

Mr Donald J. Johnston
Secretary General
OECD
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THE SECRETARY GENERAL

Dear Secretary General

We have been following with great interest the revision of the OECD corporate governance principles [hereafter 'the Principles'] which the OECD Ministers called for in 2002. In this regard we support the activities undertaken by the Business and Industry Advisory Council (BIAC), which has provided the views of business on this exercise that is of prime importance to European industry.

We consider the OECD Principles to be an important benchmark in corporate governance which has a high degree of influence on economic actors, governments and regulators. We particularly appreciate the principles for their flexible nature, adapting to the different regulatory environments in which they could be used, avoiding a counter-productive "one-size-fit-all" approach.

We fear that the current exercise of revising the principles has to a certain degree succumbed to the temptation of adopting a rule-based approach as opposed to a principle-based approach, characterised by adaptability and flexibility. For instance, we believe that the annotations should refrain from attempting to comment on every possible aspect of an issue but rather remain focussed on the relevant principle.

We believe that in paragraphs 9 to 11, the definition of what constitutes corporate governance is diluted in the draft revision, referring to environmental, anti-corruption and ethical concerns, employees rights irrespective of their ownership rights, power of controlling shareholders over minority shareholders. In this context, paragraph 17, second sentence, should first refer to the overall ability to promote 'legal compliance' and not only ethical, responsible and transparent corporate governance practices as is currently the case. It is our considered opinion that corporate governance is "the way in which companies are managed and controlled", and should focus mainly on the relationship between companies and their investors or the problems arising from the separation of ownership and control.

Similarly, the Principles should refrain from referring to broad notions such as 'high ethical standards' as is currently the case under principle V. C. under the section on the responsibilities of the board. Such broad notions, largely undefined could lead to linking corporate governance, a well-known concept, with corporate social responsibility that is still an emerging issue. Corporate governance deals with listed companies, their management and shareholders while the scope of CSR is much broader. Such proximity between the two concepts in the OECD Principles is premature.

Finally, we are opposed to the singling out of 'employees' since that group is part of the general 'stakeholders that are protected by law', referred to in the Principles. A separate reference is unnecessary.

We trust that your taking into account of these remarks and BIAC's contributions shall increase the acceptability of the revised OECD corporate governance principles for all parties involved.

We remain at your disposal should you require any further information.

Yours sincerely,



Philippe de Buck