BUSINESS at OECD

Activity Update • 2021

International Investment • Responsible Business Conduct
Anti-Corruption • Corporate Governance

As the officially recognized voice of business to the OECD, *Business at OECD* (BIAC) conveys business perspectives and expertise to policymakers on a broad range of global economic governance and policy issues.

In the framework of our consultative status with the OECD, we keep the Organization informed of the private sector's response to different policy options, thus giving the business community the opportunity to shape the development of policies that impact business globally.

This update provides an overview of our activities in the areas of international investment, responsible business conduct, anti-corruption and corporate governance in 2021 and includes a list of upcoming meetings for the first half of 2022.

Business at OECD

International Investment and RBC Committee

Committee leadership

Chair

Mr. Winand L.E. Quaedvlieg
Confederation of Netherlands Industry and Employers VNO-NCW
(Netherlands)

Vice Chairs

Ms. Kimberley Claman
Citigroup, Inc.
(United States)

Mr. Paul Noll
Confederation of German Employers' Associations (BDA)
(Germany)

Ms. Laura Chapman Rubbo
Disney
(United States)

Mr. Pedro Miras
Repsol S.A.
(Spain)

Mr. Soichiro Sakuma
Nippon Steel Corporation
(Japan)

Mr. Clifford Sosnow
Fasken Martineau DuMoulin LLP
(Canada)

Dr. Christoph Sprich
Federation of German Industries BDI
(Germany)

Secretariat lead: Ina Sandler

International Investment

Investment to build back better

The Covid-19 crisis has fundamentally changed the international investment environment, adding to the rising pressures on the rules-based trade and investment system that have prevailed already before. At the same time, the crisis has generated significant investment needs to reinforce resilience building going forward. This is further driven by a stronger emphasis on ensuring a sustainable and inclusive recovery, necessitating greater quantities and but also greater quality of investments, especially in the context of the energy transition and digital infrastructure. As of end of 2021, preliminary data suggests that global foreign direct investment (FDI) flows, which had dropped to their lowest level since 2005 last year, are slowly rebounding. However, the recovery remains uneven, benefitting mostly advanced economies, while investment in industry more broadly remains weak.

Private investment plays an important role in the recovery and beyond, complementing public investment, which by itself will not be able to fill the growing investment gap. Specifically, private investment helps to provide jobs, and lay the basis for future competitiveness and growth. This, in turn, is essential to ensure long term stability, recognizing that only productive economies can generate the necessary future tax revenues to address rising debt levels.

To that end, we developed in our paper on '[Fostering Investment to overcome the recession]', presented at the → **consultation with the OECD Investment Committee on April 8th**, a succinct 'action plan' on how the OECD and its member governments can help to leverage much needed investment.

At our → **consultation with the OECD Investment Committee on October 27th**, we presented further considerations on how governments can encourage private investment to support recovery objectives, including with conducive taxation frameworks, facilitation of administrative procedures, complementary public investments in modern infrastructure, mind- and

Upcoming meetings

January 2022 (tbc)
Webinar on the implementation of the 2009 OECD Guidelines for Recipient Country Investment Policies relating to National Security

January 2022 (tbc)
Public Consultation on FDI qualities

March 2022 (tbc)
Track I Future of Investment Treaties meeting (virtual)

19 April 2022 (tbc)
Investment Treaty Conference

20-22 April 2022 (tbc)
Investment Committee meeting, incl. consultation

July 2022 (tbc)
Track I Future of Investment Treaties meeting (virtual)

17- 20 October 2022 (tbc)
Investment Committee week: OECD IPA network (17), Roundtable on Investment and SD (18), FOI, IC meetings (19-20)

skillsets, and efforts to ensure investment protection and predictability. Our comments also addressed challenges linked to lengthy, costly and opaque screening procedures, welcoming the inclusion of respective information in the OECD's FDI Regulatory Restrictiveness Index.

Assessing the role of investment treaties

Investment treaties represent a key component of a pro-growth policy environment, protecting private investment against political risk and ensuring a level-playing field with domestic business. To that end, investment treaties constitute a key factor to address investor uncertainty, which makes them an important factor for host countries to incentivize foreign direct investment (FDI).

