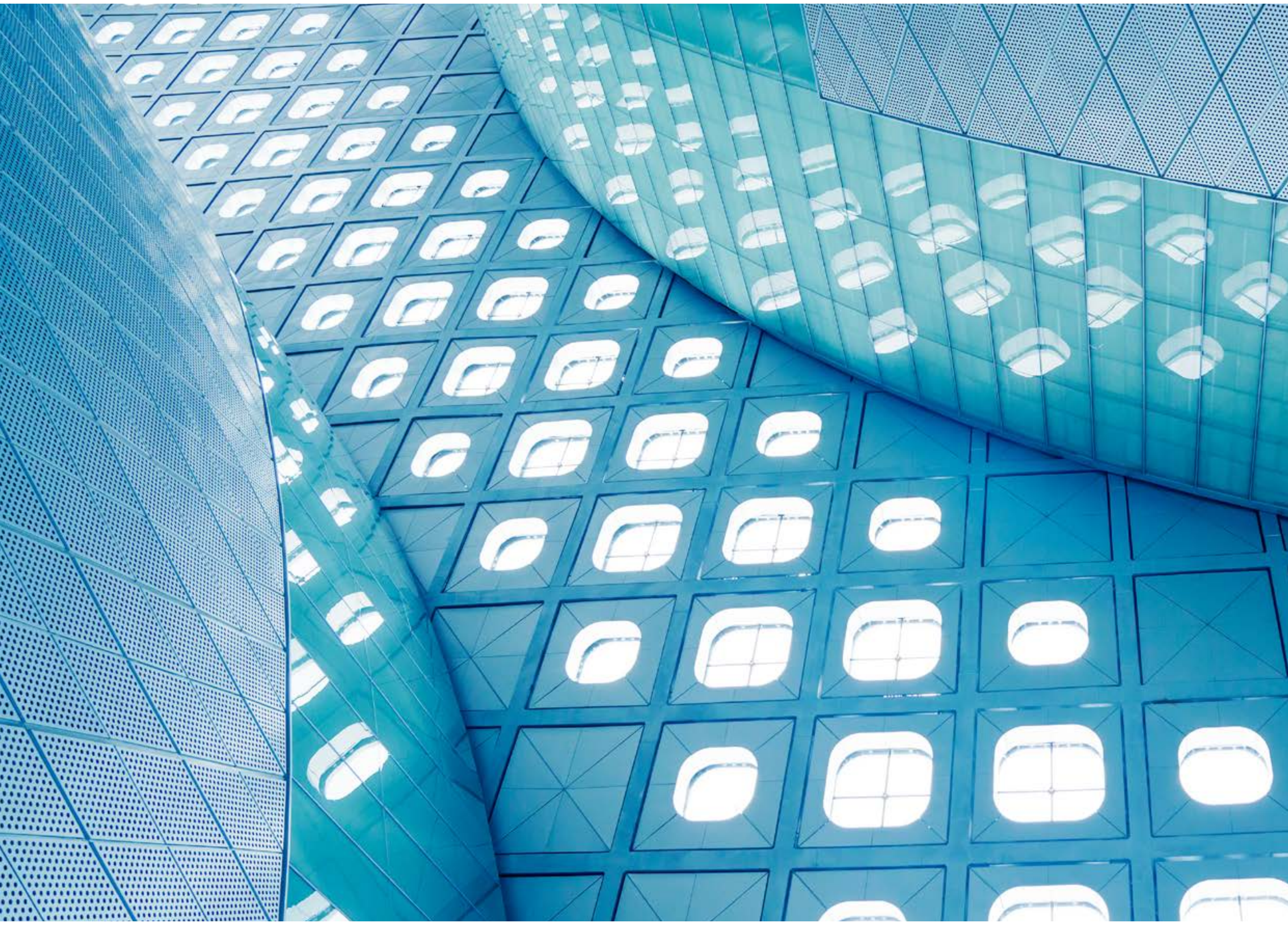
OECD CORPORATE GOVERNANCE FACTBOOK

2017



OECD Corporate Governance Factbook

2017

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Foreword

The *OECD Corporate Governance Factbook* (the Factbook) supports the implementation of good corporate governance practices by providing an easily accessible and up-to-date, factual underpinning for understanding countries' institutional, legal and regulatory frameworks Governments may use the Factbook to compare their own frameworks with that of other countries or to obtain information about practices in specific jurisdictions.

The Factbook compiles information gathered from OECD and non-OECD delegates to the OECD Corporate Governance Committee as part of its ongoing work. The core information in the Factbook is taken from OECD thematic reviews covering how OECD and Financial Stability Board member jurisdictions address major corporate governance challenges that came into focus following the 2008 crisis: board practices (including remuneration); the role of institutional investors; related party transactions and minority shareholder rights; board member nomination and election; supervision and enforcement; and risk management. Additional sections address the corporate governance landscape including ownership patterns, the role of stock exchanges and regulators, and the cross-border application of listing requirements. First published in 2014, the Factbook has been updated and expanded to cover 47 jurisdictions. This includes countries that the Corporate Governance Committee has reviewed as part of the accession process to become members of the OECD. (As not every jurisdiction provided information for every table, in some cases summaries refer to a smaller number of jurisdictions.)

The Factbook is divided into four main areas that are crucial for understanding how corporate governance functions in different jurisdictions: 1) the corporate landscape; 2) the corporate governance framework; 3) the rights of shareholders and key ownership functions; and 4) the corporate board of directors. These areas in turn are subdivided into 15 sub-topics. Each sub-topic has two parts: an overview of highlights and aggregate trends that emerge through a review of the more detailed and comprehensive tabular information that comprises the second part. The tables include information on the 35 OECD countries (now including Latvia which joined the OECD in 2016) to the extent available. Other jurisdictions covered include Argentina; Brazil; China, Colombia, Hong Kong, China; India; Indonesia; Lithuania; the Russian Federation; Saudi Arabia; Singapore and South Africa.

The information in this third edition of the Factbook is updated as of end 2016. This edition was prepared by Daniel Blume with the support of Akito Konagaya, Caio de Oliveira and other members of the Corporate Affairs Division of the OECD Directorate for Financial and Enterprise Affairs.

Preface

This 2017 edition of the *OECD Corporate Governance Factbook* provides the first comparative report on corporate governance across all OECD, G20 and Financial Stability Board member jurisdictions. It now covers 47 different jurisdictions hosting 95% of all publicly traded corporations in the world as measured by market value.

This makes the Factbook a unique source for monitoring implementation of the *G20/OECD Principles of Corporate Governance* around the world. It also supports informed policymaking by providing up-to-date information on the variety of ways in which different countries translate the Principles' recommendations into their own legislative frameworks and markets.

Good corporate governance is not an end in itself. Instead, it is a means to create an environment of market confidence and business integrity that supports capital market development and corporate access to equity capital for long-term productive investments. The quality of a country's corporate governance framework is therefore of decisive importance for the dynamics and the competitiveness of its business sector.

The Factbook reveals that there has been a substantial evolution of regulatory frameworks. For example, 19 jurisdictions revised or issued new corporate governance codes during the last two years. Regulatory frameworks for risk management and remuneration policy -- two issues where the OECD identified weaknesses that contributed to the global financial crisis -- have been particularly dynamic, with the number of jurisdictions that have established requirements and recommendations related to these key issues increasing considerably.

As capital markets and corporations continue to evolve and new challenges arise, it is important for policy makers and regulators to stay abreast of how policies and practices can be adapted to remain effective under new circumstances. The Factbook can help them in that task.

Angel Gurría
OECD Secretary-General

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1 THE CORPORATE LANDSCAPE

1.1 The ownership structure of listed companies

The share of global market capitalisation held by countries classified as having dispersed ownership is no longer dominant. The market share of countries with concentrated ownership structures has increased from 20% to 34% since the adoption of the Principles of Corporate Governance in 1999.

Ownership structures at company level can be characterised in various ways (Table 1.1). Considering the existence of multi-layer ownership structures and interconnections among shareholders through the use of control-enhancing mechanisms, a simple dichotomy between "concentrated" and "dispersed" ownership might be too simplified to allow a deeper understanding of the diversity of ownership structures. Nevertheless, the degree of ownership concentration at company level remains an important element for consideration in framing corporate governance standards.

Four countries (Australia, Ireland, the United Kingdom and the United States) are generally characterised as having predominantly "dispersed" ownership structures. The aggregate share of these countries global market capitalisation decreased from 58% in the period of 1998-2002 to 49% in the most recent period of 2013-2015, according to OECD calculations based on World Bank data. Yet, these figures may underestimate the tendency of companies throughout the world to make use of concentrated ownership structures. For example, despite the classification of the US as a country with predominantly dispersed company ownership structures, many of its largest listed companies have controlling owners (e.g. Amazon, Berkshire Hathaway, Facebook). Five countries (Canada, Germany, Japan, the Netherlands and Switzerland) have been classified as having a "mixed" ownership structure.

In 38 other OECD and non-OECD jurisdictions covered by the Factbook, the predominant pattern among listed companies is to have a controlling shareholder or group. According to OECD calculations based on World Bank data, the aggregate share of countries with predominantly "concentrated" ownership structures in global market capitalisation increased from 20% (1998-2002) to 34% (2013-2015). The increasing share of countries with concentrated ownership structures mainly results from the rapid development of capital markets in non-OECD G20 countries, whose share of global market capitalisation has risen from 4% (1998-2002) to 17% in the most recent period.

Regardless of the country classification, there is a wide diversity in ownership structures of individual companies in each country, and the ownership characteristics in each country have changed over time.

The recent increase in initial public offerings in non-OECD markets, typically of minority stakes, has contributed to the growing dominance of concentrated ownership structures in global equity markets.

Looking at new entries to equity markets, the share of equity raised through initial public offerings (IPOs) by non-OECD corporations in non-OECD markets increased significantly in the last two decades, from 13% (average between 1995 and 2003) to 55% (average between 2008 and 2012) (Figure 2.3 in Isaksson and Çelik, 2013b). Considering that family controlling ownership is common in non-OECD corporations and non-OECD markets require lower free floats, this has contributed to concentrated ownership structures becoming more dominant in global equity markets.

Countries characterised by dispersed ownership structures have also introduced special arrangements to address agency problems that can arise between controlling and minority shareholders.

In those companies with concentrated ownership structures, "horizontal" agency problems that arise between controlling and minority shareholders are the predominant concern, while "vertical" agency problems that arise between managers and shareholders may be mitigated (Vermeulen, 2013). Countries characterised by dispersed ownership structures have also introduced arrangements to improve minority shareholder protection in the presence of a controlling shareholder. For example in the **United Kingdom**, the Financial Conduct Authority published, in May 2014, rules for enhancing the effectiveness of the

Listing Regime, which include: additional voting power for minority shareholders when electing independent directors where a controlling shareholder is present; and the requirement for an agreement between the company and a controlling shareholder to ensure that the company operates independently of its controlling shareholder (Table 4.12). In the **United States**, on the contrary, listed companies with a controlling owner holding veto power in the board election are exempted from the majority independent board requirement (Figure 4.4).

Table 1.1 **Ownership structures at company level**

In jurisdictions characterised as having concentrated ownership structures, the majority of listed companies have a controlling shareholder. Other factors that need to be considered in relation to concentrated ownership include pyramid structures, family control, company groups, and state ownership.

Jurisdiction	Ownership structure
Australia	A majority of shares in top 200 listed companies are in the hands of financial institutions, but their holdings are typically dispersed (the holding of one institution seldom exceeds 10%).
Austria	Direct ownership concentration is very high and prevalent in all size classes in Austria. In the largest 5% of companies the largest shareholder holds on average 67% of the equity (Gugler, 1998).
Belgium	About 60% of listed companies have a shareholder who, alone or in concert, hold more than 30% of the voting, which gives them de facto control of the company.
Brazil	A large majority of listed firms are controlled by a single shareholder, foreign firms or via pyramidal structures involving corporate groups. A survey of 201 listed firms (85% market cap) found that over 70% of the firms had either family or shared ownership control (OECD, 2011a).
Canada	About 25% of the largest 300 TSX listed-firms have a controlling shareholder.
Chile	As of 2002, some 50 major conglomerates had ownership control of more than 70% of non-financial listed companies. The median controller holds 67% of shares, while less than 1% of firms are widely held when applying the threshold of 10% of ownership (OECD, 2011b).
China	By the end of June 2016, there were 2,887 listed companies in China, 1,019 of which were state-controlled, accounting for about 47% of the total market value of all listed companies in the country.
Colombia	Colombian companies have a highly concentrated ownership structure. Among the largest listed companies, the controlling shareholders retain more than two thirds of total shares.
Czech Republic	The structure of ownership can be characterised by concentrated ownership usually in the hands of a controlling shareholder.
Denmark	Many large companies in the Nordic area have a dispersed ownership structure. However, a relatively large portion of the listed companies in the Nordic area, in particular in the small and mid-cap categories, have one or a few controlling shareholders, who often play an active role in the governance of the company (Danish Corporate Governance Committee et al., 2009).
Estonia	7 out of the 15 listed companies are in the hands of one controlling shareholder.
Finland	The ownership structure is decentralised in some companies, while others have shareholders with significant voting rights.
France	For all listed companies, the largest shareholder directly held 46% of the capital and 52% of the voting rights (1998-2002). Double voting rights were used by 36% of listed firms as a device of control-enhancing. Pyramids were used by 19% of the firms (OECD, 2012a).
Germany	The ownership structure of listed companies is quite dualistic. While a significant number of enterprises are under tight control, in many cases, shares are broadly distributed, especially with regard to companies listed in DAX, the major share index.
Greece	Regarding the banking sector, listed banks are mainly characterised by dispersed ownership. At the end of 2012, of the 256 companies listed in the ATHEX, 212 companies (82.8%) comprised groups.
Hong Kong, China	The Stock Exchange of Hong Kong (SEHK) has 1,924 listed companies (both on the Main Board and on the GEM board) as of July 2016. About 75% of issuers have a dominant shareholder, for example, an individual/family or state-owned entity owning 30% or more of the issued shares (2012).
Hungary	Amongst listed companies, both concentrated ownership and dispersed structures can be found. The average size of the free-float is about 47%. One-third of listed firms are controlled by a majority shareholder.

Jurisdiction	Ownership structure
Iceland	Many large companies in the Nordic area have a dispersed ownership structure. However, a relatively large portion of the listed companies in the Nordic area, in particular in the small and mid-cap categories, have one or a few controlling shareholders, who often play an active role in the governance of the company (Danish Corporate Governance Committee et al., 2009).
India	India is characterised by the widespread use of company groups, often in the form of pyramids with a wide basis (in many different activities and companies) and with a number of levels (OECD, 2012a).
Indonesia	A survey of 186 listed firms found that on average 70% of the shares were held by controlling shareholders, and 58% of firms were family-controlled (2006-2007). 54% of the total market cap is held by firms that belong to a family business group (2011) (OECD, 2012b).
Ireland	A recent review of data from 127 countries (Aminadav and Papaioannou, 2016) found Ireland to have few family-controlled companies and widely dispersed ownership, based on ownership and control data from 65 Irish companies weighted by market capitalization (an average of 16% control for the largest shareholder and 27% among the five largest shareholders).
Israel	About 75% of listed companies are controlled by family or individual interests. 20 business groups (nearly all of them family-owned) controlled 160 publicly-traded companies with a 40% segment of the market. The market segment of the 10 largest groups was estimated at 30% (OECD, 2012a).
Italy	Nearly 2/3 of listed companies are controlled by a single shareholder. The presence of widely held companies is still limited (5% of the total number of firms and 24% of total market capitalization). There is a sharp decline of the pyramid structure, shareholders agreements and non-voting shares in the last decade, possibly as a reaction to increasing market pressure (Consob, 2015).
Japan	Less than 10% of TSE listed companies have a shareholder with more than 50% of the shares. Approximately two-thirds of TSE listed companies have a shareholder with more than 10% of the shares.
Latvia	The majority of listed companies have concentrated ownership: 85% of issuers have the largest shareholder owning 30% or more of issued shares. In most of the cases this largest shareholder owns between 30% and 49.99% of the issued shares (stock exchange data on October 31st, 2015). In 4 out of 26 listed companies the major shareholders are family members..
Korea	38 family-owned large company groups own 1 364 companies. Out of them, 213 are listed on the Korean stock market, and 51.8% of the total shares are owned by controlling shareholders.
Mexico	Listed companies are characterised by a high degree of concentration. Company groups are the common feature in the market, and many of them are owned by family groups.
Netherlands	The Netherlands has a more dispersed ownership structure than most continental European countries. The largest shareholder held less than 10% of voting rights in 62% of listed companies and only 19% had a shareholder with more than 30% of voting rights (2010). However, this percentage rises from 19% to 38% when taking into account the role played by "Trust Offices". This highlights a more concentrated control structure (OECD, 2012a).
New Zealand	New Zealand has few very large firms, and considerable parts of the largest firms are either government or co-operative owned, or controlled by offshore owners. In each of these cases, there is relatively limited participation in local capital markets (Capital Market Development Taskforce Secretariat).
Norway	A review of publicly available data from 2012 for 201 companies in Norway (Aminadav and Papaioannou, 2016) found that the largest shareholder on average controlled 44.7% of shares (weighted by market capitalization). Among listed companies, 65% have a shareholder with at least a 20% stake, and 23% have at least 50% control (Lekvall, 2014). The controlling interest held by the state in some of Norway's largest companies is one factor that may contribute to the relatively high average ownership concentration levels (state shares account for an average of 36.3% of overall market capitalisation (OECD, 2014).
Poland	30-60% of shares belong to the controlling shareholders and 15-20% is held by pension funds or investment funds.
Portugal	A key feature of the listed firms is the dominance of controlling (often family) shareholders. In 24 out of 53 listed companies, a single shareholder owns a majority stake.
Russia	About 43% of 96 major listed companies have an owner or a group of interrelated owners holding 75% of company shares in 2014 (Russian Institute of Directors survey, 2015-2016).
Singapore	The majority of listed companies in Singapore have a block shareholder holding of 15% or more. The ownership structure comprises two main types; companies that originally started off as (i) family-owned businesses and (ii) state owned enterprises. Ownership concentration has historically been high with families and the state representing major shareholders.
Slovenia	Ownership of listed companies is concentrated as the principal three owners own on average 61% (2009). The Government has significant direct and indirect control over a large number of sizeable companies in the domestic market (OECD, 2011d). In 2014, Slovenia enacted legislation establishing a state-owned centralised holding company to manage and sell some of the state's assets.
South Africa	A majority of South African listed companies are characterised as having a controlling owner or shareholders (Blanché and Stainbank, 2013) . The Johannesburg Stock Exchange includes a significant number of external companies where the holding company is based and registered in jurisdictions outside South Africa.

