Summary Record

13th Meeting of the Asia Network on Corporate Governance of State-owned Enterprises

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

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This year, the OECD organised the 13th Meeting of the Asia Network on Corporate Governance of State-Owned Enterprises via video conferences on 22 September, 8 October and 4 November. The meeting was organised with support from the Korea Institute of Public Finance (KIPF) and Asian Development Bank (ADB). The meeting brought together around 120 national delegates and corporate practitioners representing 22 countries from Asia and 8 countries from other parts of the world. Participants notably included key members of the OECD Working Party on State Ownership and Privatisation Practices and the OECD's existing regional, peer-learning networks active across the world.

The Meeting brought together representatives of governments, SOEs and relevant experts to consider experiences with state ownership and SOE governance reforms from various perspectives and encourage an exchange on specific steps that governments as "owners" of SOEs can take to implement priority reforms. Participants noted that The Asia SOE Network, similar to the OECD's other regional networks active around the world, is a key channel for disseminating – and helping to implement – the standards of the SOE Guidelines and that there is clearly a strong case for continuing our consultations. They highlighted that the Network could also serve as a vehicle for more direct influence on OECD's SOE-related undertakings.

The meeting was opened by Dr. Mathilde Mesnard, Deputy Director of the OECD Directorate for Financial and Enterprise Affairs and Mr. Hyungcheol Yoo, Deputy Director-General for Public Institutions Innovation from Ministry of Economy and Finance of Korea. The first video conference on 22 September discussed the recent developments of SOE reform related to ownership practices and corporate governance in select participant countries (Bangladesh, China, India, Viet Nam) relative to the SOE Guidelines and shared lessons for developing good practices towards performance evaluation and monitoring within the SOE sectors. The first part of the second video conference on 8 October focussed on policy response and rescue operations in response to the COVID-19 and their impact on national practices for state ownership. The second part covered national approaches for accounting for public policy objectives of SOEs and their implications for competitive neutrality. The third video conference on 4 November served as a platform for exchange of information to compare national experiences with listing SOEs in stock markets and its impact on overall performance and governance of SOEs. The meeting was concluded by a consultation session on the development of the OECD SOE Anti-Corruption and Integrity Implementation Guide as a follow-up work for the recently launched OECD Guidelines on Anti-Corruption and Integrity in State-owned enterprises, which is the first international instrument to offer the state, in its role as an enterprise owner, support in fighting corruption and promoting integrity in SOEs. A new questionnaire-based exercise for the OECD stocktaking paper on accounting for public policy objectives of state-owned enterprises was initiated and welcomed.

Some of the main takeaways from the discussions can be summarised as follows:

- A case has been made for a centralisation of the exercise of state ownership – or, if that is not feasible, at least stronger co-ordination across government departments.

- There is a need for further professionalization and corporatisation of SOEs. SOEs need to operate with a certain and an adequate degree of autonomy and, crucially, at arm's length distance from the exercise of state powers.
- Participants have agreed on the need for developing a state ownership policy. If the state is to act as an active and informed owner of SOEs then it needs to state clearly how its ownership rights are exercised and by what public institutions.
- There needs to be clarity about the financial and non-financial objectives that each SOE is expected to perform. This would eventually require establishing and enforcing an adequate legal regulatory framework that underpins transparency around cost allocation of public service activities and commercial activities of SOEs.
- There is an ongoing need to strengthen mechanisms to fight corruption and ensure integrity – both in the SOEs themselves and in the state's ownership bodies.
- These priorities have become even more pertinent by the ongoing Covid-19 crisis. An increasing number of governments have had to take on the role of unintended company owners following the pandemic and the OECD is committed to advising such governments on how to structure their ownership according to internationally recognised best practices, as well as how to prepare for their eventual reprivatisation.
- Role of SOEs and public sector is becoming important than ever in these unprecedented times and through international networks like this one, and the sharing of good practices, we can learn from the national governments, state ownership entities, regulators and corporate practitioners who have so far shown impressive agility and vigilance in tackling common challenges.

Details of the meeting discussions

DAY ONE – Tuesday, 22 September 2020

Welcoming Remarks

Dr. Mathilde Mesnard (Deputy Director, Directorate for Financial and Enterprise Affairs, OECD) pointed out that the Asia SOE Network plays a key role in raising awareness in Asia of OECD standards in the field of state-owned enterprise reform. She recalled the mandate of the three-day video conferences which includes : exchanging 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 OECD SOE Guidelines and the newly launched OECD Anti-Corruption and Integrity Guidelines for SOEs (ACI Guidelines); and contributing to the OECD's stocktaking exercise on national practices for accounting for public policy objectives in the SOE sector. She also gave an overview of some of the SOE governance trends that the OECD has tracked in the region. She highlighted the achievements made by governments to establish legal and regulatory frameworks to enhance 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. She also pointed out areas for improvement, vis-à-vis OECD standards, including the need to strengthen the autonomy of SOE corporate boards and executive management. She thanked the Korean government and the ADB for their support for the Asia SOE Network.

Mr. Hyungcheol Yoo (Deputy Director-General for Public Institutions Innovation, Ministry of Economy and Finance, Korea) thanked Network participants and welcomed them to the 13th meeting of the Asia-SOE Network. He noted that 13th meeting of the OECD-Asia SOE Network is taking place as part of Korea's initiative to share its economic development experiences with the international community. He highlighted that Korea as an OECD Member country has been active in making the country's economic development experience operational to provide benchmark case studies for emerging economies and developing countries. He said that going forward, Korean government hopes to actively share its experiences on enhancing the governance and performance of SOEs. He further mentioned that the Korean government has been using the OECD SOE Guidelines to ensure a more effective and transparent management of SOEs. He highlighted the importance of harmonizing efficiency and equity in the market and said that providing necessary public services to people at the right time while maximizing productivity of SOEs is a common concern for international community. He also introduced the government's recent efforts on enhancing social values in the SOE sector. He said that the government has incorporated social-value related criteria into performance evaluation system for SOEs. It has adjusted SOE performance evaluation system to include a number of items that aim at enhancing innovation and social values such as community development, human rights, safety, job creation and ethical management. He said that he hopes that this year's Network conference would encourage policy makers and think tanks to rethink how to achieve the value and goal of SOEs/public institutions; transparency and responsibility, efficiency and publicity, public trust and quality services.

Session 1: Recent developments and reforms of state-owned enterprises

Mr. Hans Christiansen (Senior Economist, Corporate Governance and Corporate Finance Division, OECD) moderated the session. He recalled that the OECD Guidelines on Corporate Governance of State-Owned Enterprises (SOE Guidelines) provide comprehensive guidance and advice to governments – as shareholders in SOEs and SOEs themselves – on how to more effectively organise and professionalise state-owned enterprises. He emphasised the importance of a strong state ownership function to enhance the economic efficiency of SOEs and called on speakers to exchange experiences in SOE governance reforms notably related to ownership practices, corporate governance and privatisation.

Mr. Shri Sailesh (Secretary, Department of Public Enterprises, India) introduced India's SOE landscape and its recent measures for enhancing corporate governance in Central Public Sector Enterprises (CPSEs). He said that SOEs operate in almost all critical sectors of Indian economy. There are 249 operating SOEs, 200 subsidiaries of SOEs, and 82 subsidiaries of subsidiaries. He recalled the challenges faced by the government in reforming SOEs including balancing profitability and social obligations, raising capital expenditure, maintaining liquidity & financial leveraging, removing inefficiencies, rationalisation of number of SOEs and aligning SOE reform priorities with national priorities. He said that under the "Self-Reliant India" Mission, a new Public Sector Enterprises Policy is to be formulated to push reforms in CPSEs in a holistic manner. His reform plans include : rationalising a number of subsidiaries by way of merger, divestment and closure; improving productivity and efficiency by benchmarking against national and international peers; anticipating market opportunities and ventures in new businesses; reducing delays in decision making and settling early resolution of issues through Arbitration, Contract and Project management. To enhance performance of CPSEs, he underlined the importance of undertaking regular monitoring of capital expenditure by CPSEs and organising regular capacity building programmes for newly appointed independent and government directors of CPSEs.