As the international investment environment is changing and expectations on investors are growing, spurring debate around appropriate objectives and priorities of investment policy and instruments, the OECD has launched at this year's → **OECD Investment Treaty Conference on March 29th** a new two-track work stream on reconsidering investment treaty policy in the 21st century. Discussions under Track 1 consider the challenges that future investment treaties should address. Discussions under Track 2 focus on the reform of existing treaties to ensure better alignment with emerging policy challenges. We contributed to the conference with remarks by our Investment Committee Vice-Chair Kimberley Claman (Citi), who underlined the importance of predictability and stability of the investment climate, market access and transparency for investors in a given host country.

We participated in the first → **Track 1 meeting on October 27th**, focusing on sustainability considerations, policy space and exceptions clauses in investment treaties, where our Chair Winand Quaedvlieg (VNO-NCW) and Shaun Donnelly (USCIB) stressed the importance of maintaining a balance between domestic policy considerations and investment predictability and protection. We also pointed to practical challenges in defining sustainability and underlined the need for differentiated approaches for making adaptions to investment treaties and trade agreement.

We were further represented at the → **2021 Virtual UNCTAD World Investment Forum - International Investment Treaties Conference on October 18th**, where our Chair Winand Quaedvlieg (VNO-NCW) and Shaun Donnelly (USCIB) contributed to a discussion about treaty reform, underlining the importance of transparency and certainty to address investor risk - especially in times of an increasingly challenging international investment environment. The two

OECD analysis and publications

FDI in Figures (October 2021)

Business responsibilities and investment treaties (May 2021)

Towards a global certification framework for quality infrastructure investment (June 2021)

26th report on G20 trade and investment measures (October 2021)

speakers also stressed the need for balanced and inclusive approaches to the reform of investor-state dispute settlement.

FDI Qualities: moving to policy recommendations

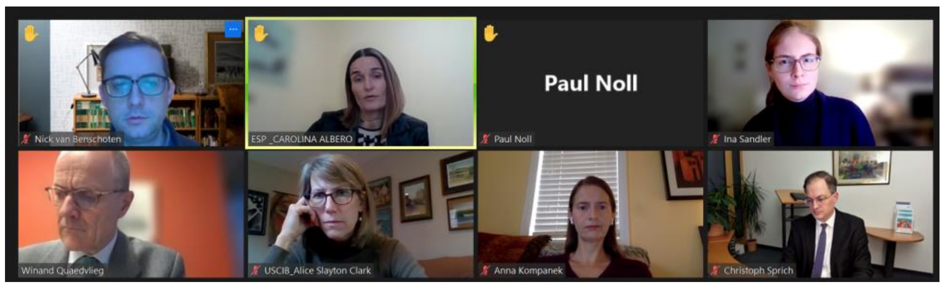
Aside from providing and creating jobs and income in host countries, foreign direct investment (FDI) can also contribute to broader sustainable development objectives. In this context, the OECD launched work on 'FDI Qualities', which aims to enhance the understanding of how private foreign investment can support the achievement of the 2030 agenda, through the development of a set of indicators as well as a policy toolkit. This toolkit aims to provide recommendations to policy makers on how to create an enabling environment for attracting FDI that is conducive to low carbon, gender, skills and job quality and productivity targets. The toolkit will also become a key deliverable for next year's Ministerial Council Meeting, supported by an OECD Council Recommendation.

While the project can play an import role to highlight the benefits of open markets, we have consistently underlined the importance of taking into account the specific features of host countries, and of assessing the 'qualities' of FDI in light of all 17 sustainable development goals (SDGs). Moreover, we have stressed the importance of linking the work on the FDI Qualities with the OECD's work on development, given the important role that FDI can play to foster progress in the developing world.

To that end, we participated to the discussions at the → **meeting of the FDI Qualities network on March 31st,** where our business speakers, Investment Committee Vice-Chair Pedro Miras (Repsol), Shaun Donnelly (USCIB) and Iris Öhrn (Business Region Göteborg), provided feedback on the four different clusters - gender, carbon footprint, jobs and productivity. They stressed the need to consider critical interlinkages and potential trade-offs between different objectives and policies.

On **September 8th**, the *Business at OECD* (BIAC) Development Committee was invited to a → **closed-door, joint OECD Development Assistance Committee-OECD Investment Committee webinar** on Making Foreign Direct Investment Work Better For Sustainable Development', introducing a FDI Qualities companion guide for donors. Speaking at the meeting, our Development Committee Chair David Croft (Reckitt) underlined the important role of global value chains and global value chain integration for local development.