Jurisdiction	Ownership structure
Spain	In 35 listed companies (25,5% of the total) there is a controlling shareholder that holds the majority of voting rights. In 91 other listed companies (66% of the total), the sum of declared significant shareholdings, including shareholdings held by the Board, exceeds 50% of share capital, without any individual shareholder exercising control (CNMV, 2015). Total free float climbed to 43,4% in 2015 (42,9% in 2014).
Sweden	The control to a large extent lies in the hands of domestic family groups, in different constellations, or other block holders. About 64% of listed firms have one shareholder with at least a 25% shareholding. State ownership is also quite significant (OECD, 2011a).
Switzerland	Among the 20 SMI companies, 6 companies have one or more shareholders holding more than 15% of the voting rights in shares or in purchase positions as of July 4, 2016. With regard to medium and smaller companies, the share of controlling shareholders (25-30% of the shares) is higher.
Turkey	The majority of listed companies are in the form of family controlled financial/industrial company groups and there is a limited degree of cross-ownership within some company groups.
United Kingdom	The UK has a highly liquid listed company sector with dispersed ownership. In about 90% of companies listed on the LSE, there is no major shareholder owning 25% or more (OECD, 2011a).
United States	Ownership of public companies is generally characterised by dispersed shareholdings. Listed companies are rarely under the control of a major shareholder but rather subject to managerial control (OECD, 2012b). One study describes how most public corporations in the United States have large shareholders, by taking into account the ownership both of directors and officers and all large shareholders (Holderness, 2010).

Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

2 THE CORPORATE GOVERNANCE FRAMEWORK

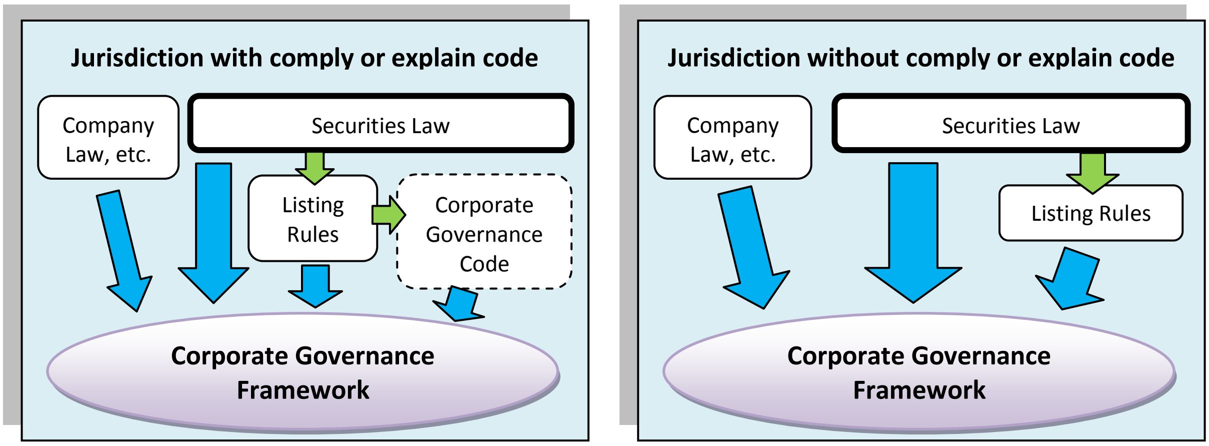
2.1 The regulatory framework for corporate governance

The balance between a "comply or explain" approach and formal regulation in the corporate governance framework varies among jurisdictions. While nearly all jurisdictions now have national codes or principles, with 84% following a "comply or explain" framework, a few jurisdictions do not have such codes, and address these issues mainly through laws, regulations and listing requirements.

In dealing with corporate governance issues, countries have used various combinations of legal and regulatory instruments on the one hand, and codes and principles on the other. In all jurisdictions, corporate governance standards are included in company law and securities law (Table 2.1). Company laws set forth the default option concerning corporate structures whose detailed framework is determined by the company's articles and bylaws. Securities laws set forth binding requirements, making shareholder protection enforceable for regulators. A few jurisdictions (e.g. India and the United States) do not have national codes or principles under the "comply or explain" framework. Instead, laws and regulations (including listing rules) provide the main framework for addressing corporate governance issues (Figure 2.1: right side).

Considering the dynamic nature of business activities and investors' behaviour, the right balance between a "comply or explain" approach and formal regulation may change over time. Some shifts in the balance have occurred recently. **Turkey**, for example, shifted towards a mandatory approach in 2011, by requiring large listed companies to comply with some of the provisions recommended by the Corporate Governance Principles, published by the Capital Markets Board of Turkey (OECD, 2013: Box 3.1). **Portugal** introduced, in 2013, an additional code prepared by a private institute besides the existing code prepared by the regulator. **Japan** (in 2015) and **Brazil** (in 2016) also recently introduced corporate governance codes under the "comply or explain" framework, while a new code was under preparation in **China**..

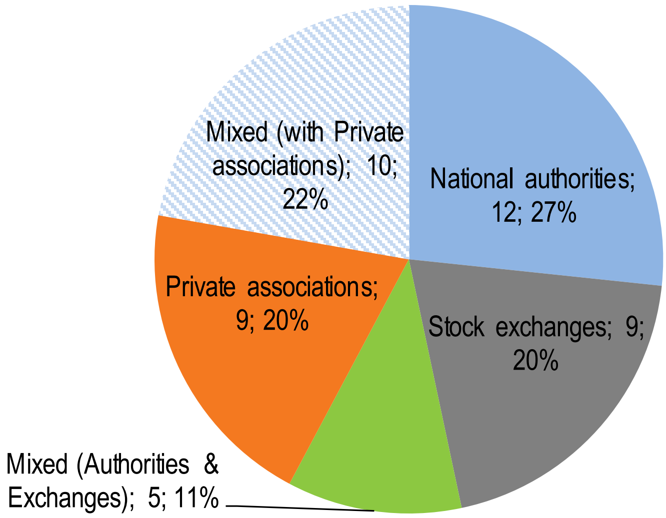
Figure 2.1 **Examples of national corporate governance frameworks**



National corporate governance codes have become increasingly common and are frequently updated, with 19 new or revised codes issued during 2015-2016. In the majority of jurisdictions, national authorities and/or stock exchanges have taken the lead in setting up or revising the codes.

National authorities and/or stock exchanges have taken the initiative of setting up the codes in 26 of the 45 jurisdictions. Private associations are also actively involved in 19 of 45 jurisdictions that have formally designated custodians for their codes (Figure 2.2). Update procedures for the codes have remained flexible in most jurisdictions. **Austria** and **Germany** have established formal procedures to ensure that the code is reviewed by the custodian on a yearly basis (Table 2.3).

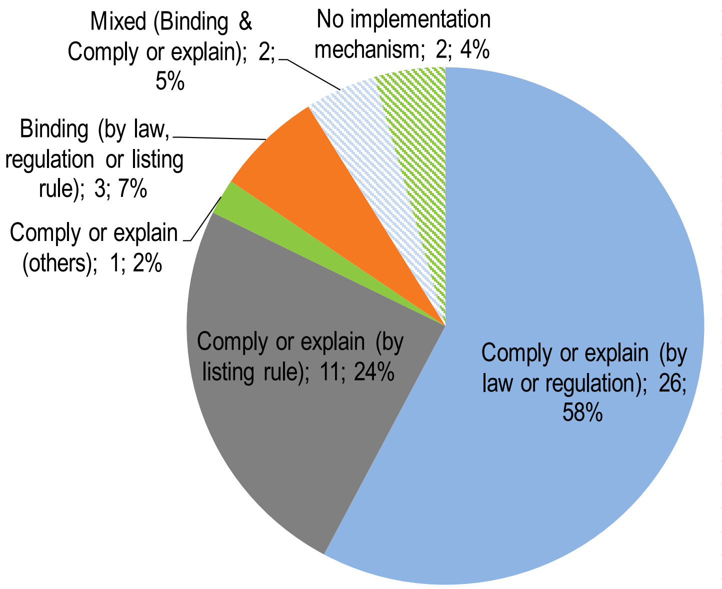
Figure 2.2 **Custodians of corporate governance codes**



Note: This Figure shows the number of jurisdictions in each category and percentage share of 45 jurisdictions for which data were available. See Table 2.3.

The implementation mechanisms of the codes vary among jurisdictions. A comply or explain system has been adopted in the EU countries and in 14 other jurisdictions (84%), usually through laws and regulations (26 jurisdictions) or through listing rules underpinned by laws and regulations (11 jurisdictions). Disclosure to the market regarding adherence to the code is normally required and has become part of the annual reporting requirements for listed companies.

Figure 2.3 **Implementation mechanisms of corporate governance codes**



Note: This Figure shows the number of jurisdictions in each category and percentage share of 45 jurisdictions. See Table 2.2.

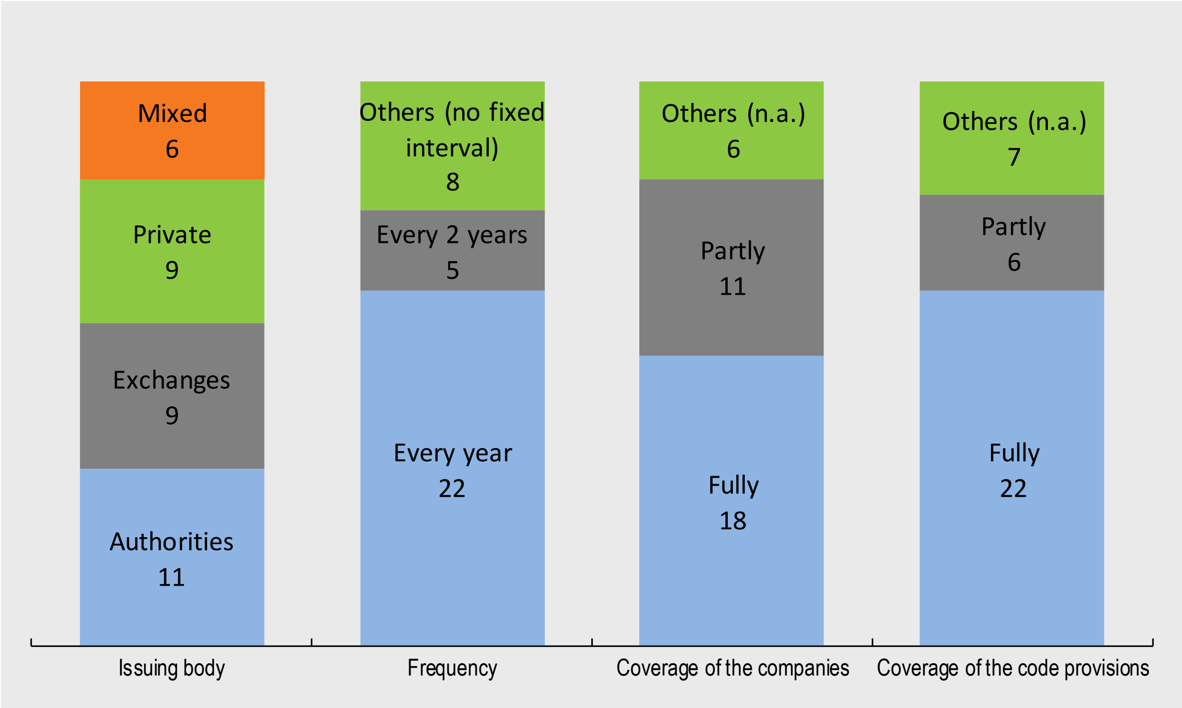
To support effective disclosure and implementation of "comply or explain" codes, a national report is published in most jurisdictions reviewing adherence to the code by listed companies. Responsibilities for publishing such reports are about evenly split between governmental authorities, stock exchanges, and private sector or stakeholder groups.

Some reviews of comply or explain codes (FRC, 2012: 47, Risk Metrics Group et al, 2009) have analysed the extent to which national authorities and stock exchanges monitor and enforce disclosure requirements under the "comply or explain" system, and have found that the quality, depth and coverage of explanations and the role played by institutional investors in promoting implementation of recommended practices vary substantially. In some jurisdictions, institutional investors are also expected to place adequate pressure to bear to secure improvements in disclosure and implementation of the codes. Many jurisdictions (e.g. Brazil, Denmark, Japan, Korea, South Africa and the United Kingdom: see Table 3.10) have introduced stewardship codes with an aim to strengthen both institutional investor accountability and their role in holding company boards and management accountable.

At least 35 institutions (in 28 jurisdictions) issue a national report reviewing adherence to the corporate governance code by listed companies in the domestic market (Figure 2.4). National regulators review and publish such reports in 11 jurisdictions, nine of which do it regularly (annually or once every two years). Stock exchanges regularly review and publish such reports in nine jurisdictions. Thus, national authorities or stock exchanges take the lead in publishing reports on listed companies' adherence to the code in approximately half the jurisdictions that have such codes, while in some other jurisdictions such reports are prepared by business/investor or multi-stakeholder groups.

Figure 2.4 **National reports on adherence to the code**

(35 institutions in 28 out of 46 jurisdictions)



Note: These Figures show the number of issuing bodies and national reports that fall into each category. See Table 2.4.

Table 2.1 **The main elements of the regulatory framework: Laws and regulations**

In dealing with corporate governance issues, jurisdictions use various combinations of legal and regulatory instruments on the one hand, and codes and principles on the other. More than half of all jusrisdictions (25) reported updating at least one of these laws during the last two years. This table gives an overview of company law and securities law, as well as subordinate regulations in each jurisdiction.

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
Argentina	Companies Law	1995		Capital Market Law, No. 26831	2012	2012	Regulations (CNV)
Australia	Corporations Act 2001		2016				Listing rules
Austria*[1]	Commercial Code			Stock Corporation Act	2014		
Belgium*[1]	Company Code	2013		Law of 2 August 2002	2014	2013	
Brazil	Corporation Act	2013	2001	Securities Act	2013	2002	Rules, Instructions (CVM)
Canada	Federal or provincial statutes	-		Provincial securities laws (e.g. Securities Act in Ontario)	-		
Chile				Securities Market Law	2014		Rules - Rule N° 385 of 2015 (SVS)
	Corporations Law	2014					
China	The Company Law of the People`s Republic of China	2014	-	Securiities Law of the People’s Republic of China	2014	-	Law of the People’s Republic of China on the State-Owned Assets of Enterprises; Regulations (CSRC)
Colombia	Stock Company Law Commercial Code	1995	-	Securities Market Law 964	2005	-	Rules, Instructions (SFC)
Czech Republic	Business Corporations Act	2012	2012	Capital Market Undertakings Act	2016	2006	
Denmark	Company Act	2015	2008	Securities Trading Act			
	Financial Statements Act	2015	2009				
Estonia	Commercial Code	2014	2014	Securities Market Act	2013	2013	
Finland	Limited Liability Companies Act	2016	2011	Securities markets Act	2016	2013	
France	Code de Commerce	2016	2005	Code monétaire et financier	2014	2010	
Germany*[1]	Commercial Code	2016		Securities Trading Act	2016		
	Stock Corporation Act	2016					
Greece	Law 3016/2002	2002	2002				
	Law 3693/2008	2008					
	Law 3884/2010	2010					
Hong Kong, China*[1]	Companies Ordinance	2016	2016	Securities and Futures Ordinance	2016	2016	Main Board and Growth Enterprise Market Listing Rules
	Companies (Winding Up and Miscellaneous Provisions) Ordinance	2016	2016				
Hungary	Civil Code	2016	2014	Act on the Capital Market	2014	2014	

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
Iceland	Act on Annual Account	2013	2006	Act on Securities Trading	2013	2007	
	Act on Public Limited Companies	2013	2010				
India	Companies Act 2013		2014	Securities and Exchange Board of India Act		2014	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
				Securities Contract (Regulation) Act		2015	
Indonesia	Company Law	2007	2007	Capital Market Law	1995	1995	Rules (OJK)
Ireland	Companies Act	2014		Securities Markets Regulations		2012	Listing Rules and the statutory Corporate Governance Code for Credit Institutions
				Funds Regulation		2011	
Israel	Companies Law	2016	2011	Securities Law	2016	2014	Securities Regulations, Companies Regulations (ISA)
Italy	Civil Code	2016	-	Consolidated Law on Finance	2016	2016	Regulations (Consob)
Japan	The Companies Act	2014	2015	Financial Instruments and Exchange Act	2015	2010	Regulations (FSA)
Korea	Company Law	2016	2014	Financial investment Services and Capital Markets Act	2016		Act on Corporate Governance of Financial Companies
Latvia	Company Law	2015	2014	Financial Instrument Market Law	2016	2014	Group of Companies Law
Luxembourg	Companies Act	2003					
Mexico	General Company Law	2016		Securities Market Law	2014	2014	Issuer's Rules, Issuer's Circular (CNBV)
Netherlands	Netherlands Civil Code			Act on Financial Supervision	2016		
				Act on the Supervision of Financial Reporting	2015		
New Zealand	Companies Act 1993		2014	Financial Markets Conduct Act 2013		2013	
Norway	Public Limited Liability Companies Act	2015	2014	Securities Trading Act	2014	2014	
Poland	Code of Commercial Companies	2016		Securities Law	2016		
Portugal	Companies Law	2015		Securities Law	2015		CMVM Regulation No. 4/2013 on Corporate Governance
	Law 148/2015: rules on board structure and duties of supervisory board members in public interest entities.	2015					
Russia	The Civil Code of the Russian Federation	2016	-	Federal Law "On securities market" № 39-FZ of	2016	-	Bank of Russia Regulations,

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
	Federal Law “On Joint-Stock Companies” № 208-FZ of 26.12.1995 (JSC Law)	2016	-	22.04.1996 (Securities Law)			Listing Rules, Corporate Governance Code
Saudi Arabia	Companies Law	2016		Capital Market Law		2012	Corporate Governance Regulation issued by the CMA
Singapore	Companies Act		2014	Securities and Futures Act		2012	SGX Listing Manual; Corporate governance regulations for banks, insurers and financial market infrastructures
Slovak Republic	Commercial Code						
Slovenia*[1]	Companies Act	2015		Market in Financial Instruments Act	2016	2016	ZSDH-1 - The Slovenian Sovereign Holding Act
South Africa	Companies Act		2008	Securities Act	2004		
Spain	Capital Company Act	2014		Securities Market Law	2015		Regulations (CNMV); Good Governance Code of Listed Companies
Sweden	Companies Act	2006		The EU Market Abuse Regulation	2016		Self-regulation (Rulebook for issuers, Corporate Governance Code, Securities Council’s statements) SFSA’s regulations
				Securities Market Act	2007		
				Financial Instruments Trading Act	1991		
				Financial Instruments Trading (Market Abuse Penalties) Act	2005		
				Reporting Act	2001		
Switzerland	The Code of Obligations	2016	2016	Stock Exchange Act;	2013		Laws, Ordinances, Circulars, Self-regulation(FINMA)
				Regulations of the Swiss Stock Exchange		2014	
Turkey	Turkish Commercial Code (TCC)	2013		Capital Market Law	2016	2016	Communiqués (CMB)
United Kingdom	Companies Act of 2006		2006	Financial Services and Markets Act 2000		2016	Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules (FCA)
United States	State corporate laws		-	Securities Act of 1933		2015	
				Securities Exchange Act of 1934		2015	

[*1] Regarding takeover bids, some jurisdictions (e.g. **Austria, Belgium, Germany** and **Slovenia**) set out a separate legal framework, while **Hong Kong, China** has only the non-statutory code.