Mrs. Nguyen Thuy Linh (Principal official, General Department, Commission for Management of State Capital in Enterprises (CMSC), Viet Nam) provided an overview of the mandate of the Commission for Management of State Capital in Enterprises (CMSC) which was established in 2018 according to the Guidelines of the Party and the laws of the government. She said that the objective of the CMSC is to integrate state ownership functions of government, line ministries and provincial committees. According to the Law 69 on management and utilisation of state capital, the CMSC is charged with exercising the state's ownership role in 19 of the country's state-owned entities – many of which are Corporate Groups or larger state enterprise groups. It is also responsible for monitoring compliance of SOEs with governance standards including public reporting. She further presented staff composition and the organisational structure. CMSC currently has more than 100 staff and 9 departments. Five departments are in charge of each field of SOE which are energy, communication, construction, agriculture and infrastructure. There is also a General Department which is in charge of State Capital Investment Corporation (SCIC) that was founded in 2005 to represent ownership of state capital. She pointed out Vietnamese government's own efforts to develop and apply modern governance framework for SOEs in line with international standards including the OECD SOE Guidelines to make a state owner's business investment transparent. To begin with, she said that through the government's restructuring and divestment process, the number of SOEs has decreased from more than 6000 in 2011 to about 500 in 2019. She further presented positive policy developments with respect to state ownership policy, disclosure mechanism and competitive neutrality in recent years. She further pointed out that SOEs are subject to general laws, competition law, anti-trust law and commercial law. According to her presentation, Enterprise Law, Law 16 and the accompanying guidelines have clearly stipulated the rights and responsibility of the owner and defined the objective of the state capital investment in enterprises. At the same time, the Law 69 and its guiding documents have defined a list of strategic state capital investment domains which include: the provision of essential public production and services to the society; national defence and security; national monopoly; and high technology. She also pointed to the importance of translating Viet Nam's legal regulatory frameworks for SOEs into implementation and practice. She concluded by saying that the CMSC looks forward to continuing to engaging with the OECD as a new member of the OECD Asia SOE Network.

Mr. Zhu Kai (Deputy Director General, International Cooperation Bureau, State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), China) presented the steps that Chinese government has taken to improve governance of SOEs. He said that by the end of 2019, 82 out of 99 central SOEs had established boards with external board members as the majority, diversifying board members' professional backgrounds. He added that both tenure system and contract-based management for executives were carried out, and capacity-building programmes for professional managers were implemented. The Operational Guidelines for Mixed Ownership Reform of Central SOEs were issued to enhance governance and equity structure and encourage investors of non-public sector to take part in corporate governance and operation. He highlighted that mechanisms such as stock option incentives were adopted in many listed companies with central SOEs as controlling shareholders to incentivise employees. Various measures, such as market-based debt-for-equity swap and direct financing, were taken to reduce debt and deleverage, with the aim of making state-owned assets allocation and its overall function more effective. Ten central SOEs were selected as world-class demonstrative enterprises, with the aim of exploring effective ways to learn from world-class enterprises (ex. Petrochina, State Grid, Three Gorges Corporation, Railway Rolling Stock Corporation and State Construction and Engineering Corporation). He said that as part of measures to cope with Covid-19 impacted economy, central SOEs have become the mainstay in the country's endeavour to sustain supply and stabilize price. He pointed out that central SOEs took initiatives to establish platforms and unleash project demand to help medium, small and micro-sized enterprises and individual businesses in order to resume and co-ordinate operation along the whole industrial chain.

Ms. Arfin Ara Begum (Director General (Additional Secretary), SOE Monitoring Cell, Finance Division, Ministry of Finance, Bangladesh) presented the country's new reform initiatives on enhancing state ownership practices. She said that the SOE Monitoring Cell provides financial oversight for 49 non-financial SOEs in co-ordination with respective line ministries. She further described key elements of the government's new "Scheme on Strengthening of SOE Governance" which has been developed with the financial and technical assistance of the World Bank to enhance financial and fiscal discipline and performance monitoring system of SOEs in the country. She said that the Scheme aims at implementing SOE performance evaluation framework, preparing procedures to regulate debt and contingent liabilities of SOEs, developing a standardised financial and non-financial reporting template to collect accurate SOE data and reducing funds transfers to SOEs as a percentage of total public expenditures. As part of the Scheme, an Independent Performance Evaluation Guidelines (IPEG) has been developed to set out key financial and non-financial performance indicators and targets for SOEs. The IPEG is to be approved by the Finance Secretary and the Scheme is expected to be implemented by June 2023. The Monitoring Cell also works on strengthening capacity of its staff through peer-to-peer learning and knowledge exchanges with other countries that are more advanced in SOE reforms as well as hands-on learning approaches fostered through international forum on international best practices.

A question and answer session followed during which panellists addressed various issues including their top reform priorities; the motivation towards adopting centralised ownership model; and political influence in the decision-making process of the company's governing structures. The moderator **Mr. Hans Christiansen** concluded the session by noting that the countries share similar reform priorities and some of the top priorities include centralisation of ownership, disclosure requirements, and professionalising boards of directors of SOEs. He emphasised that there are common lessons on SOE governance reform that countries can garner from sharing knowledge and exchanging of experiences, which he hopes this year's Network conference would will facilitate.

Session 2: Enhancing performance evaluation and management of SOEs

Mr. Thomas Panella (Chief of the Water Sector Group, ADB) moderated the session. He opened the session and invited the panellists to share lessons for developing good practices towards performance evaluation and monitoring within the SOE sectors, examine the process of formalisation of performance evaluation systems, the types of indicators developed to measure SOE performance and the extent to which results inform executive remuneration and sanctions.

Dr. Sejeong Ha (Deputy Executive Director, Research Centre for State-Owned Entities, Korea Institute of Public Finance) provided an overview of SOE performance management and evaluation system in Korea. Korea uses the term "public institutions" to refer to SOEs, which are thus designated based on the ratio of their self-generating revenue and the amount of government grants. Public institutions are further divided into three categories: (i) public corporations; (ii) quasigovernmental institutions; and (iii) non-classified public institutions. The performance evaluation system for public corporations and quasi-governmental institutions is overseen by the Ministry of Economy and Finance (MOEF) while non-classified public institutions are overseen by their own line ministries. The SOE evaluation system aims at holding accountable SOEs themselves, CEOs and executive auditors. Each performance evaluation cycle usually lasts three years. In the first year of the cycle, an evaluation team consisting of accountants, professors and experts determines a set of business goals and performance indicators for SOEs based on a performance evaluation manual developed by the MOEF. In the second year of the cycle, SOEs run their businesses trying to achieve their given goals. If necessary, the evaluation team revises performance indicators in the same year. In the final year of the cycle, the evaluation team carries out the performance evaluation and final evaluation results are reported to the MOEF and Parliament. The public can participate in the evaluation process as observers and may attend evaluation sight. The performance indicators consist of values including business strategy & leadership, social values, business efficiency, organisational management, human resources and finance, management of remuneration scheme and employee welfare benefits. Each SOE can be graded according to their evaluation results and size of performance pay depends on what grade you get. Employees of an institution with the highest grade can be entitled to up to 250 % of his/her monthly salary as a reward. A CEO and executive auditors of an SOE with the lowest grade can be subject to dismissal. The MOEF has a strong control over evaluation results.

