

The 2015 Revision of the G20/OECD Principles of Corporate Governance

**2015 OECD RUSSIA CORPORATE GOVERNANCE
ROUNDTABLE**

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The OECD Corporate Governance Committee

- Delegates from all OECD Member Countries
- International Organisations (FSB, World Bank, BIS)
- Numerous Partner Countries

Corporate Governance: Not an end in itself

- Create an environment of trust and accountability
- Promote economic efficiency, sustainable growth and financial stability
- Facilitate corporate access to capital
- Increase investment

Main Policy Tools

- Company law
- Securities market regulation
- Stock market listing requirements
- Accounting and auditing standards

The Committee's Role

- Standard setting, monitoring and implementation assessment
- Economic analysis, data gathering and information sharing
- Country support and reform assistance

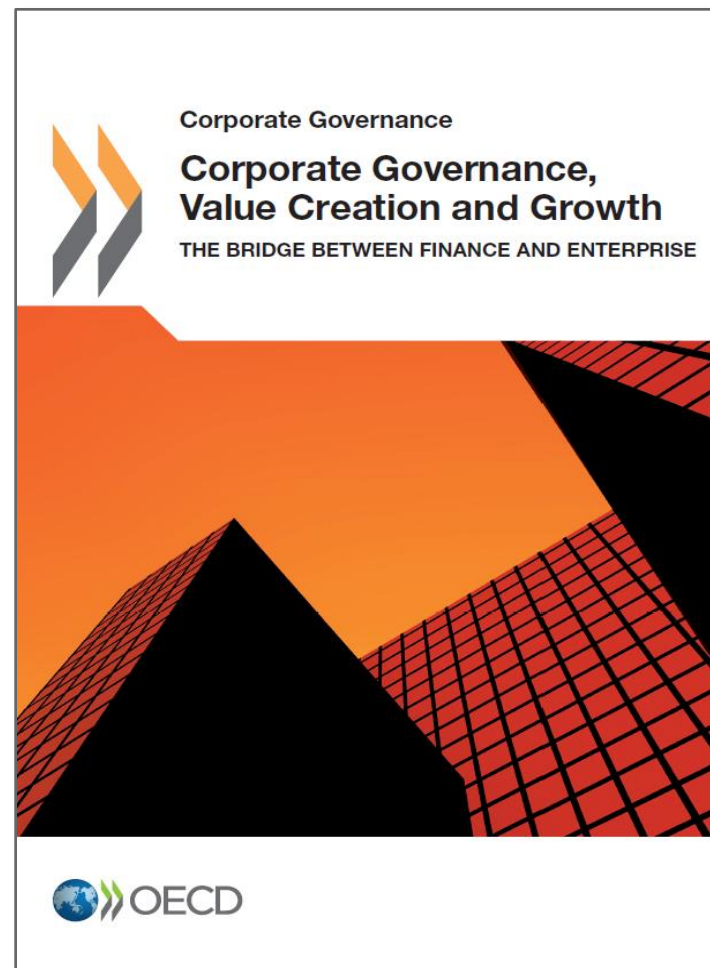
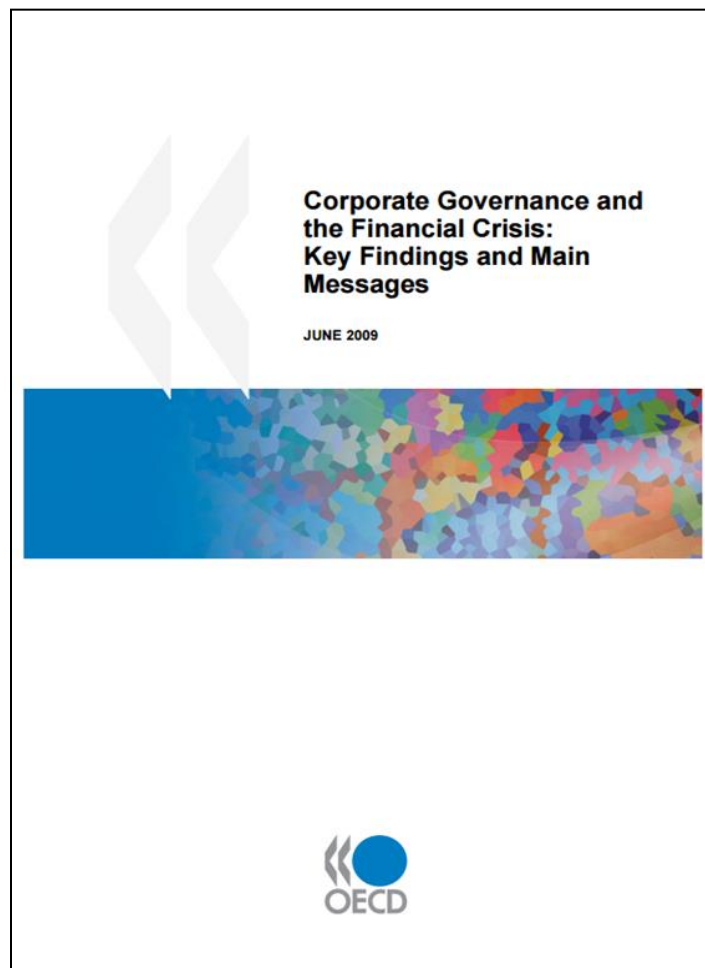
The G20/OECD Principles of Corporate Governance

- First issued in 1999
- One of the FSB's Key Standards for Sound Financial Systems
- Revised in 2015
- Endorsed by the G20 in September 2015

