Owned Entities, Korea Institute of Public Finance) opened the meeting on behalf of the Korea Institute of Public Finance (KIPF), highlighting the longstanding co-operation between the KIPF and the OECD to promote SOE governance reforms both in Asia and globally. He thanked participants for coming to the meeting and the GCG (Governance Commission for the GOCCs) and the OECD for organising the meeting. He also emphasied that Korea has been working on managing SOEs by providing legal and institutional tools that meet the SOE Guidelines by establishing the Act on the Management of Public Institutions, achieving transparency and consistency of governance, making SOE information available to the public and improving the Management Performance Evaluation System.

Dr. Mathilde Mesnard (Deputy Director, Directorate for Financial and Enterprise Affairs, OECD) thanked the Governance Commission for GOCCs of the Philippines for hosting this year's Asia SOE Network Meeting and also thanked the Korean government for financing the initiative and its policy co-operation. She pointed out that this network is an important channel not only for sharing these international standards for SOE governance in Asia, but also for ensuring they remain relevant and impactful. She said that there are also concrete ways that this meeting can help Asian governments further its progress on SOE governance in the region. This includes: exchanging on national experiences through what we call 'peer discussions'; focusing on the promotion of business integrity in the SOE sector; contributing to the discussions on the implementation of the newly launched OECD ACI Guidelines; and contributing to the OECD's stocktaking exercise on national practices for enhancing transparency and disclosure standards in the SOE sector.

Mr. Nessim J Ahmad (Senior Advisor, Sustainable Development and Climate Change Department, ADB) highlighted the importance of SOEs in the global economy and underlined that well-governed SOEs can be used to correct market failures, improve public service delivery and contribute to creating stronger and more efficient markets. He then introduced the ADB's ongoing work on performance management, transparency and disclosure and anti-corruption in Asia. He pointed out that according to the 2018 Review by the ADB's Independent Evaluation Department, reforms have tended to be piecemeal and lacking coherence. He underlined the importance of having a whole-of-government approach and giving more attention to a full range of issues at macro level, sectoral level, and at the level of specific SOEs. He also thanked participants for their contributions to the ADB's efforts in improving the corporate governance of SOEs. He said that the ADB continues to hope for a constructive dialogue and fruitful cooperation in the future.

Mr. Wendel Avisado (Secretary, Department of Budget and Management) lucidly presented the OECD's framework and highlighted the need for transparency and accountability in SOE sector locally and globally. Further, he emphasised on the need for promoting public private participation, adoption of ethics during business transactions, and encouragement of societal commitment in order to improve SOE governance and efficiency. He noted the value of the Asia Network meeting in raising awareness of the importance of good governance of SOEs and offering insights into key SOE governance issues for policy makers in the Philippines as well as those in Asia.

Spotlight on the Philippines: Recent developments and ongoing reform

Ms. Anne Molyneux (Director, CS International) moderated the session and thanked the Governance Commission of the GOCCs of the Philippines and the OECD for giving her an opportunity to share with participants some of her insight on improving SOE governance. She said that reform of SOEs and raising profitability of SOEs have become central to improving economic competitiveness in the Philippines. She added that given the relatively weaker degree of corporatisation of SOEs in the Philippines and the country's corporate governance arrangements, formalising performance-based pay systems through explicit, published pay scales could introduce greater transparency to the state's policy on executive remuneration levels, bringing national practices more in line with the SOE Guidelines.

