TUAC trade union advisory committee to the
OECD organisation for economic cooperation and development
■ CSC commission syndicale consultative auprès de
OCDE l'organisation de coopération et de développement économiques

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The revised OECD Principles of corporate governance 2004
- Continuing action on corporate governance reform needed

On 22 April 2004, the OECD disclosed a revised version of its Principles of corporate governance endorsed by the 30 member governments. This brings an end to a year-long review process that has come at times of repeated corporate and financial scandals and widespread public distrust of the corporation in OECD countries and beyond. National level responses have gone some way to help restore the public's confidence in corporations. But they still fall short of what is needed. The review of the Principles, the only international standard in this area, was an opportunity to guide national level debates and to deepen the dialogue on corporate governance reform.

TUAC and its affiliates and partners have been active in the review process. TUAC has repeatedly called for a strong revision of the Principles taking a renewed approach to corporate governance beyond the restrictive shareholder–manager problematic. TUAC was convinced that the review of the Principles had the potential to inform on what a good company should aspire to for its internal governance and accountability mechanisms. TUAC was particularly concerned with the legitimate rights of internal constituents of the corporation, including employees and responsible investors to be empowered to hold CEOs and boards accountable for their actions, whilst ensuring responsibility to external constituents.

Within the revised Principles, some improvements appear to head in the right direction in addressing those concerns. New principles on the requirement of institutional investors to disclose their voting policy, on the protection of minority shareholders and on the duty of external auditors to the company are welcome. TUAC also notes the improvements that were made late in the review process to the chapter on the stakeholders on the insistence of a key member state. The Principle on the protection of whistleblowers is welcome. In that chapter the rights of stakeholders are now defined beyond those "as established by law" (original wording) to include "mutual agreements". "Performance enhancing mechanisms" (e.g. works councils, board level employee representation, employee share ownership) should be permitted to develop. Those changes were necessary for the recognition by the OECD of the existing various forms of worker participation in corporate governance.

However, TUAC remains convinced that much more needs to be done beyond the outcome of the review to address tomorrow's challenges of corporate governance policy reform. Shareholders have a responsibility to be informed owners acting in long term interest of the company. There is a need for tightened control over director compensation, and for increased diversity of board composition notably through shareholders' access to the nomination process. Disclosure of institutional investors voting records and of individual board member remuneration must become a priority. There is a need for strong rules to prevent conflicts of interests that may affect dominant shareholders, institutional investors, financial analysts, brokers and rating agencies, directors that cumulate multiple board memberships. Finally,

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separation of chair and CEO functions must be considered as a basic requirement of checks and balance of the governing body of corporations.

There was no agreement between governments to address these issues in the revised Principles; but TUAC and its affiliates will continue to press for further action in these areas. We reaffirm our support for high quality international standards on the governance and accountability of corporations. The Principles have the potential for becoming such standard. More important therefore than the actual outcome, it is ability of the governments, responsible investors, workers and other stakeholders to continue dialogue at the international level on corporate governance and accountability reform. On the formal adoption of the revised Principles at the OECD Ministerial Council on 13&14 May 2004, governments must give the OECD a clear mandate and resources to develop a multi-stakeholder dialogue, alongside a monitoring process of member government's corporate governance reforms. They should inform a forward looking work programme to further develop and strengthen the Principles.