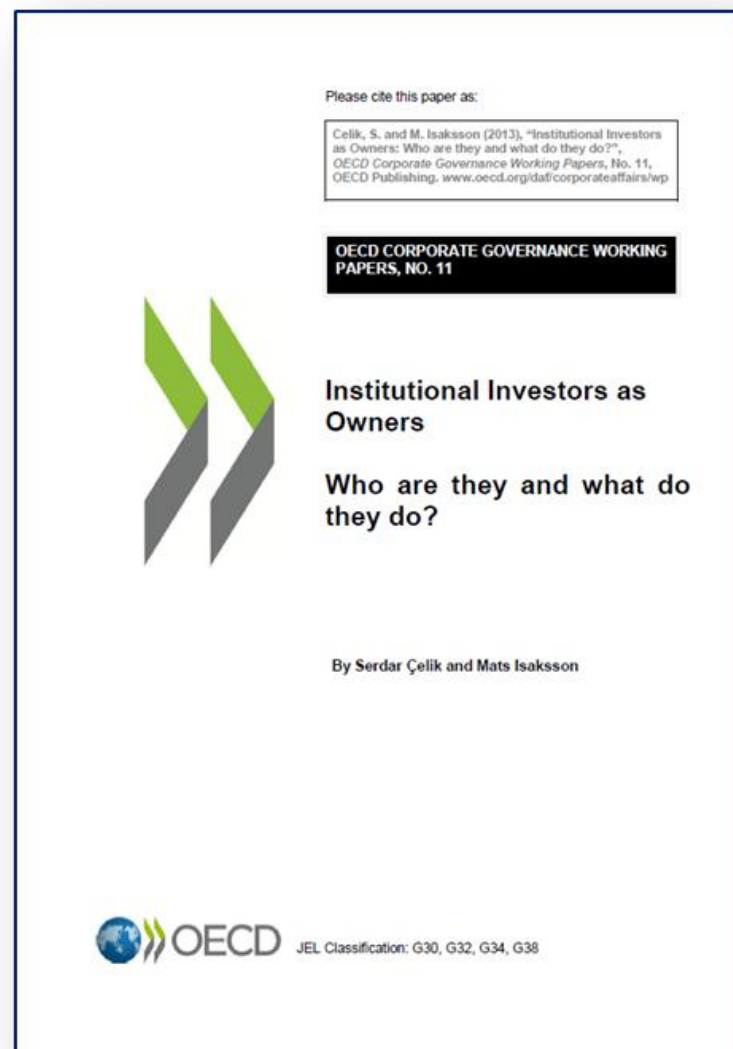
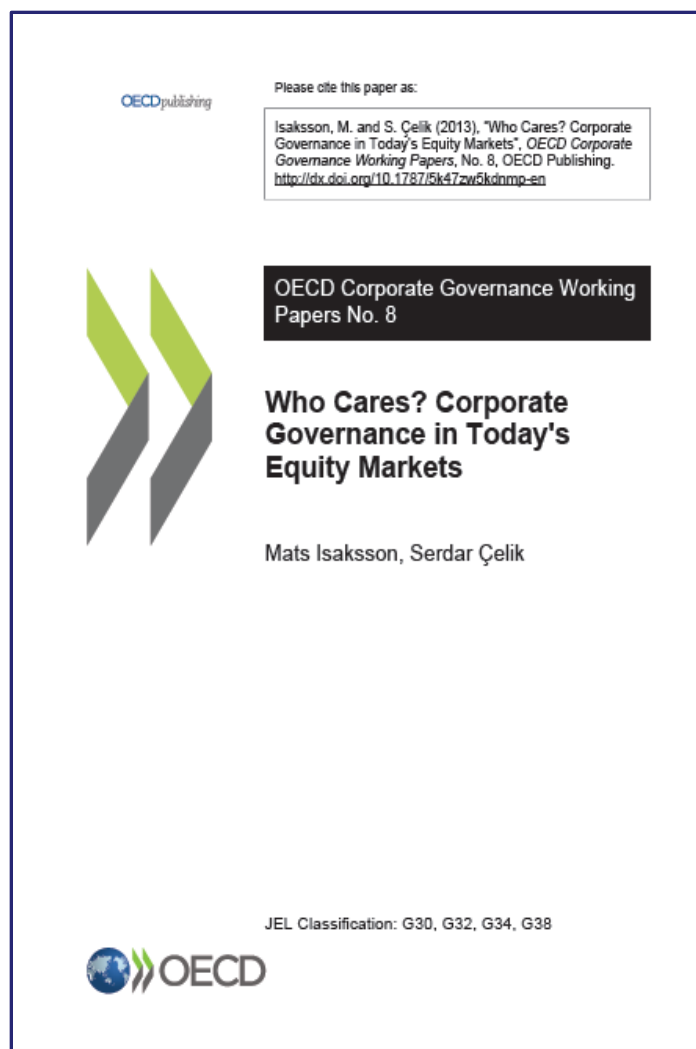
The Review Process

- Under the responsibility of the OECD
- All G20 countries invited on an equal footing
- Regional consultations, including in Latin America, Asia and MENA
- Experts meetings and online public consultation receiving submissions from a great variety of stakeholders