Atty. Johann Carlos S. Barcena (Director IV, Governance Commission for GOCCs (GCG)) pointed out that the government has recently given much attention to improving performance SOE sector. He stated that the GOCC Governance Act recognizes that all GOCCs, whether chartered or non-chartered, are imbued with "public interest" as it declares the State policy under Section 2 thereof: "The State recognizes the potential of GOCCs as significant tools for economic development. It is thus the policy of the State to actively exercise its ownership rights in GOCCs and to promote growth by ensuring that operations consistent with national development policies and programs." He also said that the GCG Memorandum Circular No 2012 04 provides guidelines on submitting nominations to and shortlisting of candidates for appointment to GOCC Boards. All incumbent CEOs and appointive members of the Board have a one-year term of office, unless sooner replaced by the President of the Philippines provided, however, that incumbents shall continue in office until the successor has been appointed by the President. CEOs shall be elected annually by members of the Board from among its rank. Nominees to the Board are solicited from concerned government agencies, sectoral organizations, or stakeholder groups. They are required to submit certifications of qualification and other relevant clearances. It is also worth noting that the state ownership co-ordinating entity GCG established the Corporate Governance Scorecard (CGS) for SOEs in 2015 through the issuance of Memorandum Cirular No. 2015-07. The CGS was patterned after the ASEAN Corporate Governance Scorecard (ACGS) for publicly listed companies and was benchmarked against the OECD SOE Guidelines on Corporate Governance of SOEs. The CGS assesses the SOEs' governance practices and its level of compliance with the standards on the areas including disclosure and transparency, stakeholder relationships, and responsibilities of the Board. The CGS was first implemented in 2015, assessing the 2014 data of the SOEs to establish baseline data. However, he pointed out that SOEs' annual financial statements should be subject to an independent external audit based on high-quality standards and that specific state control procedures cannot substitute for an independent external audit.

Atty. Engelbert C. Caronan Jr. (President and CEO, Development Academy of the Philippines (DAP)) presented the mandate of the DAP which is a government owned and controlled corporation. He said that the organisation is in charge of generating principles and techniques for addressing development problems of local, national and international significance including those concerning SOEs. He emphasised the importance of providing development stakeholder organizations both in public and the private sector with technical assistance to perform their respective roles and mandates in development more effectively. For instance, he said that there could be a provision in law which requires companies to be accountable to provide regular training to employees and board of directors on corporate governance related issues and policies. He also pointed out that it is essential to promote partnerships and facilitate the integration of policies, plans and programs towards a holistic perspective, through policy/action-oriented research and publications in good governance and productivity improvement.

Roundtable on recent SOE reform experiences

Mr. Hans Christiansen (**Senior Economist**, **Corporate Governance and Corporate Finance Division, OECD**) pointed out that the Asia SOE Network plays a key role in raising awareness in Asia of OECD standards in the field of corporate governance and state-owned enterprise reform. These include: the OECD Guidelines on Corporate Governance of State-Owned Enterprises, the internationally-agreed standard for ensuring that SOEs operate transparently, efficiently and on a level playing field with privately owned enterprises; and the Anti-Corruption and Integrity Guidelines for SOEs (ACI Guidelines) which OECD Ministers adopted last May. The ACI Guidelines are the first international instrument to offer the state, in its role as an enterprise owner, support in fighting corruption and promoting integrity in SOEs. He also gave an overview of some of the SOE governance trends that OECD has tracked in the region. He noted the progress made by regional governments to establish legal and regulatory frameworks to improve the accountability and performance of their SOEs. This includes measures to: centralise the state ownership and SOE oversight function; and strengthen disclosure and performance evaluation requirements for SOEs. He also noted areas for improvement, vis-à-vis OECD standards, including the need to strengthen the autonomy of SOE corporate boards and executive management.

Dr. Madhukar Gupta (Additional Secretary, Department of Public Enterprises, India) introduced India's recent measures for enhancing corporate governance in Central Public Sector Enterprises (CPSEs). CPSEs are governed under relevant sections of Companies Act 2013 and SEBI regulations 2015 which are applicable to listed CPSEs). The Department of Public Enterprises issued guidelines on Corporate Governance for CPSEs in May 2010 to be followed on mandatory basis. They cover issues like board of directors, audit committee, remuneration committee, disclosures, code of conduct and ethics, etc. and grading of CPSEs is required to be done on the basis of their compliance. To enhance performance of CPSEs, he emphasized the importance of undertaking regular monitoring of capital expenditure by CPSEs and organising regular orientation programmes for newly appointed independent and government directors of CPSEs in partnership academic and professional institutions.