On **November 16th**, we participated in another → **meeting of the FDI Qualities network**, where a revised version of the forthcoming toolkit was presented. We also submitted a set of written comments, commending the emphasis on enabling environments for private investment, while underlining the importance of maintaining a balance with classic FDI attraction considerations.



Addressing the rise in investment screening

In recent years, between 50%-60% of global FDI inflows have gone to countries that apply cross-sectoral FDI review processes and were therefore potentially subject to security-motivated screening – roughly twice the share than for most of the 1990s (OECD Acquisition- and ownership-related policies to safeguard essential security interests, May 2020). This trend has been further reinforced by Covid-19 crisis, which has led to an increase in the number, scope and complexity of screening mechanisms.

While investment screening is legitimate and recognized by international investment law, it can also constitute a barrier to FDI and reduce the attractiveness of a host country, imposing both direct (personnel and resource related) and indirect (uncertainty) related costs on businesses - especially if the screening processes are not aligned with the general principles of non-discrimination, transparency, predictability, proportionality and accountability.

On **June 17th**, Lauren Mandell (WilmerHale) contributed to a → **webinar on Investment Promotion and Foreign Investment Screening**, which explored the role that investment promotion agencies can play to smoothen the screening process. During another → **webinar on June 18th**, our Investment Committee Vice-Chair Christoph Sprich (BDI) underlined how duration, cost, disclosure obligations, lobbying, ex-post changes to screening regimes as well as unclear definitions of 'national security' can deter foreign investors and contribute to FDI restrictiveness.

Crosscutting activities

- **Investment and China:** On **May 3rd** Shaun Donnelly (USCIB) joined a → ***Business at OECD*** **China Expert Group session with the OECD Informal Reflection Group meetings on China**, addressing issues related to investment into and coming from China. The meeting informed the development of our *Business at OECD* Key messages on the Strategic Framework for OECD co-operation with China.

- **Investment facilitation and promotion meets digital:** Business at OECD (BIAC) is one of the key partner of the OECD's Investment Promotion Agency Network. To that end, we participated in the → **Network Meeting of the OECD Investment Promotion Agency Network on October 13th**, where participants discussed the growing relevance of sound digital infrastructure and skills as location factor, while IPAs showcased how they are also moving their information and promotion services online.

- **Investment for greener economies:** The → **OECD Roundtable on Investment and Sustainable Development** is a central element to the OECD's efforts in relation to the Sustainable Development Goals (SDGs). This year's edition of the roundtable, which was held on **November 2nd**, focused on aligning investment frameworks to support green growth. A high-level panel discussion with representatives from governments, business and academia explored the challenges and opportunities for creating a favorable environment for investment that supports decarbonization and green growth, considering also the role that the OECD Policy Framework for Investment and the FDI Qualities Initiative can play in this regard.

- **Quality infrastructure investment and the Blue Dot Network:** The Blue Dot initiative, led by the US and supported by Japan and Australia, seeks to promote the development of quality, sustainable infrastructure investments around the world by awarding projects that demonstrate and uphold key global infrastructure principles with a Blue Dot certification.

  In June, the OECD's Trust in Business initiative was officially tasked to convene an expert network, the Executive Consultation Group for the Blue Dot Network, which aims to provide guidance on the development of the certification criteria across the areas of investment efficiency, environmental and social considerations and integrity and transparency.

  Business at OECD (BIAC) took part in the inaugural meeting of the → **Executive Consultation Group on June 7th** as well as in subsequent → **working group discussions in mid-July** and reached out to its wider membership to ensure that wider business considerations are taken into account.

  On **October 5th,** the Blue Dot Network hosted a publicly livestreamed High-level Panel on Catalysing Quality Infrastructure Investment to Build-Back-Better, back-to-back with the OECD Ministerial Council meeting.

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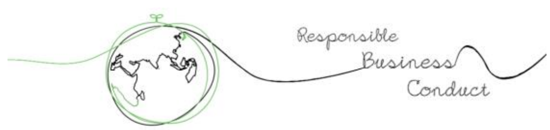
Responsible Business Conduct

Taking stock of the OECD MNE Guidelines

In light of the 10th anniversary of the last update of the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines) in 2011, the OECD launched in 2021 a process to take stock of the achievements, gaps and opportunities of the Guidelines to assess whether the instrument remains fit for purpose.