Table 2.2 **The main elements of the regulatory framework: National codes and principles**

National corporate governance codes most commonly provide a framework for disseminating voluntary recommendations for good corporate governance to companies, and a mechanism for them to disclose their adoption of such practices through "comply or explain" reporting mechanisms, usually required in their annual reports. However this model is not universal. Some jurisdictions do not have codes (e.g. **Chile**, **India**, **Israel**, **Saudi Arabia**, **US**) but make use of company law, regulation or stock exchange listing requirements -- in some cases with a mix of binding and voluntary measures -- to achieve similar objectives. In rare cases, company disclosure of compliance with codes is not required.

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Approach C/E: comply or explain B: Binding	Disclosure in annual company report	Basis for framework L: Law or regulation R: Listing rule V: Voluntary	Surveillance R: regulator S: stock exchange P: private institution
Argentina	Corporate Governance Code	C/E	Required	L	R
Australia	Corporate Governance Principles and Recommendations	C/E	Required	R	S
Austria	Austrian Code of Corporate Governance	C/E	Required	L	
Belgium	The 2009 Belgian Code on Corporate Governance	C/E	Required	L	R
Brazil	Brazil Corporate Governance Code – Listed Companies	C/E	Required	L	R
Canada	Corporate Governance: Guide to Good Disclosure	C/E	Required	L	
Chile	Practices for Corporate Governance Rule N° 385	C/E*1	Not required	L	R
China	The Code of Corporate Governance for Listed Companies in China 2002 (revision pending in 2016)	B	Required	L & R	R & S
Colombia	Codigo Pais 2014	C/E	Required	L & R	R
Czech Republic	Corporate Governance Code based on the OECD Principles	C/E	Required	-	-
Denmark	Recommendations on Corporate Governance	C/E	Required	L & R	R, S & P
Estonia	Corporate Governance Recommendations	C/E	Required	L	
Finland	Finnish Corporate Governance Code	C/E	Required	R	S
France	Corporate Governance Code of Listed Corporations	C/E	Required	L	P & R
Germany	German Corporate Governance Code	C/E	Required	L	
Greece	Hellenic Corporate Governance Code For Listed Companies	C/E	Required	L	
Hong Kong, China	Corporate Governance Code (Appendix 14 of the Main Board Listing Rules)	C/E	Required	R	S
Hungary	Corporate Governance Recommendations	C/E	Required	L	
Iceland	Corporate Governance Guidelines	C/E	Required	L	S
India	SEBI (listing Obligations and Disclosure Requirement) Regulations, 2015	B	Required	L	R & S
	Corporate Governance Voluntary Guidelines 2009	-	Not required	L	-
Indonesia	Good Corporate Governance Code	C/E	-	-	-
Ireland	Irish Stock Exchange Listing Rules applying UK Corporate Governance Code with Irish Annex	C/E	Required	R	-
Israel	Companies Act	B	Required	L	R
	(including the code of recommended corporate governance)	C/E			
Italy	Corporate Governance Code	C/E	Required	L & R	R, S & P
Japan	Corporate Governance Code	C/E	Required	R	S
Korea	Code of Best Practices for Corporate Governance	No	-		

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Approach C/E: comply or explain B: Binding	Disclosure in annual company report	Basis for framework L: Law or regulation R: Listing rule V: Voluntary	Surveillance R: regulator S: stock exchange P: private institution
Latvia	NASDAQ Principles of Corporate Governance	C/E	Required	L & R	S
Luxembourg	Ten Principles of Corporate Governance	C/E	Required	R	S
Mexico	Code of Corporate Best Practice	- *2	Required	L*2	R & S
Netherlands	Dutch Corporate Governance Code	C/E	Required	L	R
New Zealand	Corporate Governance Best Practice Code (Appendix 16 of the Listing Rules)	C/E	Required	R	R
	Corporate Governance in New Zealand Principles and Guidelines	-	-	-	
Norway	Norwegian Code of Practice for Corporate Governance	C/E	Required	R	
Poland	Code of Best Practice of WSE Listed Companies	C/E	Required	L	S
Portugal	CMVM 2013 Corporate Governance Code	C/E	Required*3	L	R
	The Corporate Governance Code of IPCG	C/E	Required*3		
Russia	Corporate Governance Code	C/E	Required	L & R*4	R & S
Saudi Arabia	Corporate Governance Regulations	B & C/E	Required	L	R
Singapore	Code of Corporate Governance	C/E	Required	R	S
Slovak Republic	Corporate Governance Code for Slovakia	C/E	Required	L	
Slovenia	Corporate Governance Code for Listed Companies Corporate Governance Code for Unlisted Companies Corporate Governance Code for SOEs	C/E	Required	L	S & P
South Africa	King Code for Listed Companies	C/E	Required	R	S
Spain	Good Governance Code of Listed Companies	C/E	Required	L	R
Sweden	Swedish Corporate Governance Code	C/E	Required	L	S & P
Switzerland	Swiss Code of Best Practice for Corporate Governance	C/E*5	-	-	-
Turkey	Corporate Governance Principles	B & C/E	Required	L	R
United Kingdom	UK Corporate Governance Code	C/E	Required	R	R
United States	NASDAQ Listing Rules	B	Required	L & R	R & S
	NYSE Listed Company Manual	B	Required		

*1 In **Chile**, listed companies are obliged to perform a self-assessment with regard to the adoption of the good practices of corporate governance, and report on a "comply or explain" basis.

*2 In **Mexico**, the Securities Market Law (LMV) issued in 2005 incorporated the practices and principles of sound corporate governance for listed companies previously contained in the Code of Best Corporate Practices. While the Code itself is not binding, the practices that were recommended in it have become binding by separate law. Thus, the obligation for listed companies to inform the CNBV about their degree of compliance with said Code is no longer mandatory since the LMV established a mandatory compliance regime in that area. Nevertheless, the obligation to inform of such compliance to the stock exchange and to the investors remains.

*3 In **Portugal**, companies can opt to disclose compliance (or explanation of non-compliance) with either the CMVM code or a code issued by another entity apt for the purpose.

*4 In **Russia**, the Corporate Governance Code's recommendations are partly included in the Listing Rules. The surveillance of comply or explain disclosure is carried out by the Bank of Russia. The surveillance of comply or explain disclosure on recommendations included in the Listing Rules is carried out also by the stock exchange.

*5 In **Switzerland**, the Code states that it uses the "comply or explain" principle, but it does not indicate where the company has to explain if a company's corporate governance practices deviate from the recommendations.

Table 2.3 **Custodians of codes and principles in Table 2.2**

Nineteen jurisdictions established new or updated codes during 2015-2016. The securities regulator or other public authority has responsibility for setting up codes or principles in 19 jurisdictions, while in 14 jurisdictions the stock exchange is involved. Private associations or a mix of stakeholders are also actively involved in 21 jurisdictions.

Jurisdiction	Custodians		First code	Update	
		(Public/private/stock exchange/mixed initiative)		No.	Latest
Argentina	Comision Nacional de Valores	Public	2007		2012
Australia	ASX Corporate Governance Council	Mixed	2003	3	2014
Austria	Austrian Working Group for Corporate Governance	Private	2002	6	2012
	Federal Ministry of Finance	Public			
Belgium	Corporate Governance Committee	Mixed	2004	1	2009
Brazil	Brazilian Securities and Exchange Commission (CVM)	Public	2016	-	-
Canada	Provincial stock exchanges (e.g. Toronto Stock Exchange (TMX))	Exchange			2014
Chile	Superintendencia de Valores y Seguros	Public	2012	1	2015
China	China Securities Regulatory Commission	Public	2002	0	2002
Colombia	Superintendencia Financiera de Colombia	Public	2007	1	2014
Czech Republic	-[*1]	-[*1]	2001	1	2004
Denmark	Committee on Corporate Governance	Public	2001	7	2014
Estonia	Estonian Financial Supervision Authority (EFSA)	Public	2005		2006
	NASDAQ OMX Tallinn Stock Exchange	Exchange			
Finland	Securities Market Association	Private	1997	4	2015
France	Association Française des Entreprises Privées (AFEP)	Private	2003		2015
	Mouvement des Entreprises de France (MEDEF)				
Germany	Commission of the German Corporate Governance Code	Mixed	2002		2016
Greece	Hellenic Corporate Governance Council	Mixed			2013
Hong Kong, China	Hong Kong Stock Exchange (SEHK)	Exchange	2005	5	2016
Hungary	Budapest Stock Exchange Company Limited	Exchange	2004		2012
Iceland	Iceland Chamber of Commerce	Public	2004	4	2012
	NASDAQ OMX Iceland	Exchange			
	Confederation of Icelandic Employers	Private			
India	Securities and Exchange Board of India (SEBI)	Public	2000	12	2015
	Recognised Stock Exchanges	Exchange			
Indonesia	Indonesia Financial Services Authority	Public	2015	-	2015
Ireland	Irish Stock Exchange (following UK Financial Reporting Council recommendations)	Mixed	2003		2016
Israel	Ministry of Justice (MOJ)	Public	1999	-	2016
	Israel Securities Authority (ISA)				
Italy	Corporate Governance Committee	Mixed	1999	6	2015
Japan	Tokyo Stock Exchange (TSE) and other local stock exchanges	Exchange	2015	-	2015
Korea	Korea Corporate Governance Service (KCGS)	Mixed	1999	2	2016
Latvia	Nasdaq Riga	Exchange	2005	2	2010
Luxembourg	Luxembourg Stock Exchange	Exchange	2007	3	2013

Jurisdiction	Custodians (Public/private/stock exchange/mixed initiative)		First code	Update No.	Update Latest
Mexico	Consejo Coordinador Empresarial	Private	1999	2	2010
Netherlands	Monitoring Committee Corporate Governance Code	Mixed	2003	1	2008[*2]
New Zealand	New Zealand Exchange (NZX)	Exchange	2003	-	2003
	Financial Markets Authority	Public	2004	-	2004
Norway	Norwegian Corporate Governance Board	Private	2005	6	2014
Poland	Warsaw Stock Exchange (WSE)	Exchange	2002		2016
Portugal	Securities Market Commission (CMVM)	Public	2006		2013
	Portuguese Corporate Governance Institute (IPCG)	Private	2013	-	2013
Russia	The Central Bank of the Russian Federation	Public	2002[*3]	1	2014
Saudi Arabia	Capital Market Authority	Public	2006	1	2010
Singapore	Monetary Authority of Singapore (MAS)	Public	2001	2	2012
	Singapore Exchange (SGX)	Exchange			
Slovak Republic	Central European Corporate Governance Association	Mixed	2003		2008
Slovenia	Ljubljana Stock Exchange	Exchange	2004		2016
	Slovenian Directors' Association	Private			
	Slovenian Chamber of Commerce	Private			
	Ministry of Economy RS	Public			
	Slovenian Sovereign Holding	Public			
South Africa	Institute of Directors	Private	1994	4	2016
Spain	National Securities Market Commission (CNMV)	Public	1998	5	2015
Sweden	Swedish Corporate Governance Board	Private	2005	5	2016
Switzerland	economiesuisse	Private	2002	2	2014
Turkey	Capital Market Board of Turkey (CMB)	Public	2003	4	2014
United Kingdom	Financial Reporting Council (FRC)	Mixed	2003		2016
United States	NASDAQ	Exchange	2003		2013
	New York Stock Exchange (NYSE)	Exchange	2003		2013

[*1] In **Czech Republic**, there is no formal custodian since 2006, when the Czech Securities Commission (the original custodian of the Code) was integrated to the Czech National Bank.

[*2] In the **Netherlands**, the Corporate Governance Code Monitoring Committee has published a revised Dutch Corporate Governance Code on 8 December 2016. The government has to decide on the designation of this revised code leading to the obligation for listed companies to report in 2018 on compliance with the revised Code in the 2017 financial year. In 2017, listed companies are legally obliged to report on their compliance with the 2008 Code in the 2016 financial year.

[*3] In **Russia**, the Federal Commission of the Securities Market of Russia (FCSM) was the custodian of the first Code of Corporate Conduct which was set up in 2002.

Table 2.4 **National reports on corporate governance**

Thirty-five institutions (in 28 of 46 jurisdictions) have established a formal mechanism in which the national regulators, stock exchanges and/or private institutions periodically analyse and publish a report on how listed firms disclose matters relating to the codes and whether they provide adequate explanations for non-compliance. While a majority of these institutions (24) provide annual reports, often covering all listed companies and recommendations, the overall coverage and frequency of publication of these reports vary.

Jurisdiction	Issuing body		Publication		Key contents		
			Frequency (years)	Latest	Corporate governance landscape	Evaluation of the "Comply or Explain" practices	
	Regulator / Stock exchange / Private institution / Mixed					Coverage of the listed companies	Coverage of the provisions of codes
Argentina	R	CNV	1	2012	Yes	Main panel	Fully
Australia	-	-	-	-	-	-	-
Austria	-	-	-	-	-	-	-
Belgium	R	FSMA	1	2012	Yes	-	Partly
	P	GUBERNA and FEB	1	2015	Yes	BEL20, mid & small	Fully
Brazil	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-
Colombia	R	SFC	1	2016	Yes	Fully, plus non-listed financial institutions	Fully
Czech Republic	-	-	-	-	-	-	-
Denmark	M	NASDAQ Copenhagen A/S and Committee on CG	1	2016	Yes	Fully	Fully
	S	NASDAQ OMX	1	2011	Yes	Fully	
Estonia	R	EFSA	2	2009			
Finland	M	Chamber of Commerce	1	2016	Yes	Fully	Fully
France	R	AMF	1	2015	Yes	Partly (60 companies)	Fully
	P	AFEP and MEDEF	1	2015	Yes	SBF 120	Fully
Germany	P	Berlin Center of CG	1	2015	Yes	Fully	Fully
Greece	-	-	-	-	-	-	-
Hong Kong, China	S	SEHK	2	2016	Yes	Majority	Fully
Hungary	-	-	-	-	-	-	-
Iceland	S	NASDAQ OMX	1	2011		Partly	
India	-	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-	-
Ireland	M	ISE, Irish Association of Investment Managers	-	2010	Yes	Fully	Fully
Israel	-	-	-	-	-	-	-
Italy	R	Consob	1	2015	Yes	-	-

Jurisdiction	Issuing body		Publication		Key contents		
	Regulator / Stock exchange / Private institution / Mixed		Frequency (years)	Latest	Corporate governance landscape	Evaluation of the "Comply or Explain" practices: Coverage of the listed companies	Evaluation of the "Comply or Explain" practices: Coverage of the provisions of codes
	S	Corporate Governance Committee	1	2015	Yes	Fully	Fully
	P	Assonime	1	2015	Yes	Fully	Fully
Japan	S	TSE	2	2015	Yes	Fully	Fully
Korea	P	KCGS	1	2016	Yes	-	-
Latvia	S	Nasdaq Riga	-	2015	Yes	Fully	Partly
Luxembourg	S	Bourse de Luxembourg	1	2011	Yes	Fully	Fully
Mexico	P	PwC México	2	2015	Yes	Partly	Partly
Netherlands	M	Monitoring Committee	1	2016	Yes	Fully	Fully
New Zealand	-	-	-	-	-	-	-
Norway	-	-	-	-	-	-	-
Poland	-	-	-	-	-	-	-
Portugal	R	CMVM	1	2014	Yes	Fully	Fully
	P	AEM/CL-SBE	1	2014	Yes	Fully	Fully
Russia	M	CBR*[1], Russian Institute of Directors and National Council on Corporate Governance	1-2	2015	Yes	Partly	Partly
Saudi Arabia	R	CMA	1	2015	-	Fully	Partly
Singapore	S	SGX	-	2016	Yes	Mainboard companies	Fully
Slovak Republic	P	CECGA	-	2012	-	Fully	Fully
Slovenia	R&P	Ljubljana Stock Exchange http://www.zdruzenje-ns.si/zcnsweb/default.aspSlovenian Directors' Association (SDA)	1	2016	-	Fully	Fully
	S	LJSE					
South Africa	-	-	-	-	-	-	-
Spain	R	CNMV		2015	Yes	Fully	Fully
Sweden	P	Swedish CG Board	1	2016	Yes	Fully	Fully
Switzerland	-	-	-	-	-	-	-
Turkey	R	CMB	-	2007	Yes	Partly	Partly
United Kingdom	R	FRC	1	2017	Yes	FTSE 350 & small	Fully
United States	-	-	-	-	-	-	-

Key: Fully (80-100%), partly (50-80%), poorly (0-50%).