Mr. Zhu Kai (Deputy Director General, State-Owned Assets Supervision and Administration Council (SASAC), People's Republic of China) gave an overview of the SASAC's recent reform efforts on improving board governance. He said that as of recent 83 central SOEs have boards with external directors as the majority and mixed ownership reform has been actively promoted. He added that stock option incentive was carried out in 81 listed companies with central SOEs as controlling shareholders. He said that according to the 2019 Report on the Work of the Government, China is committed to follow the principle of competitive neutrality so that "when it comes to business operations, government procurement, public bidding, and so on, enterprises under all forms of ownership will be treated on an equal footing." It is notable that the SASAC has condensed organizational levels of central SOEs by cutting more than 14,000 legal person units of central SOEs, accounting for 26.9% of the total. At the same time, a majority of the SOEs signed formal agreements to separate and transfer their functions of supplying water, electricity, heat (gas) and managing realty for SOE employee residence to local governments.

Ms. Chantsaldulam Ganbaatar (Foreign Relations Officer, Mongolian Government Agency for Policy Co-ordination on State Property (PCSP) said that the Government Agency for PCSP and Corporate Governance Development Centre with the funding of Asia

Foundation have been implementing projects to improve corporate governance of SOEs**.** They include translation of the OECD Guidelines on Corporate Governance of SOEs; corporate governance assessment of 10 large SOEs; designing corporate governance standard proposal for SOEs based on the result of the assessment and international standards; and organising training programmes for PCSP officers. The reform priorities of the government include setting up an ownership policy; organising shareholders meeting and independent auditing; and adopting a regulation for consistently disclosing financial and non-financial information by setting up a comprehensive monitoring and reporting system.

Mr. Tran Tho Hai (Head of General Policy Division, Corporate Finance Department, Ministry of Finance, Viet Nam) highlighted key components of Viet Nam's SOE disclosure system. He said that SOEs are required to disclose their development strategy, 5-year business plan, annual financial statements and salary of executives and employees through a portal system. However, according to the government, while 71% of the SOEs disclosed their information in the government portal in 2018 only 5/9 of the SOEs disclosed financial statements and salary report. He said that it could be useful to introduce administrative penalty in case of compliance violations. He added that a recently established co-ordination agency named the Committee for State Capital Management and Supervision is expected to integrate state ownership functions of government, line ministries and provincial committees and align Viet Nam's SOE practices more in line with international standards.

Atty. Alberto Reyno (Managing Director, Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)) said that development financing institutions (DFIs) are specialized development banks or subsidiaries set up to support private sector development in developing countries. They are investment catalysts for national sustainable development efforts and could play an important role in caretaking of the country's wealth when managed properly. By institutionalizing corporate governance policies, practices and structures, DFIs could better perform their development mandate. Also, transparent and accountability practices could deter corruption at institutional levels.

National practices for performance evaluation and management in comparative perspective

Dr. Lawrence Lee (CEO, Corporate Governance Research Center, National Taipei University of Business, Chinese Taipei) as a moderator of the session provided introductory remarks saying that highlighting SOEs' performance and the performance of the state as an owner not only creates incentives to better perform for all SOE officials and civil servants involved, but it also strengthens public demand for further reforms. He pointed out that performance evaluation practices differ depending in part on SOEs' degree of corporatisation, their commercial (or public policy) orientation and their proximity to the public administration. He invited participants to introduce good practices of those countries undertaking performance management of SOEs and discuss lessons for developing good practices towards performance evaluation and monitoring within Asia and the key areas moving forward.

Dr. Sikyung Seong, Research Centre on State-owned entities, Korea Institute of Public Finance (KIPF) gave an overview of the Korean government's SOE performance evaluation system which is characterised by three types. First one focuses on assessing what policy efforts an SOE has made and what the final outcomes are. This type of evaluation is implemented on an annual basis. The second type is an evaluation of CEO's performance, which is merged into the corresponding SOE's evaluation. The last one is an evaluation of auditor's performance, which is implemented every year to enhance the internal control system. Every public institution and SOE is required to submit their previous year's annual performance report to the Ministry of Economy and Finance (MOEF) in March. The report is subject to the review of MOEF, KIPF, Evaluation Team Task Force consisting of experts and the National Assembly. He said that when establishing 2018 performance indicators, the Korean government added more weight on efforts to promote social value and its relevant outcomes. The Ministry of Economy and Finance is mandated to give lower rating to an SOE if it raises negative public concerns by committing one or more of the following: employment fraud; tax evasion; accounting fraud; violation of safety and environmental regulations; unfair trade practices; and violating gender equality principles.