As the current administration puts importance on balancing financial efficiency with social responsibilities of SOEs, the government has increased the weight of the "social values" component in the performance indicator from 20 to 30 points out of 100. The "social values" component consists of values including job creation, equal opportunity, social integration, safety and environment, local development and ethical management. A new indicator on Innovation (3 Points) & Innovative Growth (2 add-points) has also been created to promote new technology and R&D. Dr. Ha highlighted that performance evaluation system has improved the quality and accessibility of public services as well as led to other positive outcomes. He pointed out that it has enhanced social equity by requiring SOEs to put in place gender equity quota policy as well as mandatory recruitment of marginalised groups of society. He added that it has also supported SMEs by encouraging SOEs to purchase innovative products of SMEs, open an "Integrated Tech-Market", and provide financial support for Innovative Growth Fund for SMEs. He further mentioned that there are some arguments which hold that an emphasis on social values may not be sustainable in the long term.

Mr. Aleksandras Jocius (Head of the Governance and Analysis Division, Governance Co-ordination Centre, Lithuania) presented the mandate and key achievements of Lithuania's Governance Co-ordination Centre (GCC) which was founded by the government to ensure consistent and professional governance of SOEs. He said that GCC monitors the achievement of targets, reviews SOE strategies and Letters of Expectations and reports on SOEs' compliance with the requirements of governance, transparency and execution of indicators. According to the Ownership Guidelines the state ownership entity shall at least every 4 years prepare and submit to the SOE a letter regarding the objectives pursued by the state in the SOE and the expectations of the SOE (referred to as Letter of Expectations). He said that the purpose of the Letter of Expectations is to state and identify key state interests and expectations with regard to the SOE. Within the letters the state's expectations for the SOE, the SOE's main and other activities, operational priorities, key performance evaluation indicators (ex. ROE, dividend payout and capital structure), accountability needs (transparency measures) and economic projects of national importance are identified and noted. GCC also coordinates target setting and SOE strategic planning practices by providing recommendations and inputs to all SOEs and their respective ownership entities with respect to board member selection, SOE target setting, strategies and other governance practices. It facilitates information disclosure through annual aggregate report and online inventory of information on SOEs (see https://governance.lt). He added that changes to governance practices have brought about tangible results. He said that over the last five years proportion of independent board members have increased from 13% to 50% and the number of SOEs has decreased from 128 to 51. Return to the state has also increased.

Mr. Johann Carlos S. Barcena (Director IV, Governance Commission for Government-Owned or Controlled Corporations (GCG), Philippines) provided an overview of the Philippines' Performance Evaluation System for SOEs mandated by Law No. 10149. He said that GCG is responsible for co-ordinating and monitoring the operations of Government-Owned or Controlled Corporations (GOCCs), ensuring alignment and consistency with national development policies and programs. It conducts periodic evaluation and assessment of the performance of the GOCCs, through Performance Scorecards which shall apply to all GOCCs. A GOCC must achieve a weighted score of at least 90% in its Performance Scorecard and comply with Good Governance Conditions to be eligible for Performance Based Bonus. An Appointive Director may be nominated by the GCG for reappointment by the President only if he/she obtains a performance score of above average or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors for the SOE. He further said that the GCG recently introduced Internet Based Performance Evaluation for Directors (iPED) to facilitate a reliable data collection system needed for the computation of the Performance Evaluation for Directors (PED) Score. The iPED System is composed of Director Attendance System (DAS) and Director Performance Review. The DAS Score (10%) and the DPR Rating (30%), together with the SOE Performance Evaluation System Rating (60%), comprise the overall performance score of Directors. A Director must receive an overall score of at least 85% to be eligible for Performance Based Incentives.

Ms. Elvira Konakhbayeva (CG Director, Samruk-Kazyna JSC, Kazakhstan) presented Samruk-Kazyna's new CG Methodology which is aimed to ensure that CG systems support long-term growth and sustainable development of the company. Corporate governance is one of the sub-components of key performance indicators (KPI) for assessing its portfolio companies. She said that independent assessment of portfolio companies is performed every three years. The assessment is followed by CG rating and recommendations based on which the company develops CG development plans to be approved by boards. She highlighted that the assessment process also includes a quarterly reporting to board on CG development plans and implementation progress. The first independent assessment of CG in 12 key portfolio companies was conducted in 2018. Besides an annual internal reporting on Strategy and Business Plan and KPI achievement to the Board, Samruk-Kazyna and all of its portfolio companies are mandated to publish Annual Reports and Sustainability Reports approved by Board. She said that Annual Report content requirements are identified in Corporate Governance Code and Sustainability Reports are prepared in accordance with Global Reporting Initiative (GRI) Standards. The minimum content requirements for the Annual Report include Strategic report on implementation including target achievements and significant events, portfolio overview and financial results relevant to production and operating activities, report on governance structure, compliance with CG Code and risk management, and sustainability initiatives on procurement, human resources and environment.

A question and answer session followed, which covered a number of themes related to SOE performance, including ensuring policy coherence; the role of boards and executive management; and, tools available to regulatory bodies to incentivise better SOE performance. Participants noted that key elements of SOE evaluation system often include mandating capital discipline, minimum return on capital, dividend targets, commercial transparency and accountability. They agreed that performance evaluation practices differ globally depending in part on SOEs' degree of corporatisation, their commercial (or public policy) orientation and their proximity to the public administration. The Q&A session also featured experiences with selecting SOEs for corporatisation as a way for improving their performance. The moderator **Mr. Thomas Panella** noted that to encourage better performance, an increasing number of governments in Asia in recent years have heightened their efforts to clarify SOEs' financial and non-financial objectives, measure performance against quantifiable targets and make this information public. He said that many cases the performance evaluation is annually conducted by the ownership entity or coordinating entity. He added that performance contracting and use of key performance indicators (KPI) are some of the main methods that are used for performance evaluation for SOEs and boards of directors have an important role to play in enhancing quality of of the performance evaluation process.

DAY TWO - Thursday 8 October 2020

Session 3: Policy response to the COVID-19 and their impact on national practices for state ownership

Mr. Lars Erik Fredriksson (Chair, OECD Working Party on State Ownership and Privatisation Practices) moderated the session. He invited panellists to discuss and exchange information, to compare national experiences with the impact of the Covid-19 on SOEs, and related policy responses, including for ailing private sector companies (e.g. applying a mixture of guarantees, loans and equity-linked instruments). He encouraged them to discuss economic impacts, commercial transactions, restructuring, nationalisations, temporary state control of commercial enterprises and the optimal mix of support facilities for SOEs.

Mr. David Robinett (Senior Public Management Specialist (State Owned Enterprise Reforms), Asian Development Bank (ADB)) explored the damaging impact of COVID-19 on state-owned enterprises and explained how COVID-19 can be an opportunity to improve governance of state-owned enterprises. He said that Covid-19 has had a negative impact on many SOEs, including airlines and airports. He pointed out that similar to national oil companies and other state-owned commodity producers, SOEs and state-owned banks have been playing a key role in helping to bailout the wider economy. He said that bailouts imply creation of new SOEs, as governments inject equity into airlines, banks and other private sector companies and state ownership is expected to increase from recapitalizing listed SOEs. He highlighted that COVID-19 is an opportunity to reform SOEs and pointed to the importance of professionalising and de-politicizing ownership when undertaking broader reforms in SOEs. As part of reform measures, he pointed to the need for the introduction of comprehensive performance management systems, enhanced transparency and accountability and accounting for community and public sector obligations. He emphasised that for SOEs undergoing restructuring, provisions should also be made for employees who lose their jobs, including retraining, separation packages, and other steps. He further pointed out that consideration should also be given to private sector creditors, how much of a loss they can absorb, and the wider impact of such a loss on the financial system.