*[1]In Russia, the Bank of Russia published its first report on corporate governance practices for 2016 in 2017. Further such reports are planned annually.

2.2 Cross-border application of corporate governance requirements

In an increasingly globalised world, the shares of companies are often listed for trading on multiple stock exchanges in different jurisdictions. Multiple listings can raise questions about investor protection, including with regard to which corporate governance rules apply.

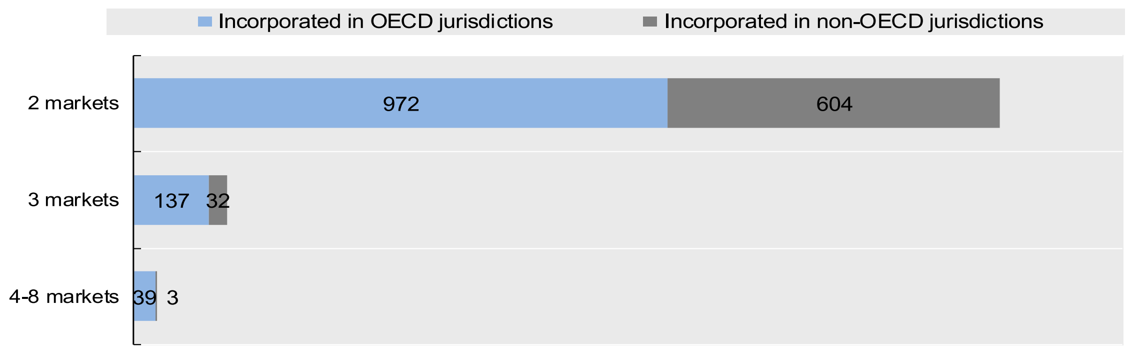
In an increasingly globalised world, the shares of companies are often listed for trading on multiple stock exchanges in different jurisdictions. The possibility of multiple listings provides important opportunities both for corporations and investors. Besides allowing companies to access additional investor pools and, in many cases, enhance their reputations, multiple listings also provide an opportunity for companies to identify the legal and regulatory framework they consider most suitable to their needs in terms of organisational, capital and ownership structures. They also facilitate access of investors to companies that they would find it difficult to invest in without a dual or multiple listing.

At the same time, multiple listings can raise questions about investor protection, including with regard to which corporate governance rules apply to the listed company. Each jurisdiction normally has its own corporate governance framework, and thus more than one, possibly duplicative set of corporate governance requirements may apply to the company. Some jurisdictions / exchanges have implemented procedures to address the duplicative application of corporate governance rules, mainly through implicit or explicit exemptions from their own ("local") requirements for a secondary-listed issuer, sometimes involving so-called "equivalence assessments".

In light of multiple listings and the possibility of discrepancies in corporate governance requirements between the company's country of incorporation and/or different listing venues, some stock exchanges grant exemptions from their own "local" requirements for a secondary-listing issuer. In some jurisdictions, like the United States for example, such exemptions are coupled with mandatory disclosure of deviations from local requirements, which are required by the federal securities laws and stock exchange rules. The New York Stock Exchange (NYSE) requires companies to disclose "any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards". NASDAQ requires companies to disclose each of the NASDAQ requirements that they do not follow and include a brief statement of the home country practice they follow in lieu of the NASDAQ requirements.

An OECD survey of the frequency and pattern of multiple cross-border listings shows that, out of listed companies around the world, 1787 companies were listed in more than one jurisdiction as of July 2014 (Figure 2.5). The Figure shows that out of the 1787 companies, 1576 companies had their shares listed for trading in two different jurisdictions; 169 were listed in three jurisdictions; and 42 companies were listed in more than three different jurisdictions. The Figure also shows that about two thirds (1148) of all companies with cross-border listings were incorporated in an OECD jurisdiction. This number also includes companies whose preferred shares or depositary receipts (DRs) are traded on foreign markets. The data have not been updated since the analysis was undertaken in 2014, and are provided primarily to illustrate general patterns. Listings on foreign markets of locally incorporated subsidiaries are not defined as cross-border listings.

Figure 2.5 **Frequency and pattern of multiple cross-border listings**



Source: OECD calculation based on the data provided by Factset as of July 2014

National approaches to cross-border listings vary. The focus of the OECD's 2014 review of cross-border listings was on the cross-border application of listing rules and codes pertaining to corporate governance, although listing rules and codes alone do not cover the entire corporate governance framework. The main objects of consideration were: i) a "secondary" listing of a company which has been "primary" listed on a stock exchange in a different jurisdiction; and ii) a "primary" listing of a company which has been incorporated in a different jurisdiction.

A survey of the listing rules and codes in 18 jurisdictions, covering 19 stock exchanges that have a large market capitalisation or typical provisions for cross-border listings, is summarised in Table 2.5. The survey finds that 17 out of the 19 stock exchanges have explicit provisions for cross-border listings in their listing rules.

Figure 2.6 below illustrates that there are two major categories of companies that may be exempted from the local corporate governance requirements: foreign companies (i.e. those which are incorporated in a different jurisdiction) and secondary listed companies (i.e. those which are or are to be primarily listed on an exchange of a different jurisdiction). Examples of companies which may enjoy exemptions are:

a) foreign companies following corporate governance practices of their home jurisdiction (e.g. in the **United States**);

b) foreign or secondary-listed companies satisfying "additional conditions" (e.g. in **Norway**).

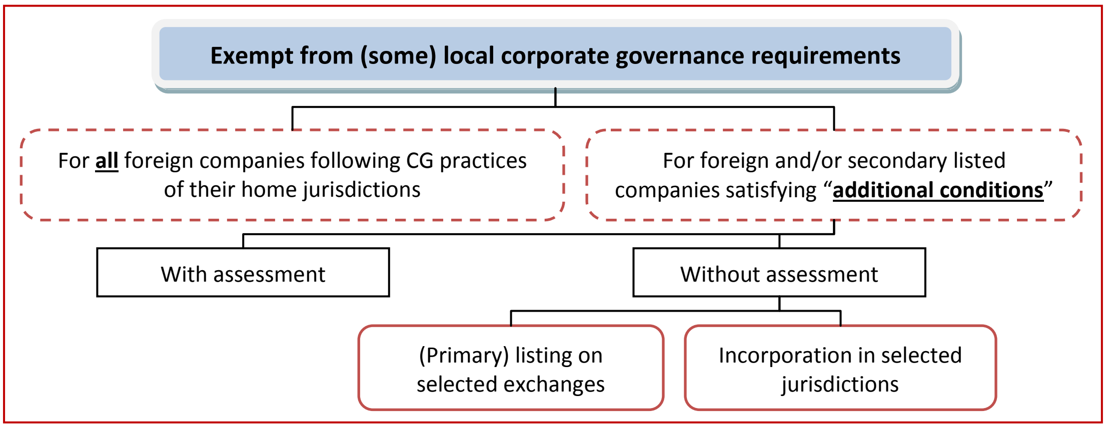
Additional conditions in the above b) and c) mainly address the equivalence or minimum standard of corporate governance requirements. Some jurisdictions conduct an equivalence assessment or assessment of compliance with minimum standards pertaining to corporate governance requirements before they allow exemptions; others grant exemption without assessment for all companies incorporated in selected jurisdictions (e.g. in **Canada**).

At least 12 stock exchanges have implemented a provision to exempt foreign companies from local corporate governance standards, either fully or partially. In the **United States** for example, a "foreign private issuer" is generally permitted to follow home country practices. A significant exception to this is the requirement to establish an independent audit committee (both for listing on NYSE and NASDAQ).

In **Norway**, companies that apply for listing on Oslo Børs must confirm in the application that they comply with the Norwegian Code of Practice for Corporate Governance, or that they follow standards recognized as equivalent, e.g. the equivalent code of practice in their home jurisdiction or in the jurisdiction of their primary listing. If the company does not fully comply with such a code of practice, it must explain why it deviates from the code. Moreover, there is a special arrangement with some other jurisdictions through memoranda of understanding. In terms of board composition, for example, a company with primary listing on the Singapore Exchange must only comply with the national corporate governance code in Singapore, and Oslo Børs will not require an adjustment.

In the **United Kingdom**, when admitting equity securities on the Main Market, companies have the choice of three routes to market – a Premium (formerly Primary) Listing, a Standard (formerly Secondary) Listing and an Admission via the High Growth Segment. Issuers with a Premium Listing, including overseas companies, are required to meet the UK's super-equivalent rules which are stricter than the EU minimum requirements. Standard Listings cover issuance of shares, Global Depositary Receipts (GDRs), debt and securitised derivatives that are required to comply with EU minimum requirements. A Standard Listing allows issuers to access the Main Market by meeting EU harmonised standards only rather than the UK 'super-equivalent' requirements. Standard listings are now open to all companies regardless of domicile.

Figure 2.6 **The criteria for the exemption from local corporate governance requirements**



The granting of exemptions is sometimes coupled with a requirement to disclose deviations from local requirements.

The granting of exemptions is sometimes coupled with a requirement to disclose deviations from local requirements. In the **United States,** for example, the NYSE, requires such companies to disclose "any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards". NASDAQ requires such companies to disclose each of the NASDAQ requirements that they do not follow and include a brief statement of the home country practice they follow in lieu of the NASDAQ requirements. The federal securities laws also require a foreign private issuer to disclose in its annual report any significant ways in which its corporate governance practices differ from those followed by domestic companies under the listing standards of the exchange on which the company is listed.

Many jurisdictions/exchanges do not, however, impose additional disclosure requirements for companies which they exempt from the local corporate governance requirements. Consequently, concerns may arise that investors invest in secondary-listed companies without knowing the (potentially significant) ways in which the corporate governance practices of such companies differ from those followed by companies under local standards.

In some jurisdictions, instructions are given that aim to avoid unnecessarily complicated and detailed disclosure of item-by-item analysis of the differences between jurisdictions that may make it more difficult for investors to recognise essential matters that they should be aware of in investing in a company. In the **United States,** for example, the NYSE makes clear that it expects a brief, general summary of the significant differences, not a cumbersome analysis. For an exchange that conducts equivalence assessments, it may be natural that the exchange requires disclosure of how the listed companies comply with their applicable standards as opposed to how they comply with the standards of the exchange.

Recent progress regarding arrangements for the cross-border application of corporate governance requirements have centred on enhancing disclosure requirements.

In **Singapore**, the exchange (SGX) has released, with effect from November 2014, its regulatory framework for secondary listings based on the market classification of an issuer's home jurisdiction. A secondary-listed issuer from a "Developed Market" defined by both MSCI and FTSE is exempted from the continuing listing obligations, except for those requiring simultaneous release of information on the home exchange and SGX and the provision of an annual certification of compliance. A secondary-listed issuer from a "Developing Market" may be subject to additional requirements relating to interested person transactions, acquisitions and disposals, based on the SGX's review of its home exchange's legal and regulatory requirements. SGX has also improved its website to provide more information on secondary listings including a clear segregation between primary and secondary listed companies and on the scope of additional requirements for secondary listed companies.

In **Hong Kong, China**, the Main Board Listing Rules require an overseas company to demonstrate that its home jurisdiction has shareholder protection standards at least equivalent to those of Hong Kong, China. If not, the company has to change its constitutive document (e.g. articles of association) to achieve equivalent standards. Furthermore, the stock exchange publishes on its website a list of 24 jurisdictions which are formally ruled to be acceptable as an issuer's place of incorporation, together with a country guide for each acceptable jurisdiction (with the exception of Canada - Ontario). The web site provides comprehensive guidance on how overseas companies in these jurisdictions can meet the requirement for equivalent shareholder protection standards in Hong Kong, China. These include: matters that require shareholder approval and proceedings at general meetings.

Table 2.5 **Application of corporate governance requirements for an issuer with cross-border listing**

This table shows the findings from a survey of the listing rules and codes in 18 jurisdictions, whose stock exchanges have a large market capitalisation or typical provisions for cross-border listings. Seventeen out of 19 stock exchanges (in 18 jurisdictions) have explicit provisions for cross-border listings in their listing rules. At least 11 stock exchanges have implemented a provision to exempt companies from local corporate governance standards, either fully or partially.

Jurisdiction	Group joined by Stock Exchange	Explicit provisions for some cross-border listing	Application of *local* corporate governance requirements for an issuer satisfying conditions	Key conditions			Disclosure of deviation from *local* corporate governance requirements where their application is exempted
				Primary listing in a different jurisdiction	Foreign	Further limits	
Australia	-	Yes	Exempt[*1]	Required	Required	Listed on an acceptable home exchange and complies with its requirements	-
Canada	TMX Group	Yes	Exempt from requirements for shareholder protection and rights	Not required	Required	Incorporated in Australia, the UK and some US states	Not required
			Possibly exempt from requirements for shareholder protection and rights based on assessment	Not required	Required	Equivalent provisions in company's articles and by-laws	
Denmark	NASDAQ Copenhagen A/S	Yes	Possibly exempt based on assessment	Not required[*2]	Required[*2]	Comply with the equivalent requirements	Not required
Finland	NASDAQ OMX (Nordic)	Yes	Possibly exempt based on assessment[*4]	Required[*2,3]	Not required[*2,3]	Traded on a regulated market or equivalent and comply with their requirements[*3,4]	Not required[*3]
France	NYSE (Europe)	-	N/A [No specific provisions concerning the approach to foreign companies]	-	-	-	N/A
Germany	-	-	N/A [No specific provisions concerning the approach to foreign companies]	-	-	-	N/A
Hong Kong, China	-	Yes	Possibly exempt based on assessment	Required	Required	Comply with the equivalent requirements	Required
Iceland	NASDAQ OMX (Nordic)	Yes	Apply[*3] [Iceland does not seem to waive *local* requirements]	-[*2]	-[*2]	-	-
Israel	-	Yes	Exempt from requirements applicable to independent directors and to the component of the audit and the remuneration committees	Required	-	Companies incorporated in Israel, without controlling SH and traded on NYSE or on NASDAQ	Required
Japan	Japan Exchange Group	Yes	Apply[*5] but exempt disclosure	Required	Required	No[*5]	Not required
Norway	-	Yes	Exempt from board composition requirements	Required	Not required	Comply with the national standards in Singapore / Canada	Not required
			Possibly exempt based on assessment	One of either is required		Comply with the equivalent	

Jurisdiction	Group joined by Stock Exchange	Explicit provisions for some cross-border listing	Application of *local* corporate governance requirements for an issuer satisfying conditions	Key conditions			Disclosure of deviation from *local* corporate governance requirements where their application is exempted
				Primary listing in a different jurisdiction	Foreign	Further limits	
						requirements	
Russia	Moscow Exchange	Yes	Exempt	Required	Required	Be listed in certain foreign exchanges	Not required
Singapore	-	Yes	Exempt	Not required	Required	- [*6]	Not required
Sweden	NASDAQ OMX (Nordic)	Yes	Exemption possible	Not required	Required	Apply national Code or the Code where they have their primary listing	Required
Switzerland	SIX Group	Yes	Exempt from some requirements for secondary listed companies	- [*7]	- [*7]	- [*7]	N/A
Turkey	-	Yes	Exempt (unless deemed necessary by CMB) [*8]	Not required	Required	-	N/A
United Kingdom	London Stock Exchange Group	Yes	Apply	Not required	Not required	Comply with the minimum EU directive standards [*9]	Not required
United States	NYSE (US)	Yes	Exempt from some requirements	Not required	Required	No	Required
	NASDAQ OMX (US)	Yes	Exempt from some requirements	Not required	Required	No	Required

[*1] In **Australia,** the ASX Corporate Governance Principles and Recommendations do not apply to a foreign company applying for an ASX Foreign Exempt Listing.

[*2] In order to be eligible for the exchange's "secondary" listing, a status for which waiver(s) of some listing requirements may be allowed, a "primary" listing in a different jurisdiction is REQUIRED while "foreign" condition is NOT required.

[*3] A foreign company seems to be exempted from applying the **Finnish** local corporate governance code, apparently regardless of jurisdiction of its incorporation and given that its home state's corporate governance requirements are applied to it. From July 1, 2014, the Finnish listing rules require a foreign company domiciled outside the European Economic Area to publish a general description of the main differences in minority shareholders' rights between the company's place of domicile and the place of listing.

[*4] In **Finland,** this exemption applies to companies with a primary listing on a regulated market, or equivalent, which is run by Nasdaq, Deutsche Börse, London Stock Exchange, NYSE, Euronext, Oslo Börs, Hong Kong Exchanges and Clearing, Australian Securities Exchange, Singapore Exchange or Toronto Stock Exchange.

[*5] In **Japan,** in order to be eligible for the exchange's possible special exceptions of some listing requirements, "primary" listing in a different jurisdiction and "foreign" conditions are REQUIRED.

[*6] Under the **Singapore** Exchange's (SGX) framework, a secondary-listed issuer which is primary-listed on the main board of a "Developed Market" defined by both MSCI and FTSE is exempted from additional continuing listing obligations apart from certain minimal obligations. For a company from a Developing Market (i.e. a jurisdiction which is not classified as a "Developed Market"), SGX will review its home exchange's legal and regulatory requirements and may impose additional requirements relating to interested person transactions, acquisitions and disposals to enhance shareholder protection and corporate governance standards. All companies with a primary listing on SGX (including foreign companies) must comply with the exchange's continuing listing requirements.