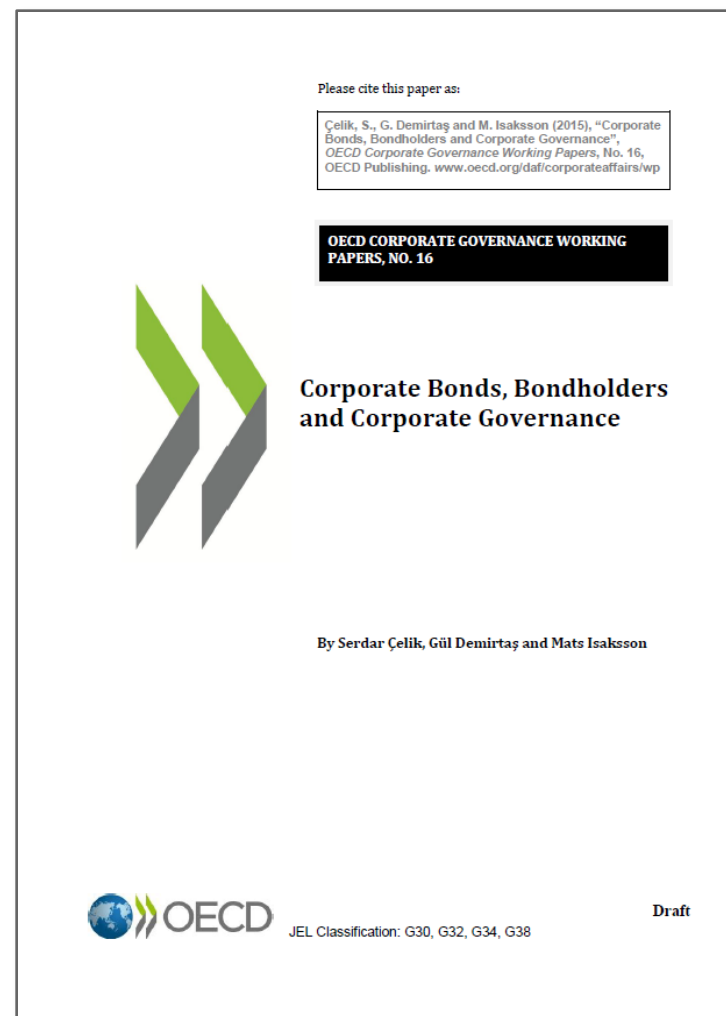
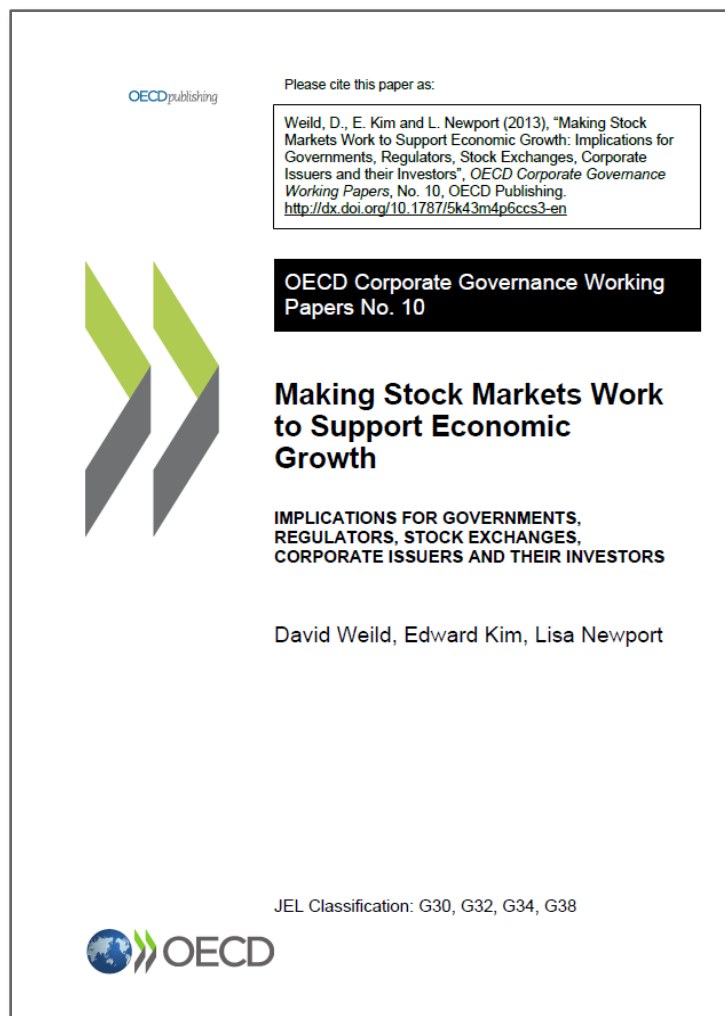
Supported by Data and Analysis



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Thematic Peer Reviews



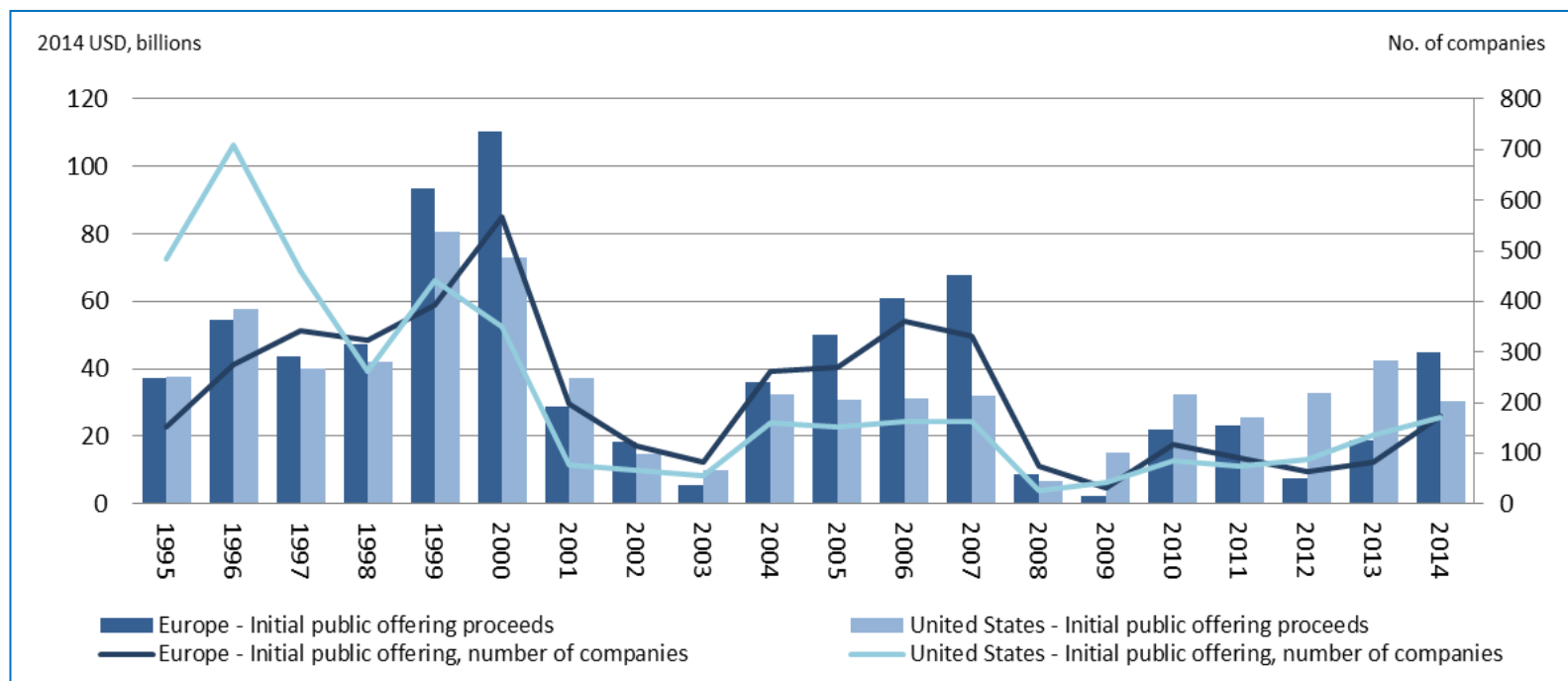
Corporate Governance Factbook



Some Key Developments Identified

- The financial crisis
- Developments in institutional ownership, investment strategies and trading techniques
- Developments in the investment chain and the use of service providers
- Developments in shareholder rights and participation
- Developments in corporate characteristics and business models
- Developments in corporate ownership
- Developments in the functioning of public stock markets