Ms. Christina Choo (Director, Institutional Relations, Temasek International Pte Ltd., Singapore) and Mr. Eu Jin Chua (Managing Director, Americas & Institutional Relations, Temasek International Pte Ltd., Singapore) presented Temasek's investment approach, and governance model with respect to its shareholder and portfolio companies. They said that Temasek is owned but not directed by the Singapore government. Similarly, it does not direct the business decisions or operations of portfolio companies, and hold their boards and management accountable for their activities. They stressed that it invests based on commercial principles, and discussed two examples of recent commercial transactions that it undertook amid the COVID-19. They pointed out that COVID-19 had resulted in a significant loss of revenue for global airlines, including Singapore Airlines (SIA), a subsidiary of Temasek, where capacity had to be cut drastically on the back of border closures worldwide. To build liquidity and strengthen its balance sheet, they said that SIA announced a S$15 billion rights issue comprising pro rata rights offerings of new shares and mandatory convertible bonds. The first issuance was S$8.8 billion of new shares completed in June 2020, with SIA retaining flexibility to raise another S$6.2 billion through a further issuance of mandatory convertible bonds. Temasek as SIA's major shareholder committed to acting as buyer of last instance. They said that despite COVID-19, Temasek's long-term investment thesis for SIA remains intact. The rights issue aims to tide SIA through short-term financial liquidity challenge caused by COVID-19, position SIA for growth after the pandemic, and allow for continued fleet renewal as part of ongoing transformation programme to improve operating efficiencies. They said that in Sembcorp Marine's (SCM) renounceable rights issue of S$ 2.1 billion in June 2020, along with the rest of SCM's public shareholders, Temasek and its subsidiaries took up their pro rata stake (as well as excess shares in the rights issue). SCM is a domestic shipbuilding and repair conglomerate. Temasek's resultant stake is ~ 42.6 % which makes it the biggest direct shareholder of SCM. Temasek had a see through stake of ~30% in SCM prior to the transaction. They added that Temasek's investment in SCM's rights issue is based on the thesis that SCM will strengthen its position during this prolonged industry downturn to emerge stronger in its pivot towards upcoming growth areas. They underlined that as part of Temasek's broader push towards sustainability, and with the right support to leverage its offshore engineering capabilities to develop new products and solutions, SCM is expected to capture growth opportunities amidst the shift to cleaner energy.

Mr. Tmetuch Baules (Director of Administration at PPUC (Palau Public Utility Corporation)) presented the governance structure of PPUC, the state-owned electricity and water utility company and the measures that the company has taken vis-à-vis the Covid-19 crisis. In 2013 a Republic of Palau law was signed into law that consolidated two independent public corporations, the Palau Water & Sewer Corporation and the Palau Public Utilities Corporation under one identity, the Palau Public Utilities Corporation (PPUC). He said that water and waste Water operations are treated as a separate business segment from the Electricity operations and have its own organizational chart delineating a chain of management that is separate from the electrical operations. He added that shared administrative costs and expertise are allocated to the two separate business segments and shall not be utilized to subsidize each other. PPUC is overseen by a Board of Directors appointed by the Republic of Palau President with the advice and consent of the Palau National Senate. The 7- member Board of Directors is entrusted to exercise the corporate powers of PPUC including the hiring of a CEO. The CEO is responsible for the daily operations of PPUC. In March 2020, as the government took serious matters and closed borders limiting flights vis-a-vis the Covid-19 pandemic, PPUC as well as other agencies started to implement health and sanitation guidelines per WHO recommendations. He said that the company also re-assessed global supply-chain dynamics and considered sourcing more parts and equipment closer to operational territories. He said that there has been a delay of certain projects due to strains on the workforce, such as shortage of engineers and other experts or restrictions on movement of personnel creating a new wave of operational challenges. He pointed out the importance of minimizing the risk of supply chain interruptions affecting availability of parts and equipment as they can potentially lead to maintenance and infrastructure development challenges. He said that PPUC has benefitted from learning from other utilities in the region in similar situations and a policy-based loan from the ADB has provided it with an opportunity to pursue necessary policy reforms and bring it closer to international standards with respect to corporate governance, financial management and electricity tariff reforms.

A question & answer session followed during which panellists pointed out that government interventions so far have relied on a mixture of subsidies to distressed firms; government guarantees; loans at low interest rates; hybrid financial instruments including convertible bonds; and outright equity injections by the state. They also noted that governments have had to take on the role of unintended company owners. **Mr. Lars Erik Fredriksson** concluded by saying that the OECD is committed to advising such governments on how to structure their ownership according to internationally recognised best practices, as well as how to prepare for their eventual reprivatisation. He said that while the OECD does not take a position on which kind of rescue operation is right, if the government considers the company's equity shortage is temporary, the government could inject equity assistance in the form of convertible debt. He said that the injection could incentivise the company and help ensure that the risk and potential rewards are shared by state and the shareholders.

Session 4: Designing and communicating public policy objectives of SOEs

Mr. Y.R. K. Reddy (International Resource for Corporate Governance, India) moderated the session. He said that where SOEs operate subject to both commercial and public policy objectives important questions arise regarding the relative roles of owners and regulators – compounding the concerns about a separation of these two roles. He invited the panellists to share national experiences in delegating the financing of important public policy objectives to an SOE and what measures they take to ensure fiscal transparency and accountability, and competitive neutrality.

Ms. Chung-a Park (Policy Analyst, Directorate for Financial and Enterprises Affairs, OECD) presented an overview of national practices on accounting for public policy obligations of SOEs in select 10 Asian countries based on the OECD's recent questionnaire-based stock-taking exercise. She said that there is an increasing degree of centralization or co-ordination in state ownership functions in the region and added that centralisation is an effective way to clearly separate the exercise of the ownership function from other potentially conflicting activities performed by the state, particularly market regulation and industrial policy. She further said that as for the jurisdictions with a dual model of ownership or decentralized ownership model, public policy objectives are relatively less concretely developed. They are often communicated to SOEs through instructions handed down by line-ministries. To facilitate transparency and disclosure around cost allocation, only 20% of the surveyed countries require their businesses to separate the accounts of commercial and non-commercial activities. Some of the key actions that can enhance policy framework for defining objectives and owner's expectations include setting through laws, by-laws, government policies or sectoral regulations, undertaking periodic review of the need for continued government stake/control in incorporated or unincorporated business activity and developing objectives for individual SOEs on a whole-of-government basis. She noted that the compensation mechanisms for undertakings which deliver public service obligations alongside their commercial activities are not necessarily grounded in a legal mechanism or provision in the reviewed countries. Only 30% of the respondents have put in place some kind of compensation mechanism – meaning that they have put in place legal provision or other rules on direct state support to SOEs delivering public services. She underlined the importance of enhancing transparency and disclosure in the SOE sector as a whole. For instance, a section of the aggregate report could be dedicated to the estimated costs taken on by SOEs for the implementation of "special obligations", and the amount of compensatory funding provided by the state. Lastly, she invited the delegates to participate in the ongoing survey on accounting for public policy objectives of which the results can be incorporated into the final version of the paper.

Ms. Kristine Veierland (Senior Advisor, Ownership Department, Norwegian Ministry of Trade, Industry and Fisheries) shared Norwegian experience of designing and communicating public policy objectives of SOEs**.** The Department manages most of the commercial SOEs and it is responsible for developing and implementing the ownership policy. In 2017, the Auditor General of Norway recommended that the ministries be clearer on what the public policy objective of each SOE was and also recommended that they improve the follow-up of the board of directors in their work of developing goals and indicators for public policy objectives and efficiency. She said that Norwegian government ownership policy is updated approximately every four years in accordance with the OECD SOE Guidelines. Most recently, the paper was debated in Parliament in April 2020. The ownership policy answers three questions - why the state is an owner, what the state owns and how the state exercises its ownership. The state ownership rationale and objective per SOE is stated in the ownership policy and it also contains one pager on the state ownership expectations for SOEs. She underlined that the state is not represented on the board of directors by civil servants or politicians from the government. She said that having an ownership policy debated in parliament and publicly available is useful for creating a stable foundation for the exercise of state ownership. She explained that in the ownership policy, the state's portfolio is assigned to one of three categories based on the state's goal as an owner. The purpose of the categories is to be clear to the SOEs and the public on what the state objective is for owning each SOE. The companies that primarily operate in competition with others are normally placed in Categories 1 and 2, while the companies that do not primarily operate in competition with others are placed in category 3. Category 1 comprises the companies with commercial objectives. Category 2 comprises the companies with commercial objectives and other specifically defined objectives. She said that Category 3 comprises the companies through which the state endeavours the most efficient possible attainment of different public policy goals. The companies in Categories 1 and 2 are with three exceptions managed by the central ownership units whereas the companies in Category 3 are mainly managed by the line ministries. She underlined the importance of separating the accounts of commercial and non-commercial activities of SOEs and said that Norway is currently working on it. She added that when the state instructs companies to perform specific assignments, those assignments are publicly reported and normally accompanied by adequate financial compensation.

