

# The Future of Corporate Governance

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22<sup>nd</sup> February 2024

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## Outline

The **G20/OECD Principles of Corporate Governance**

Key objectives, major trends and revisions to address them

Monitoring implementation: the **OECD Corporate Governance Factbook**

Conclusions: looking to the future

# The G20/OECD Principles of Corporate Governance

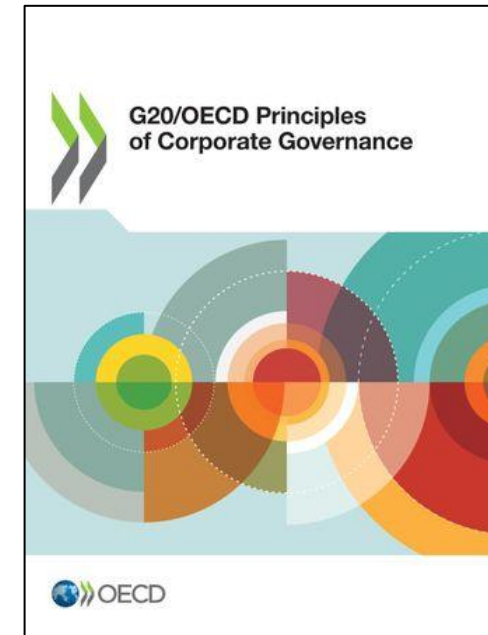
**International standard for corporate governance.** Endorsed by G20 and FSB.

Help policy makers **evaluate and improve the legal, regulatory and institutional frameworks** for corporate governance.

**53 adherents:** OECD, G20 and FSB members and OECD membership candidates.

## **6 pillars:**

- I. The basis for an effective corporate governance framework
- II. The rights and equitable treatment of shareholders and key ownership functions
- III. Institutional investors, stock markets and other intermediaries
- IV. Disclosure and transparency
- V. The responsibilities of the board
- VI. Sustainability and resilience



## Key objectives of the G20/OECD Principles

- I. To promote access to finance, innovation and entrepreneurship
- II. To provide a framework to protect investors
- III. To support corporate sector sustainability and resilience

## Promoting access to finance, innovation and entrepreneurship

*Need for a global standard to ensure the **consistency and comparability of frameworks** while ensuring **flexibility and proportionality** for smaller listed companies.*

### Global capital market trends require a global response:

- Almost 44 000 listed companies with market capitalisation of USD 98 trillion.
- Structural decline in the number of listed companies in most advanced markets.
- Growing importance of company groups operating across borders.
- Institutional investors as the largest owners in stock markets.

### New recommendations

- Clear regulatory framework and definitions for **company groups**.
- Use of stewardship codes and **institutional investors'** disclosure of engagement and voting policies.
- Role and rights of **bondholders**. Disclosure of material information on debt contracts.
- Disclosure and minimise conflict of interests by **proxy advisors, ESG rating and data providers, and index providers**.

## Providing a framework to protect investors

*Need for a framework to **protect investors**, which includes **households** with invested savings, clear frameworks on shareholders rights and disclosure.*

### ➤ Protection of shareholder rights is cross-cutting across multiple chapters:

- Defines basic shareholder rights to access information, participate and vote on key matters and share in the profits of the corporation.
- Extensive recommendations on oversight and disclosure of related party transactions.
- Ensuring effective enforcement, including against insider trading.
- Detailed disclosure recommendations, including timely disclosure of material information.

## New recommendations

- New basic shareholder right to **approve the external auditor**.
- **Remote participation in shareholder meetings** with proper conduct.
- Enhanced **disclosure of company group structures** and control arrangements.
- Protection of **investor rights related to corporate bonds**.