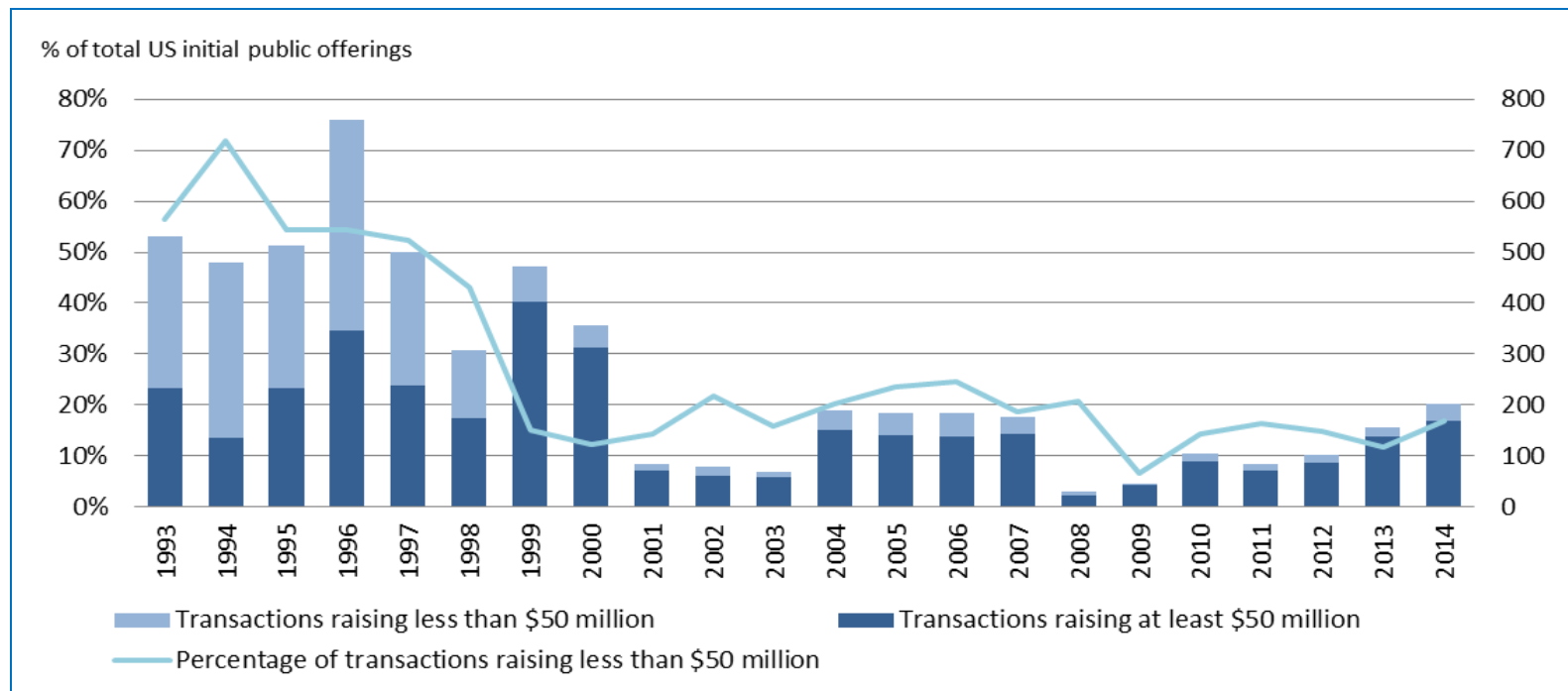
IPOs by US and European Non-Financial Companies



Source: Thomson Reuters, OECD calculations

- In the US;
 - 1995-2000 annual average number: 451
 - 2001-2014 annual average number: 104
- In Europe;
 - 1995-2000 annual average number: 343
 - 2001-2014 annual average number: 160

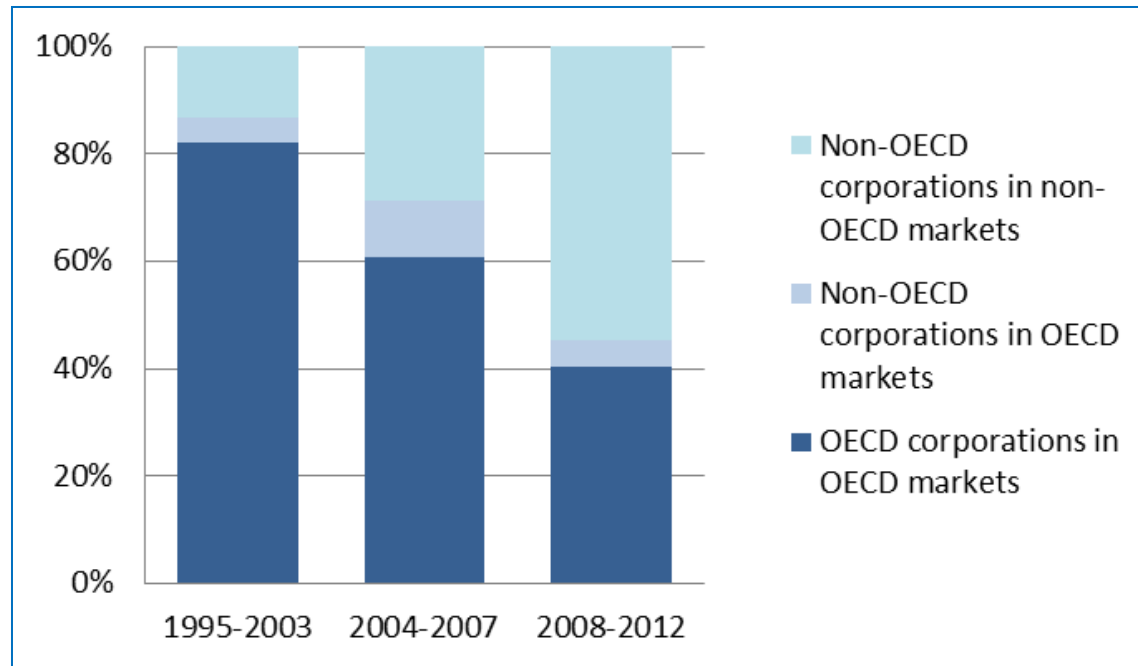
The decline in small company IPOs in the US



Source: Thomson Reuters, OECD calculations

- In the 1993-1997 period, small companies constituted 58% of all IPOs on average.
- Declined to 17% in 2014.