[*7] In **Switzerland,** in order to be eligible for the exchange's "secondary" listing, a status for which waiver(s) of some listing requirements may be allowed, a "listing," if not "primary," on one of recognised exchanges with equivalent listing provisions and "foreign" conditions are REQUIRED.

[*8] In **Turkey,** foreign corporations are exempted from regulations of the CMB pertaining to profit distribution and corporate governance, unless deemed necessary by the CMB. Furthermore, as for regulations pertaining to mandatory take-over bids, the laws of the country which are more favourable and advantageous for investors in terms of conditions leading to mandatory take-over bid will be applied. Representatives (intermediary institutions in the scope of the relevant Communiqué) are liable to ensure the implementation of abovementioned financial and administrative rights associated.

[*9] In the **United Kingdom,** companies listed on the Premium segment must report against the UK comply or explain code and no exemptions are permitted. For the standard segment, a UK-based or foreign company may choose to follow the UK code or EU minimum requirements. Since following the UK code is not a requirement, choosing not to follow it is not considered to be an exemption.

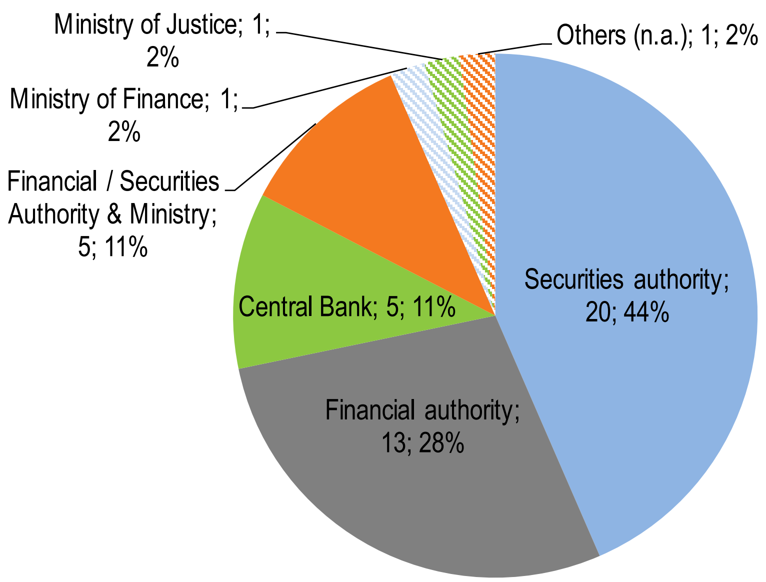
2.3 The main public regulators of corporate governance

In all jurisdictions surveyed, public regulators have the authority to supervise and enforce the corporate governance practices of listed companies. Securities or financial regulators generally play the key role in most jurisdictions.

Public regulators have the authority to supervise and enforce the corporate governance practices of listed companies in all surveyed jurisdictions. Securities regulators or financial regulators generally play the key role in a substantial majority of 33 jurisdictions (Figure 2.7). In **Germany** and **Korea**, the ministry in charge of the company law is substantially responsible for supervision and enforcement of corporate governance. In some jurisdictions (e.g. **Czech Republic**; **Hong Kong, China**; the **Netherlands**; and **Sweden**), the role of public regulators is limited only to the issues related to disclosure or the securities law, as in principle civil rules on corporate governance are mainly supervised and enforced privately.

It is sometimes not straightforward to identify the national public regulators of corporate governance. In the **United Kingdom**, the Financial Reporting Council (FRC) sets codes and standards including for corporate governance, but the FRC's corporate governance monitoring and third country auditor registration activities are relevant to the work of and may lead to enforcement by the Financial Conduct Authority. In the **United States**, state law is the primary source of corporate governance law, but the federal securities regulator (the Securities and Exchange Commission) and exchanges regulate certain governance matters.

Figure 2.7 **Who is the regulator of corporate governance?**

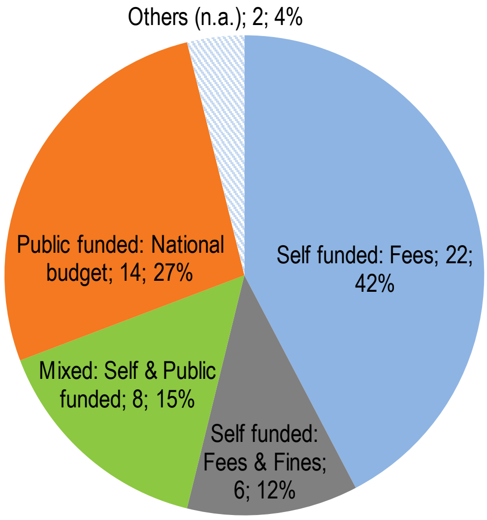


Note: This Figure shows the number of jurisdictions in each category and percentage share of all 46 jurisdictions. See Table 2.6.

More than two-thirds of regulators are funded fully or partly by fees from regulated entities, while one-fourth of regulators are fully financed by the government budget.

More than two-thirds of regulators are funded fully by fees and/or fines (28 institutions) or partially (8 institutions) by fees from regulated entities, while a quarter of the regulators (13 institutions) in the survey are fully financed by the government budget (Figure 2.8). OECD (2014) provides best practice principles for funding as part of the governance of regulators, including a recommendation that the fees from regulated entities and the scope of activities subject to fees "should be in accordance with the policy objectives and fees guidance set by government" (page 98). It also suggests that the level of these fees and the scope of activities subject to fees are "approved by the minister or legislator, rather than the regulator" (page 102).

Figure 2.8 **How is the regulator funded?**

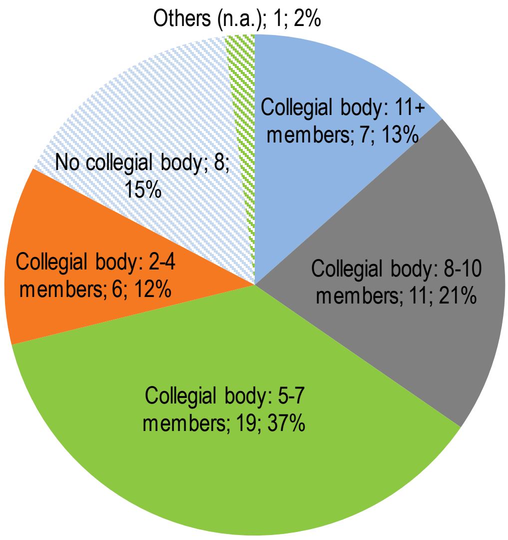


Note: This Figure shows the number of regulatory institutions (52 across 46 jurisdictions) in each category and percentage share . See Table 2.7. The jurisdictions with two main regulators are counted twice.

The issue of the independence of regulators is commonly addressed through the creation of a formal governing body. The size of the body ranges between two and 17 members.

The issue of the independence of regulators is commonly addressed (among 83% of regulatory institutions) through the creation of a formal governing body (e.g. a board, council or commission), the size of which ranges from 2 to 17 members (most commonly 5 to 7 members) (Figure 2.9). Some seats are sometimes reserved for representatives from specific institutions, such as central banks (in 15 jurisdictions) and other public authorities (in 9 jurisdictions) (Table 2.8). However, a significant number (8 jurisdictions) have no governing board. Among those eight, **Chile** enacted a new law in December 2016 to establish a 5-member board for its securities and insurance regulator to be established by 2018. By statute, no more than three out of five Commissioners of the Securities and Exchange Commission in the **United States** may belong to the same political party. In **France**, the Autorité des Marchés Financiers (AMF) has one of the largest boards with 16 members, including judges from the Supreme courts (*Cour de Cassation* and *Conseil d'État*). In **Switzerland,** the SIX Exchange Regulation division is overseen by a 17-member board responsible for enforcement of SIX Exchange listing rules, while securities market law is enforced by the Swiss Financial Market Authority FINMA, overseen by a 7- to 9-member board.

Figure 2.9 **How is the ruling body of the regulator organised?**

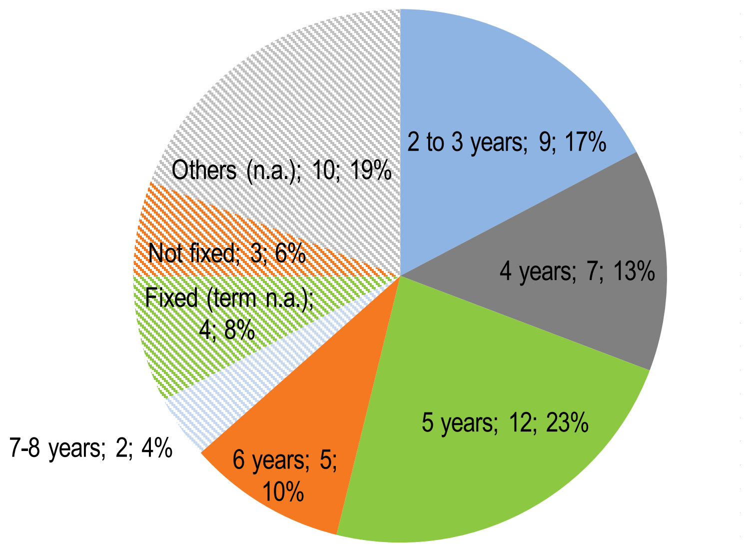


Note: This Figure shows the number and percentage of regulatory institutions (out of 52 across 46 jurisdictions) in each category. See Table 2.8. Jurisdictions with two main regulators are counted twice.

Members of a governing body of the national regulators are given fixed terms of appointment ranging from three to eight years, and five jurisdictions permit only one re-appointment.

Members of a governing body are given fixed terms of appointment in 39 institutions, ranging from two to eight years (most commonly five years) (Figure 2.10). The re-appointment of members is allowed in all jurisdictions with the exception of **Brazil**, **Italy** and **Portugal.** The re-appointment of the Chairperson is not allowed in **France.** The number of re-appointments is limited to only once in five jurisdictions (the **Czech Republic**, **France**, **Saudi Arabia**, **Spain** and **Turkey**) or twice in two jurisdictions (the **Netherlands** and **Switzerland**).

Figure 2.10 **Term of office of members of the ruling body**



Note: This Figure shows the number of jurisdictions in each category and percentage share of all 46 jurisdictions. See Table 2.9. Jurisdictions with two main regulators are counted twice.

Table 2.6 **The main public regulators of corporate governance**

The main public regulators of listed companies are those with the capacity to supervise and enforce corporate governance. National authorities which have the power to draft bills relevant to corporate governance fall into this category only if they also have the specific capacity to supervise and enforce in this regard (as is the case of the Ministry of Justice in most jurisdictions). In most cases (33 of 46 jurisdictions), the main public regulator responsible for enforcing the corporate governance framework for listed companies is either the financial authority or securities authority (with or without the capacity to supervise and enforce corporate governance in financial institutions). In five jurisdictions the Central Bank takes the lead role, while in five others it is a mix.

Jurisdiction	Main public regulators	
Argentina	CNV	Comision Nacional de Valores
Australia	ASIC	Australian Securities and Investments Commission
Austria	FMA	Financial Market Authority
Belgium	FSMA	Financial Services and Markets Authority
Brazil	CVM	Securities and Exchange Commission of Brazil
Canada	OSC	Provincial securities commissions
		(e.g. Ontario Securities Commission)
Chile	SVS[*1]	Superintendence of Securities and Insurance
China	CSRC	China Securities Regulatory Commission
	SASAC	State-owned Assets Supervision and Administration Commission
	MOF	Ministry of Finance of the People`s Republic of China
Colombia	SFC	Financial Superintendency Ministry of Finance and Public Credit
Czech Republic	CNB[*2]	Czech National Bank
Denmark	DFSA	Danish FSA
Estonia	EFSA	Estonian Financial Supervision Authority
Finland	FIN-FSA	Finnish Financial Supervisory Authority
France	AMF	Autorité des Marchés Financiers
Germany	BfJ[*3]	Federal Office of Justice
	BaFin	Federal Financial Supervisory Authority
Greece	HCMC	Hellenic Capital Market Commission
Hong Kong, China	SFC[*2]	Securities and Futures Commission
Hungary	CBH	Central Bank of Hungary
Iceland	FME	Financial Supervisory Authority, Iceland
India	SEBI	Securities and Exchange Board of India
	MCA[*3]	Ministry of Corporate Affairs
Indonesia	IFSA (OJK)	Indonesia Financial Services Authority
Ireland	CBI	Central Bank of Ireland
Israel	ISA	Israel Securities Authority
Italy	CONSOB	Commissione Nazionale per le Società e la Borsa
Japan	FSA	Financial Services Agency
	SESC	Securities and Exchange Surveillance Commission

Jurisdiction	Main public regulators	
Korea	MOJ*3	Ministry of Justice
Latvia	FCMC	Financial and Capital Market Commission
Luxembourg		
Mexico	CNBV	National Banking and Securities Commission
Netherlands	AFM*2	Netherlands Authority for the Financial Markets
New Zealand	FMA	Financial Market Authority
Norway	NFSA	Financial Supervisory Authority of Norway
Poland	KNF	Polish Financial Supervision Authority
Portugal	CMVM	Securities Market Commission
Russia	CBR	The Central bank of the Russian Federation
Saudi Arabia	CMA	Capital Market Authority
	MCI	Ministry of Commerce and Investment
Singapore	MAS*2	Monetary Authority of Singapore
	ACRA*2	Accounting and Corporate Regulatory Authority
Slovak Republic	MOFSR	Ministry of Finance
Slovenia	ATVP	Securities Market Agency
South Africa	CICP*4	Companies and Intellectual Property Commission
Spain	CNMV	National Securities Market Commission
Sweden	FI/SFSA*2	Swedish Financial Supervisory Authority (Financial Reporting)
Switzerland	FINMA*5	Swiss Financial Market Supervisory Authority
	SER	Swiss Exchange Regulation
Turkey	CMB	Capital Markets Board of Turkey
United Kingdom	FCA*6	Financial Conduct Authority
United States	SEC*7	Securities and Exchange Commission

*1 In **Chile**, a new regulator for the financial market has been approved by Congress. The Financial Market Commission will be an independent body governed by a board, in charge of regulating and supervising the financial markets as a whole. This new regulator shall be in force by August, 2018.

*2 In **Czech Republic, Hong Kong (China),** the **Netherlands**, **Singapore** and **Sweden**, the public regulator is concerned with the matters in relation to the securities law, while in principle civil rules on corporate governance are mainly supervised and enforced privately.

*3 In **Germany** and **Korea**, the ministry in charge of the companies law is also substantially responsible for the enforcement of corporate governance issues. In **India,** the ministry in charge and SEBI, the regulator of the securities market, both are responsible for enforcement of corporate governance issues.

*4 In **South Africa**, the CIPC is responsible for company law corporate governance requirements such as the functioning and composition of the audit committee, while the Johannesburg Stock Exchange enforces stock exchange listing requirements.

*5 In **Switzerland**, FINMA is responsible only for the financial services companies.

*6 In the **United Kingdom**, the Financial Reporting Council (FRC) sets codes and standards including for corporate governance, but the FRC's corporate governance monitoring and third country auditor registration activities are relevant to the work of and may lead to enforcement by the Financial Conduct Authority.

*7 In the **United States**, state law is the primary source of corporate governance law, but the federal securities regulator (SEC) and exchanges regulate certain governance matters.

Table 2.7 **Budget and funding of the main public regulator of corporate governance**

Out of 52 regulators (in 46 jurisdictions), 28 regulators (54%) are self-funded, mainly by fees levied on the regulated entities. Six jurisdictions use fines for the violation of regulations as a funding source (without going through the national budget). Fourteen regulators (27%) are fully funded by the government budget, and 8 regulators (15%) are partly funded by both the government budget and fees from the regulated entities. In many jurisdictions, the budget of the regulators needs to be approved by the Government and Parliament, regardless of the form of funding.

Jurisdiction	Key regulators	Form of funding	Main funding resource			Budget approval by:	
			National budget (NB)	Fines from wrongdoers	Fees from regulated entities	Government	Legislature
Argentina	CNV	Public & Self	●	●	●	Required	Required
Australia	ASIC	Public & Self	●	-	●	Required	
Austria	FMA	Public	●	-	-		
Belgium	FSMA	Self	-	-	●		
Brazil	CVM	Public[*1]	●	-	-	Required	Required
Canada (Provinces e.g. Ontario)	OSC	Self			●		
Chile	SVS	Public	●	-	-	Required	Required
China	CSRC	Public	●	-	-	Required	
Colombia	SFC	Self	-	-	●	Required	Required
Czech Republic	CNB	Self	-	-	●	Not required	Not required
Denmark	DFSA	Self	●	-	-		
Estonia	EFSA	Self	-	●	●		
Finland	FIN-FSA	Self	-	-	●	Not required	Not required
France	AMF	Self	-	-	●	Not required	Not required
Germany	BfJ	Public & Self	●	●	●		
	BaFin	Self	-	-	●		
Greece	HCMC	Self	-	-	●	Required	
Hong Kong, China	SFC	Self	-	-	●[*2]	Required	Required
Hungary	CBH	Self	-	-	●	Not required	Not required
India	SEBI	Public & Self	-	(to NB)	●	Not required	Not required
	MCA	Public	●	-	-		
Indonesia	IFSA (OJK)	Self	-	●	●		Not required
Iceland	FME	Self	-	-	●		
Ireland	CBI	Self	-	●	●	Not required	Not required
Israel	ISA	Self	-	-	●	Required	Required
Italy	CONSOB	Self	-	-	●	Required	
Japan	FSA	Public	●	(to NB)	-	Required	Required
	SESC	Public	●	(to NB)	-	Required	Required
Korea	MOJ	Public	●	-	-	Required	Required

Jurisdiction	Key regulators	Form of funding	Main funding resource			Budget approval by:	
			National budget (NB)	Fines from wrongdoers	Fees from regulated entities	Government	Legislature
Latvia	FCMC	Self	-	-	●	Not required	Not required
Luxembourg							
Mexico	CNBV	Public	●	-	-	Required	Required
Netherlands	AFM	Self	-	●	●	Required	
New Zealand	FMA	Public	●	-	-		
Norway	NFSA	Public	●	-	-	Required	
Poland	KNF	Self	-	-	●	Required	Required
Portugal	CMVM	Self	-	-	●	Required	Required
Russia	CBR	Self	-	(to NB)	(to NB)	Not required	Not required
Saudi Arabia	CMA	Public & Self	-	●	●	Not required	N/A
	MCI	Public	●	-	-	Required	N/A
Singapore	MAS	Self	-	-	●		
	ACRA	Self	-	-	●		
Slovak Republic	MOFSR						
Slovenia	ATVP	Self	-	●	●	Required	Not required
South Africa	CIPC	Public & Self	●	●	●	Required	Required
Spain	CNMV	Public & Self	●	-	●	Required	Required
Sweden	FI/SFSA	Public & Self	●	-	●	Required	Not required
Switzerland	FINMA	Self	-	-	●	Not required	Not required
	SER	Self	-	-	(partially)	Not required	Not required
Turkey	CMB	Self	-[*3]	(50% to NB)	●	Required	Required
United Kingdom	FCA	Self	-	-	●	Not required	Not required
United States	SEC	Public[*4]	●	-	●	Required	Required

[*1] In **Brazil**, the CVM does collect fees and monetary fines from regulated entities, but they are transferred to the Federal Government. CVM´s funding comes from Federal Government in accordance with the budget approval.
[*2] In **Hong Kong (China)**, the SFC is fully self-funded from fees received from regulated entities in terms of licensing fees and application fees, and transaction levies charged on transactions recorded on the Stock Exchange.
[*3] In **Turkey**, in case the income from CMB funds is insufficient to meet the expenditures, under CML the deficit can be financed by the budget of the Treasury, although no deficit has been reported since 1992.
[*4] In the **United States**, the SEC receives fees from regulated entities but Congress determines the SEC's funding. The amount of funding received is offset by fees collected.

