

Summary of G20/OECD Principles of Corporate Governance 2023

This document is a summary of changes brought in by the (new) marked in red ink over the [erstwhile set of corporate governance principles](#) introduced by OECD in 2015. Any deletion in the erstwhile principle has been done in blue ink.

THE OECD PRINCIPLES OF CORPORATE GOVERNANCE

I. Ensuring the Basis for an Effective Corporate Governance Framework

*The corporate governance framework should promote transparent and **efficient** markets, **and the efficient allocation of resources. It should be consistent with the rule of law and clearly articulate the division of responsibilities among different support effective supervisory, regulatory and enforcement authorities.***

A. The corporate governance framework should be developed with a view to its impact on **corporate access to finance** overall economic performance **and financial stability, the sustainability and resilience of corporations**, market integrity, ~~the promotion of transparent and efficient markets~~ and the incentives it creates for market participants **and the promotion of transparent and well functioning markets.**

B. The legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with the rule of law, transparent and enforceable. **Corporate governance codes may offer a complimentary mechanism to support the development and evolution of companies' best practices, provided that their status is duly defined**

C. The division of responsibilities among different authorities in a jurisdiction should be clearly articulated and ensure that the public interest is served.

D. **Stock market regulation should support effective corporate governance**

E. Supervisory, regulatory and enforcement authorities should have the authority, **autonomy**, integrity ~~and~~ resources **and capacity** to fulfill their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.

F. **Digital technologies can enhance the supervision and implementation of corporate governance requirements, but supervisory and regulatory authorities should give due attention to the management of associated risks.**

G. **Cross-border co-operation should be enhanced, including through bilateral and multilateral arrangements for exchange of information.**

H. **Clear regulatory frameworks should ensure the effective oversight of publicly traded companies within company groups.**

II. The Rights **and equitable treatment** of Shareholders and Key Ownership Functions

The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders.

All shareholders should have the opportunity to obtain effective redress for violation of their rights at a reasonable cost and without excessive delay.

A. Basic shareholder rights should include the right to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant and material information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect and remove members of the board; and 6) share in the profits of the corporation; **7. Elect, appoint or approve the external auditor.**

B. Shareholders should have the right **approve or to** participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional shares; and 3) extraordinary transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company.

C. Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings:

1. Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.
2. **Processes, format and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes**
3. **General shareholder meetings allowing for remote shareholder participation should be permitted by jurisdictions as a means to facilitate and reduce the costs to shareholders of participation and engagement. Such meetings should be conducted in a manner that ensures equal access to information and opportunities for participation of all shareholders**
4. Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
5. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known **including through votes at general meeting** on the remuneration policy for board members and key executives, **as applicable**. The equity component of compensation schemes for board members and employees should be subject to shareholder approval.
6. Shareholders should be able to vote in person or *in absentia*, and equal effect should be given to votes whether cast in person or *in absentia*.
7. **Impediments to cross-border voting should be eliminated**

D. **Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.**

E. **All shareholders of the same series of a class should be treated equally. All investors should**

be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in economic or voting rights should be subject to approval by those classes of shares which are negatively affected.

F. Related party transactions should be approved and conducted in a manner that ensures proper management of conflicts of interest and protects the interests of the company and its shareholders.

1. Conflicts of interest inherent in related party transactions should be addressed.
2. Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

G. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited

~~H. Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.~~

I. Markets for corporate control should be allowed to function in an efficient and transparent manner.

1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.
2. Anti-take-over devices should not be used to shield management and the board from accountability.

~~J. The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated.~~

- ~~1. Institutional investors acting in a fiduciary capacity should disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.~~
- ~~2. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.~~

~~K. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.~~

~~III. The Equitable Treatment of Shareholder~~

~~The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.~~

~~A. All shareholders of the same series of a class should be treated equally.~~

- ~~1. Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in voting rights should be subject to approval by those classes of shares which are negatively affected.~~
- ~~2. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress.~~
- ~~3. Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares.~~
- ~~4. Impediments to cross border voting should be eliminated.~~
- ~~5. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.~~
- ~~6. Insider trading and abusive self-dealing should be prohibited.~~

~~B. Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.~~

III. Institutional investors, stock markets, and other intermediaries

The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.