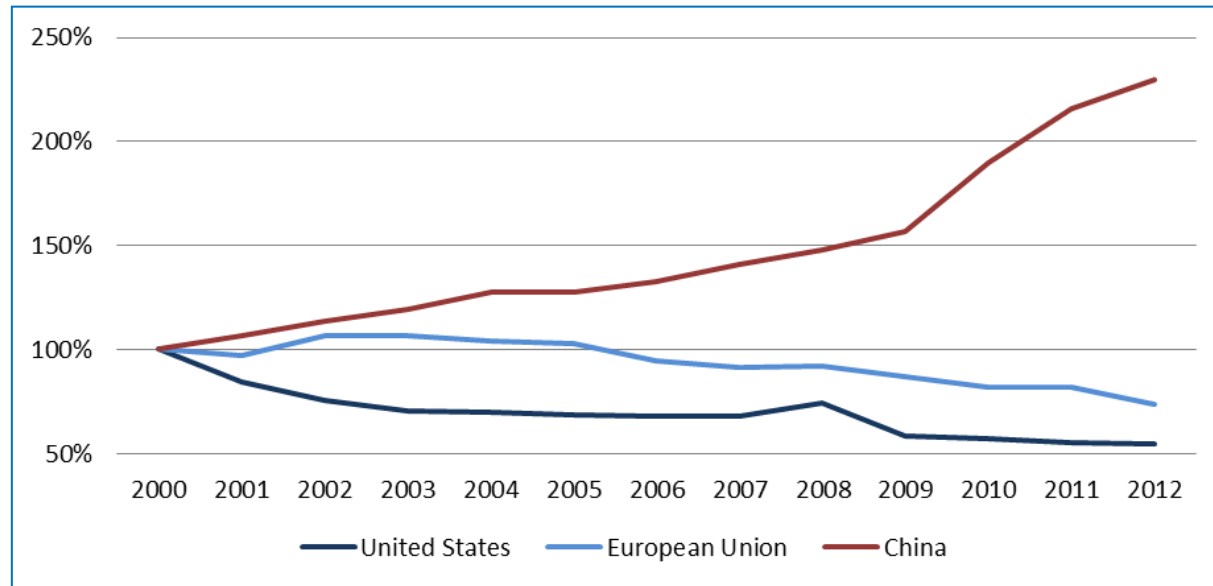
The global shift



Source: OECD calculations, based on data from Thomson Reuters New Issues Database, Datastream, stock exchanges' and companies' websites.

- Non-OECD markets from serving 20% to 60 % of all IPOs
- Less reliance on OECD markets compared to 2004-2007

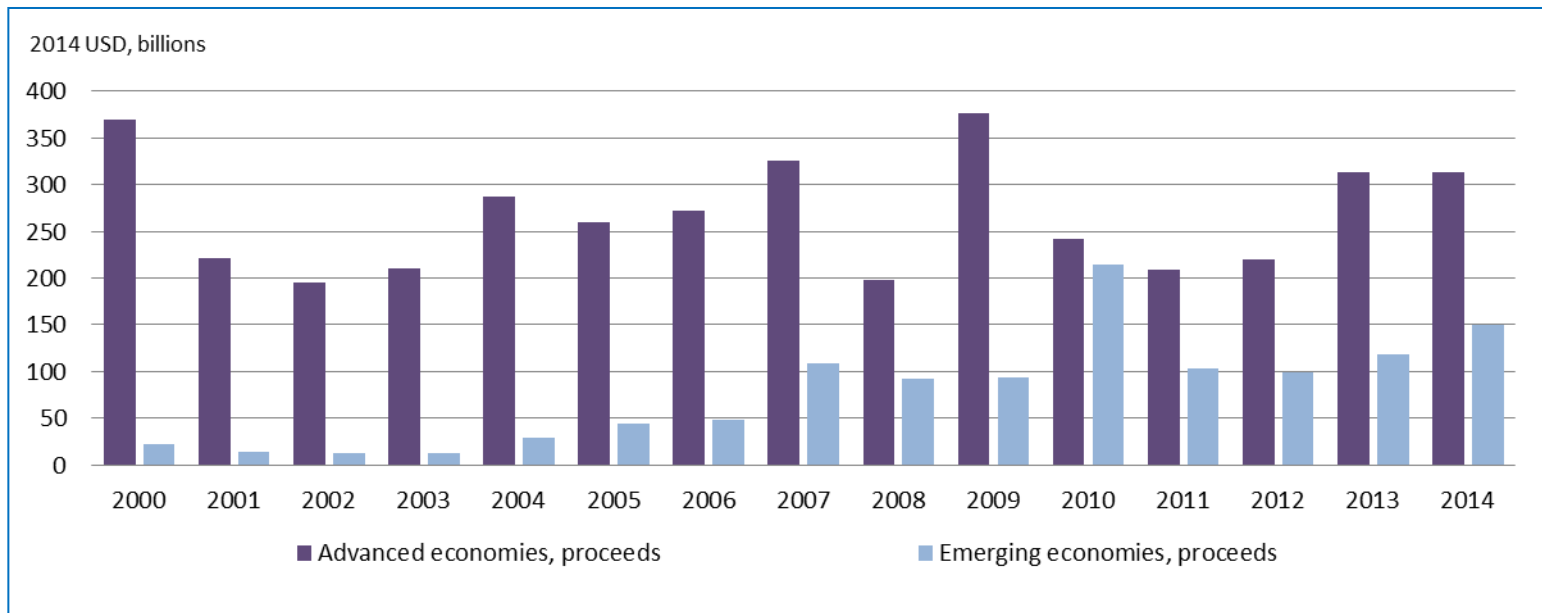
Number of Listed Companies



Source: World Bank World Development Indicators

- Some of the largest advanced stock markets have lost half of their publicly listed companies in the last 10 years.

