



Brussels, 10 May 2006

Mr Michel Vanden Abeele
Ambassador, Permanent Representative
at the OECD
12 avenue d'Eylau
F-75116 PARIS

Draft Assessment Methodology of the OECD Principles of Corporate Governance

Dear Mr Vanden Abeele,

I am writing to inform you of our deep concern regarding the final Draft Assessment Methodology of the OECD Principles of Corporate Governance, which has been submitted to Member States under the written procedure: if no objections are received by the OECD Secretariat by 31 May 2006, it will be taken as approved (document reference DAF/CA/CG(2005)13/REV3).

We have been informed of that document – posted on the OECD intranet on 9 May 2006 – by the Trade Union Advisory Committee to the OECD (TUAC).

The Draft Methodology aims at assessing compliance of a country with the OECD Principles of Corporate Governance. Also, following information from the TUAC, it appears highly probable that once approved by the OECD, the Methodology will be included in the joint World Bank / IMF “Reports on Observance of Standards and Codes” programme (ROSC).

We are concerned that the current draft misrepresents the content of the Principles and in particular its Chapter IV on “The Role of Stakeholders in Corporate Governance”, the text of which refers essentially to mechanisms for employee participation and the protection of their rights.

In particular, key Principle IV.C states that “*Performance-enhancing mechanisms for employee participation should be permitted to develop*”. The annotations to this Principle lists examples of mechanisms for employee participation, including employee representation on boards and works councils, as well as financial participation (employee share ownership plans or other profit sharing mechanisms). The annotations also note that, where occupational pension funds exist, the governing body should be independent from management.

It is with much surprise that we note in the draft Methodology, that the two “essential criteria” (ie. key assessment indicators) that are selected to assess compliance with Principle IV.C include :

1. A vague requirement that “different forms of employee participation” are effectively implemented where mandated by law, and not “inhibited”, “where not required or only recommended”, and
2. A very detailed and prescriptive governance requirement for occupational pension fund.

(see paragraphs 168-171, document DAF/CA/CG(2005)13/REV3)

We contest the validity of these indicators, and in particular of indicator n°1 which does not adequately reflect the content of Principle IV.C, nor the widespread practice of worker participation in companies in a majority of OECD countries – be it as part of established laws or by collective agreement or other mutual agreements.

ETUC supports the TUAC proposal, hereby enclosed, for an amended version of the text, and of the essential criteria in particular. The proposal merely aims at balancing the text by ensuring that all key elements of Principle IV.C are effectively taken account into the methodology, notably:

- Making the difference between representation mechanisms (works councils, board representation) and mechanisms for financial participation (employee share-ownership plan, other profit sharing schemes) ;
- The central role of regulation and of collective bargaining (« mutual agreements) in permitting the development of these mechanisms (by opposition to the yet un-defined term « private mechanisms »)

Furthermore, our proposal of revision clarifies that occupational pension funds belong to a specific retirement systems, and their reference in the text should be amended accordingly.

We are also aware that our official representative body at the OECD, the TUAC, has been consistently carved out of the work of the OECD Steering Group on Corporate Governance since the end of review process of the Principles in 2004. This has happened despite repeated calls by TUAC to resume its ad hoc participation, as agreed previously during the review process of the Principles in 2003-2004.

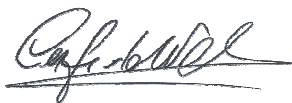
We conclude that the poor quality of the draft Methodology in addressing the Stakeholder Chapter is a direct consequence of the inability of the TUAC to participate in the work of the OECD Steering Group on Corporate Governance.

As a result, we request that :

- You circulate to other Member States and to the OECD Secretariat the enclosed proposal of revision,
- You condition your approval of the draft Methodology to changes to Principle IV.C (paragraphs 168-171) along the enclosed proposition or similar wording;
- You relay to other Member States, the General Secretary at the OECD and his successor, our concern regarding the exclusion of the TUAC from the work of the Steering group on corporate governance since 2004.

Please do not hesitate to contact me or my assistant Marco Cilento for any further information

Yours sincerely,



Walter Cerfeda
ETUC Confederal Secretary

Cc:

Mr C. McCreevy, Member of the European Commission

Mr A. Schaub, Director General, Internal Market and Services DG

Mr P. Delsaux, Acting Director, Internal Market and Services DG

Mr J. Evans, General Secretary of the Trade Union Advisory Committee to the OECD
(TUAC)