## Supporting corporate sector sustainability and resilience

*Need for corporate governance policies that support the **sustainability and resilience of corporations** and, in turn, contribute to the sustainability and resilience of the broader economy.*

### New chapter

- **Disclosure**
  - Concept of **materiality**.
  - **Internationally recognised standards** that facilitate comparability.
  - **Reliable metrics** if a company publicly sets a sustainability-related goal or target.
  - **External assurance** of sustainability-related disclosure.
- **Board responsibilities**
  - **Consideration of sustainability** risks and opportunities.
- **Shareholders and stakeholders**
  - **Dialogue** in companies' important decisions on sustainability.

## Key additional outcome: Better accountability of board members and executives

### New recommendations

- Consideration of **stakeholder interests** when making business decisions.
- Use of **board committees** and flexibility in their establishment.
- **Risk management**, including crisis management.
- **Diversity** considerations in board composition and senior management.
- Use of **safe harbours** for management and board member actions, such as the **business judgement rule**.
- **Executive remuneration**, including the use of sustainability indicators.



# Moving from Principles to monitoring of implementation: The OECD Corporate Governance Factbook



- Comparative information on:

## 49 Jurisdictions

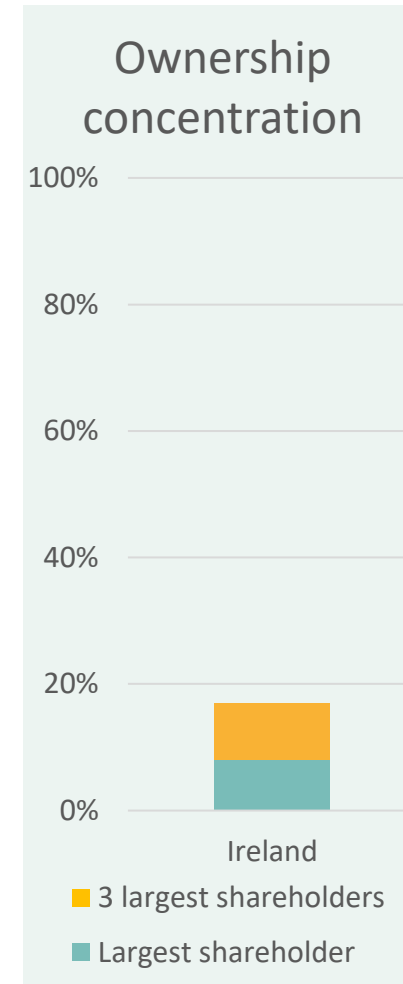
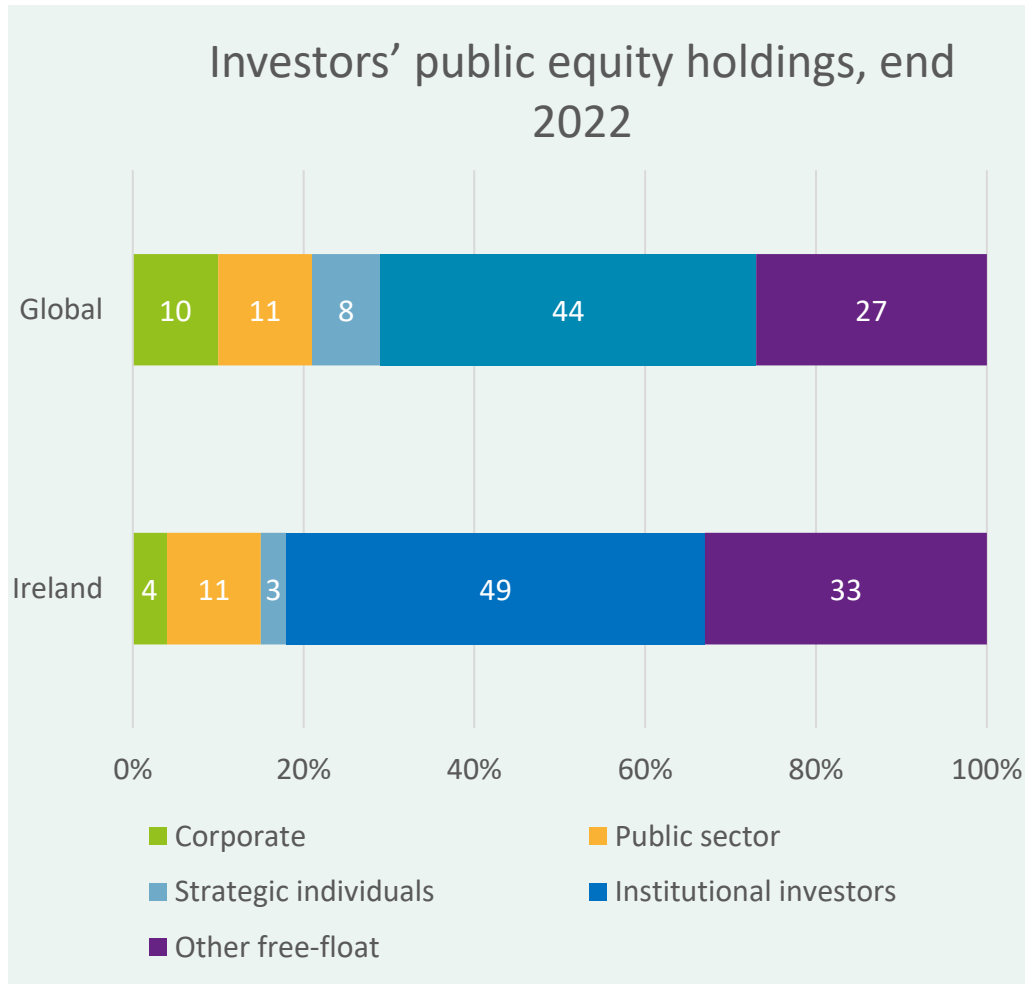