Mr. David Robinett (Senior Public Management Specialist (State Owned Enterprise Reforms), Asian Development Bank (ADB)) presented essential elements that should be included in SOE evaluation system such as mandating capital discipline, minimum return on capital, dividend targets, commercial transparency and accountability. He added that performance contracting and use of key performance indicators (KPI) are some of the main methods that are used for performance evaluation system for SOEs. To achieve cost efficiency, he underlined the importance of defining public service obligation, keeping accounts to know real cost and monitoring transactions. Other than meeting legal requirements, he emphasised that honouring legitimate stakeholder concerns is key for ensuring sustainability of service delivery and long-term value creation at company levels.

Dr. U.D. Choubey (Director General, Standing Conference of Public Enterprises (SCOPE), India) said that SOE performance management system in India consists of a Quarterly Performance Review (QPR) and Memorandum of Understanding (MOU), a negotiated agreement between the administrative Ministry and management of a concerned SOE which is signed annually. QPR is a form of performance evaluation which is conducted every quarter of the financial year by Administrative Ministry wherein the activities are monitored by Secretary of the Administrative Ministry.

Mr. Ugyen Wangdi, Senior Analyst, Performance Improvement Division, CPD, Druk Holding & Investments Limited highlighted that Bhutan introduced a performance management system at company level called "Compact (s)" which is a mutual agreement between the companies and the state shareholder, It details activities with clearly measurable targets to be accomplished during the year. The performance results of the company impact the Performance Based Variable Allowance (PBVA) provided to all employees including the CEO and senior executives within management. Based on the Annual Compact achievement, PBVA is approved for companies and distributed to each employee as a percentage of their basic pay.

DAY TWO - Thursday 5 September 2019

Thematic discussion : The State's role in preventing corruption and enhancing integrity in SOEs

Preventing money laundering in SOEs and other corrupt practices

Dato' Abdul Aziz Abu Bakar (Director, Institute of Corporate Directors Malaysia (ICDM)) moderated the session. He said that more attention needs to be given to the fact that the close relationship between the state and SOEs can also influence the transparency of public financial flows, and the complexity of the accountability chain could also increase opportunities for corruption and money-laundering in SOEs. In order to tackle key corruption risks specific to SOEs, there is an increasing need for SOEs to have additional policies in relation to anti-money laundering including cross-checking owners of SOEs, directors and representatives, and comparing them and affiliates in anti-money laundering and anti-terrorist financing, or bribery, databases. He pointed out that the newly launched Anti-Corruption and Integrity Guidelines for SOEs could be a useful tool for addressing these issues.

Dr. Ram Kumar Mishra (Director, Institute of Public Enterprise, India) emphasized that money laundering is a global problem. The United Nations Office on Drugs and Crime estimates that between USD 800 billion and USD 2 trillion worth of money is “laundered” every year. This translates to a whopping 2 ~ 5 percent of global GDP. He also highlighted that stopping corruption in SOEs should start at the top of management. In India, the 2002 Prevention of Money Laundering Act seeks to prevent and control money laundering and punish violators. He said that regulatory focus is currently centered on containing money laundering risks associated with new payment methods like mobile wallets, e-payments and e-money issuers. In addition, top priority is being accorded to combating cybercrime and curbing potential money laundering risks associated with virtual currencies. In order to effectively undertake investigation of money laundering, the Indian government is focusing on forging close coordination and convergence among Customs and Central Excise Departments, SEBI, RBI, Police and Income Tax Department. He said that financial institutions especially the SOEs must make all of their transactions transparent and traceable. The processes must enable traceability of transactions to establish the origin of funds and thus reduce the risk of money laundering. They are encouraged to gather information on the customers, their transactions and verify it through proper identification procedures. The information must be accessible to the monitoring agencies for effective use.