Dr. Damber Singh Kharka (Director, Department of Corporate Governance & Performance Management, Druk Holding & Investments Limited (DHI), Bhutan) provided an overview of state ownership practices in Bhutan and explained how SOEs with social objectives are being held accountable for. He said that the state ownership function in Bhutan is centralised with exceptions, since a central holding company Druk Holding and Investments (DHI) exercises state ownership in a non-trivial number of SOEs. DHI oversees state investments in 21 SOEs with mostly commercial objectives. DHI has put in place Ownership policy, Investment and Divestment policy, Dividend Policy, Corporate Governance Guidelines, Performance management Guidelines, Board and CEO Appointment and Evaluation Guidelines and Executive Remuneration Guidelines, etc. Seventeen other SOEs with mostly social objectives are outside of the holding company's portfolio and are under the purview of the Ministry of Finance (MOF). He mentioned that in principle, the MOF as a sole shareholder of DHI should not intervene with the affairs of DHI and its portfolio companies other than exercising their shareholder rights through AGMs and other different processes. He said that the objectives mandated for DHI's portfolio companies are supporting national economy through wealth creation and investment in strategic areas. The objectives mandated for SOEs under the purview of MOF (ex. Food Corporation of Bhutan, Rural Banking) are to maintain essential goods and services in market and correct market failures. The government's position is to maintain state ownership of business operations in areas of "natural" monopoly where market regulation is deemed infeasible or inefficient. The examples include energy sector, logging and partially mining sector. He further mentioned that in principle, State should not venture into businesses where the private sector has the capacity. The overall national SOE policy is complemented by sub-objectives for individual SOEs within DHI group through supplementary regulations or policies. He said that public policy objectives of SOEs are debated at the Parliament and once finalised they are communicated through press release and policy booklets. He added that government is required to compensate or subsidize SOEs for undertaking public service obligations along with their commercial activities, particularly for government directed social activities. He emphasised that SOEs should access debt financing from the marketplace with no preferential treatment and additional equity financing from the state budget should be allowed only for SOEs with strategic importance and social mandates.

The panel presentations were followed by a question and answer session. The panellists highlighted that first and foremost, if a government insists that an SOE depart from fully commercial principles, the government can do so by either communicating objectives to the SOE via the ownership entity, or via regulations issued by the relevant regulatory institutions/ministries. The moderator concluded the session by emphasising that in order to facilitate transparency around cost allocation of public service activities and commercial activities of SOEs, governments could require their businesses to separate the accounts of commercial and non-commercial activities. He also pointed out that the effectiveness largely depends on the consistency in which it is applied, especially where small or unincorporated government businesses are concerned.

Session 5 : Maintaining level playing field between public and private business : Ensuring adequate and transparent compensation for the provision of public service obligations

Ms. Anne Molyneux (Director, CS International) moderated the session. She set the scene as to why the level playing field between public sector and private sector entities is important and highlighted the efforts the OECD has put into achieving this goal. She asked panellists to share national experiences in enhancing regulatory environment for ensuring a clear separation between the state's ownership function and other state functions that may influence the conditions for state-owned entities. She further invited the panellists to present what measures their governments have taken to ensure transactions between the SOE and other state and SOE entities are on market consistent terms and conditions.

Dr. Antonius Alijoyo (Board Member, National Committee on Governance Indonesia, ERMCP, CERG) said that state-owned enterprises (Badan Usaha Milik Negara or "BUMN") in Indonesia are generally governed by Law No. 19 of 2003 on State Owned Enterprises. BUMN are companies which are wholly or partly, and directly or indirectly, owned by or form part of the government, divided into two categories which are public utility enterprise/special purpose entity (Perusahaan Umum or " Perum ") and limited liability state-owned enterprise (Perusahaan Perseroan or " Persero"). The Ministry of State-Owned Enterprises is appointed and/or authorized to represent the government as state shareholder in Persero by taking account the prevailing laws and regulations. Public service obligation of SOEs are stated in

Constitution Preamble (1945), Paragraphs 2 and 3 of the Constitution Article 33 (1945) and Law No. 19 2003 on SOEs. According to the Article 66 of the Law No 19. 2003 on SOEs, “government can give a special assignment to SOE to carry out public service functions while still taking into consideration the objectives of SOE activities.” The Law No. 30 of 2007 on Energy (Law No. 30 of 2007) also states that “energy resources as natural resources as mandated in Article 33 of the 1945 Constitution of the State of the Republic of Indonesia is controlled by the state and used for the greatest prosperity of the people. ” He said that if the assignment is not financially viable, the government must provide compensation for all costs. He added that the public service obligations carried out by the SOEs are not only laid on the public utility enterprise (Perum) but also entity of limited liability state-owned enterprise (Persero). He further pointed out that current provisions and practices of PSOs imply some fiscal risks in infrastructure development. He said that they could have a direct impact on State Budget (APBN) through payment of claims against loans or funding of SOE guaranteed by the government. He added that they could also trigger SOE financial failure making the state budget as the last resort to save BUMN finances. He further elaborated on the measures that the government has taken for maintaining a level playing field for SOEs with PSOs. They include i) ensuring compensation for all costs incurred by the SOE that carry out the function of public service obligations ; ii) monitoring and controlling the BUMN infrastructure contagion risk to the financial sector; and iii) assessing the ability to pay each state-owned company to creditors (Altman Z score). He also presented strategic initiatives to maintaining competitiveness of SOEs with PSO during COVID-19 Pandemic. They include: “grouping” and creating a holding company among SOEs with similar industries; downsizing the number of SOEs and its subsidiaries; additional state capital participation (Penyertaan Modal Negara (PMN) to strengthen SOEs capital structure; and supporting SOE funding as part of National Economic Recovery program (Program Pemulihan Ekonomi Nasional PEN).

Dr. Lawrence Lee (CEO, Corporate Governance Research Centre, National Taipei University of Business, Chinese Taipei) pointed out that there is a lack of comprehensive legal framework to regulate the way in which SOEs compete with the private sector. He said that in principle an SOE’s operation shall be no different from that of a private enterprise. He pointed out that the Article 6 of the Administrative Law of State-Owned Enterprise states that “unless otherwise specified in applicable regulations, rights and responsibilities of state-owned enterprises shall be the same as those of private enterprises of similar categories.” He explained that this means that SOEs are subject to ordinary business laws and regulations, such as the Company Act and the Fair Trade Act, as the private businesses do, in addition to individual laws which regulate specific sectors, such as the Electricity Act and Petroleum Administration Act. He recalled that in order to ensure transparency around the cost allocation of public services and commercial activities of SOEs, they shall also comply with the Budge Act, Financial Statement Act, and related regulations. He said that the “annual statutory profit target” of each SOE is determined by budgeting/financial statement system and is discussed by the Parliament. He noted that the head of an SOE is subject to regular evaluations according to the Directives for Evaluating the Performance of State-owned enterprises and except for some of Chunghwa Post’s businesses that are exempted from taxes, the same tax regime applies to both SOEs and private sector enterprises. He emphasised that all SOEs shall comply with the Government Procurement Act as they engage in procurement business and SOEs shall not receive subsidies, favourable regulatory treatment, or easier access to finance. He said that as part of efforts to establish a level playing-field between SOEs and private sector, the government enacted the Fair Trade Act (hereinafter FTA) in 1992 which consequently created the Fair Trade Commission to enforce the FTA. He said that since the expiry of a five-year grace period for some SOE activities on 4 February 1996, all the SOEs have been subject to the Fair Trade Act and any problems that may arise from anti-competitive actions on the part of SOEs are now regulated by competition regulations. However, he drew attention to several challenges on the road to build up competitive neutrality. They include : i) Legally defining the SOEs ; ii) Balancing public policy objectives and commercial objectives of SOEs; iii) Setting corporate governance standards in the SOE sector; iv) Strengthening external monitoring evaluation system; v) Enhancing Internal check and balance system; and vi) Appointing mechanism for executive personnel of SOEs.