- All OECD and G20 countries
- FSB countries (excl. Russia)
- Malaysia and Peru

- Coverage of new issues: corporate sustainability, virtual shareholder meetings, company groups

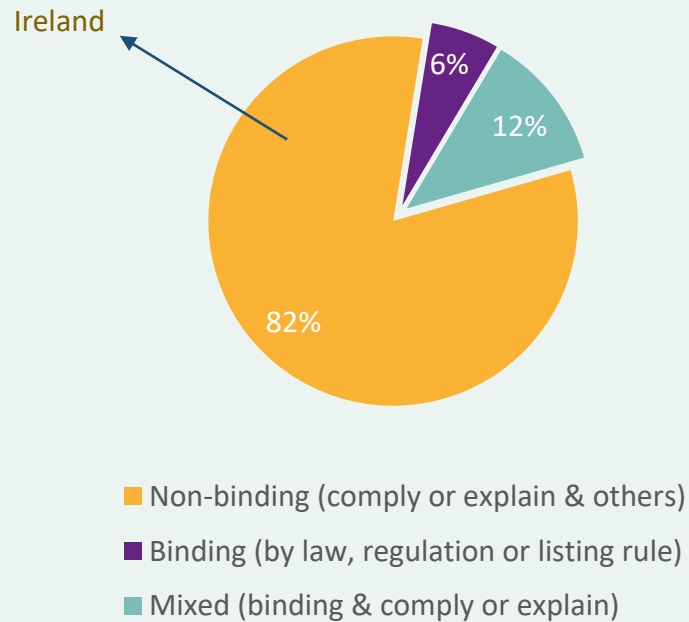


# Factbook highlights on Corporate Ownership

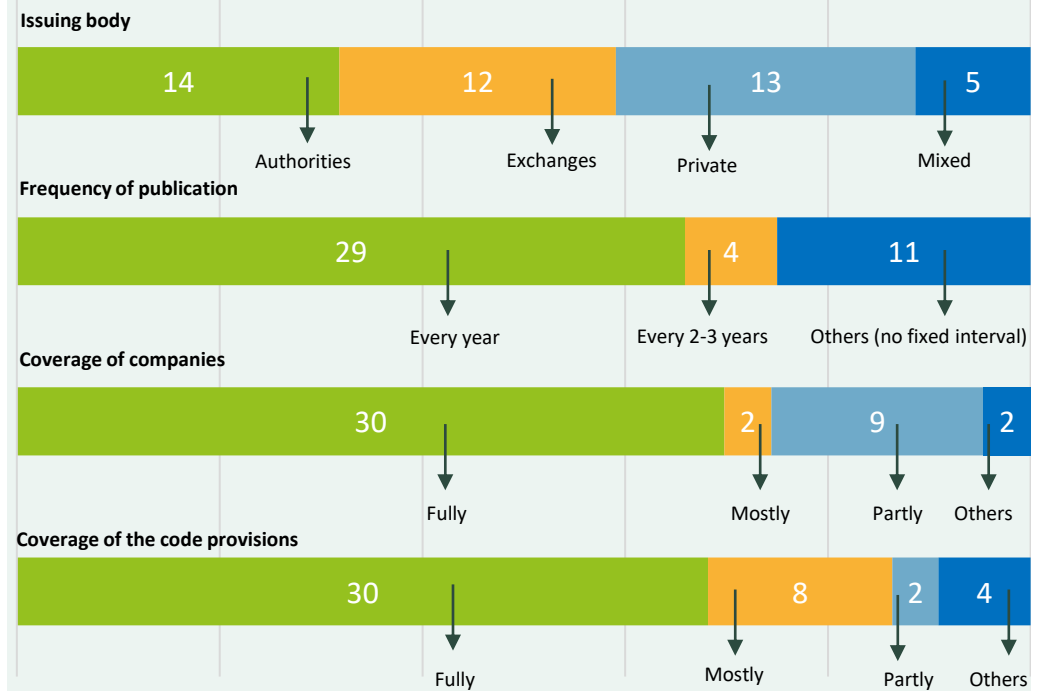