We have been contributing to the process from the outset, commenting on key developments in the area of responsible business conduct, underlining the achievements of the Guidelines and pointing to gaps with respect to the implementation of the Guidelines. More specifically, we have underlined the need to encourage governments to live up to their commitments, increase visibility and awareness of the Guidelines as well as the NCP system, continue regional outreach, broaden adherence and support capacity building for SMEs.

To that end, we presented our preliminary comments on the zero draft of the stocktaking report during the → **spring meeting of the Working Party on RBC (March 23rd)**. We further discussed the interlinkages between the Guidelines stocktaking and the UNGP10+ process and reiterated our key priorities during the → **Global Forum on RBC (June 15th-17th)** and made a submission to the public consultation on the stocktaking process in September. These comments were subsequently presented at an → **ad-hoc meeting of the Working Party on RBC on 18 October.**



At our → **consultation with the Working Party on RBC on November 22nd**, we were presented the second revised stocktaking report. In this context, we underlined businesses' concerns about the proliferation of widely diverging mandatory regional and national RBC legislation and stressed that, instead of a complex update of the instrument, we believe that there is substantial unused potential linked to the implementation and institutions supporting the Guidelines. To read the full commentary, click here.

Upcoming meetings

22-24 February 2022 (tbc)
OECD Forum on Due Diligence in the Garment and Footwear Sector

8-10 March 2022 (tbc)
OECD Working Party on RBC Meetings

3-5 April 2022 (tbc)
Forum on Responsible Mineral Supply Chains

13 – 17 June 2022 (tbc)
Meeting of the National Contact Points (NCP)

15-17 June 2022 (tbc)
OECD Working Party on RBC Meetings

14-18 November 2022 (tbc)
WPRBC Meetings and Meeting of the National Contact Point (NCP)

Q3/Q4 2022 (tbc)
RBC Ministerial

Discussions about the conclusions to be drawn from the stocktaking and potential avenues for follow up will continue throughout 2022 and in the run-up to the → **planned 2022 OECD RBC Ministerial meeting**. *Business at OECD* (BIAC) will stay closely involved in these discussions, underling our perspective that the focus should be on improving implementation and institutions supporting the Guidelines.

Fostering policy coherence on RBC

As RBC considerations are being integrated into an ever-growing range of policy areas, the OECD has been developing additional guidance for governments. To that end, the OECD will prepare a new Recommendation, providing a comprehensive set of principles and policy recommendations to assist governments and other public authorities in designing and implementing policies that enable and promote RBC.

While we welcome efforts to foster policy coherence, as well as calls on governments to lead by example by fostering sound conduct of SOEs and supporting NCPs, we have underlined the need for the Recommendation to draw exclusively from existing instruments and provisions.

A first draft of the Recommendation was discussed at the → **Working Party on RBC meeting on March 23rd**, where we underscored that calling on governments to use the Due Diligence Guidance as basis for new laws and regulation raises problems as they were designed to serve as practical guidance. We also stressed that the incorporation of RBC issues into investment treaties and public procurement should be approached with caution, paying attention to the challenges that companies, including small and medium sized enterprises are facing.

After several rounds of internal consultations with relevant OECD Committees, the OECD launched in December a public consultation on the Draft Recommendation on the Role of Government in Promoting RBC, to which we will contribute with a written submission. The final Recommendation will likely feature, alongside any follow-up on the Guidelines stocktaking, at the → **planned 2022 OECD RBC Ministerial meeting**.

Leveraging the NCP system

The National Contact Point (NCP) system supports the implementation of the OECD MNE Guidelines, offering a platform for mediation and the identification of forward-looking solutions to resolve disputes that may arise in the context of the Guidelines. NCPs also have a mandate to promote the Guidelines and due diligence documents.