Ms. Maggie Lin (Beijing King Parallel Management Consulting Company, China) highlighted China's progress as well as challenges with respect to enhancing competitive neutrality and highlighted some potential measures that the government could take for improvement. She said that China has made great progress in the fairness, unification and standardization of the market. It has adopted a series of measures for the reform of state-owned enterprises, such as separating the responsibilities of investors from public administration, promoting the restructuring and listing of state-owned enterprises and market-oriented reforms, which has formed the foundation for achieving competitive neutrality. However, she pointed out that SOEs still receive more government financial subsidies than private companies. Because of the credit support backed up by the government, SOEs receive more financing amount than private players. She also said that due to implicit subsidies provided by the government, SOEs obtain cheaper finance than that would be available to private operators engaged in similar activities. She further mentioned that foreign enterprises and private enterprises have restricted access to certain markets and administrative monopoly remains in some industries in which SOEs maintain significant market share. She underlined that while SOEs are generally required to carry out non-commercial activities in the public interest, regulatory exemptions are often provided as a means to compensate for their public service obligations. She also introduced recent discussions on potential measures to implement competitive neutrality. She said that it is important to clarify the category of SOEs – SOEs should be designated as being either sector policy-oriented or commercial. She added that it is important to ensure fairness in accessing to subsidies, taxes, and debts. She further emphasized the importance of enhancing fairness in accessing to markets by eliminating hidden barriers and lowering explicit restrictions. She recalled that ensuring fairness in operations, including equal legal status and market player status, as well as protection of investors' rights is equally important. At the same time, she said that it is crucial to improving the disclosure and transparency of the SOEs' operational information.

Dr. Ram Kumar Mishra (Director, Institute of Public Enterprise, India) presented India's policy landscape with respect to competitive neutrality. He said that in general, public sector entities are driven by the purpose of providing the basic public services to the common public at a reasonable cost in their respective industries by being also self-sustainable and profitable. Public sector companies mostly operate in industries such as water, electricity, education, oil & gas, mining, defence, banking, insurance, and agriculture, etc. He recalled that since public sector companies are owned by government, they are subject to uncertainties related to unfavourable government decisions and larger government interference. He said public sector companies find it relatively easy to operate in the country with respect to regulatory and compliance issues because of their proximity to the Government. He added that public sector companies are better placed to raise funds from the market thanks to backup by government irrespective of the financial health of the companies. He underlined that the State controlled companies both at the central / sub-national level are not required to disclose financial and non-financial information separately. However, the business activities of such organizations are subject to both internal and external audit and if questions are asked, the management of these public entities are required to furnish their explanations. If the concerned audit team does not agree to the explanation then it is passed on to the higher levels of the audit authorities. He also pointed out that there are no rates of return obligations imposed on SOEs even when they are engaged in producing goods and services. However, as a level playing field with private sector counterparts, they are expected to generate a rate of return which should be above the policy rates of the central bank. He said that the Finance Commission set up fourth year as a constitutional requirement in India does indicate a rate of return but such rate of returns are only suggestive and not prescriptive.

A question and answer session followed. Participants shared common challenges that are faced across the region and agreed that it is essential to undertake a regular review of the application of general laws, tax codes, etc. in order to ensure that private sector entities are not discriminated against. The moderator

Ms. Anne Molyneux summarised the discussion underlining the importance of enhancing disclosure and transparency for any financial assistance, including guarantees, received from the state and commitments made on behalf of the SOE, including contractual commitments and liabilities arising from public -private partnerships. She said that the state as a majority shareholder in a SOE should do more work to ensure that other shareholders, stakeholders and interested parties (creditors, competitors) have equal access to information as the state shareholder and to redress if they feel their rights have been violated.

Day Three – Wednesday 4 November 2020

Session 6: Broadening the ownership of state-owned enterprises: National experience with listing SOEs in stock markets

Mr. Bruno Carrasco (Chief of the Governance Group, ADB) said that state-owned enterprises represent a significant portion of total stock market capitalisation in Asia. The State continues to remain an important shareholder in listed companies in the region, which relies increasingly on mixed-ownership models. He invited panellists to discuss relevant national experiences in broadening the ownership of state-owned enterprises (SOEs) through the practice of listing. He asked them to look at the motivation behind listing and examine how the nature of state participation and remaining state objectives in mixed-ownership companies have impacted overall governance in comparison with other non-state invested listed companies**.**

Mr. Atul Sobti (Director General, SCOPE, India) focussed on India's experiences on listing SOEs on stock exchanges, with an overview of the size of the Indian SOE sector, privatisation activity through from 1990s-today, types of sales methods, value raised by listing, and advantages to listing an SOE. He said that as of 2019, 22% (56 out of 249) of the operating central SOEs in India have been listed. He pointed out that 56 listed SOEs form a significant percentage of total financial parameters of all SOEs and investment in SOEs is an important asset for accelerating economic growth. He said that total value raised by government by broadening ownership from 1992 to 2020 is USD 70,000 million (approx.). He presented different options for optimal investment to be assessed and adopted to improve investors' confidence in SOEs and support their market capitalization. The options include promoting public ownership in the hands of the people; minority sale through which government can retain majority shareholding (at least 51%); and majority sale through which substantial portion of government shareholding can be diluted (i.e. up to 50% or more), along with transfer of management control. He further elaborated on compliance and regulations in listing. He said that Securities Exchange Board of India (SEBI) is a regulator of the securities and commodity market in the country. SEBI oversees all listing compliances for listed entities including SOEs through various legislations. There are also Companies Act 2013 and Stock Exchange Listing Agreements and Exchange Guidelines. Department of Public Enterprises (DPE) provides operational guidelines for SOEs including Guidelines on Corporate Governance. He said listing advantages to Indian SOEs include: an increased focus on commercial performance as movement in stock exchange is largely dependent on the company's performance ; greater transparency & accountability; enhanced professionalization and empowerment of SOE boards; increased inflow of capital especially foreign investment; and greater capital formation as small investors are also involved. He also said that broadening ownership or listing SOEs could help the government minimize debt and ensure dilution of non-viable SOEs. He recalled that as part of new policy for SOE reforms at least one SOE (maximum four) is to operate in identified strategic sectors and the rest is to be consolidated/privatized/merged. He concluded that ownership diversification increases potential avenues of capital leading to diversification of companies in terms of business and opportunities.

Ms. Ya Eem Chea (Head, Corporate Governance Division, Securities Issuance Supervision Department, Securities and Exchange Commission of Cambodia) said Cambodia has gone through a major consolidation of SOEs in the last 30 years. The number of SOEs in the country has decreased from 187 in 1989 to 16 in 2015 due to major changes in the economic platforms and privatization plan of SOEs.