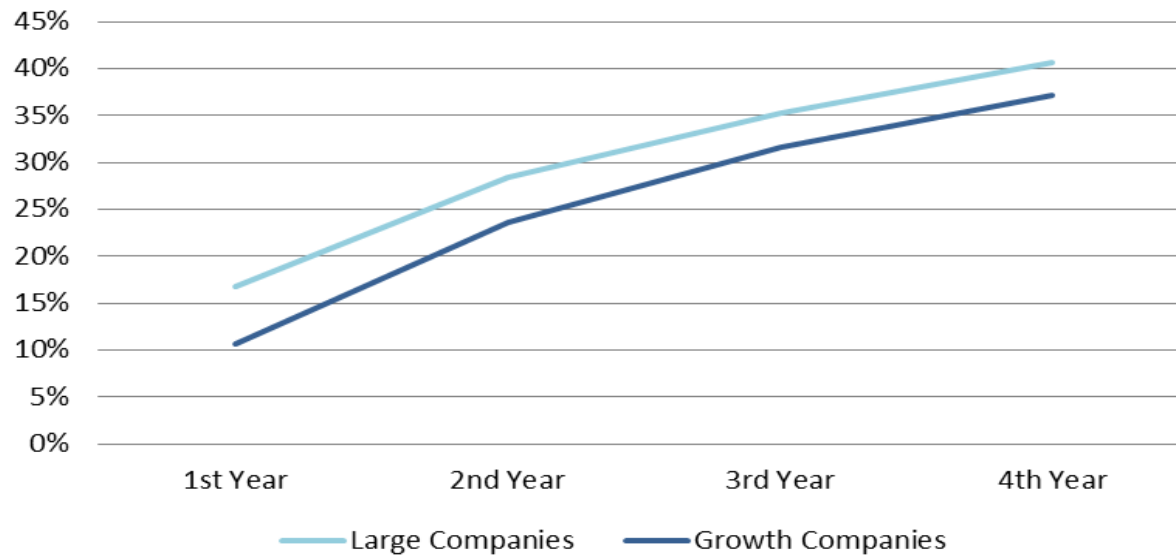
Secondary Public Offerings by Non-Financial Companies



Source: Thomson Reuters, OECD calculations.

- Every year since 2000; total SPO amount > total IPO amount.
- In 2009, companies from advanced economies raised a record level: USD 376 billion (12 x IPO).

Proportion of non-financial companies making an SPO following their IPOs

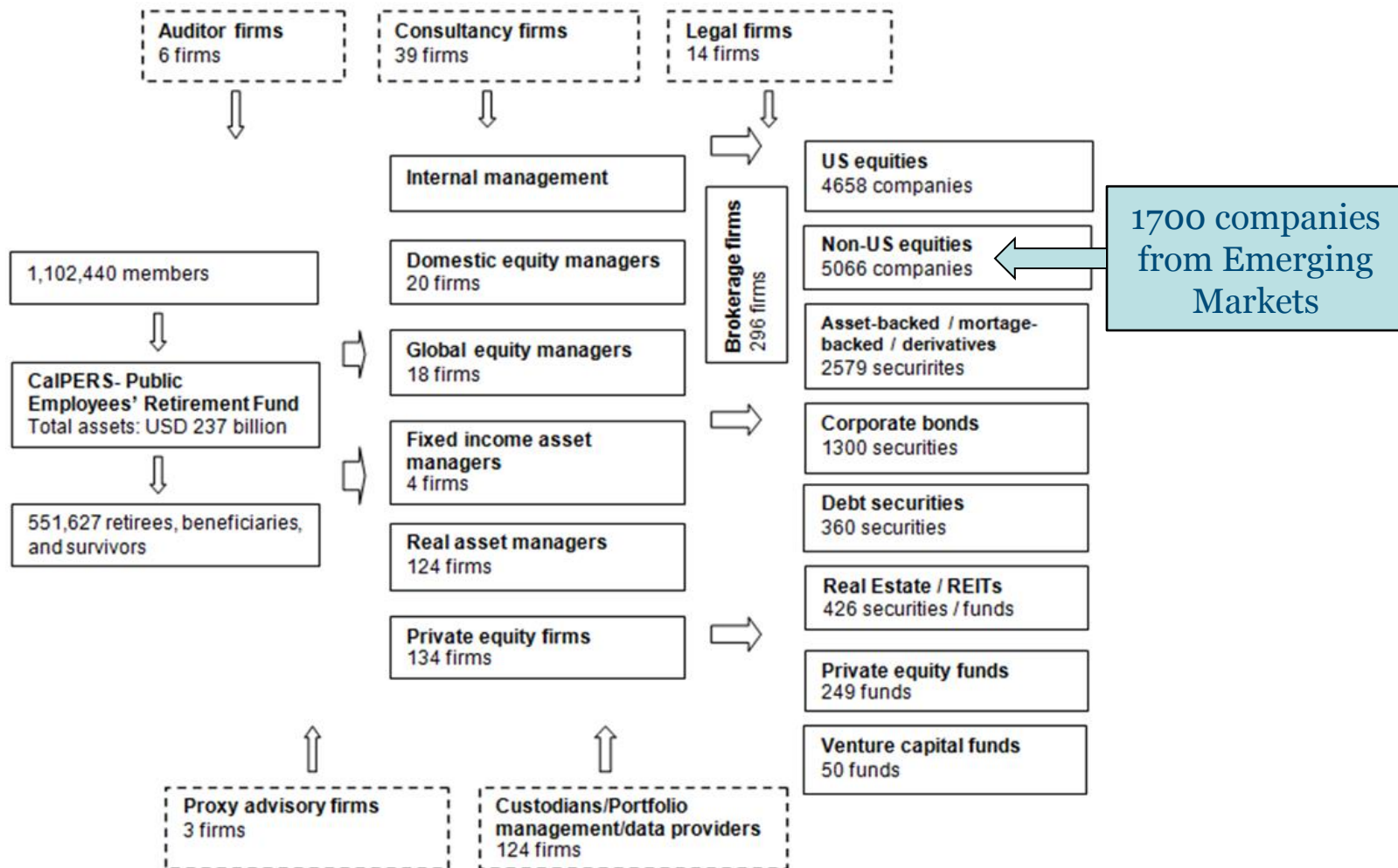


Source: Thomson Reuters, OECD calculations.

- Four years after the IPO, 37% of all growth companies and 41% of large companies had made an SPO.
- Once they are actually listed, small and large companies have similar access to public equity markets.

