

# OECD Guidelines on Corporate Governance of State-Owned Enterprises 2024

State-Owned Enterprises (SOEs) play an important role in many economies, and operate across a range of sectors, including infrastructure, natural resources, energy, logistics, transportation, financial services and manufacturing. SOEs can provide public goods and services that cannot be supplied by market forces alone, generate revenue streams for governments, make investments to achieve a policy objective, support development, and advance science and technological progress.

Governments shape SOE decision-making and structure as shareholders, policymakers and in many cases regulators. Sound corporate governance, professionalised ownership, integrity, transparency and accountability are essential to address potential conflicts of interest, as well as the risks of corruption and illegal influence. This is particularly important to ensure SOEs remain effective in their mission and accountable to citizens and taxpayers as their ultimate owners.

OECD has issued a report on Corporate Governance of State-Owned Enterprises 2024 that provides easily accessible and updated information on ownership and governance practices of state-owned enterprises across 59 jurisdictions. Its main goal is to promote greater awareness and implementation of the OECD Guidelines on Corporate Governance of State-Owned Enterprises, particularly following their 2024 revision. The report is the main publication of the OECD Working Party on State Ownership and Privatisation Practices (Working Party) and serves as a comprehensive repository of its expertise.

The report builds on information recently collected or verified through various means, including a comparative analysis on *Disclosure, transparency, and the responsibilities of the boards of SOEs* undertaken by the Working Party in 2023 with support from the European Commission. It also draws on additional data sources, including recent national reviews of the governance of SOEs undertaken by the Working Party, the 2023 OECD Product Market Regulation Indicators, and the OECD Capital Market Series dataset.

The report also builds on and complements other OECD work, including the *OECD Corporate Governance Factbook 2023*, the *Global Corporate Sustainability Report 2024*, the report *Climate Change and Low-Carbon Transition Policies in State-Owned Enterprises* (2022), and the forthcoming best practice guide on enhancing sustainability in the state-owned sector.

According to the report between 2000 and 2023, the number of SOEs among the largest 500 enterprises by revenue worldwide increased from 34 to 126. These SOEs had USD 53.5 trillion in assets and over USD 12 trillion in revenue in 2023. That same year, 12% of global market capitalisation was in companies with more than 25% of public sector ownership.

The prominence of SOEs, however, varies considerably across markets. In the OECD area, the market capitalisation of listed firms with more than 25% of public sector ownership is just 2%, compared to 16% in Latin America, and over 40% or more in some markets.

The major findings of the report are as under:

- Half the jurisdictions surveyed have yet to introduce ownership policies outlining the state's goal as an owner and how it exercises ownership.
- Centralised or co-ordinated ownership arrangements, bringing together pools of expertise in public asset management, are now used in 53% of jurisdictions (up from 41% in 2021), but 27% of jurisdictions still have dispersed ownership, which makes it challenging to separate ownership from other government functions such as policy making or regulation.
- 64% of jurisdictions publish annual reports on the SOE sector, with 37% offering comprehensive insights into the overall performance and evolution of the full SOE portfolio in aggregate terms, thus promoting enhanced accountability and transparency.

The report further states that a level playing field between SOEs and other enterprises requires addressing the possible conflicts arising from the state's roles as policy maker, market regulator and enterprise owner. Although 80% of jurisdictions provide similar regulatory treatment to SOEs and other firms, implicit or explicit differences include:

- Special tax treatment for some SOEs in one third of jurisdictions, and inconsistent application of insolvency rules in 18%.
- No requirement to report contractual and contingent liabilities in 38% of jurisdictions, which may affect non-state equity owners and other stakeholders by reducing their ability to assess risks.

- No requirement for SOEs to separate accounting of public service obligations in 21% of jurisdictions and lack of adequate compensation for fulfilling public service obligations in 26%.
- Preferential access to finance for SOEs, including implicit or explicit state guarantees on commercial debt in 74% of jurisdictions.
- Alignment with best practices in the disclosure, transparency and accountability of SOEs varies both within and between jurisdictions
- Effective corporate governance relies on robust disclosure, transparency, and accountability. For SOEs, there is the added responsibility to demonstrate effective stewardship of public resources vis-à-vis the public and stakeholders in order to mitigate risks of corruption, inefficiency, and mismanagement. Practices vary widely across categories and sizes of SOEs:
- Financial and non-financial reporting and disclosure requirements, akin to those applied to listed companies, typically apply to a subset of centrally held and large SOEs.
- Disclosure should cover commercial and non-commercial SOEs objectives, yet only 52% of jurisdictions require such disclosure.
- While 89% of jurisdictions require that SOEs disclose related party transactions, this primarily applies to listed and large SOEs. SOEs adhering to internationally recognised reporting standards (such as IFRS) must also disclose off-balance sheet assets and liabilities.
- 86% of jurisdictions require at least some SOEs to report on material risks and implement risk management strategies.
- Only half of jurisdictions require all their SOEs to conduct external independent audits, while 15% rely on the national Supreme Audit Institution to undertake annual audits.
- Legal frameworks enshrine SOE boards' independence, diversity and autonomy, but remain an area for improvement

The instrumental role that Boards play in shaping the strategy, oversight, and performance of individual SOEs have also been encompassed in this report. According to the report the roles and duties of the Board should be clearly defined in legislation and their members should act in the best interest of the enterprise and its shareholders, taking also into account the interests of stakeholders. A skilled, independent, and diverse board improves decision-making, mitigates potential conflicts

of interest and prevents undue political interference. Key insights pertaining to SOEs boards are as under:

- SOE boards in 67% of jurisdictions have full responsibility and autonomy in defining enterprise strategy, limiting undue interference, and advancing the long-term interest of the company.
- 58% of jurisdictions have gender targets or quotas for SOE boards, aiming for at least 1/3 representation of the minority gender.
- Definitions of board independence vary across jurisdictions, with only two jurisdictions adopting definitions in line with a best practice benchmark definition. Most jurisdictions assessed do not include limits on the term of appointment in their definition.
- 25% of jurisdictions do not have a formal ban on elected politicians serving on SOE boards, even if it may not occur in practice.
- 77% of jurisdictions mandate large/listed SOEs to have an internal audit function reporting to the board or its audit committee, reflecting best practices.
- SOEs are central to sustainable development and can lead by example in various domains, including the low carbon transition and responsible business conduct
- Ownership entities and SOEs must proactively manage risks in a manner that fosters sustainability, resilience, and long-term value creation. The prevalence of SOEs in high-emitting greenhouse gas sectors, including hydrocarbons, utilities, construction, energy and metals, makes them particularly important to the low carbon transition.
- The public sector owns 18% of the shares of the top 100 highest GHG emitting listed companies globally, with significantly higher ownership in some emerging markets.
- Despite this, only a quarter of jurisdictions explicitly incorporate climate goals into their SOE ownership policy.
- 92% of a sample of 479 listed SOEs globally disclosed sustainability information in 2022. Of these, 51% disclosed scope 1 and 2 GHG emissions, and 23% disclosed scope 3 emissions. This shows a commitment to transparency in this area but also significant room for improvement.

**Reference:**

[https://www.oecd.org/en/publications/ownership-and-governance-of-state-owned-enterprises-2024\\_395c9956-en.html](https://www.oecd.org/en/publications/ownership-and-governance-of-state-owned-enterprises-2024_395c9956-en.html)

