BIAC High-Level Roundtable

Update of the OECD Principles on Corporate Governance

Paris, 12 November 2013

BIAC has expressed its strong interest in actively contributing to the OECD discussions on the Corporate Governance Principles to ensure that the revised Principles remain both a key international point of reference, reflecting recent economic, financial and political changes, while remaining a manageable tool for business. Based on extensive discussions, BIAC has developed its own key considerations for the update as an initial contribution to the OECD process (click here).

In order to further enrich the discussions by input from senior experts including from non-member economies, BIAC organized a high-level roundtable on 12 November, which brought together business leaders and corporate governance experts from North America, Europe and Asia, including from major non-member economies (see attached list of participants). Among others, the following key issues were mentioned during the discussions:

- The OECD has a key role to play in improving global economic governance, and as such both public and corporate governance should be key priorities of the Organization. Responsible business and good corporate governance are essential to stimulate economic growth.

- The Principles have had a major impact around the world in informing local codes and practice. The discussions on the update will have a long-term influence going forward and should benefit from the active contribution of experts from both member and non-member countries.

- The objective of the update should not be to create a bureaucratic regulatory framework, but to have a principle-based approach to drive sustainable business development. It should be made clear that the Principles are overarching and that they are to be used in combination with local codes to set best practices and standards.

- Investors and companies have a common interest in demonstrating that they support principles about accountability and transparency, linked to value creation. Recent examples have shown that without setting best practice, there is a tendency for the regulator to step in.

- It is therefore important to have a good understanding of the considerations of important stakeholders early in the process to avoid being faced with unconstructive legislation. The recognition of stakeholders should lead to a collaborative approach.
• The fast growing emerging economies were not a centerpiece of the discussions when the Principles were originally written. Going forward, developments in these countries as well as different conditions, for example in ownership structures, need to be given due attention.

• When updating the Principles, the importance of the rule of law needs to be clearly spelt out as this remains a key challenge in many developing countries. Adequate enforcement will be essential and should be given due attention both during and after the update. This requires determined government and an enabling legal framework.

• The increasing number of IPOs taking place in emerging markets, coupled with declining rates of IPOs in certain developed markets, highlights the importance of efficient corporate governance tools and trust in capital markets around the world as well as the changing market landscape. Most companies in the developing world are now accepting the importance of corporate governance principles and standards. Nevertheless the question remains why there is still a lack of confidence in some equity markets.

• While the Principles have been particularly helpful for policy makers, they need to be internalized by companies around the world. A system of ‘Comply or Explain’, where companies are expected to comply with key standards or, if they do not, to explain why they do not. It was agreed that such a system can be helpful in this respect.

• A number of non-member countries, including India and Pakistan, have seen significant developments in corporate governance and have used the OECD Principles as a key standard. The challenge remains how to address those companies to which the code is not applicable, for example private, unlisted companies and state-owned companies.

• Several issues identified in the BIAC key messages, such as the importance of effective Boards, were highlighted as also being at the heart of discussions in non-member countries.

• While shareholder rights have an important place in the Principles, it was felt that the discussion should also include the responsibilities of shareholders, who should act in a responsible manner aligned with the company’s objectives, such as value creation and long-term sustainability.

• Transparency of financial and non-financial information is important to give a clear picture of the company’s performance, its ownership and governance structure. Information provided needs to be easily understandable by all stakeholders.

• While overarching issues such as ethics and sustainability are of key importance, a distinction needs to be made between Corporate Social Responsibility and Corporate Governance, which are two distinct concepts.
HIGH LEVEL BUSINESS ROUNDTABLE ON CORPORATE GOVERNANCE

Tuesday, 12 November 2013 – 16:00-20:00

OECD Conference Centre – Château – Room E
2 rue André-Pascal, 75016 Paris

List of Participants

BIAC CORPORATE GOVERNANCE TASK FORCE

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BIAC CORPORATE GOVERNANCE TASK FORCE
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Managing Director, Deloitte Global Center for Corporate Governance
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VICE CHAIRS
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Mr. Murat Dogu
Head of TUSIAD Corporate Governance Working Group & Vice President Finance of Dogan Holding A.S.

Mr. Christian Stiefel
Director
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Federation of Industrial and Service Groups in Switzerland

MEMBERS OF THE BIAC CORPORATE GOVERNANCE TASK FORCE

Ms. Natacha Dimitrijevic
Associate Director
Hermes Equity Ownership Services Limited

Ms. Courtney Haseley
Informal Advisor to the Chair of the BIAC Task Force on Corporate Governance, Dan Konigsburg

Ms. Bridget M. Neill
Principal, Director of Regulatory Policy
Ernst & Young LLP

Mr. Christian Strenger
DWS Investment GmbH

Mr. Vincent Tophoff
Senior Technical Manager
International Federation of Accountants – IFAC

INVITED EXPERTS

Mr. Fuad Azim Hashimi
President & CEO
Pakistan Institute of Corporate Governance

Prof. Dr. Peter Forstmoser
Niederer Kraft & Frey AG

Mr. Charles Lee
Research Director, North Asia
Asian Corporate Governance Association (ACGA)

Dr. Y.R.K. Reddy
President and Founder of Academy of Corporate Governance Hyderabad, India

Mr. Ian Rushby
Chair of the Whole of Government Accountants Assurances Committee
UK Ministry of Treasury
OECD CORPORATE GOVERNANCE COMMITTEE

Mr. Marcello Bianchi
Chair, Corporate Governance Committee
Director, CONSOB

Mr. Brendan Kelly
Vice Chair, Corporate Governance Committee
International Economist
U.S. Department of the Treasury

Mr. Kenji Okamura
Vice Chair, Corporate Governance Committee
Deputy Commissioner for International Affairs, Financial Services Agency, Japan

Mr. Bekir Safak
Vice Chair, Corporate Governance Committee
Acting Chairman, Capital Markets Board of Turkey

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