Table 2.8 **Size and composition of the ruling body of the main public regulator of corporate governance**

Out of 52 regulators (in 46 jurisdictions) 44 have a collegial body for material decision making with regard to supervision and enforcement in corporate governance. The size of the collegial body ranges from 2 to 17 (often 5 members). Some seats can be reserved for representatives from specific institutions, such as central banks (in 15 jurisdictions) and other public authorities (in 9 jurisdictions).

Jurisdiction	Key regulators	Ruling body	Composition				
			Members incl. Chair (current)	Representatives from specific bodies			
				Government	Central Bank	Others public	Others private
Argentina	CNV	Board of Directors	3	•	-	-	-
Australia	ASIC	Commission	3-8 (5)				
Austria	FMA	Executive Board	2				
Belgium	FSMA	Supervisory Board	10				
Brazil	CVM	The Board	5				
Canada (Provinces e.g. Ontario)	OSC	Commission	9-16 (14)				
Chile	SVS	Superintendent	-				
China	CSRC	Commission	7	•	-	-	-
Colombia	SFC	Superintendent	-	•	-	-	-
Czech Republic	CNB	Bank Board	7		•		
Denmark	DFSA	Board of directors	7				•
Estonia	EFSA	Management Board	3-5 (4)				
Finland	FIN-FSA	Board	5	-	•	•	-
France	AMF	Board	16	•	•	•	
Germany	BaFin	Executive Board	5				
	BfJ		7				
Greece	HCMC	Board of Directors	7		•		•
Hong Kong, China	SFC	Board of Directors	14	-	-	-	-
Hungary	CBH	Financial Stability Board	3-10	-	•	-	-
Iceland	FME	Board of Directors	3		•		
India	SEBI	The Board	8 (7)	•	•	•	-
	MCA	The Minister	-	-	-	-	-
Indonesia	IFSA (OJK)	Board of Commissioners	9	•	•	-	-
Ireland	CBI	Commission	10	•	-	-	-
Israel	ISA	Commissioners	13 (11)	•	•	-	•
Italy	CONSOB	Commission	5	-	-	-	-
Japan	FSA	Commissioner	-	-	-	-	-
	SESC	Commission	3	-	-	-	-
Korea	MOJ	Minister	-	-	-	-	-
Latvia	FCMC	Board	5	-	-	-	-
Luxembourg							
Mexico	CNBV	Governing Board	13	•	•	•	-

Jurisdiction	Key regulators	Ruling body	Composition				
			Members incl. Chair (current)	Representatives from specific bodies			
				Government	Central Bank	Others public	Others private
Netherlands	AFM	Executive Board	3-5 (4)	-	-	-	-
New Zealand	FMA	Commission	5-11				
Norway	NFSA	Board	5				
Poland	KNF	Commission	8	•	•	•	-
Portugal	CMVM	Executive Board	5				
Russia	CBR	Board of Directors	14	-	•	-	-
Saudi Arabia	CMA	Board of Commissioners	5	-	-	-	-
	MCI	Minister	-	-	-	-	-
Singapore	MAS	Board	10	•	•	•	•
	ACRA	Board	16	•	•	•	•
Slovak Republic	MOFSR	Minister	-	-	-	-	-
Slovenia	ATVP	Directors and council	5	-	-	-	-
South Africa	CIPC	Commissioner	-	•	-	-	-
Spain	CNMV	Board	8	•	•		
Sweden	FI/SFSA	Board	6	-	-	•	•
Switzerland	FINMA	Board of Directors	7-9	-	-	-	-
	SER	Regulatory Board	17	-	-	-	6
Turkey	CMB	Board	7[*1]	-	-	•	•
United Kingdom	FCA	Board	10	•	-	-	-
United States	SEC	Commission	5[*2]	-	-	-	-

[*1] In **Turkey** at least one Board member should be appointed from those who have 10 years of experience at the Capital Markets Board of Turkey and at least one Board member should be appointed from those who have at least 10 years of experience at private sector capital market institutions (Art. 119/2 of the Capital Markets Law).

[*2] In the **United States**, no more than three of the Commissioners may belong to the same political party.

Table 2.9 **Terms of office and appointment of the ruling body of the main public regulator of corporate governance**

Out of 52 regulators (in 46 jurisdictions) 39 regulators have a fixed term of office for members of the ruling body, which varies from 2 to 8 years (with the mode and the median at 5 years). Re-appointment of members is allowed in most jurisdictions, while seven jurisdictions set a limit of the number of re-appointments.

Jurisdiction	Key regulators	Ruling body in charge of corporate governance	Term of members (in years)	Re-appointment	Nomination or Appointment by:	Approval by Legislature
Argentina	CNV	Board of Directors	5	Allowed	National Executive Power	Not required
Australia	ASIC	Commission	Up to 5	Allowed	Governor-General	
Austria	FMA	Executive Board	Fixed		President	
Belgium	FSMA	Supervisory Board	6	Allowed		
Brazil	CVM	The Board	5	Not allowed	President	Required
Canada (Provinces e.g. Ontario)	OSC	Commission	Fixed		Lieutenant Governor in Council	
Chile	SVS	Superintendent	Not fixed	Allowed	President	Not required

Jurisdiction	Key regulators	Ruling body in charge of corporate governance	Term of members (in years)	Re-appointment	Nomination or Appointment by:	Approval by Legislature
China	CSRC	Commission	5	Allowed	The State Council	Not required
Colombia	SFC	Superintendent	4	Allowed	President	Not required
Czech Republic	CNB	Bank Board	6	Only once	President	Not required
Denmark	DFSA	Board of Directors	2	Allowed	Minister of Industry, Business and Financial Affairs	
Estonia	EFSA	Management Board			Supervisory Board of EFSA	
Finland	FIN-FSA	Board			Parliamentary Supervisory Council	
France	AMF	Board	5	Not allowed for chair (only once for members)	Ministry of Finance, Parliament and other public bodies (each one independently appoints one or more members, in some cases after consultation with private bodies)	Not required
Germany	BaFin	Executive Board	8	Allowed	President	
	BfJ				President	
Greece	HCMC	Board of Directors			Minister of Economy and Finance	Required
Hong Kong, China	SFC	Board of Directors	Fixed	Allowed	Financial Secretary	
Hungary	CBH	Financial Stability Board			Governor	Not required
Iceland	FME	Board of Directors	4		Minister of Economic Affairs	
India	SEBI	The Board	3-5	Allowed	Ministry of Finance	Not required
	MCA	The Minister				
Indonesia	IFSA (OJK)	Board of Commissioner	5	Allowed	President	Required
Ireland	CBI	Commission	3-5	Allowed	President, Minister of Finance	
Israel	ISA	Commissioners	3	Allowed	Minister of Finance	
Italy	CONSOB	Commission	7	Not allowed	President on proposal of the Prime Minister	Opinion
Japan	FSA	Commissioner	Not fixed	-	Prime Minister	
	SESC	Commission	3	Allowed	Prime Minister	Required
Korea	MOJ	Minister				
Latvia	FCMC	Board	6 (Chair)*1	Allowed	Minister of Finance and the Governor of the Bank of Latvia	Required for the Chair and Deputy Chair
Luxembourg						
Mexico	CNBV	Governing Board	Not fixed		Ministry of Finance, Central Bank, other public bodies	Not required
Netherlands	AFM	Executive Board	4	Only twice	Royal Decree	
New Zealand	FMA	Commission	5	Allowed	Governor-General	
Norway	NFSA	Board	6		King in Council, Minister of Finance	
Poland	KNF	Commission	5	Allowed	Ministry of Finance, Central Bank, etc.	
Portugal	CMVM	Executive Board	6	Not allowed	Council of Minister's Resolution	

Jurisdiction	Key regulators	Ruling body in charge of corporate governance	Term of members (in years)	Re-appointment	Nomination or Appointment by:	Approval by Legislature
Russia	CBR	Board of Directors	5	Allowed	Chair: nominated by President and appointed by the State Duma of the Federal Assembly of the Russian Federation Members of BoD: nominated by Chair and appointed by the State Duma of the Federal Assembly of the Russian Federation with the agreement of President	
Saudi Arabia	CMA	Board of Commissioners	5	Only once	Royal Order	
	MCI	Minister	4	Allowed	Royal Order	
Singapore	MAS	Board	3*2	Allowed	President	
	ACRA	Board	2	Allowed	Minister	
Slovak Republic	MOFSR	Minister				
Slovenia	ATVP	Directors and council	6	Allowed	Government	Required
South Africa	CIPC	Commission	5	Allowed	Minister	Not required
Spain	CNMV	Board	4	Only once	Government, Minister of Economy and Competitiveness	
Sweden	FI/SFSA	Board	2	Allowed	Government	Not required
Switzerland	FINMA	Board of Directors	4	Only twice	Federal Council	Not required
	SER	Regulatory Board	3	Allowed	economiesuisse, SIX	Not required
Turkey	CMB	Board	5	Only once	Council of Ministers	
United Kingdom	FCA	Board	3	Allowed	Treasury	Not required
United States	SEC	Commission	5	Allowed	President	Required

*1 In **Latvia**, the Chair and Deputy Chair of the Board have a six years term, but the terms of the other three members are not fixed.

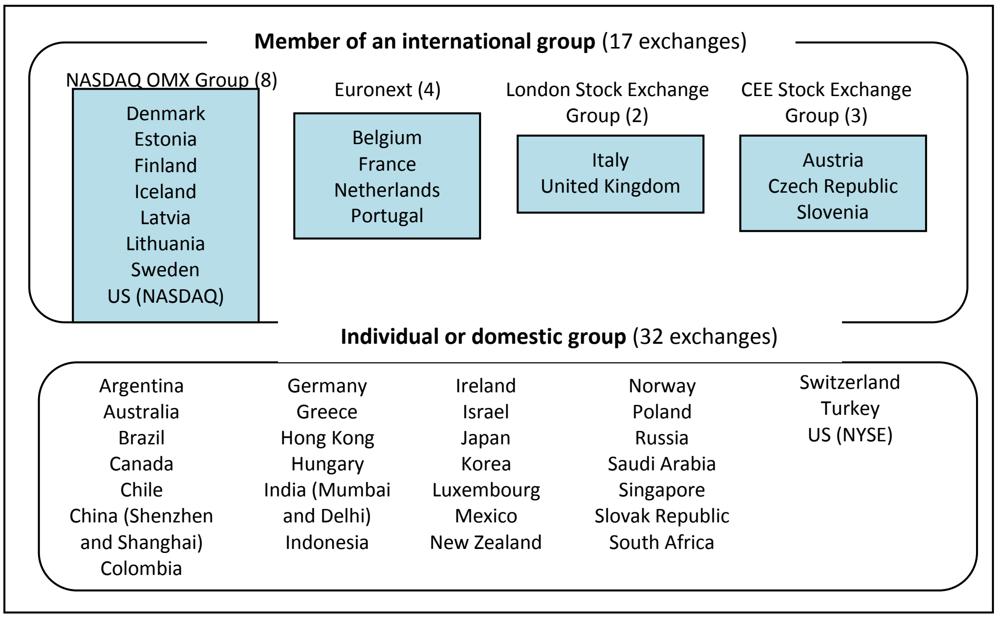
*2 In **Singapore**, the provisions concerning the term of members and reappointment are not applicable to managing directors.

2.4 Stock exchanges

Out of 50 major stock exchanges in 47 jurisdictions, 17 exchanges now belong to one of four international groups, and the top three groups account for half of global market capitalisation. The share of the five largest OECD member country stock exchanges / groups in terms of market capitalisation dropped from 71% to 55% between 2003 and 2016, while the share of non-OECD markets more than doubled from 8% to 21% during the same period.

Stock exchanges have undergone structural changes since the 1990s, such as mergers and acquisitions, demutualisations and self-listings. Out of 50 stock exchanges in the 47 jurisdictions reviewed for the Factbook, 17 exchanges belong to one of four international groups (Figure 2.11).

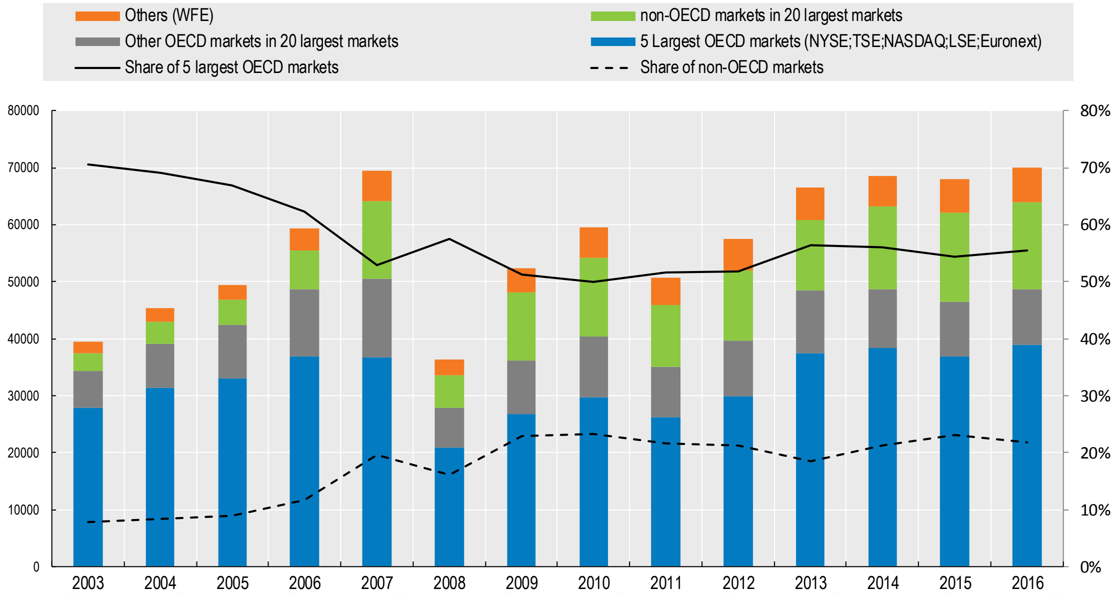
Figure 2.11 **Largest stock exchanges by jurisdiction and group membership**



Notes: The two largest stock exchanges in China, India and the United States are counted separately. See Table 2.10

The New York Stock Exchange (NYSE) is the largest exchange group in terms of market capitalisation, followed by NASDAQ OMX and Japan Exchange Group. The aggregate share of the five largest stock exchanges and groups (e.g. NYSE, NASDAQ OMX, Japan Exchange Group, London Stock Exchange and Euronext) in terms of market capitalisation (in USD base) dropped from 63% in the period 2003-2007 to 52% in the period 2008-2012, and slightly increased to 56% in the period 2013-2016. During the same period, the aggregate share of the non-OECD large markets (e.g., **Brazil**; **Chinese Taipei**; **Hong Kong, China**; **India**; **People's Republic of China; South Africa**) increased from 13.5% (2003-2007) to 21.1% where its share has remained stable over the two subsequent time periods through 2016. (Figures 2.12 and 2.13). The constituents of the five largest exchanges had remained unchanged for a decade until 2014, when the Shanghai Stock Exchange became the 3rd largest exchange. By 2016, the Shanghai and Shenzen Exchanges had moved up to 3rd and 4th place in terms of share of global market capitalisation.

Figure 2.12 **Market capitalisation of the 20 largest stock exchanges and groups**
(2003-2016; USD Billion)



Note: The data are based on the monthly reports of the World Federation of Exchanges (WFE) and Main Market Factsheets of the London Stock Exchange. The data of the Osaka and National Stock Exchange of India are excluded in order to avoid double counting with Tokyo and Mumbai SE respectively. The amounts are in 2016 USD adjusted by US GDP deflator.