She said that as of 2018, the 16 SOEs are by law categorized into three different types of SOEs: (i) public institutes with economic characteristics that produce and sell goods and services for the marketplace (ii) state companies of which all of the capital is owned by the state and (iii) joint venture of which part of the capital is owned by the state and its minority by private investors. She underlined that the government encourages SOEs to go public. The Ministry of Economy and Finance is in charge of overseeing operation of SOEs and financial positions of SOEs are externally audited by the National Audit Authority in conformity with the Budget Law. Currently there are three listed SOEs on the CSX. Phnom Penh Water Supply Authority (PPWSA) was officially listed on the CSX in 2012, followed by Phnom Penh Autonomous Port in 2015 and Sihanoukville Autonomous Port in mid-2017. She said that SOEs that are willing to make public offering shall seek joint approval from the Minister in charge of the Technical Ministry and Minister of the Ministry of Economy and Finance on the recommendation of board of SOEs, or a resolution from the Royal Government. After obtaining a joint approval, the company shall register at the Ministry of Commerce in accordance with the Law on Commercial Rules and Registration. She further said that the applicants shall submit the application form to the Securities and Exchange Commission of Cambodia for public offering and listed SOEs are required to ensure rights of shareholders and comply with regulations related to corporate governance. She emphasised that listed SOEs shall re-organize board composition and have an independent director and a non-executive director representing private shareholders. She said that benefits of listing include enhanced disclosure and transparency, clearer objectives, defined owners, and more structured information system. She added that a model that is based on a combination of public and private provisions is more viable than an exclusive public-provider model as it reduces fiscal risks or unnecessary borrowing. She pointed out that one of the major risks of having an exclusive public-provider model is a potential agency problem between controlling shareholders and non-controlling shareholders.

A Q&A session followed in which participants shared the lessons from the process of listing SOEs in their respective countries. The moderator **Mr. Bruno Carrasco** highlighted the importance of leveraging the lessons from this comparative analysis for developing a country-tailored policy for broadening the ownership of SOEs. He concluded that that SOE ownership should focus on maximising value for society through an efficient allocation of resources and listing of SOEs on the stock market is a mechanism to raise funding efficiently. He said that it requires raising the level of accountability of transparency and subjecting the company and its management to higher degree of shareholder scrutiny and/or market discipline over the medium term.

Session 7: Consultation session on the OECD SOE Anti-Corruption and Integrity Implementation Guide

Mr. Hans Christiansen moderated the session. He said that minimising and preventing corruption of SOEs by realising synergies at different levels of governance is central to achieving SOE economic efficiency and called on panellists to present national reform efforts for improving corporate governance in SOEs to tackle corruption and achieve business integrity in SOEs. He added 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 in SOEs. He pointed out that the forthcoming Implementation Guide, to accompany the OECD Guidelines on Anti-Corruption and Integrity in SOEs, could be a useful tool for addressing these issues.

Ms. Alison Mcmeekin (Policy Analyst, Directorate for Financial and Enterprises Affairs, OECD) presented key features of the new OECD Guidelines on Anti-Corruption and Integrity Guidelines inState-Owned Enterprises ("ACI Guidelines") and the forthcoming Implementation Guide that accompanies the Guidelines. She highlighted that 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. She said that the forthcoming Implementation Guide is based on the four pillars of the ACI Guidelines that focus on integrity in and around SOEs. Recommendation II is on anti-corruption and integrity in the public sector, Recommendation III is on integrity in exercise of state ownership, Recommendation IV is on anti-corruption and integrity at the company level and Recommendation V is on accountability. She stressed that the Guidelines have been tailored from different parts of various international standards and OECD standards to SOE-specific circumstances. She said that like the OECD Guidelines on Corporate Governance of State-owned enterprises, the ACI Guidelines are for state owners however can be useful for SOEs too. She added that the Guidelines are aspirational in nature – that is, like the SOE Guidelines, not one OECD Member country has yet implemented all of the provisions. Therefore she said that a state owner can aspire to it and set out a roadmap as to how it can be implemented on the ground based on the forthcoming Implementation Guide which aims at providing policy makers with detailed examples that suggest how states can go about implementing the provisions in the ACI Guidelines. She pointed out that for each of the four recommendations of the ACI Guidelines, the Guide explains the recommendation itself in more textual terms and it explains the essence of what the recommendation is trying to do. It further includes a series of questions and answers and many country examples for almost all the provisions of the ACI Guidelines so that one can see what their peers around the world are doing with regard to implementing a particular provision. For instance, as for the Recommendation II on anti-corruption and integrity in the public sector, she pointed out that the Guide provides country practices from Chile, France, Latvia, Switzerland and the United Kingdom on how representatives of the ownership entity and others responsible for exercising ownership on behalf of the state are being subject to conflict of interest rules. With regard to the Recommendation III on Integrity in exercise of state ownership, the Guide provides country examples of integrity-related disclosures from Brazil, Colombia, Korea and Sweden. She stressed that the outcomes-based Guide for state owners was developed by various OECD Working Groups in the fields of SOE governance, anti-corruption and integrity. The Guide is to be published in the coming months and will likely be available as an online tool in 2021.

Dr. Sunida Susantud (Senior Policy Analyst, State Enterprise Policy and Planning Bureau, State Enterprise Policy Office (SEPO), Ministry of Finance, Thailand) presented legal regulatory framework for anti-corruption in the SOE sector in Thailand. She said that all state agencies, including SOEs, must comply with Public Procurement and Supplies Administration Act, B.E. 2560 (2017). She pointed out that the guiding principles of public procurement are: 1) value for money; 2) transparency; 3) efficiency; and 4) accountability. She said that the government has introduced Integrity Pact (IP), a joint agreement between the public and private sectors to ensure that the procurement of materials for government projects is carried out in a transparent manner. In this written mutual agreement, the government agencies initiating projects and the private companies that are bidding for government contracts worth one billion baht and over are required to pledge to jointly maintain a fair and transparent process, under third-party observation. She said that the group of observers should possesses knowledge, expertise, and experience related to the project and should observe the procurement process including the drafting of the scope of work and details of supplies to be procured and the drafting of solicitation documents. She emphasized that observers must be impartial and have no personal interest in the concerned procurement project, and will report opinions together with recommendations to the Anti-Corruption Committee. She further presented details of the government's Infrastructure Transparency Initiative (COST) which requires a state agency to disclose information of construction infrastructure development project to public. She said that an Assurance Team (AT), established by Comptroller General's Department, with knowledge and expertise in many fields, such as engineering, architecture, economics, accounting and finance, will analyse, monitor, and audit any information disclosed. She added that Assurance Team audits the disclosed information and reports to Multi-Stakeholder Group (MSG) consisting of representatives from public sector, private sector, and civil society, and the MSG reports to the Anti-Corruption Committee. She underlined other key anti-corruption tools are Organic Act on State Audit B.E. 2561 (2018) and Organic Act on Counter Corruption, B.E. 2561 (2018). She said that under the Organic Act on State Audit, B.E. 2561 (2018), State Audit Office is responsible for auditing state fund and monitoring spending of state agencies, including SOEs. She pointed out that under the Organic Act on Counter Corruption, B.E. 2561 (2018), the Office of the National Anti-Corruption Commission (NACC) acts as one of the main investigation units that are eligible to proceed with investigations regarding corruption cases. She said that NACC has an authority to investigate political officials, officials in independent organizations, and government officials, including SOEs' Board of Director and executives, in accusation cases related to unusually affluence, corruption, neglect of duty, and exercising power against the Constitution of Thailand and other laws. If any signs of corruption occur, NACC is expected to notify a state agency, or a related Court, or the parliament for prosecution and punishment process, depending on the case. She highlighted that NACC has also introduced Integrity and Transparency Assessment (ITA) to assess integrity, transparency, and disclosure practices in government agencies including SOEs. The ITA framework covers 5 areas: 1) Transparency; 2) Accountability; 3) Corruption-Free; 4) Integrity Culture; and 5) Work integrity. She said that the score of ITA is an incentive for SOEs to improve their integrity and transparency practices.

