

BALTIC REGIONAL LAUNCH EVENT

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Revised OECD Guidelines on Corporate Governance of State-Owned Enterprises

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OECD Guidelines on Corporate Governance of State-Owned Enterprises

Leading global standard on ownership and governance of state-owned enterprise (SOEs).

Addressed to policy makers to improve SOE performance, efficiency and transparency.

Adopted in 2005, revised in 2015 and 2024.

42 adherents.

OECD members, EU and three partner economies.

Applicable to:

- ❖ **all SOEs**, including state-owned financial institutions and SOEs held at the sub-national level.
- ❖ **all government institutions** responsible for SOE ownership, oversight or control.

While ensuring for **flexibility and proportionality** depending on the size, sector and ownership structure of SOEs.



2024 edition of *Ownership and Governance of SOEs*

Rich source of **comparative data** on the implementation of the SOE Guidelines.

Covering **59 jurisdictions**.

Five chapters on:

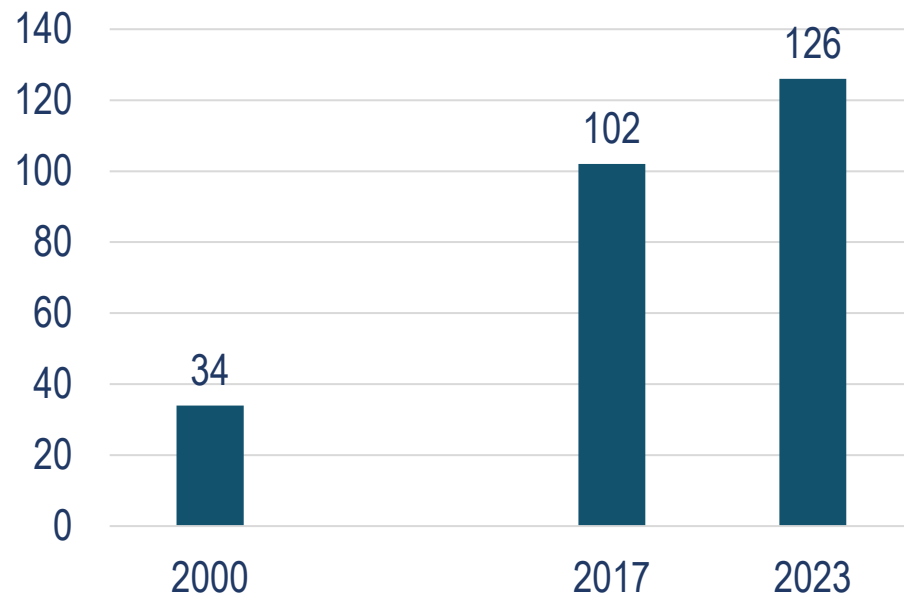
- ❖ Professional and active SOE ownership
- ❖ Ensuring a level playing field
- ❖ Disclosure, transparency and accountability of SOEs
- ❖ Composition and responsibilities of boards
- ❖ Sustainability and state ownership



Growing role of SOEs in the global marketplace (1)

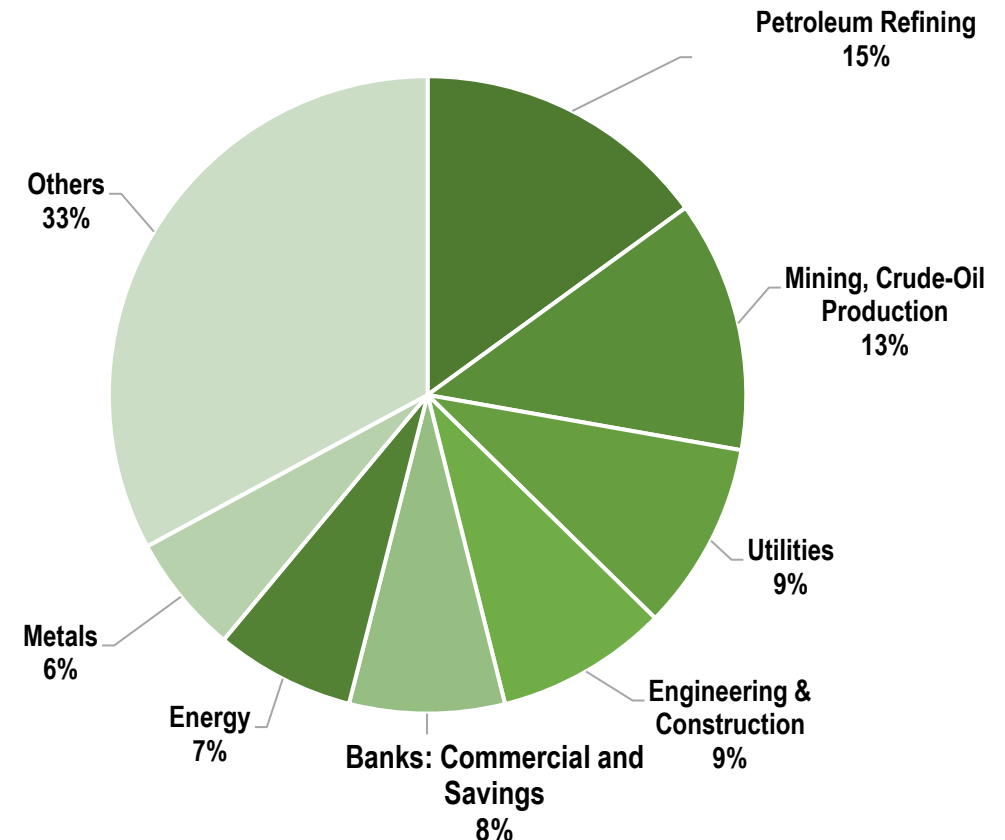
Among top 500 global companies by revenue, the share of SOEs has increased four times since 2000