# Corporate governance codes and disclosure

## Implementing mechanisms for corporate governance codes and regulations

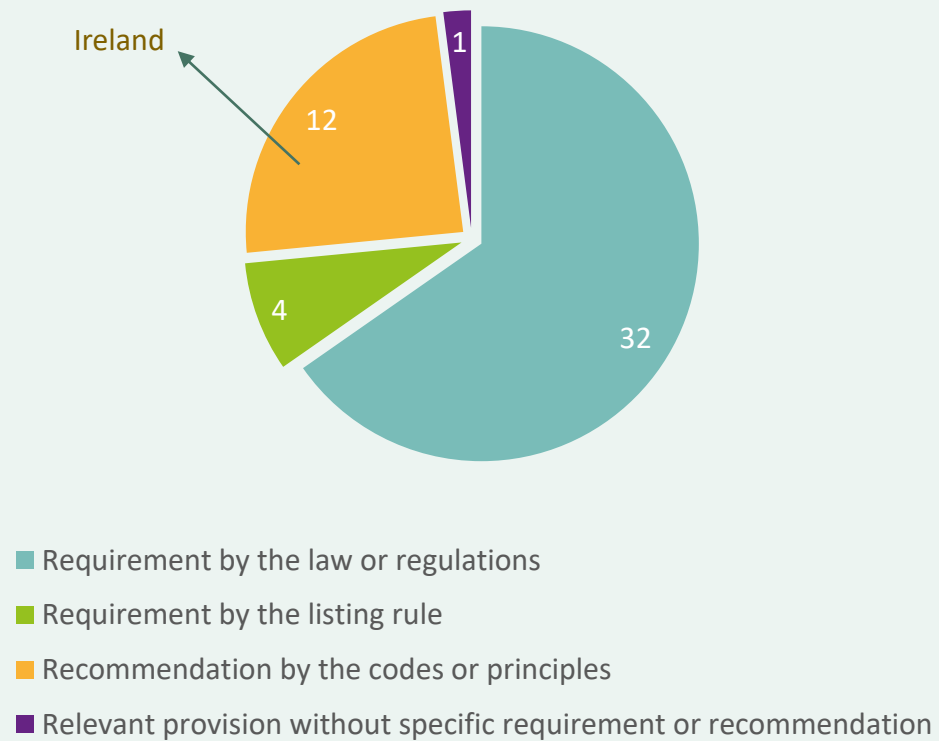


## National reporting on adherence to corporate governance codes

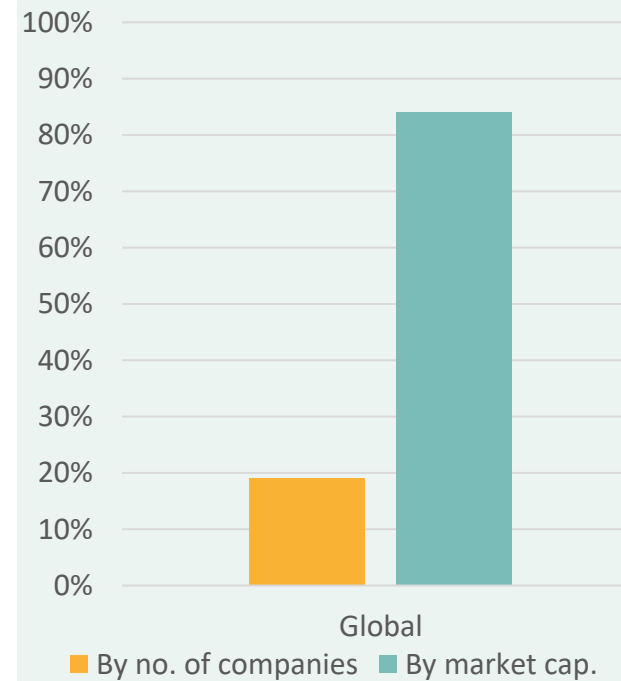