Dr. Antonius Alijoyo (Board Member, National Committee on Governance Indonesia, ERMCP, CERG) elaborated on Indonesia’s legal regulatory framework for preventing money kaundering in SOEs. He said that Law No. 8/2010 on Prevention and Eradication of Money Laundering is enforced with information from PPATK (Indonesian Financial Transaction Reports and Analysis Center). Many money laundering derives from corruption cases, including in SOEs. KPK (Indonesia Corruption Eradication Commission) often imposes corruptor not only with corruption law but also with money laundering law which makes conviction for corruptor heavier than usual. Referring to the section on Accountability of State of the new ACI Guidelines, he emphasized that Indonesia should have mechanism to mitigate the recurring corruption cases, strengthening supervision of Ministry of SOEs and establishing an effective communication channel between Ministry of SOEs and SOE to develop action plan in preventing corruption.

Atty. Emilio B. Aquino (Chairperson of the Philippines Securities and Exchange Commission) presented the Securities and Exchange Commission’s (SEC) mandate as an anti-money laundering and counter-terrorist financing enforcer and corporate governance champion. He said that the Commission’s push for good corporate governance is anchored on and bolstered by Republic Act 11232, or the Revised Corporation Code of the Philippines (RCC) which was passed into law earlier this year. Section 179 of the RCC provides for the powers, functions and jurisdiction of the SEC, one of which is to promote good governance and the protection of minority investors, through, among others, the issuance of rules and regulations consistent with international best practices. The Section 22 of the RCC also provides that corporations engaged in businesses vested with public interest (i.e. publicly listed companies and public companies), as may be determined by the commission, shall have independent directors constituting at least 20 percent of their respective boards. Mr. Aquino also noted that they have issued Memorandum Circular No. 15 Series of 2019, which requires companies to disclose their beneficial owners. According to the Memorandum Circular, any company is required to disclose the ultimate natural person that owns them so that potential launderer will not utilize the layer of companies and launderers will not be behind SOEs or GOCCs. He said that it is still a work in progress and that it will be important to handle resistance from the corporate secretaries.

Dr. Ali Salman (CEO, IDEAS, Malaysia) pointed out that aside from establishing guidelines that would strengthen disclosures, regulators must focus on preventing corruption. He said that they should promote awareness and competencies in preventing corrupt practices, including strengthening internal control. He further mentioned that Malaysia does not have SOE-specific reporting requirements nor guidelines that are applied to all SOEs. Publically listed SOEs are subject to the Bursa Malaysia listing requirements, fully corporatised SOEs to relevant provisions of the companies act, and statutory SOEs to individual reporting requirements. One major challenge is the variety of different forms of SOEs which becomes an obstacle in pursuing a comprehensive disclosure and reporting system. Another challenge is the lack of any consolidated reporting or assessment mechanism (such as Parliamentary oversight committee). He added that it is well known that SOEs have been abused in various ways, including creating various vehicles for off-balance sheet financing which obscures government spending. Several cases of corruption and embezzled funds have also come to limelight.

Transparency and disclosure standards in Asia

Dr. Fuad Hashimi (Head, Centre of Excellence in Responsible Business, Pakistan Business Council) moderated the session. Good practice calls for SOEs to be as accountable to the public as a listed company is expected to be to its shareholders. Ensuring that SOEs respect high standards of accounting, auditing and disclosure is important for allowing the state to monitor performance against established objectives and reducing corruption risks in SOEs. This session will allow participants to discuss disclosure requirements placed on SOEs in their respective jurisdictions including the auditing and aggregate reporting practices. It will share national experiences with related reforms and discuss challenges to developing and implementing sound disclosure and transparency standards. The discussion will build on the results of the new OECD survey on stocktaking of transparency and disclosure measures for SOEs in Asian countries.

He said that while there are different approaches among the surveyed Asian jurisdictions to review related party transactions (RPT) in SOEs, only a few place significant weight on the role of the audit committee and the board of directors in approving RPTs to prevent the abusive nature of such transactions. He pointed out that recurrent RPTs should be taken to the shareholders for approval and policy makers should come up with a right approach for select Asian jurisdictions. He added that a lack of regulatory scrutiny of non-financial reporting often reduces ESG reporting to a "box-ticking" or "green-washing" exercise.