As a report issued on the occasion of the 20th anniversary of the NCP system (2020) indicated, there remain several gaps with respect to a level playing field among NCPs. *Business at OECD* (BIAC) has long underlined the importance of

OECD analysis and publications

Draft Report for the Stocktaking of the OECD Guidelines for Multinational Enterprises (June 2021)

Providing access to remedy: 20 years and the road ahead (December 2020)

Annual Report on NCP Activity 2020 (2021)

ensuring that NCPs are well equipped and fully functional, including through three dedicated joint statements together with TUAC and OECD Watch.

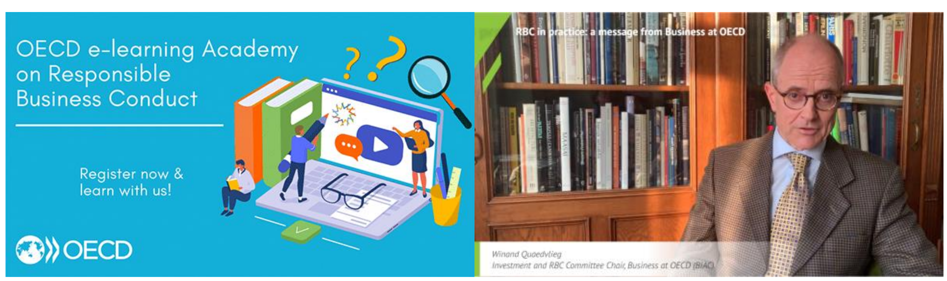
On **June 22nd**, we participated to the → **NCP network meeting,** presenting our business views on the forthcoming NCP action plan and related priorities. Our comments stressed the need to foster progress in order to have all NCPs peer reviewed by 2023, supporting the capacities of NCPs that are lagging behind, promoting a common understanding of the mediation process, addressing a lack of trust in the system and fostering awareness of the system more broadly.

Why should companies care about RBC?

Over the past decade, businesses have gained considerable experience in integrating responsible business conduct principles into their operations, recognizing that RBC is in the best interest of business. However, expectations on companies are continuously growing, with regulatory approaches appearing across the board.

To that end, we have been underlining that expectations on companies must remain realistic and that they should take into account the complementary role that governments must play in promoting good governance and implementation of international instruments.

To help practitioners understand the role of RBC, the MNE Guidelines and related work, the OECD RBC Centre has developed an e-learning tool, which was released in September 20201. Our Investment and RBC Committee Chair, Winand Quaedvlieg (VNO-NCW) has contributed to this tool with a short video outlining the importance of RBC and the OECD MNE Guidelines for business, and explaining how *Business at OECD* is working with the OECD on these important issues.



Business considerations for the next decade of the UNGPs

In light of the 10th anniversary of the UN Guiding Principles (UNGPs), the UN Working Group on Business and Human Rights launched in July 2020 the "UNGPs 10+" project with the aim to take stock of the implementation of the UNGPs and chart a course for action in the decade ahead. The process culminated in the release of a report in June 2021 and a "roadmap for the next decade" of implementation in November 2021.

As *Business at OECD* (BIAC) we have consistently underlined our strong support for the UNGPs, championing the protect-respect-remedy framework, which has created clarity of the rules and responsibilities of all actors and has streamlined the promotion of business and human rights more broadly.

To that end, we released a statement with our sister organizations, the International Organization of Employers (IOE) and Business Europe, underlining our joint commitment to improve uptake and implementation of the UN Guiding Principles. The statement also underlined our key business priorities for further progress on business and human rights, including the important role of government efforts and national action plans, the need for policy coherence and efforts to address the root causes of human rights challenges, the importance of improvements in the access to remedy and the need for support for small and medium sized enterprises. The statement also acknowledges the key role of national employers and business organizations to drive the business and human rights agenda forward.

Joint business position on the UN Treaty

In June 2014, the UN Human Rights Council established a mandate for an open-ended intergovernmental working group (IGWG) to elaborate an international legally binding instrument to regulate the activities of transnational corporations and other business enterprises. A zero draft was presented in 2018, followed by a revised drafts in 2019, 2020 and 2021.

The business community has outlined from the very beginning the importance of strengthening efforts on human rights, but has questioned the rationale and added value of a new treaty on business and human rights. The different versions of the draft text have further evoked concerns with respect to practical challenges arising from the provisions of the text.