# Corporate Sustainability

### Sustainability disclosure provisions (no. of jurisdictions)

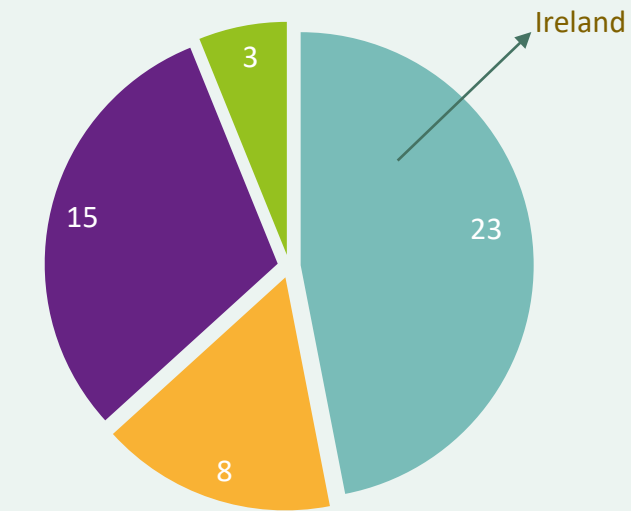


### Disclosure of sustainability information by listed companies



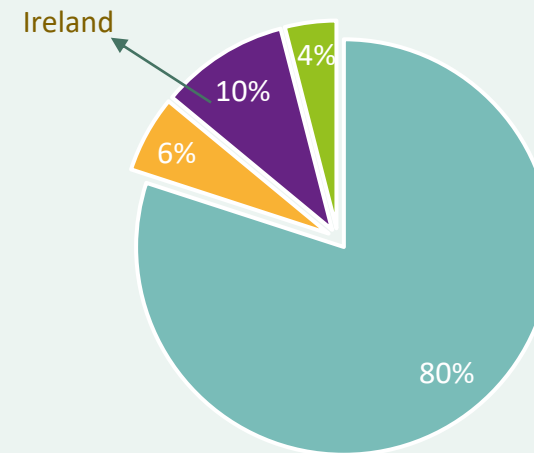
## Boards of Directors: their structure and composition

