



TRADE UNION ADVISORY COMMITTEE
TO THE ORGANISATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT
COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

**Consultation with the Chair of the
OECD Steering Group on Corporate Governance
Paris, 15 April 2008**

**Comments on the Draft Programme of Work and Budget 2009-2010
[DAF/CA/CG(2008)7]**

The TUAC welcomes the opportunity to exchange views with the Chair of the Steering Group ahead of the 15th session of the Committee on 16-17 April 2008.

TUAC has comments on the proposal of the work programme 2009/2010 and would ask the Steering Group to revise it accordingly.

Overview of the work programme

Excluding the activities for its sub-committee – the Working Group on Privatization and State-Owned Assets – the Steering Group is asked to approve a proposal of work programme 2009/2010 along the following:

- Priority would be given to four “fast track reports” whose content and objectives would be determined “at short notice” as “market circumstances and practices evolve”;
- A standing forum for dialogue with investors, corporations and other stakeholders following previous meetings with private equity and activist hedge fund managers;
- Various reports and guidance on *inter alia* regulatory impact assessment, the role of stock exchanges, intellectual assets and corporate reporting, insolvency in Asia and corporate governance in emerging markets.
- Continuation of regional roundtables held outside the OECD in Asia, Latin America and MENA.

The fast track reports

In our view past experience with “fast track reports” has not proven conclusively positive. The report on private equity and activist hedge funds which was approved by the Steering Group in April 2007 and released in July 2007 was based on a literature review of LBO and hedge fund transactions in the 1990s and early 2000s in the US and the UK. As such, it failed to reflect the diversity of OECD economies and the global nature of the recent wave of private equity buy-outs and hedge fund activism. The conclusions of the report were that private equity and hedge funds had a “benign effect” on corporate governance. The report also

sidestepped issues regarding the impact on employment levels, industrial relations and other key issues for stakeholders.

This “fast track” report did not take due account of the experience accumulated by trade unions and relayed by the TUAC at the OECD. The media coverage of this report – which was presented as reflecting the official position of the Organisation – gave an imbalanced view of the discussions at the OECD and in other committees.

Forum for dialogue with investors, corporations and other stakeholders

The draft work programme proposes to continue the organisation of closed meetings with representatives of the private equity, hedge funds and other investment industries – as seen in the past and forthcoming sessions of the Steering Group and a meeting between the OECD Secretariat and private equity managers in June 2007.

TUAC believes that these meetings should be open to relevant stakeholders allowing for different views and experience to be confronted. There is an inherent conflict of interest to engage policy and regulatory analysis of a given industry based upon the views of the industry itself. Example is given by the “OECD Boardroom guide” prepared by a group of directors which does not reflect fully the content of the Principles and its annotations. Another example is given by the Study commissioned in 2006 by European DG Internal Commissioner from a group of private equity managers, whose outcome was a “shopping list” of demands by the private equity industry and was criticised as such by the European Parliament.

Other individual reports and the regional roundtables

We do not have specific comments on the proposed individual reports other than to ask for clarification with regard the overall coherence of these projects. Regarding the regional roundtables, TUAC would propose that these meeting systematically include the holding of a panel session on the Stakeholder Chapter of the Principles, including a presentation of the OECD Guidelines for Multinational Enterprises.

The need to develop an evidence-based end-user approach.

Given the above, the TUAC believes that the work programme should be refocused to adopt an evidence-based and “end-user” approach. Literature reviews and bilateral dialogues with representatives of the corporate and financial industries are needed but are insufficient to provide a multi-stakeholder input that could be the added value of the OECD. The Steering Group should privilege evidence-based surveys and reviews of member states’ regulations and practices and move to an end-user approach. In particular the Steering Group should give more weight to constituencies that are impacted by investment funds, than to investment funds themselves. An end-user approach would be consolidated should the Steering Group share its collective discussions with the official advisory bodies to the OECD, including the TUAC.

TUAC and its activities on corporate governance

The Trade Union Advisory Committee (TUAC) to the OECD is an interface for trade unions with the OECD. It is an international trade union organisation which has consultative status with the OECD and its various committees. TUAC's affiliates consist of over 58 national trade union centres in the 30 OECD industrialised countries which together represent some 66 million workers. It is they who finance TUAC activities decide priorities and policy and elect the TUAC officers.

The last participation of the TUAC in a session of the Steering Group was in November 2003. Since then the TUAC has not been invited to the sessions of the Steering Group. TUAC has been consulted three times by the chair, or by a member the Bureau in respectively February 2004, November 2006 and November 2007.

Corporate governance is a crucial policy area for workers and their trade unions and is being reflected as such in the activities conducted by the TUAC.

TUAC runs annual meetings on corporate governance and invites the OECD Secretariat to take part on every occasion. In 2007 the TUAC brought particular attention to corporate governance under private equity regime, and held two OECD Labour Management Programme meeting in respectively March and November 2007.

TUAC's active programme on corporate governance is in line with the high degree of involvement of our affiliates and partner organisations. To mention a few examples:

- the US AFL-CIO, the Canadian CLC, the British TUC and the Spanish CC.OO conduct annual surveys on proxy voting exercises by asset managers ;
- trade union trustee networks and education programmes – of which a large part is spent on corporate governance and responsible investment – are widespread in OECD countries where pre-fund schemes represent an important share of workers' total retirement revenues ;
- European trade unions have active education and networking programmes for trade union elected or nominated representatives seating on the board of directors or on works councils.

We would therefore argue that engagement of the OECD work on corporate governance with the TUAC should be strengthened.