Number of SOEs in the largest 500 companies



Nearly two thirds of the largest SOEs are in capital and GHG intensive sectors

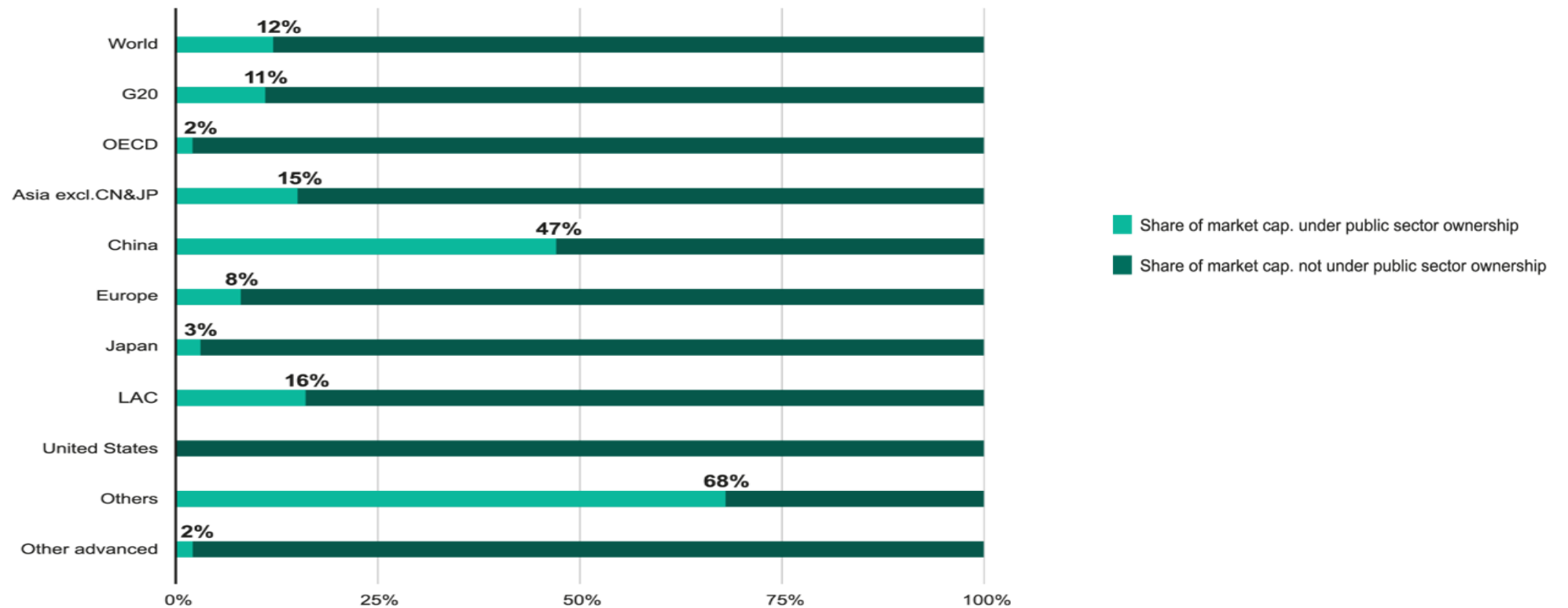
Distribution by industry



Growing role of SOEs in the global marketplace (2)

The public sector is a large shareholder in global public equity markets

Share of market capitalisation of listed companies where public sector ownership is significant (over 25%)
2023, by region



Notes: Asia excl. CN&JP = Asia excluding China and Japan. LAC = Latin America and the Caribbean. The public sector refers to direct ownership by central governments, local governments, public pension funds, SOEs and sovereign wealth funds (SWFs), hence the data presented in this section do not correspond strictly to the definition of SOEs as put forward in the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*.

Source: OECD (2024), Ownership and Governance of State-Owned Enterprises, OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

Key objectives of the revision of the SOE Guidelines

Reflect evolving **best practices** and **key developments** over the past decade.

