



# **Good Governance for State-Owned Enterprises: The Role of the Board of Directors**

*Presentation given at the Latin American Network on Corporate Governance of SOEs, Bogotá, 8-9 September 2011*

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# The OECD Guidelines on Corporate Governance of SOEs

- *Developed through extensive and inclusive consultations with relevant players from OECD members and non-member countries*
- *Non-binding*
- *Complementary to the OECD Principles of Corporate Governance*
- *Do not preclude/propose privatization policies*
- *Based on a comparative Survey*

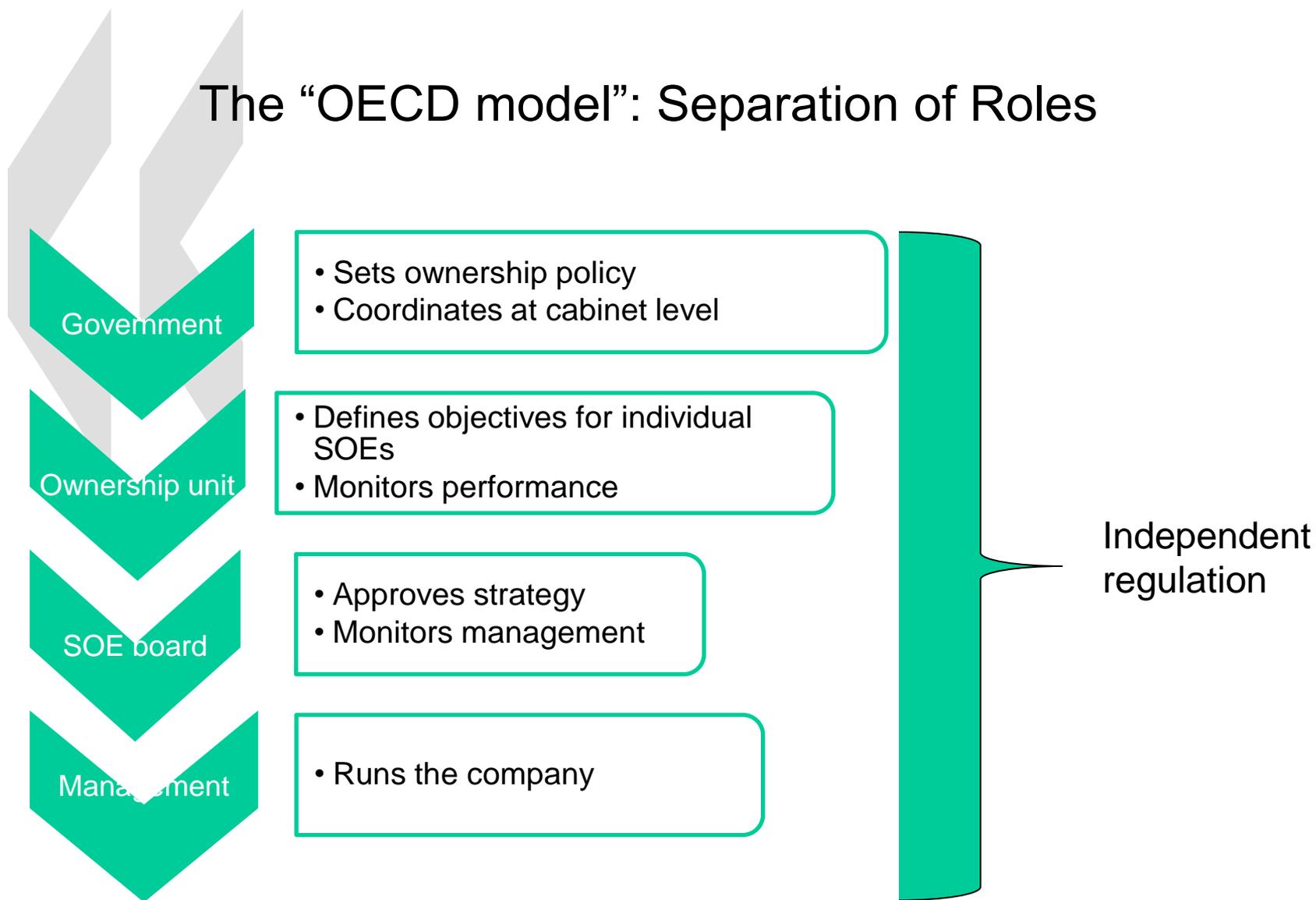
## Priorities in the OECD Guidelines

- *Ensure a level-playing field with the private sector*
- *Reinforce the ownership function within the state administration*
- *Provide equitable treatment of minority shareholders*
- *Improve transparency of SOEs' objectives and performance*
- *Improve stakeholder relationship*
- *Strengthen and empower SOE boards*

## Chapter 2: The State Acting as an Owner

- *Develop an ownership policy defining the overall objectives of state ownership.*
- *The government should not be involved in day-to-day management and allow SOEs full operational autonomy.*
- *Let SOE boards exercise their responsibilities and respect their independence.*
- *Clearly identify the exercise of ownership rights with the state administration – for example through a centralised ownership function.*

## The “OECD model”: Separation of Roles



## Chapter 6: Responsibilities of the Board of Directors

- *The board should have a clear mandate and ultimate responsibility for the company's performance*
- *The board acts according to objectives set by the ownership entity. It has the power to appoint and remove the CEO.*
- *The board is composed so that it can exercise objective, independent judgement.*
- *Specialised board committees should be considered.*
- *Annual board evaluation.*

## A Stocktaking of Change: Reform since 2004

*Significant change in three areas: ownership function; transparency and disclosure; and SOE boards. As for the SOE boards, the reform focused on three areas:*

- *The selection and remuneration of board members.*
- *Safeguarding the “exercise of objective and independent judgment”.*
- *Greater reliance on SOE board committees.*



# An OECD Best Practice Guide is on the Way

- *Nominating SOE directors*
- *Induction and board training*
- *Board remuneration*
- *Boardroom effectiveness and the role of the Chair*
- *Board evaluation*



## An interview study to get started

- *Very large variations across the OECD area*
- *The “best practice” companies try to emulate private practices*
- *Board performance is a priority issue*
- *Expectations of boards are increasingly high*



## Challenges identified by the interview study

- *Clarifying the role of the board*
- *Adding value and thinking strategically*
- *Board composition*
- *The role of the chair*
- *Board evaluations*



Thanks!