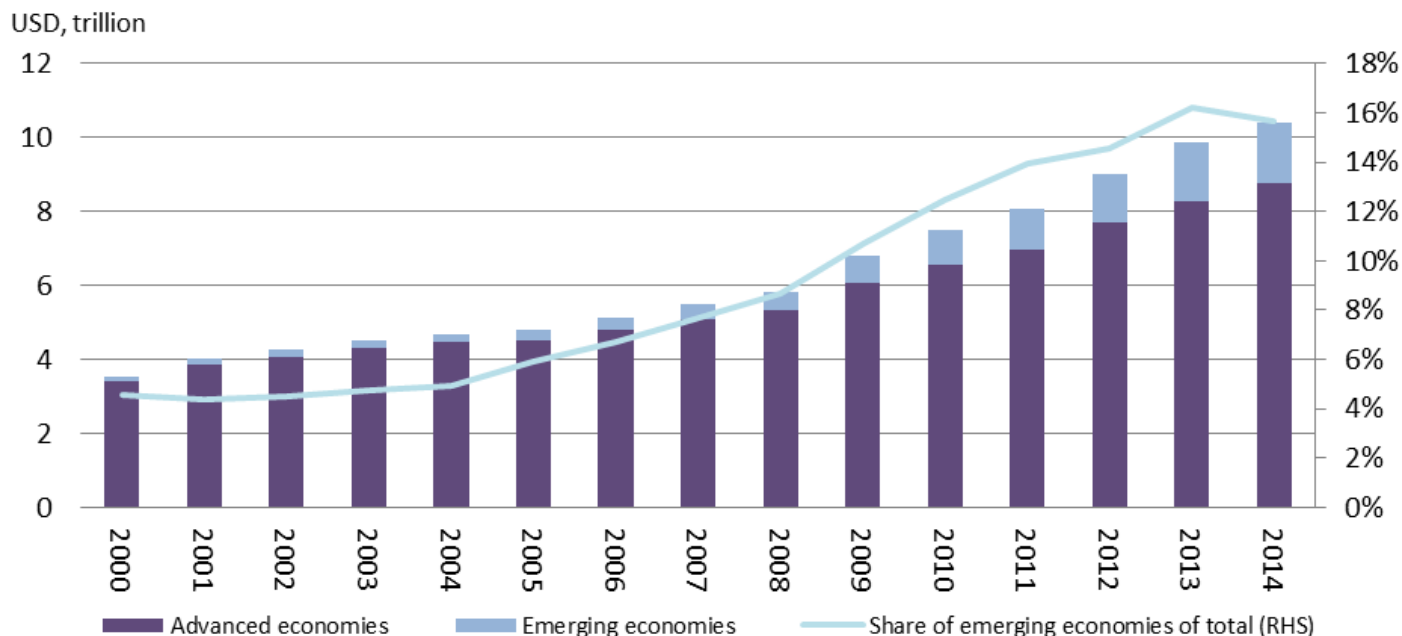
Developments in the investment chain and the use of service providers

CalPERS case



Source: CalPERS Comprehensive Annual Financial Report, Financial Year Ended June 30, 2012 and CalPERs Annual Investment Report, Financial Year Ended June 30, 2012

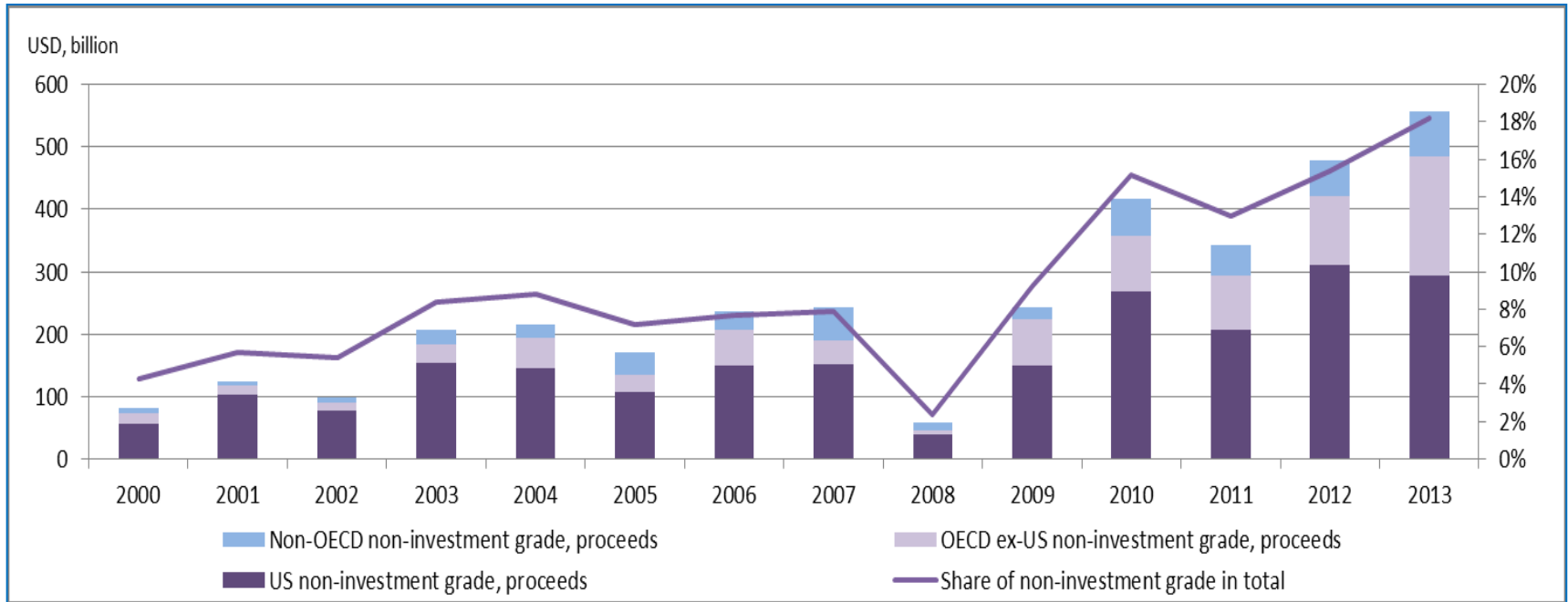
Outstanding Amounts of Non-Financial Company Corporate Bonds