In October 2021, further to the release of the 3rd revised draft treaty, we have developed, under the leadership of our sister organization the International Organization of Employers (IOE), another joint Business at OECD (BIAC)-IOE-BusinessEurope position on the proposed treaty. The statement reiterates our concerns with respect to the feasibility and application of the provisions, which continue to deviate from fundamental legal principles and approaches of the UNGPs. The statement thus concludes that in its current form, the treaty is contributing to uncertainty without addressing the prevailing gaps in the broader framework supporting the promotion of human rights.

Crosscutting activities

- **Due Diligence and climate:** On **May 27th**, we participated in a → **meeting of the OECD Working Party on Climate, Investment and Developmen**t, which included a discussion on applying the OECD Guidelines for Multinational Enterprises and associated due diligence guidance to adverse climate impacts. We underlined that all technologies will be needed in the energy transition. We also stressed the importance of the key principle of technology neutrality as well as the need to consider climate efforts in conjunction with other sustainable development goals. These preliminary discussions at the OECD may lead to the development of another Due Diligence Guidance, in which *Business at OECD* (BIAC) would of course get actively involved.

Anti-Corruption Committee

Committee leadership

Chair

Mr. Nicola Allocca
Autostrade per l'Italia
(Italy)

Vice Chairs

Mr. Umberto Baldi
Snam
(Italy)

Mr. Milos Barutciski
Borden Ladner Gervais LLP
(Canada)

Mr. Matthew Galvin
AB InBev
(United States)

Mr. Rauno Hoffmann
Novartis International AG
(Switzerland)

Mr. Gerrie Lenting
Deloitte
(United States)

Ms. Audrey Morin
Schneider Electric
(France)

Mr. Joseph Simon
Nilfisk
(Denmark)

Secretariat lead: Ina Sandler

Anti-Corruption

Drawing lessons from the crisis, fostering public integrity

The Covid-19 crisis has brought about unprecedented challenges for governments to respond and take action to mitigate the immediate health and economic impacts, creating new risks for corruption. Meanwhile sound emergency procurement as well as fair and efficient deployment of support money will be crucial to not only to ensure greatest value for money, but also to protect trust in public institutions.

Strengthening public integrity and addressing the demand side of bribery takes a central part of our *Business at OECD* (BIAC) anti-corruption agenda. On previous occasions we have underlined the importance of issuing clear guidance on how to establish reporting mechanisms that allow companies to flag bribe solicitation as well as on how public institutions can prevent corruption internally. In the current context, establishing proper integrity safeguards will be critical to ensure that public integrity is not undermined in both the immediate response to as well as the longer-term recovery form the crisis.

To that end, we underscored at this year's → **Global Anti-Corruption & Integrity Forum**, which was held under the theme of 'Leading through the Crisis: Integrity and Anti-Corruption for a Resilient Recovery' on **March 23th - 25th**, the need to draw the right lessons from the crisis. Our Executive Board member Klaus Moosmayer spoke on the closing panel, calling for greater collaboration between business and governments.

Contributing to B20 discussions

Since 2010, the Business 20 (B20) has been informing the G20 as the voice of the private sector. As in previous years, *Business at OECD* (BIAC) has been actively contributing to this process, informing the development of tangible business recommendations across a number of policy areas, including the Integrity & Compliance task force, to which we are also acting as a network partner.

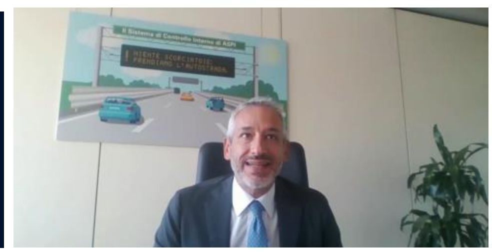
Upcoming meetings

January 2022 (tbc):
Meeting of the OECD Working Group on Bribery, incl. consultation

Week of 28 March 2022 (tbc)
OECD Global Anti-Corruption & Integrity Forum

This year's B20 Italy Integrity and Compliance Task Force recommendations focus on ensuring responsible business conduct throughout the procurement system, sustainable governance in business, cooperative compliance models and rewarding systems and beneficial ownership transparency.