Figure 2.13 **Share of the market capitalisation of the 20 largest stock exchanges and groups** (2003-2016)

2003-2007		2008-2012		2013-2016	
NYSE	31.4%	NYSE	25.7%	NYSE	**27.9%**
Japan Exchange Group - Tokyo	9.2%	NASDAQ OMX	7.6%	NASDAQ OMX	**10.5%**
NASDAQ OMX	8.2%	Japan Exchange Group - Tokyo	7.3%	Japan Exchange Group - Tokyo	7.0%
LSE	7.3%	LSE	5.8%	Shanghai SE	**5.6%**
Euronext	6.9%	Euronext	5.6%	Euronext	5.1%
TMX Group	3.4%	Shanghai SE	**5.0%**	LSE	5.0%
Deutsche Börse	3.3%	Hong Kong Exchanges	**4.9%**	Hong Kong Exchanges	4.7%
Hong Kong Exchanges	3.2%	TMX Group	**3.8%**	Shenzhen SE	**3.9%**
BME Spanish Exchanges	2.6%	Deutsche Börse	2.8%	TMX Group	2.9%
Shanghai SE	2.5%	Australian SE	**2.6%**	Deutsche Börse	2.7%
SIX Swiss Exchange	2.3%	BM&FBOVESPA	**2.5%**	SIX Swiss Exchange	2.2%
Australian SE	2.1%	BSE India	**2.5%**	BSE India	2.2%
Borsa Italiana	2.0%	BME Spanish Exchanges	2.4%	Australian SE	1.9%
BSE India	1.7%	SIX Swiss Exchange	**2.3%**	NASDAQ OMX Nordic Exchange	**1.9%**
NASDAQ OMX Nordic Exchange	1.6%	Shenzhen SE	**2.0%**	Korea Exchange	1.9%
Korea Exchange	1.5%	Korea Exchange	**1.9%**	BME Spanish Exchanges	1.4%
BM&FBOVESPA	1.4%	NASDAQ OMX Nordic Exchange	**1.8%**	Johannesburg SE	1.3%
Johannesburg SE	1.3%	Johannesburg SE	**1.7%**	Taiwan SE Corp.	1.2%
Taiwan SE Corp.	1.2%	Taiwan SE Corp.	**1.4%**	BM&FBOVESPA	1.2%
Singapore Exchange	0.7%	Singapore Exchange	**1.2%**	Singapore Exchange	1.0%
Share of top 20	93.8%		90.8%		91.5%
Share of top 5	63.1%		52.0%		56.1%
Share of non-OECD	13.5%		21.1%		21.1%

Note: The data are based on the monthly reports of the World Federation of Exchanges (WFE) and Main Market Factsheets of the London Stock Exchange, through 2014, and WFE data exclusively after 2014. The data of the Osaka and National Stock Exchange of India are excluded in order to avoid double counting with Tokyo and Mumbai respectively. The average percent shares are calculated based on the aggregated amounts (adjusted by US GDP deflator to 2016 USD) of the corresponding 4-year period. The non-OECD jurisdictions are shadowed in grey. The percentage numbers in bold indicate an increase of the share from the previous period.

Out of the 50 stock exchanges in 47 jurisdictions, 31 are either self-listed or their parent company is self-listed.

Increasing international competition among exchanges is regarded as one of the factors that has encouraged the exchanges to convert from a non-profit member-owned entity to a pro-profit corporation (demutualisation) (Ryden, 2010). The first stock exchange demutualised (or privatised from a government-owned entity) was the Stockholm Stock Exchange in 1993, followed by more than 20 exchanges. A demutualisation brings flexibility to the stock exchanges in their investment decisions to be taken for organisational dynamism and infrastructure (OECD, 2014). In many cases, a demutualisation is followed by the listing of the equity of the exchange on its own market (self-listing). Most recently in **Turkey**, the Capital Market Law in 2012 paved the way for the Istanbul Stock Exchange (ISE) to become a joint-stock company (Borsa Istanbul, BIST). While 49 % of the BIST shares are initially owned by the Treasury, a public offer of the shares can be made upon determination by the Council of Ministers (OECD, 2013: 90).

More than three-fourths of reviewed stock exchanges are listed or, while not listed, demutualised for-profit institutions. Nine jurisdictions have demutualised, but their stocks are not listed on the exchanges. An additional ten remain non-listed as a private corporation, association or other form such as a state-owned public institution. (WFE, 2012; Table 4.10).

Figure 2.14 **Legal status of major stock exchanges**

Note: See Table 2.10

Stock exchanges are often tasked with setting and implementing corporate governance standards. A transformation towards demutualisation or listing as a for-profit entity may reduce the emphasis on corporate governance aspects in order to reduce cost and promote trading (OECD, 2013: 90). To avoid conflicts of interest, several exchanges have separated the regulatory functions from the for-profit business operations through the establishment of independent subsidiaries or departments. In some jurisdictions such as the **United States,** only the parent company of the exchange is listed rather than the exchange itself.

Table 2.10 **The largest stock exchanges**

In 30 of 47 jurisdictions, stock exchanges operate as joint-stock companies. Groups of stock exchanges have become prevalent around the world, and 4 international groups comprise the largest national exchanges of 17 jurisdictions.

Jurisdiction	Largest stock exchanges		Group	Legal status JSC: Joint Stock Company PC: Private corporation or association	Self-listing (): holding company listing
Argentina	MerVal	Mercado de Valores de Buenos Aires	-	PC	No
Australia	ASX	Australian Securities Exchange	-	JSC	Yes
Austria		Wiener Börse	CEESEG	PC	No
Belgium		Euronext Brussels	Euronext		(Holding)
Brazil	BMFB	BM&FBOVESPA	-	JSC	Yes
Canada	TMX	Toronto Stock Exchange	TMX	JSC	Yes
Chile		Santiago Stock Exchange	-	JSC	Yes
China	SSE	Shanghai Stock Exchange	-	PC/SOE	No
	SZSE	Shenzhen Stock Exchange	-	PC/SOE	No
Colombia	BVC	Bolsa de Valores de Colombia	-	JSC	Yes
Czech Republic	PSE	Prague Stock Exchange	CEESEG	JSC	No
Denmark		NASDAQ Copenhagen A/S	NASDAQ (Nordic) [*1]	PC	(NASDAQ)
Estonia	TSE	NASDAQ OMX Tallinn	NASDAQ OMX (Nordic) [*1]	PC	(NASDAQ)
Finland	OMXH	Nasdaq Helsinki	NASDAQ OMX (Nordic) [*1]	PC	(NASDAQ)
France		Euronext Paris	Euronext		(Holding)
Germany		Deutsche Börse	-	JSC	Yes
Greece	ATHEX	Athens Exchange		JSC	Yes
Hong Kong, China	SEHK	Stock Exchange of Hong Kong	-	JSC	Yes
Hungary	BSE	Budapest Stock Exchange	-	JSC	No
Iceland		NASDAQ OMX Iceland	NASDAQ OMX (Nordic) [*1]		(NASDAQ)
India	NSE	National Stock Exchange		JSC	No
	BSE	Bombay Stock Exchange		JSC	No
Indonesia	IDX	Indonesia Stock Exchange	-	PC	No
Ireland	ISE	Irish Stock Exchange		PC	No
Israel	TASE	Tel Aviv Stock Exchange		PC	No
Italy		Borsa Italiana	LSEG	JSC	(LSEG)
Japan	TSE	Tokyo Stock Exchange	JPX	JSC	(JPX)
Korea	KRX	Korea Exchange		JSC	No
Latvia		Nasdaq Riga	Nasdaq OMX (Nordic) [*1]	PC	(NASDAQ)
Lithuania		Nasdaq Vilnius	Nasdaq OMX (Nordic) [*1]	PC	(NASDAQ)
Luxembourg	LSE	Luxembourg Stock Exchange		PC	No
Mexico	BMV	Bolsa Mexicana de Valores		JSC	Yes
Netherlands		Euronext Amsterdam	Euronext		(Holding)
New Zealand	NZX	New Zealand Exchange		JSC	Yes
Norway		Oslo Stock Exchange		JSC	No

Jurisdiction	Largest stock exchanges		Group	Legal status JSC: Joint Stock Company PC: Private corporation or association	Self-listing (): holding company listing
Poland	WSE	Warsaw Stock Exchange		JSC	Yes
Portugal		Euronext Lisbon	Euronext	JSC	(Holding)
Russia	MOEX	Moscow Exchange	Moscow Exchange	JSC	(Moscow Exchange)
Saudi Arabia	TASI	Saudi Stock Exchange Tadawul		JSC/SOE	No
Singapore	SGX	Singapore Exchange	-	JSC	Yes
Slovak Republic	BSSE	Burza Cenných Papierov v Bratislave		JSC	No
Slovenia	LJSE	Ljubljanska Borza	CEESEG	JSC	No
South Africa	JSE	Johanesburg Stock Exchange	-	JSC	Yes
Spain	BME	Bolsas y Mercados Espanoles		JSC	Yes
Sweden		Nasdaq Stockholm	NASDAQ OMX (Nordic) [*1]	PC	(NASDAQ)
Switzerland	SIX	SIX Swiss Exchange	SIX Group AG	JSC	No
Turkey	BIST	Borsa Istanbul	-	JSC/SOE	No
United Kingdom	LSE	London Stock Exchange	LSEG	JSC	Yes
United States	NYSE	New York Stock Exchange	Intercontinental Exchange, Inc.	JSC	Yes
	NASDAQ	NASDAQ Stock Market	Nasdaq OMX	JSC	Yes

[*1] In 7 jurisdictions (**Denmark**, **Estonia**, **Finland**, **Iceland**, **Latvia**, **Lithuania** and **Sweden**), the largest stock exchange is 100% owned by NASDAQ Nordic Ltd (which is 100% owned by the NASDAQ Inc.).

3 THE RIGHTS OF SHAREHOLDERS AND KEY OWNERSHIP FUNCTIONS

3.1 Notification of general meetings and information provided to shareholders

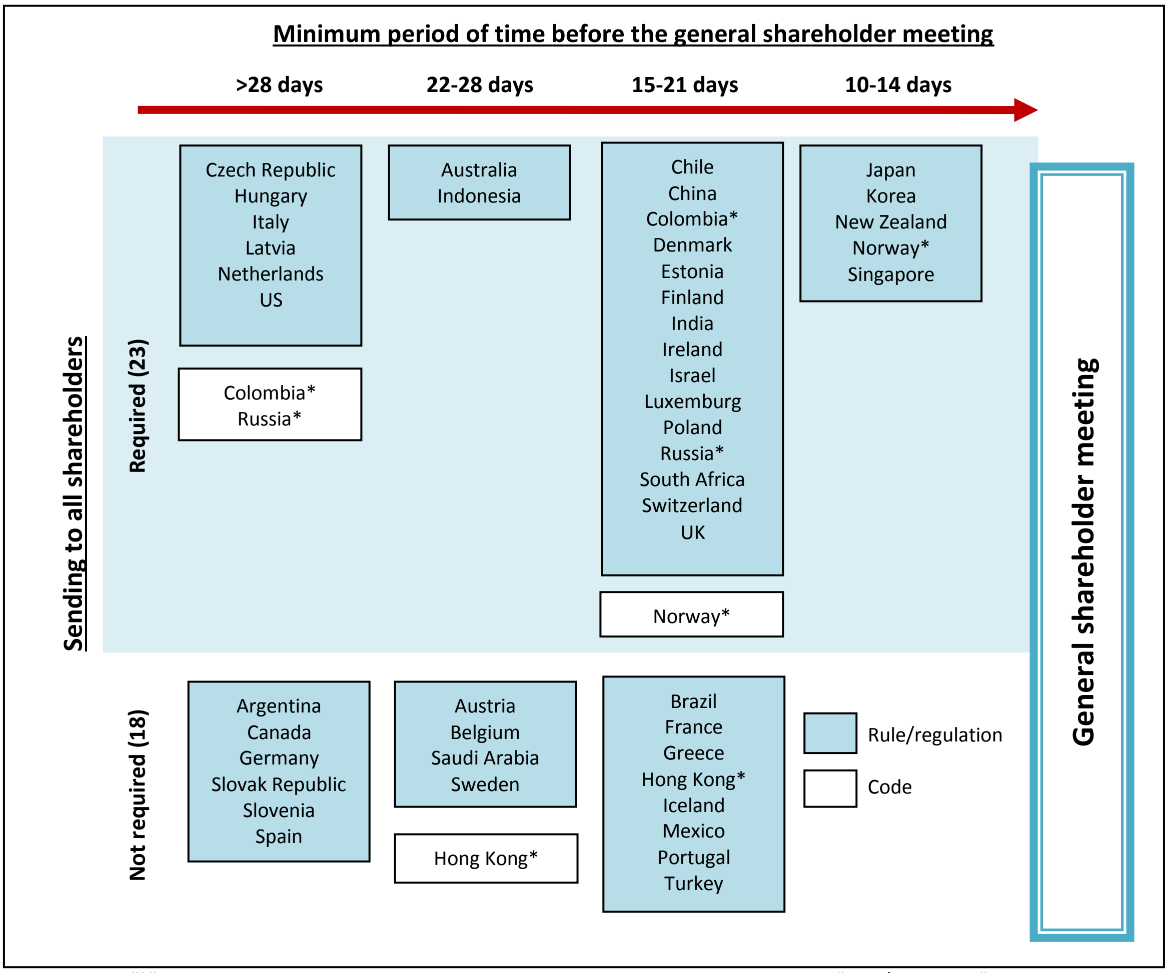
About half of jurisdictions require an advance notice of general shareholder meetings of between 15 and 21 days, but a large number (18) provide for longer notice periods.

Nearly all jurisdictions require publication of information for the general meeting on the Internet, at least on the company's web site. In about half of the jurisdictions, regulators and stock exchanges have established a common electronic platform to publish notifications and proxy materials.

The informed use of shareholder rights and the effective exercise of the ownership function are key elements of corporate governance. In order to ensure that all shareholders are able to receive the general meeting information in advance with sufficient time for reflection and consultation, dates and methods of notification are indicated in the basic laws of most jurisdictions. The minimum period of notification in advance of the meeting varies, with about half of jurisdictions (23) adopting a requirement of between 15-21 days. Eighteen jurisdictions have established mandatory notice requirements of greater than 21 days, while only five have notice periods of less than 15 days. (Figure 3.1). Proxy materials are sent to shareholders at the same time or a few days after the notification is given. In some jurisdictions, shareholders with a certain shareholding (e.g. 10% in **Mexico**, one-third in **Italy**) can also request to postpone the voting on any matter for 3-5 days if they consider that they have been insufficiently informed.

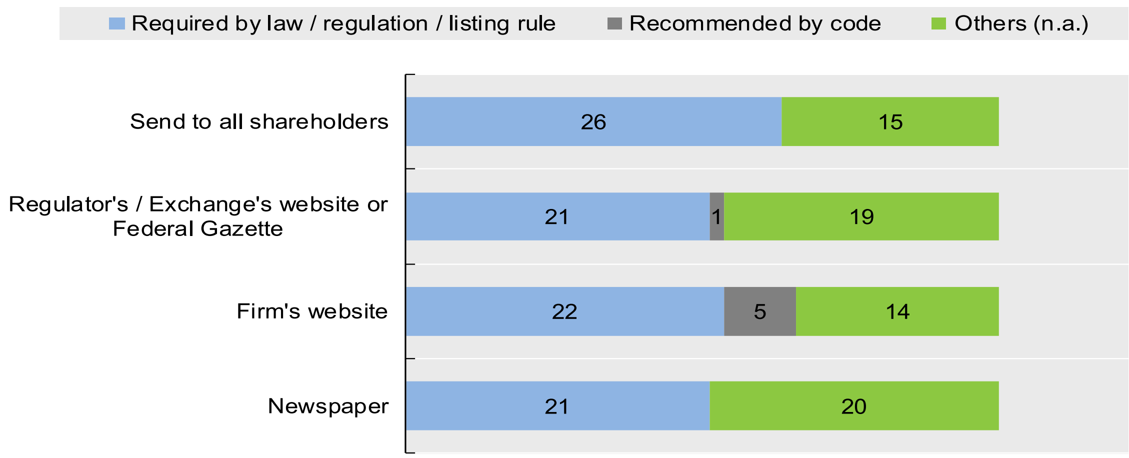
Sending a notification to all shareholders remains mandatory in a slight majority of jurisdictions, often coupled with publication in a nationally circulated newspaper. Nearly all reporting jurisdictions now require publication of information on the Internet, via the company's web site in most jurisdictions. Increasingly, in about half of reporting jurisdictions, publication of information is required on a common electronic platform such as the stock exchange or regulator's web site (Figure 3.2). The feasibility of shareholders' examination and consultation may also be affected by the degree of concentration of general meetings, as in some jurisdictions a majority of listed companies hold the meeting in the same week.

Figure 3.1 **Notification of general shareholder meetings**



Note: "*" denotes a jurisdiction with more than one requirement or recommendation. "Rule/regulation" includes listing rules. See Table 3.1.

Figure 3.2 **Required media for publishing the shareholder meeting notification**



Note: This Figure shows the number of jurisdictions in each category. Jurisdictions with several requirements are counted more than once. See Table 3.1.

Table 3.1 **Notification of the annual general meeting**

All jurisdictions set forth a legal requirement for listed companies to provide shareholders with prior information to enable them to exercise their voting rights. The minimum time period provided for shareholders to review the agenda varies significantly among jurisdictions, ranging from 10 days to six weeks, with three weeks being the most common.