- Advanced economies: USD 3.4 trillion in 2000, USD 8.8 trillion in 2014.
- Share of emerging market companies:
 - 2000: 5% (USD 162 billion)
 - 2014: 15% (USD 1.6 trillion)

Investors taking on more risk -1

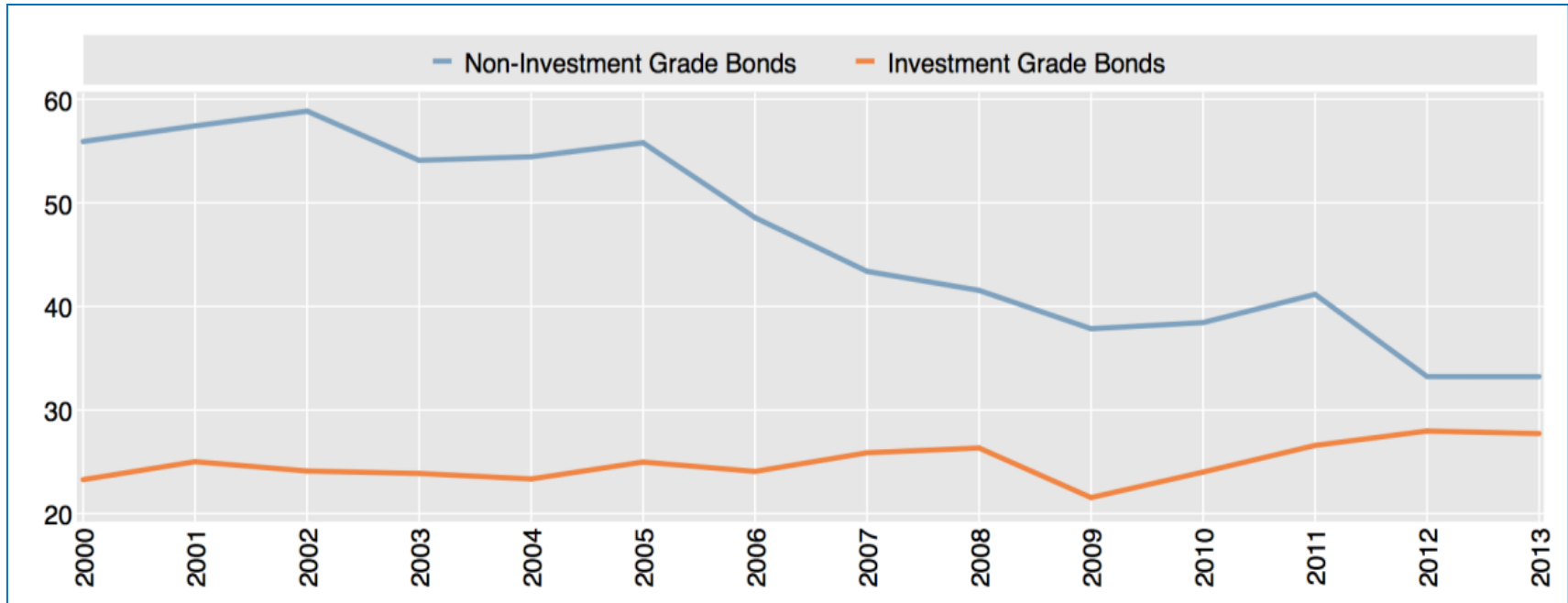
Increase in non-investment grade bonds



- Non-investment grade bonds; USD 82 billion in 2000 to USD 556 billion in 2013 (600% increase).
- Callable bonds; 16% in 2008 and 35% in 2013.
- Shift from floating to fixed rate bonds.

Investors taking on more risk -2

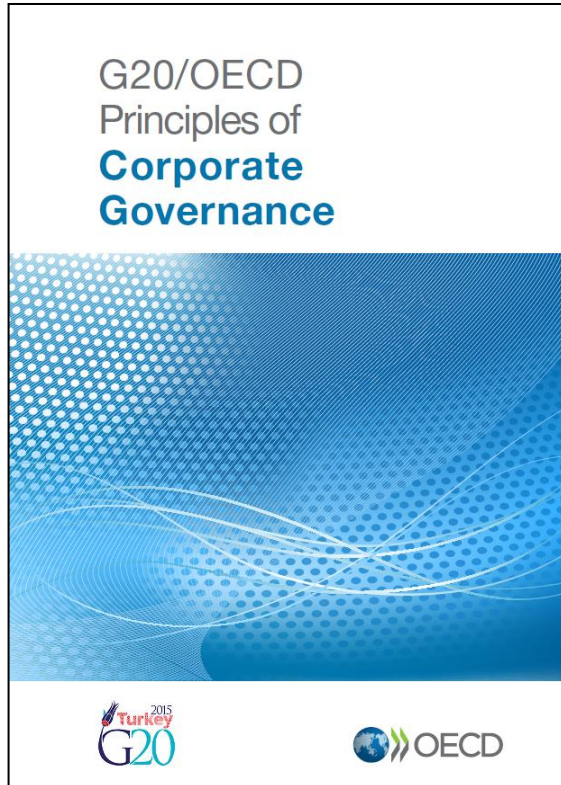
The weakening of covenants



Source: Mergent Fixed Investment Securities Database , OECD calculations.

- Covenant: Conditions in a bond contract that restrict payout, financing and investment policies of the issuer.
- Index for non-investment grade bonds: 59% in 2002 and 33% in 2013.

The G20/OECD Principles of Corporate Governance



- Based on facts and the expertise of policy makers, regulators, business and other stakeholders from around the world
- Introduce some new issues and bring greater emphasis to others
- New chapter on institutional investors, stock markets and other intermediaries

Covers Six Main Areas

- I. Ensuring 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. The role of stakeholders in corporate governance
- V. Disclosure and transparency
- VI. The responsibilities of the board

Some Highlights - 1

The Principles;

- are formulated so they can be adapted to country and company specific circumstances.
- can be useful to improve corporate governance in smaller and unlisted companies.

Some Highlights - 2

- Emphasis on the quality of supervision and enforcement
- The role of stock markets in supporting good corporate governance
- The use of information technology at shareholder meetings
- The procedures for approval of related party transactions
- New chapter addressing the need for sound economic incentives throughout the investment chain
- Address the conflicts of interest that may compromise the integrity of proxy advisors, analysts, brokers, rating agencies and others service providers

Thank you for your attention!