In this context, we specifically highlighted the importance of tailoring policy approaches to the capacities of SMEs, fostering a broad based approach to public integrity, establishing expectations for SOEs, building capacity of public officials, and emphasizing enterprise risk management and business continuity planning aspects in corporate governance. Our efforts culminated in our participation to the → **B20-G20 dialogue** on "How to promote sustainable governance, increase transparency, and fight corruption to enhance fair competition" on **September 13th** where we were represented by our Anti-Corruption Committee Chair Nicola Allocca (Autostrade per Italia).



Update of the 2009 Recommendation – Launch of the 2021 Recommendation

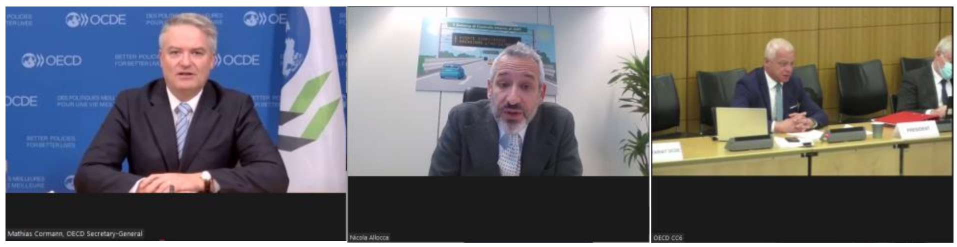
The OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions, previously known as the 2009 Recommendation, extends the OECD's anti-corruption framework building on the OECD Anti-Bribery Convention by putting in place new measures to help prevent, detect and investigate foreign bribery. The update of the original instrument, which had been undergoing a review since 2017, resulted in the launch of the new 2021 OECD Anti-Bribery Recommendation.

We have contributed to this process from the very start with a written submission to the public consultation of 2019 and with another set of comments on the draft revised text of the Recommendation to the second public consultation in September 2021. Our comments called for additional references to the demand side of bribery and underlined the need for sound whistleblower protection, explicit references to state-owned enterprises, references to collective action and the inclusion of additional mechanisms that support corporate compliance efforts. We further recommended to expand the scope of the text, for instance by introducing expectations for other stakeholders, such as NGOs, addressing different levels of government, (including local government) and embracing digital opportunities.

To that end, our Anti-Corruption Committee Chair Nicola Allocca (Autostrade per l'Italia) and our Anti-Corruption Committee Vice-Chair Matthew Galvin (ABinBev) participated in an → **OECD focus meeting** on the draft revised

Recommendation on **September 13th**, where they presented our feedback to the OECD Working Group on Bribery.

The final revised instrument was launched on **December 9th** - International Anti-Corruption Day. Our Anti-Corruption Committee Chair Nicola Allocca (Autostrade per Italia) was invited to speak at the → **public launch event**, alongside OECD Secretary General Mathias Cormann and the Chair of the OECD Working Party on Bribery, Drago Kos. He elaborated on how the OECD's anti-bribery work matters to business and welcomed the inclusion of many core business priorities in the revised text, commending the close cooperation with the OECD on this project.



Corporate Governance Committee

Committee leadership

Chair

Mr. Dan Konigsburg
Deloitte Touche Tohmatsu Ltd.
(United States)

Vice Chairs

Dr. Christoph Benedict
GE Power GmbH
(Germany)

Mr. Pascal Durand-Barthez
Senior Advisory Consultant
ASSOCIES EN GOUVERNANCE
(France)

Ms. Carol Hansell
Hansell McLaughlin Advisory Group
(Canada)

Dr. Mateja Milič
Assonime
(Italy)

Mr. Joseh O'Rourke
McCann FitzGerald
(Ireland)

Ms. Katja Roth Pellanda
Zurich Insurance Ltd
(Switzerland)

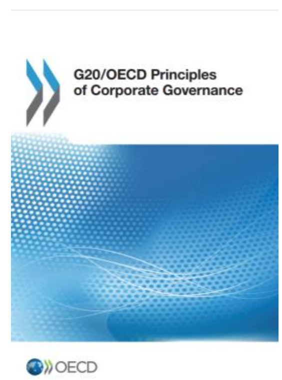
Secretariat lead: Hideaki Ozu

Corporate Governance

Upcoming review of the G20/OECD Corporate Governance Principles

As a key instrument to ensure good corporate governance in both OECD member countries and other non-member countries, the G20/OECD Principles of Corporate Governance, first published in 1999 and last updated in 2015, enjoy high international recognition.