Ms. Chung-a Park (Policy Analyst, Corporate Finance and Corporate Governance Division, OECD) underlined key findings from the interim version of the OECD stocktaking paper on disclosure and transparency practices in the SOE sector. She said that the stocktaking exercise ultimately aims at providing concrete guidance and examples for policy-makers in these key areas for SOE governance. She pointed out that SOEs in Asia are often subject to weaker disclosure rules compared to listed companies, and it often reflects SOEs’ limited degree of corporatization. Korea, the Philippines, and Vietnam are some of the countries in Asia that have specific reporting and disclosure requirements specific to SOEs, while Cambodia and Malaysia have none. At the same time, she added that SOEs are not always subjected to the same accounting and auditing requirements as private incorporated companies, which makes it difficult to identify irregular financial transactions. She explained that these are often due to weak internal audit and control functions and guidance on corporate disclosure due to weaker degree of corporatization. She added that in the absence of clarity around the financial and non-financial objectives that each SOE is expected to perform, a meaningful performance monitoring is not possible**.** Lastly, she invited the delegates to provide more cases where transparency and disclosure practices are implemented at SOE level so that they can be incorporated in the final version of the paper.

Ms. Netra Sahani (Additional General Manager, Listing Compliance, BSE Limited, India) gave an overview of the company's efforts to provide a mechanism to the listed companies including SOEs in creating long-term value and some of the experiences that BSE has had in monitoring the compliance levels of listed entities which include SOEs. BSE currently has more than 4,000 listed companies out of which 88 are SOEs covering various sectors and various industrial segments. The Securities and Exchange Board of India (SEBI) has come up with a piece of legislation entitled "Listing obligations and disclosure requirement regulations" which have to be complied with by all listed entities. SOEs are required to be treated at par with all other listed entities. The clauses of the regulations require prior intimation about the board meetings considering buyback, declaration/recommendation of dividend, bonus, rights and convertible debentures issue, disclosure of shareholding pattern, submission of details regarding voting results of Board and General Meetings. The clauses also require submission and publication of audited or unaudited quarterly and yearly to-date financial results, half yearly and audited financial results for the entire financial year. As for unlisted subsidiaries, at least one independent director on the board of listed entity shall be a director on the Board of unlisted material subsidiary. Also, parent company's board should receive statement of all significant transactions and arrangement entered by its unlisted subsidiary.

Ms. Natnipha Luangsomboon (Senior Analyst, State Enterprise Policy and Planning Bureau (SEPO), Thailand) presented the state ownership entity SEPO's Performance Tracking System as the following: i) set a performance evaluation agreement; ii) supervise the SOE to achieve the goals and objectives stated in the agreement; iii) prepare the results, compare them to the performance evaluation agreement, and publish them so that it is accessible to all stakeholders; iv) Reflect on these results and use them to improve and develop operational processes.

Ms. Ya Eem Chea (Head, Corporate Governance Division , Securities Issuance Supervision Department, Securities and Exchange Commission of Cambodia) said that the government has updated its Accounting Law and adopted international accounting standards in recent years as part of its efforts to improve corporate transparency. The Prakas on Corporate Governance for Listed Companies provides a separate chapter on "Corporate Transparency and Disclosure" which requires listed companies including listed SOEs to disclose key information to the public in timely manner via the corporate disclosure mechanism. The listed SOEs shall prepare and disclose the Corporate Governance Report as an appendix to the annual report. The report covers key information related to board of directors, board remuneration, board committees, board performance assessment, rights of shareholders and stakeholders, risk management, internal control and auditing, code of conduct, investor relations and corporate social responsibility. Apart from a chapter on "Transparency and Disclosure" prescribed by the Prakas on Corporate Governance for Listed Companies, the Securities and Exchange Commission of Cambodia (SECC) adopted a separate Prakas on corporate disclosure which was amended in late 2018, with the same level of enforcement as the Prakas on Corporate Governance for Listed Companies. However, there are no SOE-specific obligations on disclosure and reporting for the time being.

