

Nomos Strategy Research Note

Corporate Governance of State-Owned Enterprises:

Spotlight on OECD's Revised Guidelines

Background

Working with over 100 countries, the Organisation for Economic Co-operation and Development ("OECD") sets international standards and influences local policy implementation. In this context, the OECD has, over the last twenty years, shaped the standards for state-owned enterprises through an array of instruments such as the Guidelines on Corporate Governance of State-Owned Enterprises¹ ("Guidelines"), the G20/OECD Principles of Corporate Governance² and the OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises.³

The original Guidelines, launched in 2005 and revised in 2015 and 2024 provide a comprehensive framework for the governance of state-owned enterprises (SOEs). They have one overarching goal: ensure that SOEs operate with **efficiency, transparency and accountability**.

The complementary OECD report on the Ownership and Governance of State-Owned Enterprises published in October 2024 ("OECD 2024 Report on SOEs")⁴ reflects the evolving corporate governance practices at SOEs across 59 countries, guides the implementation of the Guidelines and points to remaining gaps.

The Guidelines are powered by one core principle: the State should act as an informed owner, **ensuring effective governance**, while **avoiding political interference** in the operations of SOEs. There are seven interrelated areas that flow from this core principle and that are covered by the Guidelines:

- (1) the **legal and regulatory framework for SOEs** (including the definition of a SOE, mandates and responsibilities);
- (2) **maintaining a level playing field** with the private sector;
- (3) the **professionalization of boards of directors** (boards should have independent members with necessary competencies, appointed transparently);
- (4) **transparency** (achieved through the regular disclosure of financial and non-financial information);
- (5) the **fair treatment of shareholders** (protecting the rights of all shareholders, including minority and foreign shareholders and providing mechanisms for redress where necessary);
- (6) **clear objectives and performance monitoring** (governments should set clear objectives and monitor SOE performance through targets, evaluations, and incentive structures); and
- (7) **stakeholder relations and responsible business conduct** (emphasising that SOEs should engage responsibly with stakeholders and contribute to sustainable development).

¹ OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises 2024* (OECD 2024) <https://www.oecd.org/en/publications/oecd-guidelines-on-corporate-governance-of-state-owned-enterprises-2024_18a24f43-en.html>.

² OECD, *G20/OECD Principles of Corporate Governance 2023* (OECD 2023) <https://www.oecd.org/en/publications/g20-oecd-principles-of-corporate-governance-2023_ed750b30-en.html>.

³ OECD, *Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises* (OECD 2019) <https://www.oecd.org/en/publications/guidelines-on-anti-corruption-and-integrity-in-state-owned-enterprises_315dab91-en.html>.

⁴ OECD, *Ownership and Governance of State-Owned Enterprises 2024* (OECD 2024) <https://www.oecd.org/en/publications/ownership-and-governance-of-state-owned-enterprises-2024_395c9956-en.html>.

Key Messages of the Revised Guidelines

The updated Guidelines have a new dedicated section on sustainability. The corporate governance framework should provide incentives for SOEs to make decisions and manage their risks in a way that contributes to their sustainability, resilience and the creation of long-term value. Given that half of the largest 126 SOEs in the Fortune Global 500 list operate in sectors that are associated with high greenhouse gas emissions such as hydrocarbons, utilities, engineering and construction, the addition and clarification of sustainability-related expectations for SOEs is welcome.

- **For states:**
 - **States should set high expectations for SOEs' observance of responsible business conduct standards** (such as the G20/OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the Global Compact and the 2030 Agenda) together with effective mechanisms for their implementation.
 - **States should fully recognise SOEs' responsibilities towards stakeholders** established in law or through mutual agreements and should request that SOEs report on their relations with stakeholders. Effective redress for rights violations at a reasonable cost and without excessive delay should be ensured. Meaningful stakeholder engagement in advancing sustainability and ensuring a just transition, particularly from persons or groups that may have an interest in or could be impacted by an enterprise's activities should be developed and encouraged.
 - **Where the state has set sustainability goals, they should be integrated into the state's ownership policy and practices** by setting concrete and ambitious sustainability-related expectations; communicating and clarifying the state's expectations on sustainability through regular dialogue with the boards; assessing, monitoring and reporting on SOEs' alignment with sustainability-related expectations and performance on a regular basis. The OECD 2024 Report on SOEs' notes that while all jurisdictions covered in the report have established sustainability commitments, through their endorsement of the UN Sustainable Development Goals and the Paris Agreement, **only 26% of the jurisdictions analysed explicitly include climate goals in their SOE ownership policy**, while another 29% have climate-related policies, expectations, or mandates for specific SOEs, so this is an area that many SOEs will have to look into.
- **For SOEs:**
 - **The boards of SOEs should adequately consider sustainability risks and opportunities when fulfilling their key functions**, with the following prerequisites considered essential for ensuring effective sustainability management at the enterprise level: board review and guidance of the development, implementation and disclosure of material sustainability-related objectives and targets as part of the corporate strategy; the integration of sustainability considerations into risk management and internal control systems, including by conducting risk-based due diligence; and the integration of sustainability matters into the assessment and monitoring of management performance.
 - **Sustainability reporting and disclosure should be aligned with high-quality internationally recognised standards** that facilitate consistency and comparability of sustainability related disclosures across markets, jurisdictions and companies. For example, the OECD 2024 Report on SOEs notes that listed SOEs can play an important role in sustainability disclosure. In a sample of 479 listed SOEs, 441 companies disclosed sustainability-related information, with 51% of this number disclosing scope 1 and scope 2 emissions and 23% disclosing scope 3 emissions. In terms of market capitalization, this represents 72% for scope 1 and 2, and 27% for scope 3. This shows a commitment to transparency in this area but also points to significant room for improvement.

- **Phasing in of requirements for annual assurance attestations** by an independent, competent and qualified attestation service provider **in accordance with internationally recognised standards** should also be considered.

Conclusion

Overall, the 2024 revision of the Guidelines sets out clear and progressive sustainability-related expectations for states and SOEs. To align with the latest Guidelines, states that have set sustainability goals will need to update their respective state ownership policies and integrate sustainability goals therein. SOEs will also need to perform gap analyses and update their internal corporate governance systems and reporting mechanisms to align with the revised Guidelines.

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