

China-OECD Co-operation on Corporate Governance

The rapid growth of corporate China and the expansion of Chinese equity markets have pushed corporate governance high on the national reform agenda. This commitment to good corporate governance matters both to China and the rest of world. Healthy capital markets and efficient and transparent corporate practices are essential for growth and innovation in the corporate sector. As an important player in the world economy, the G20 and Financial Stability Board, China's corporate governance framework and practices are of global relevance.



For over a decade, the OECD has supported China in its reform efforts. This co-operation, like corporate governance itself, is multidimensional.

CHINA AND THE OECD CORPORATE GOVERNANCE COMMITTEE

The OECD's committees are the heart of the OECD. They bring together OECD countries and non-OECD economies to address problems of common concern and exchange views on "best practices" in many areas of public policy.

China, represented by the China Securities Regulatory Commission, has participated actively in meetings of the OECD Corporate Governance Committee since 2010. With China at the table, discussions are enriched with experiences and expertise not found among OECD countries.

In 2011, the China Securities and Regulatory Commission and the OECD co-published a Self-Assessment entitled *Corporate Governance of Listed Companies in China* which looked at the institutional framework for corporate governance of listed companies in China through the prism of the *OECD Principles of Corporate Governance*.

By assessing the legal and regulatory framework, the Self-Assessment provides a valuable reference for understanding how much has been achieved in Chinese corporate governance and the likely direction of future reform. The Self-Assessment was discussed during a meeting of the Corporate Governance Committee in the same manner that standard OECD peer reviews are discussed.

CHINA-OECD CORPORATE GOVERNANCE POLICY DIALOGUE

Since 2004, the China-OECD Corporate Governance Policy Dialogue has provided a platform for a structured policy debate between China and the international community using the *OECD Principles of Corporate Governance* and the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*. Financial support from the government of Japan is much appreciated.

The OECD's mission is to promote policies to improve the economic and social well-being of people around the world. We provide a forum in which governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations to produce better policies for better lives.

The common thread of our work is a shared commitment to sustainable growth, employment and trade, based on international co-operation, and focused on the well-being of all citizens. Along the way, we also set out to make life harder for the terrorists, tax dodgers, and others whose actions undermine a fair and open society.



The OECD provides a forum for international dialogue and co-operation. The **global corporate governance dialogue** takes place via regional initiatives in Asia, Latin America, Eurasia, Middle East and North Africa and Southern Africa and programmes with individual economies including China, India, Indonesia, Russia and South Africa.

This partnership:

- Provides a forum for discussions on challenges and opportunities for corporate governance reform;
- Supports reform by making available international experience and policy options to the Chinese corporate governance community;
- Informs the international community about corporate governance developments in China.

Policy makers, practitioners and experts on corporate governance in China, including representatives from the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the State Assets Supervision and Administration Commission and the Development Research Centre of the State Council, and in OECD countries, participate in this Policy Dialogue.

Over the years, the Policy Dialogue has addressed a range of emerging corporate governance issues:

- Boards of directors in listed companies: e.g., boards' role and responsibilities; operation, composition and nomination;

The OECD Principles of Corporate Governance

The OECD Principles of Corporate Governance are an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They are recognised by the Financial Stability Board as one of the 12 key standards for international financial stability and form the basis for the corporate governance component of the World Bank Report on the Observance of Standards and Codes.

The OECD Principles are organised into six broad categories:

- ensuring the basis for an effective corporate governance framework
- rights of shareholders and key ownership functions
- equitable treatment of shareholders
- role of stakeholders
- disclosure and transparency
- responsibilities of the board

The OECD Guidelines on Corporate Governance of State-Owned Enterprises

The OECD Guidelines on Corporate Governance of State-Owned Enterprises help governments manage more effectively their responsibilities as company owners. Improving the corporate governance of SOEs makes them more competitive, efficient and transparent. SOEs which operate with higher standards of governance are better able to pursue both commercial and non-commercial priorities.

These Guidelines are based on and fully compatible with the OECD Principles of Corporate Governance, but are explicitly oriented to issues that are specific to the corporate governance of SOEs.

- Public and private enforcement of good standards of corporate governance;
- The state acting as an owner of enterprise: e.g., transparency and disclosure by state-owned enterprises (SOEs); the role of agencies involved in the ownership and regulation of SOEs.

Future activities of the Policy Dialogue will build on the findings of the previously mentioned Self-Assessment, *Corporate Governance of Listed Companies in China*.

OECD-ASIAN ROUNDTABLE ON CORPORATE GOVERNANCE

The OECD-Asian Roundtable on Corporate Governance serves as a regional forum for exchanging experiences and advancing the reform agenda on corporate governance while promoting awareness and use of the *OECD Principles of Corporate Governance*. It brings together policy makers, practitioners and experts on corporate governance from the Asian region, OECD countries and relevant international organisations.

For over a decade, China has been a regular, and active, participant in the OECD-Asian Roundtable. A cross-section of representatives from China attends Roundtable meetings: the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Development Research Center of the State Council and the Academy of Social Science. In 2009, China contributed to a special Roundtable Task Force on Related Party Transactions, a particular challenge in Asia, which resulted in a *Guide on Fighting Abusive Related Party Transactions in Asia*.

In 2010, China hosted a meeting of the Roundtable to launch its Self-Assessment, providing its neighbours with an opportunity to discuss the findings in the publication.

Future topics the Roundtable will address include board nomination and election in Asia as well as public supervision and enforcement.



Corporate Governance Online www.oecd.org/daf/corporate

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For more information about participating in the China-OECD Policy Dialogue on Corporate Governance, please contact:

Ms. Fianna Jurdant
+331 45 24 79 25
fianna.jurdant@oecd.org