Ms. Elvira Konakhbayeva (CG Director, Samruk-Kazyna JSC, Kazakhstan) presented that the content and frequency of the financial information disclosure by SOEs is regulated by the Law on Accounting and Financial Reporting. According to the Article 19 of the Law, organizations (i.e. all separate legal entities, including companies), except for certain financial companies or organisations are required to present annual financial reports not later than 30 April of the year following the accounting year. It is up to individual companies to determine the terms of presentation of interim financial reporting. All state-owned companies in the Fund Samruk-Kazyna's portfolio are additionally required to disclose their financial and non-financial information in accordance with the Law on Joint Stock Companies and Transparency Chapter of the Corporate Governance Code of the Fund. Besides the financial information, based on requirements of the Corporate Governance Code, the Fund and its portfolio companies are also expected to annually publish sustainability reports according to the Global Reporting Initiative (GRI) Guidelines. She emphasised that given the increasing importance of disclosure on environmental, social and governance (ESG) issues, there should be a provision in law which makes companies accountable to provide regular training to employees and board of directors on ESG related policies.

Concluding remarks

Dr. Si Kyung Seong (Research Center for State-Owned Entities, Korea Institute of Public Finance) extended his gratitude to the hosts of GCG, ADB and the OECD Secretariat for organising this year's Asia SOE Network Meeting. He said that the meeting provided a meaningful platform where different delegates and corporate practitioners from Asia could share their experiences and benchmark others on implementing good practices for improving SOE governance and performance. He concluded that the insightful discussions pointed to many similarities across jurisdictions and recognised the importance of the Asia SOE Network as a vehicle for advancing national reforms. He said that he is hoping to see many of the participants in the next year's meeting.

Ms. Chiara Bronchi (Chief Thematic Officer, Asian Development Bank) emphasized the importance of taking a comprehensive approach when enhancing governance of SOEs. She said that following the ADB's independent evaluation review of ADB's engagement on SOEs with its member countries, the ADB has made a commitment to have a stronger focus on supporting institutional regulatory reforms and their role on service delivery in particular. Under the ADB 2030 Strategy, ADB will work with SOEs and subnational entities that are taking on a larger share of public service delivery to improve their financial management capacities and internal governance, enabling them to access financing on commercial terms and conditions.

Dr. Mathilde Mesnard (Deputy Director, Directorate for Financial and Enterprise Affairs, OECD) declared that the meeting contributed to a better shared understanding of the challenges facing SOE ownership and governance, but also how to address these challenges in Asia and beyond. She said that the Network could continue to serve as a vehicle for more direct influence on OECD's SOE-related undertakings. If the Network discusses topics of ongoing interest in Paris, the conclusions and findings from each meeting can be input directly as "the Asian perspective" and significantly influence

OECD's next steps. The meeting's consultation about the implementation of the new SOE Anti-Corruption and Integrity Guidelines (ACI Guidelines) could serve as an example. She said that with the launch of these new ACI Guidelines the OECD would be engaging in further work on SOE integrity, including the fight against corruption and other irregular practices.

Annex A. Evaluation of the meeting

The OECD Secretariat prepared an evaluation form and asked participants to share their views and feedback on various aspects. The form was available both online and in hard copy at the end of the meeting. Questions included:

1. How useful was the meeting for you? Did the meeting meet your goals?
2. Was the meeting's length too long, too short or about right?
3. What did you like most about the meeting?
4. What did you like least about the meeting?
5. Please rate your overall level of satisfaction with the following aspects of this year's Asia Network meeting: sessions – speakers – location – networking opportunities – logistics.
6. How do you think this event could have been improved?
7. Suggested follow-up topics/items for future Asia network meetings

The survey collected forty-three (43) responses from anonymous sources.

Overall, the content of the meeting was highly appreciated by the participants. More than half of the respondents (70%) indicated that the meeting was very useful and met all their goals; responses also indicated high levels of satisfaction with the networking opportunities provided on site as well as the diversity of speakers and countries represented. Participants felt that the conference enabled them to share ideas, experiences and best practices across the Asian continent. At the same time, they suggested limiting the use of slide presentations and focusing more on interactive panels and discussions. Furthermore it was recommended to put emphasis on new topics for future editions, such as then relationship between SOEs and the private sector, the implementation of sustainability principles and corporate social responsibility. The OECD Secretariat will take duly into account all the comments and suggestions that have been made with a view to making the upcoming Network meetings more relevant to the participants.

Full results were analysed online and can be found here: http://bit.ly/AsiaSOE2019

Pictures of the meeting

Pictures of the meeting can be found at this link.