Following the Covid-19 pandemic, which prompted reconsideration of the existing paradigm of stakeholder engagement, the OECD has decided to embark on a → **review of the Corporate Governance Principles** in cooperation with the G20.



Business at OECD (BIAC) has been fully engaged in the process. At the → **OECD Corporate Governance Committee meeting in April**, we presented our comments on a draft report about *the future role of corporate governance and capital markets*, which will lay the basis for the update, and outlined first business recommendations for follow up work on the G20/OECD Principles.

At the → **autumn OECD Corporate Governance Committee meeting** on **November 23rd**, our business representatives actively engaged in a discussion with delegates on the Terms of Reference and Roadmap for the review, sharing business perspectives on the 10 key areas identified in the paper, focusing on capital markets, ESG, and board responsibility.

In 2022, the OECD will hold three Committee meetings to discuss the review of the Principles. These are currently scheduled for February, July, and November 2022, with the aim to report back to the G20 on the outcomes of these Committee discussions. In parallel, the OECD will develop five issue notes discussing specific aspects related to the review of the Principles.

Going forward, we will continue our dialogue with the OECD to provide business inputs and make sure that the updated Principles adequately reflect

Upcoming meetings

24-25 February, 2022
Meeting of the Corporate Governance Committee, incl. consultation

30-31 March 2022
Meeting of the Working Party on State Ownership and Privatization Practices, incl. consultation

business considerations. In addition, we plan to proactively deepen our engagement in the review process, including through business-led side events.

Implementing good practices for a level playing field between state-owned and private enterprises

On **March 16th**, business delegates from our Corporate Governance Committee participated in the → **meeting of the OECD Working Party on State Ownership and Privatisation Practices**, emphasizing the importance of establishing appropriate standards on ESG-related metrics to strengthen the governance of SOEs and ensure a level playing field with the private sector.

We reiterated that ESG metrics should be a must for SOEs, especially in light of their concentration in the infrastructure and energy sectors, which can entail large impacts on the environment. Beyond this, we expressed our commitment to continue supporting implementation efforts related to the OECD Anti-Corruption and Integrity Guidelines for State-Owned Enterprises, which constitute a unique instrument providing states, as owners of enterprises, with practical guidance on how to fight corruption in SOEs.

At the → **meeting of the meeting of the Working Party on State Ownership and Privatisation Practices in October**, a new discussion on climate change and low-carbon transition was launched in addition to the ongoing debates on remuneration of boards of directors and executive management as well as ownership and governance of SOEs. We underlined that it is imperative for governments to maintain appropriate space for government oversight, with a view to steer SOEs' efforts towards climate change mitigation to enable governments to lead by example.

Voluntary transparency and disclosure standard for State-Owned Enterprises and their owners

The OECD Guidelines on Corporate Governance of State-Owned Enterprises (the "SOE Guidelines") provide an important standard for ensuring that SOEs operate efficiently, transparently and on equal footing with private companies.

To support the implementation of the SOE Guidelines, the OECD has developed a Voluntary transparency and disclosure standard for internationally active state-owned enterprises and their owners. This standard outlines a set of best practices for internationally-active SOEs, covering the areas of (1) Principles for transparency and disclosure by SOEs, (2) Principles for transparency and disclosure by the state-owner, and (3) Ensuring access to information and facilitating international cooperation. The focus of this standard is on large SOEs that are engaged in economic or commercial activities and which are active in international markets.

Business at OECD (BIAC) has actively contributed to the discussions leading to the launch of the final document in May 2021.

OECD analysis and publications

The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis (June 2021)

OECD Corporate Governance Factbook 2021
(June 2021)

Crosscutting activities

- ***Business at OECD* thought starter on ESG:** Environmental, social, and governance (ESG) considerations are of growing importance to business. Companies face rising expectations from a range of stakeholders to proactively manage ESG risks and opportunities as part of their business strategies. Recognizing this momentum, the OECD is becoming increasingly active on this topic, including in the context of sustainable finance and investment.

  Against this backdrop, we are preparing a thought starter paper on ESG, with feedback from the leadership of relevant *Business at OECD* Committees. The paper intends to map out key business considerations on the current ESG discussions and explore the role the OECD should play in aligning ESG with private sector needs in a more holistic manner. A draft will be circulated to members in early 2022.

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