III.A. The corporate governance framework should facilitate and support institutional investors' engagement with their investee companies. Institutional investors acting in a fiduciary capacity should disclose their policies for corporate governance and voting with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights. Stewardship codes may offer a complementary mechanism to encourage such engagement.

III.B. Votes should be cast by custodians or nominees in line with the directions of the beneficial owner of the shares.

III.C. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.

III.D. The corporate governance framework should require that entities and professionals that provide analysis or advice relevant to decisions by investors, such as proxy advisors, analysts, brokers, ESG rating and data providers, credit rating agencies and index providers, where regulated, disclose and minimise conflicts of interest that might compromise the integrity of their analysis or advice. The methodologies used by ESG rating and data providers, credit rating agencies, index providers and proxy advisors should be transparent and publicly available.

III.E. Insider trading and market manipulation should be prohibited and the applicable rules enforced.

III.F. For companies who are listed in a jurisdiction other than their jurisdiction of incorporation, the applicable corporate governance laws and regulations should be clearly disclosed. In the case of cross-listings, the criteria and procedure for recognising the listing requirements of the primary listing should be transparent and documented.

III.G. Stock markets should provide fair and efficient price discovery as a means to help promote effective corporate governance.

IV. The Role of Stakeholders in Corporate Governance

The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

A. The rights of stakeholders that are established by law or through mutual agreements are to be respected.

B. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

C. Performance enhancing mechanisms for employee participation should be permitted to develop.

D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.

E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.

F. The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.

V. Disclosure and Transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

- A. Disclosure should include, but not be limited to, material information on:
1. The financial and operating results of the company.
 2. Company objectives and sustainability-related information.
 3. Capital structures, group structures and their control arrangements
 4. Major share ownership and voting rights.
 5. Remuneration policy for of members of the board and key executives, and information about the composition of the board and its members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.
 6. Related party transactions.
 7. Foreseeable risk factors.
 8. Issues regarding employees and other stakeholders.
 9. Governance structures and policies, including the extent of compliance particular, the content of any national corporate governance code or policies and the process by which it is they are implemented.
 10. Debt contracts, including the risk of non-compliance with covenants
- B. Information should be prepared and disclosed in accordance with high quality internationally recognized standards of accounting and financial and non-financial disclosure standards.
- C. An annual external audit should be conducted by an independent, competent and qualified, auditor in accordance with internationally recognized auditing, ethical and independence standards in order to provide reasonable an external and objective assurance to the board and shareholders that on whether the financial statements are prepared, in all material aspects, in accordance with an applicable fairly represent the financial reporting framework position and performance of the company in all material respects.
- D. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit in the public interest.
- E. Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.
- ~~F. The corporate governance framework should be complemented by an effective approach that addresses and promotes the provision of analysis or advice by analysts, brokers, rating agencies and others, that is relevant to decisions by investors, free from material conflicts of interest that might compromise the integrity of their analysis or advice.~~

VI. The responsibilities of the board

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

A. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders **taking into account the interests of stakeholders.**

1. **Board members should be protected against litigation if a decision was made in good faith with due diligence.**

B. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.

C. The board should apply high ethical standards. ~~It should take into account the interests of stakeholders.~~

D. The board should fulfil certain key functions, including:

1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.
2. **Reviewing and assessing risk management policies and procedures.**
3. Monitoring the effectiveness of the company's governance practices and making changes as needed.
4. Selecting, compensating, monitoring **the performance of key executives**, and, when necessary, replacing key executives and overseeing succession planning.
5. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.
6. Ensuring a formal and transparent board nomination and election process.
7. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
8. Ensuring the integrity of the corporation's accounting and ~~financial~~ reporting systems **for disclosure**, including the independent **external** audit, and that appropriate **control** systems ~~of control~~ are in place, in ~~particular, systems for risk management, financial and operational control, and~~ compliance with the law and relevant standards.
9. Overseeing the process of disclosure and communications.