Ensure **complementarity** with:

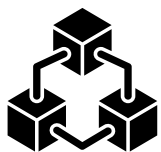
- ❖ G20/OECD Principles of Corporate Governance (revised in 2023).
- ❖ OECD Guidelines on Anti-Corruption and Integrity in SOEs.

Priority areas:

1. **Strengthening the state ownership framework** by ensuring active and professional ownership.
2. **Maintaining a level playing field** when SOEs compete in the marketplace.
3. **Improving corporate governance frameworks for SOEs**, including integrity, transparency and disclosure.
4. **Leading by example on sustainability** and responsible business conduct.

Strengthening the state ownership framework

*Ensuring that the state is an **informed, professional and active owner**, that SOE governance is carried out **transparently and accountably**, and based on **clearly defined rationales and expectations**.*



53% of jurisdictions have a centralised or co-ordinated ownership.

➤ Includes Estonia, Latvia, Lithuania



53% of jurisdictions outline the state's goal as an owner and how it exercises ownership.

➤ Includes Estonia, Latvia, Lithuania



64% of jurisdictions publish annual reports on their SOE portfolio.

➤ Includes Estonia, Latvia, Lithuania

Revisions and new recommendations

- Define ownership arrangements and stress the need for a **whole-of government approach** when ownership is exercised by multiple ministries or departments.
- Clarify the **definition of ownership or control**, including how control may be exercised and the exercise of ownership within SOE **corporate groups**.
- Recommend that when the government **redefines SOE objectives**, it does so in a transparent manner.
- Highlight the role of the state in **monitoring fiscal risks** that might arise from SOE activities.

Maintaining a level playing field

*Strengthening legal, regulatory and policy frameworks for SOEs maintaining a **level playing field** and **fair competition in the marketplace** when SOEs engage in economic activities and ensuring **equitable treatment of all shareholders**.*



36% jurisdictions allow some SOEs to benefit from **special tax treatment**.

➤ Includes Lithuania



In **74% of jurisdictions**, SOEs may benefit from **indirect financial support** not available to competitors.

➤ Includes Latvia



45% jurisdictions require structural or at least accounting separation of public service obligations from other activities.

- Includes Estonia and Lithuania (for all or most commercial SOEs)
- Includes Latvia (for some commercial SOEs)

Revisions and new recommendations

- Emphasise the importance of **proportionate** and **transparent compensation** for SOEs carrying out public service obligations.
- Discourage the use of SOEs to **subsidise** or grant advantages to **other commercial undertakings**.
- Clarify the scope of **advantages provided to and via SOEs**.
- Encourage SOEs to act with **commercial considerations** in their economic activities.

Improving corporate governance frameworks for SOEs

*Ensuring that SOEs observe high standards of **integrity, transparency, disclosure and accountability towards shareholders and stakeholders**, and that boards have the necessary **competencies and objectivity** to carry out their functions.*



51% of jurisdictions subject SOEs to **external independent audits**

- Includes Estonia, Latvia, Lithuania



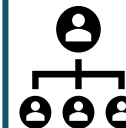
55% of jurisdictions require **disclosure** for non-listed SOEs as applicable to listed companies.

- Includes Latvia, Lithuania



25% of jurisdictions do not have a formal **ban on politicians serving on boards** – even if it may not occur in practice.

- Banned in Estonia, Latvia, Lithuania



Only two jurisdictions define **board member independence** in line with the OECD benchmark definition.

- Finland, Greece

Revisions and new recommendations

- Clarify board's responsibilities for **risk management**, and **internal and external audit and controls**.
- Strengthen provisions promoting board **diversity, autonomy and independence**.
- Update the definition of **independent** board member.
- Clarify the **duties and responsibilities of boards**, including taking into account stakeholder interests.

Leading by example on sustainability

*Addressing how state owners can **lead by example** by **integrating sustainability** considerations in their ownership policies and practices and that of their **SOEs**, while ensuring that they uphold **high standards of integrity** and **responsible business conduct**, taking into account **stakeholders' interests**.*



The public sector is a significant **shareholder in one fifth** of the 100 highest GHG-emitting listed companies. But only **26% of jurisdictions integrate climate goals in their ownership policies**.

➤ Includes Estonia



92% of a sample of 479 listed SOEs disclosed sustainability information in 2022. 51% disclosed scope 1 and 2 GHG emissions and 23% disclosed scope 3 emissions.

Revisions and new recommendations

- Highlight the importance of including **sustainability goals** in the state's ownership policy and practices.
- Clarify **the role of SOE boards** in considering sustainability risks and opportunities when fulfilling their key functions.
- Underline the expectations for sustainability **reporting and disclosure requirements** based on consistent, comparable and reliable information.
- Encourage the state to set **high expectations that SOEs observe responsible business conduct standards**, and act responsibly towards stakeholders, including employees.

Thank you for your attention!



Please scan for more information.