### Structures



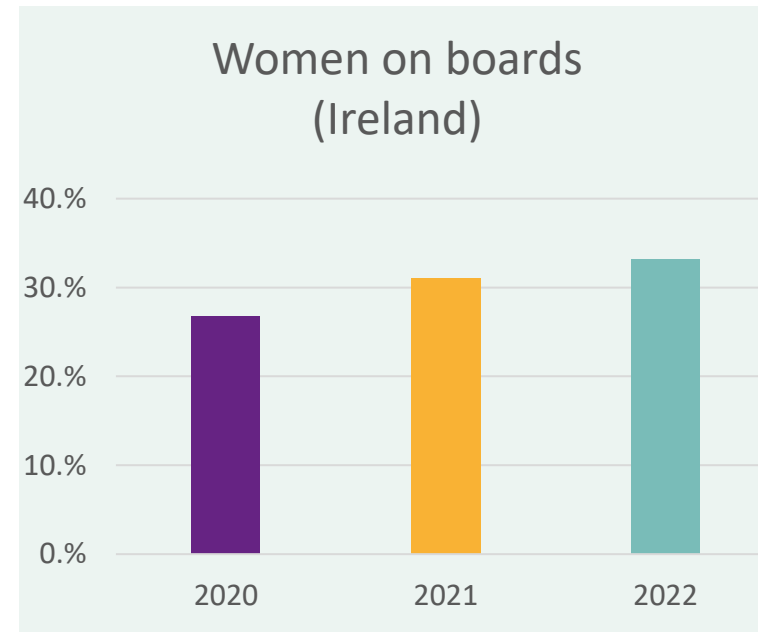
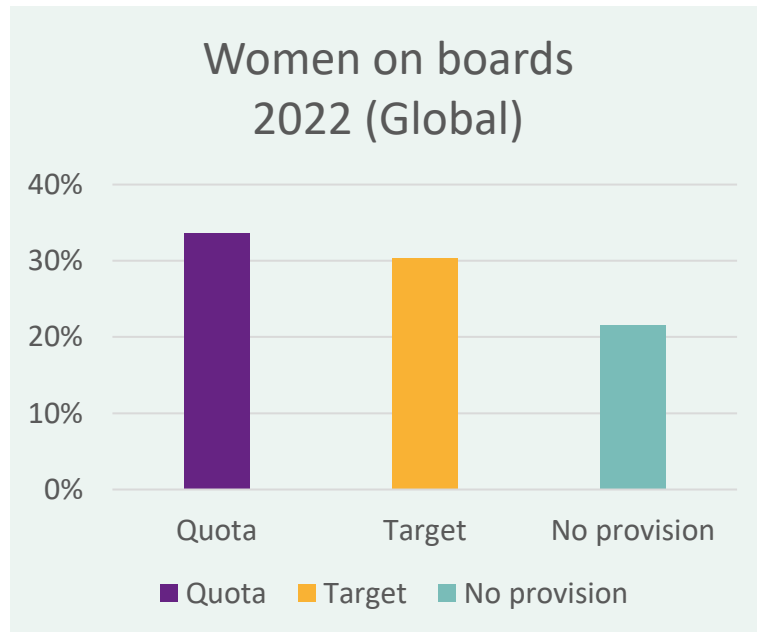
- One-tier system
- Two-tier system
- Optional for one-tier and two-tier system
- Multiple option with hybrid system

### Independence of directors from substantial shareholders



- Required for all independent directors
- Required for 1-2 independent directors
- No requirement
- Other

# Gender Composition



## Conclusions: Looking to the future

The G20/OECD Principles provide a framework to guide us toward the future: but sustainability practices, use of digitalisation still evolving, and the Principles may need to continue to evolve.

The future of capital markets and their use for corporate access to finance a key question for the future

OECD will continue to monitor emerging developments with a view to promoting access to finance critical for future economic resilience.



**More information: [www.oecd.org/corporate](http://www.oecd.org/corporate)**



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