E. The board should be able to exercise objective independent judgement on corporate affairs.

1. Boards should consider assigning a sufficient number of ~~non-executive~~ **independent** board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are ensuring the integrity of financial and ~~non-financial~~ **other corporate** reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration.
2. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board. **Boards should consider**

setting up specialised committees to support the full board in performing its functions, in particular the audit committee – or equivalent body – for overseeing disclosure, internal controls and audit-related matters. Other committees, such as remuneration, nomination or risk management, may provide support to the board depending upon the company's size, structure, complexity and risk profile. Their mandate, composition and working procedures should be well defined and disclosed by the board which retains full responsibility for the decisions taken.

3. Board members should be able to commit themselves effectively to their responsibilities.

F. In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.

VI. Sustainability and resilience

The corporate governance framework should provide incentives for companies and their investors to make decisions and manage their risks, in a way that contributes to the sustainability and resilience of the corporation

VI.A. Sustainability-related disclosure should be consistent, comparable and reliable, and include retrospective and forward-looking material information that a reasonable investor would consider important in making an investment or voting decision

VI.A.1. Sustainability-related information could be considered material if it can reasonably be expected to influence an investor's assessment of a company's value, investment or voting decisions.

VI.A.2. Sustainability-related disclosure frameworks should be consistent with high quality, understandable, enforceable and internationally recognised standards that facilitate the comparability of sustainability-related disclosure across companies and markets.

VI.A.3 Disclosure of sustainability matters, financial reporting and other corporate information should be connected

VI.A.4. If a company publicly sets a sustainability-related goal or target, the disclosure framework should provide that reliable metrics are regularly disclosed in an easily accessible form to allow investors to assess the credibility and progress towards meeting the announced goal or target.

VI.A.5. Phasing in of requirements should be considered for annual assurance attestations by an independent, competent and qualified attestation service provider in accordance with high quality internationally recognised assurance standards in order to provide an external and objective assessment of a company's sustainability-related disclosure.

VI.B. Corporate governance frameworks should allow for dialogue between a company, its shareholders and stakeholders to exchange views on sustainability matters as relevant for the company's business strategy and its assessment of what matters ought to be considered material.

VI.B.1. When corporate governance frameworks allow for existing companies to adopt corporate forms that incorporate both for-profit and public benefit objectives, such frameworks should provide for due consideration of dissenting shareholder rights.

VI.C. The corporate governance framework should ensure that boards adequately consider material sustainability risks and opportunities when fulfilling their key functions in reviewing, monitoring and guiding governance practices, disclosure, strategy, risk management and internal control systems, including with respect to climate-related physical and transition risks.

VI.C.1. Boards should ensure that companies' lobbying activities are coherent with their sustainability-related goals and targets.

VI.C.2. Boards should assess whether the company's capital structure is compatible with its strategic goals and its associated risk appetite to ensure it is resilient to different scenarios.

VI.D. The corporate governance framework should consider the rights, roles and interests of stakeholders and encourage active cooperation between companies, shareholders and stakeholders in creating value, quality jobs, and sustainable and resilient companies.

VI.D.1. The rights of stakeholders that are established by law or through mutual agreements are to be respected.

VI.D.2. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights at a reasonable cost and without excessive delay.

VI.D.3. Mechanisms for employee participation should be permitted to develop.

VI.D.4. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.

VI.D.5. Stakeholders, including individual workers and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and/or to the competent public authorities, and their rights should not be compromised for doing this.

VI.D.6. The exercise of the rights of bondholders of publicly traded companies should be facilitated.