Ms. Nicoletta Pia di Cagno (Head of Ethics & Anti-bribery, SNAM, Italy) presented her company's measures for fostering good governance and mitigating corruption risks. To begin with, she emphasised that as a global energy infrastructure company, it has put in place a comprehensive internal control & risk management system and compliance programme for the prevention of offences. She said that the regulatory framework for enhancing business integrity consists of Code of Ethics, Anti-Corruption Guidelines and relevant regulations. She said that the company's flagship Anti-corruption Compliance Programme encompasses Principles and Procedures, operating instruments and preventive safeguards, dedicated anti-corruption function (Ethics and Anti-Bribery), reporting system (Whistleblowing guidelines), accounting procedures and checks, training and penalty system (regulatory and contractual), periodic risk assessment and monitoring. She underlined that general transparency standards of the company note that there should be a segregation of activities between the executing party, the controlling party and the authorising party. She also said that the standards require formalisation of rules for the exercise of powers to sign and internal authorisation powers, as well as corporate provisions that at least provide general reference standards to govern corporate processes and activities. The standards also hold that the individuals, departments involved and/or information systems used must ensure the identification and reconstruction of sources, information and controls carried out that support the formation and implementation of company decisions and the methods by which financial resources are managed. She added that Anti-Corruption Safeguards are largely driven by anti-corruption due diligence, ethics & integrity agreement and contractual clauses. She stressed that prior to establishing any relationship with a Business Associate, every Department must consult the Ethics & Anti-bribery Unit and if applicable, request the necessary due diligence. Under the Ethics & Integrity Agreement, when business associates are suppliers or subcontractors, they are asked to share and comply with the Company's essential principles in terms of legality, responsibility and business ethics, in going about their activities.

Ms. Tricia Yeoh (Chief Executive Officer, Institute for Democracy and Economic Affairs (IDEAS) presented Malaysia's recent reform efforts for enhancing business integrity in the SOE sector. In her introduction, she pointed out that the SOE sector in Malaysia is featured by a variety of different legal forms of SOEs – Government Linked Companies (GLCs), Statutory Bodies (SBs) and Government Linked Investment Companies (GLICs). She said that such variety of different forms of SOEs is an obstacle in developing a comprehensive reporting or assessment system. Then she introduced Malaysia's initiatives to tackle corruption. She said that government set up National Centre for Governance, Integrity and Anti-Corruption in 2018. It formulated and launched the National Anti-Corruption Plan (NACP) which outlines the government's strategies and measures for combatting corruption, strengthening governance, and enhancing integrity and transparency in government operations. The five-year plan (2019-2023) has 6 strategic thrusts and the 6th thrust is inculcating good governance in corporate entities. According to the NACP, more than 80% of the corruption complaints received mainly concern administrative failures, conflicts of interest, weak internal control, non-compliance, and lack of transparency. She said that these factors were taken into account when developing the NACP's strategies and initiatives. She also presented details of an Amendment to Malaysian Anti-Corruption Commission Act (MACC Act). She said that Section 17A on corporate liability for corruption was newly included and came into force on 1st June 2020, enabling legal proceedings against commercial organizations and associated persons that have committed corruption offences. She further mentioned that at GLC level, a state-owned oil and gas company Petronas has adopted a zero tolerance policy against all forms of bribery and corruption. The Petronas Anti Bribery and Corruption Policy Manual elaborates guidance for employees on how to deal with improper solicitation, bribery and other corrupt activities and issues. Telekom Malaysia (TM) also demonstrates a clear commitment to anti-corruption. It has published an anti corruption guide and has become a signatory of Corporate Integrity Pledge (CIP) under MACC. However, she pointed out that the change in government has led to the resignation of the Attorney General and the Chief Commissioner of the MACC and while the new government has signalled that it is committed to carrying forward the NACP, the detailed plans are not yet clear. She added that despite efforts made to limit the role of politicians in statutory bodies and GLCs, political appointments continue to be made to board and chairman positions. In reference to the forthcoming OECD SOE Anti-Corruption and Integrity Guide, she said that the Guide outlines important measures which are relevant and necessary (while lacking) in Malaysia. She said that as a follow-up work, the OECD could share examples on how different countries implement the provisions of the Guide and how they adapt it to fit their local context.

A question and answer session followed panel discussions. The main issues regarding enhancing business integrity in SOEs that were discussed included: Legal and institutional frameworks for preventing corruption in SOEs; independence of boards of directors; internal controls, ethics and compliance measures within SOEs including whistle-blower protection; and disclosure and transparency requirements and practices. Panellists advocated national legal frameworks to enable whistleblower mechanism that can contribute to early detection of corruption or fraud. Panellists also stressed the need to build an open organisational culture across different levels of governance in the SOE sector. The moderator **Mr. Hans Christiansen** summarised the discussion highlighting that the main problem areas seem to be in public procurement, accountability and governance structures. He said that more should be done to incorporate codes of ethics into SOE practices and more work is needed to change the perception that SOEs are tools for politicians. In this vein he stressed the importance of ensuring that SOEs respect high standards of accounting, auditing and disclosure so that the state can effectively monitor performance against established objectives and reduce corruption risks in SOEs.

Concluding remarks

Dr. Dongsook Han (Head of Management & Innovation Research Team, Research Centre for State-Owned Entities, Korea Institute of Public Finance) noted that the discussions have been insightful and collegial. She said that each speaker contributed to our shared understanding of the challenges facing ownership and governance of SOEs. She emphasised that the challenges and the reform issues that the participating 22 countries are facing are similar challenges and there is an increasing need to engage closely and exchange knowledge, experience and best practices in the common interest. She stressed that Korea's support of the OECD-Asia Network on Corporate Governance of SOEs is one of the Korea's representative efforts on knowledge sharing and providing country-level policy advice. She further underlined that internally, Korea has been relentlessly working on managing SOEs by developing legal regulatory frameworks that meet the OECD SOE Guidelines by establishing the Act on the Management of Public Institutions, and improving the Management Performance Evaluation System. She added that the current Korean administration emphasizes the role of SOEs in pursuing social values which is one of the original missions of SOEs. She emphasised that the role of SOEs and public sector is becoming important than ever in these unprecedented times of COVID-19 pandemic and said that through international networks like this one, and the sharing of good practices, we can learn from the national governments, state ownership entities, regulators and corporate practioners who have so far shown impressive agility and vigilance in tackling common challenges. She stressed that the challenge of continued SOE reform will remain, and Korea and the OECD remain ready to engage. By referring to Queen's famous song "The show must go on", she said that knowledge sharing and networking must go on in order to overcome the pandemic together. She also extended her wish to see all the participants again at the 2021 Asia SOE Network Meeting.

Mr. Lars Erik Fredriksson (Chair, OECD Working Party on State Ownership and Privatisation Practices) thanked and congratulated participants of the Network for their active and successful engagement over the three days of video conferences, which facilitated substantive discussions on SOE governance. He stressed that the meeting contributed to a better shared understanding of the challenges facing SOE ownership and governance, and also how to address these challenges in Asia and beyond. He said that the Network could continue to exercise its influence on OECD's SOE-related undertakings. The meeting's consultation about the forthcoming SOE Anti-Corruption and Integrity Guide (ACI Guide) could serve as an example. He also invited delegates to participate in the OECD SOE Working Party's ongoing work on developing Guide on Annual Aggregate Reporting that would continue throughout 2021. He reminded the participants that the OECD SOE Working Party and this Network stand ready to engage actively with government officials involved in enterprise ownership and provide guidance and peer discussions on structuring their ownership and governance according to internationally recognised best practices in this new corporate environment. He also extended his thanks to the Korea Institute of Public Finance for supporting the Asia SOE Network, not only financially, but also by sharing the experience of the Korean government in implementing reforms to enhance performance in the SOE sector. He also thanked OECD's partners in the Asian Development and the World Bank who played an active role in putting together a successful event. He said that if all goes to plan, the 2021 Asia SOE Network Meeting should be once again face-to-face and that Indonesia's Governance Committee has kindly offered to host the event in Jakarta.