Jurisdiction	Minimum period in advance	Requirement to send to all shareholders	Media for publication		
			Newspaper	Firm's website	Regulator's/ Exchange's website or Federal Gazette
Argentina	20-45 days	-	L	C	L
Australia	28 days	L			
Austria	28 days	-	L	-	L
Belgium	15-30 days		L		
Brazil	15 days	-	L	L	L
Canada	21-60 days				
Chile	20 days	L	L	-	-
China	20 days	L	L	-	L
Colombia	15 days (30 days)	L	L	C	L
Czech Republic	30 days	L	-	L	-
Denmark	3 weeks	L		L	
Estonia	3 weeks	L	L		
Finland	3 weeks	L	-	C	-
France	15 days		L		L
Germany	30 days		L	L	L
Greece	20 days	-	-	L	L
Hong Kong, China	21 days (20 business days)	-	-	L,R[*2]	L,R[*2]
Hungary	30 days	L	-	L	-
Iceland	21 days			L	
India	21 days	L	-	L	L
Indonesia	22 days	L	L	L	L
Ireland	21 days	L	L	L	-
Israel	21 days	L	L	L	L
Italy[*1]	30 days	L	L	L	-
Japan	2 weeks	L		C	C
Korea	2 weeks	L	L	-	L
Latvia	30 days	L	L	L	L
Luxembourg	16 days	L	L		L
Mexico[*1]	15 days		-		L
Netherlands	42 days	L	-	L	-
New Zealand	10 days	L			

Jurisdiction	Minimum period in advance	Requirement to send to all shareholders	Media for publication		
			Newspaper	Firm's website	Regulator's/ Exchange's website or Federal Gazette
Norway	2 weeks (21 days)	L		R	
Poland	21 days	L	-	L	-
Portugal	21 days	-	-	L	L
Russia	20-50 days (30 days)	L*3	L	L	-
Saudi Arabia	10 days	-	L	C	L
Singapore	14 days (21 days for special resolutions)	L	-	-	R
Slovak Republic	30 days			L	
Slovenia	30 days	-	L	L	L
South Africa	15 days	L	L	L	L
Spain	30 days		L	L	L
Sweden	4 weeks	-	L	L	L
Switzerland	20 days	L	-	-	L
Turkey	3 weeks	-	-	L	L
United Kingdom	21 days	L		L	
United States	40 days*4	L	-	-	L

Key: **L**=requirement by the law or regulations; **R**=requirement by the listing rule; **C** and **()**=recommendation by the codes or principles
"-"=absence of a specific requirement or recommendation

*1 In some jurisdictions, shareholders with a certain shareholding (one-third in **Italy,** 10% in **Mexico**) can also request to postpone the voting on any matter for three days if they consider that they have been insufficiently informed. In **Italy**, the minimum period in advance may vary in relation to the item on the agenda (40 days in case of board renewal, 21 days in specific cases such as the reduction of share capital).

*2 For companies incorporated in **Hong Kong China**, the Companies Ordinance allows notice to be given (i) in hard copy form or in electronic form; or (ii) by making the notice available on a website, provided certain requirements are complied with, such as the agreement by the shareholder that such information may be supplied by the company on a website. However, it does not specify whether the website has to be one of the company or the regulator.

*3 In **Russia**, joint stock companies do not need to send the notification to all shareholders if its charter clearly provides for other means of delivery, which can be a newspaper or a website.

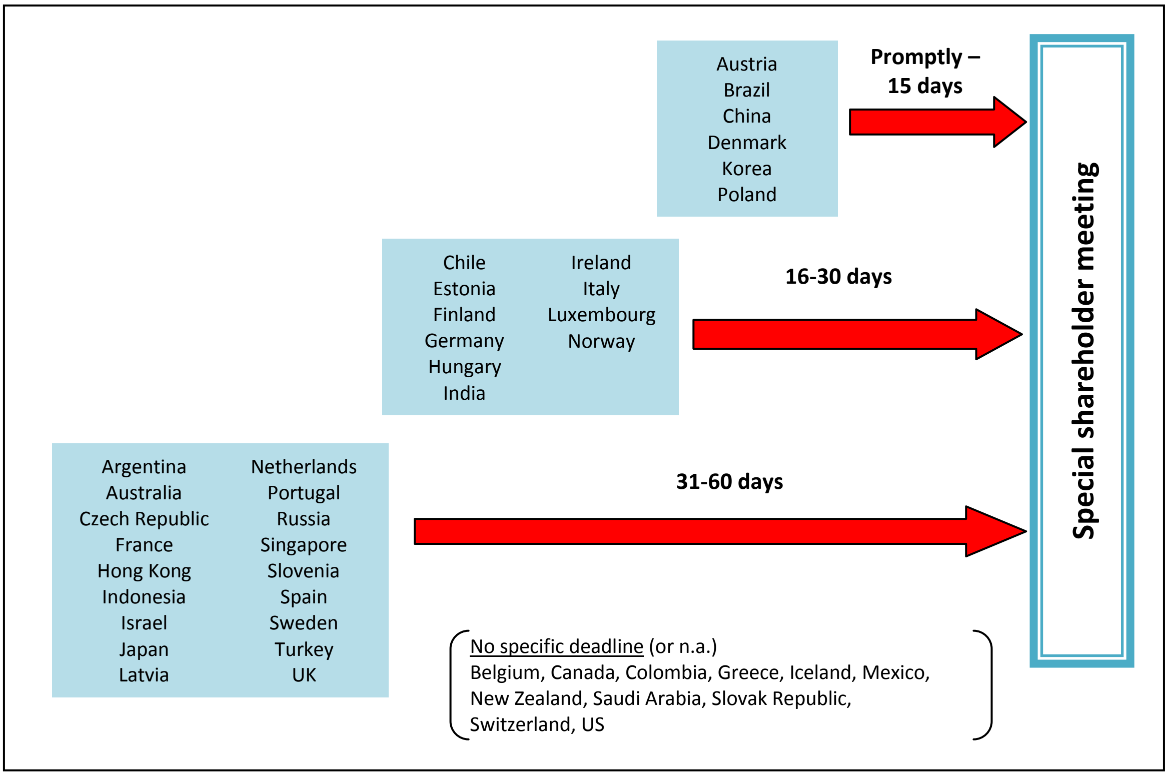
*4 In the **United States**, companies that elect to make their proxy statements available on the Internet must provide 40 days' notice of the availability of their proxy materials on the Internet. For companies incorporated under Delaware law that elect to send a full set of proxy materials, they are subject to a minimum 10-day notice requirement.

3.2 Shareholder's right to request a meeting and to place items on the agenda

More than two-thirds of jurisdictions establish deadlines of up to 60 days for convening special meetings at the request of shareholders, subject to specific ownership thresholds. Compared to the threshold for requesting a shareholder meeting, many jurisdictions set lower thresholds for placing items on the agenda of the general meeting.

As part of their fundamental rights, shareholders are able to request that a meeting be convened and to place items on the agenda of the general meeting. Regarding the shareholder's right to request a shareholder meeting, more than two-thirds of jurisdictions have set forth a requirement that the meeting take place within a certain time period (e.g. 15 days to two months) after the shareholder's request (Figure 3.3). Eleven jurisdictions do not set specific deadlines. For example, in **Switzerland**, while no specific deadline is established, shareholders may require the court to order that a general meeting be convened if the board of directors does not grant such a request within a reasonable time. In some other jurisdictions, courts may be involved in this process (e.g. approval by the court) to ensure that shareholders' rights are exercised in good faith and not abused. Some jurisdictions allow shareholders to convene the meeting by themselves if no action is taken by management, although the expense of calling and holding the meeting is then paid for by the shareholders (e.g. in **Australia**).

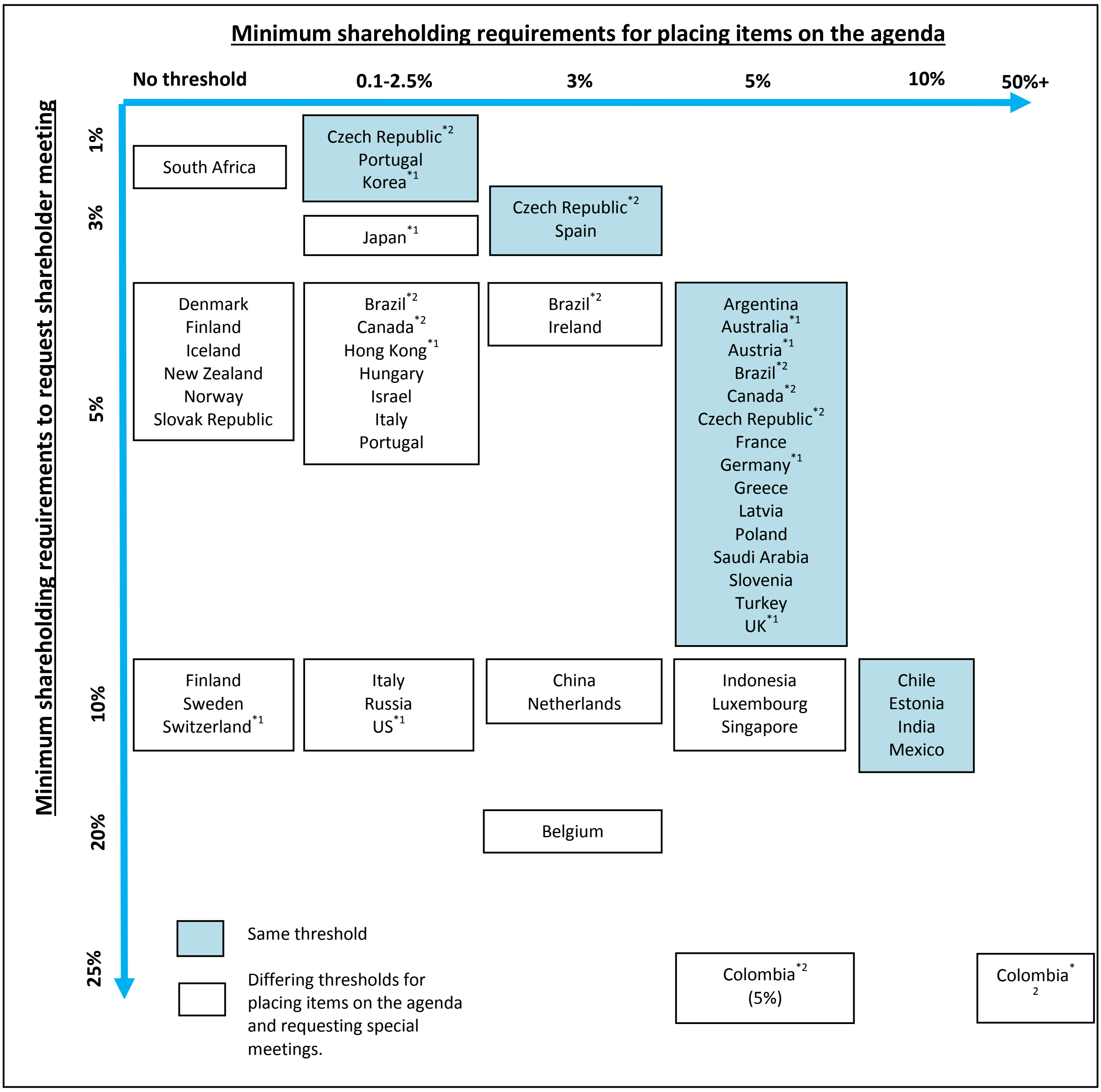
Figure 3.3 **Deadline for holding the meeting after shareholder requests**



Note: See Table 3.2.

Most jurisdictions require that a request for a shareholder meeting be supported by shareholders holding a minimum percentage of shares or voting rights ranging from 1% to 25%. For placing items on the agenda, many jurisdictions set lower thresholds (i.e. less stringent to minority shareholders) in comparison to requirements for requesting a special meeting (Figure 3.4). **Colombia** is an exception, where the legally required minimum threshold to have the right to place an item on the agenda is 50% plus one vote, but the corporate governance code recommends a much lower threshold of 5%. In addition to the shareholding requirement, some jurisdictions have implemented additional restrictions. In **Canada**, for example, shareholders are not permitted to make a proposal if it is regarded as a personal claim for the purpose of self-advertisement.

Figure 3.4 **Minimum shareholding requirements to request a shareholder meeting and to place items on the agenda**



Note: "*1" denotes a jurisdiction with additional requirement other than percentage of shareholdings (e.g. minimum holding period, minimum number of shareholders). "*2" denotes a jurisdiction with more than one requirement or recommendation. See Table 3.2.

Table 3.2 **Shareholder rights to request a shareholder meeting and to place items on the agenda**

The right of shareholders to request a shareholder meeting is subject to minimum thresholds of shareholdings which vary from 1% to 25%. 22 jurisdictions set the same minimum threshold of shareholding for putting items on the agenda as that for requesting a meeting, while the other jurisdictions (except **Colombia**) set a lower minimum threshold for putting items on the agenda.

Jurisdiction	Request for convening shareholder meeting		Placing items on the agenda of general meetings		
	Shareholders	The firm	Shareholders		The firm
	Minimum shareholding	*Deadline for holding the meeting after the request*	*Minimum shareholding*	*Deadline for the request (before meeting/ []:after notice)*	*Accept and publish the request (before meeting)*
Argentina	5%	40 days	5%	-	-
Australia	5%	2 months	5% or 100 SHs	-	28 days
Austria	5% with 3 months holdings	14 days (3 weeks)	5% with 3 months holdings	7 or 14 days	-
Belgium	20%	-	3%	22 [24]days	-
Brazil	5%	8 days	1% / 2% / 3% / 5%	35 or 45 days	30 days
Canada	5%	-	1% ; 5% for nominating a director	-	-
Chile	10%	30 days	10%	10 days	-
China	10%	10 days	3%	10 days	2 days
Colombia	25%	-	50%+1 share (5%)	5 days	-
Czech Republic	1% / 3% / 5%	40 or 50 days	1% / 3% / 5%	-	5 days
Denmark	5%	2 weeks	No requirement		
Estonia	10%	1 month	10%	15 days	-
Finland	10%	1 month	No requirement	-	-
France	5%	35 days	5%	25 days	-
Germany	5%	30 days	5% or EUR 500 000	[10 days]	14 days
Greece	5%	-	5%	-	-
Hong Kong, China	5%	49 days*1	2.5% or 50 SHs	6 weeks	Promptly
Hungary	5%	30 days	1%	-	-
Iceland	5%		No requirement		
India	10%	21 days	10%	6 weeks	Required
Indonesia	10%	51 days	5%	28 days	21 days
Ireland	5%	14 or 21 days	3%	42 days	21 days
Israel	5%	56 days	1%	[28 or 32 days]	21 or 25 days
Italy	5%	30 days	2.5%	[10 days]	15 days
Japan	3% with 6 months holdings	8 weeks	1% or 300 voting rights with 6 months holdings	8 weeks	-
Korea	1.5% with 6 months holdings	Promptly	0.5% with 6 months holdings*2	6 weeks	-
Latvia	5%	3 months	5%	[7 days]	14 days
Luxembourg	10%	1 month	5%	22 days	-
Mexico	10%	-	10%	-	-
Netherlands	10%	6 weeks	3%	60 days	42 days
New Zealand	5%	-	No requirement		

Jurisdiction	Request for convening shareholder meeting		Placing items on the agenda of general meetings		
	Shareholders	The firm	Shareholders		The firm
	Minimum shareholding	*Deadline for holding the meeting after the request*	*Minimum shareholding*	*Deadline for the request (before meeting/ []:after notice)*	*Accept and publish the request (before meeting)*
Norway	5%	1 month	No requirement		
Poland	5%	2 weeks	5%	2 weeks	3 weeks
Portugal	2%	60 days	2%	[5 days]	5 days if by letter; 10 days by publication
Russia	10%	40-75 days	2%	30 days	Required
Saudi Arabia	5%	-	5%		
Singapore	10%	2 months	5%	6 weeks	14 days
Slovak Republic	5%	-	No requirement		
Slovenia	5%	60 days	5%	[7 days]	14 days
South Africa	2%	-	Any 2 SHs	-	-
Spain	3%	2 months	3%	[5 days]	15 days
Sweden	10%	About 2months	No requirement	7 weeks	Required
Switzerland	10%	-*3	CHF 1M	>20 days	>20 days
Turkey	5%	45 days	5%	3 weeks	3 weeks
United Kingdom	5%	49 days	5% or 100 SHs holding together ≥GBP 10 000	7 weeks	
United States	10% (Model Business Corporation Act); Certificate of incorporation or bylaws (Delaware)		1% or $2 000 market value held for at least one year	Disclosed in previous year's proxy statement	Subject to exclusion based on certain criteria

Key: **[]**=requirement by the listing rule; **()**=recommendation by the codes or principles; **"-"**=absence of a specific requirement or recommendation

*1 For companies incorporated in **Hong Kong China**, the directors must call a meeting within 21 days after the request is made by the shareholders and a meeting must be held on a date not more than 28 days after the date of the notice convening the meeting. The company must accept and publish the request of placing items on the agenda by the shareholders at the same time as, or as soon as reasonably practicable after, it gives notice of meeting.

*2 In **Korea**, more than six months shareholding is required for a shareholder of listed companies to qualify. The stricter shareholding threshold of 0.5% to place items on the agenda applies to companies with equity capital valued at least at 100 billion won. A 3% threshold applies to non-listed companies.

*3 In **Switzerland**, the law does not set forth a specific deadline. If the board of directors does not grant such a request within a reasonable time, the court must at the request of the applicant order that a general meeting be convened.

3.3 Shareholder voting

There is a wide variety in national approaches regarding thresholds for approval of resolutions in shareholder meetings.

Conditions pertaining to shareholder voting at general shareholder meetings are another key component of shareholder rights. A number of jurisdictions have focused on this issue for the purpose of enhancing effective shareholder participation in important corporate governance decisions, such as board election and remuneration issues. In many jurisdictions, the law prescribes a majority or supermajority requirement for resolutions in general meetings.

Almost all jurisdictions allow companies to issue shares with limited voting rights. In many cases, such shares come with a preference with respect to the receipt of the firm's profits.

All surveyed jurisdictions other than **Indonesia, Israel** and **Singapore** allow listed companies to issue shares with limited voting rights. In seven jurisdictions, these shares, while allowed, may not represent more than 25% or 50% of capital. Some jurisdictions (15) also allow such shares to come with a preference in respect to the receipt of the firm's profits ("preferred" or "preference" shares). More stringent constraints are prescribed for the issuance of non-voting shares without preferential dividend rights, which are allowed in 16 jurisdictions (Figure 3.5). Voting caps, whereby a company limits the number of votes that a single shareholder may cast, are prohibited in 11 jurisdictions. Issuing shares with multiple voting rights is prohibited in 15 jurisdictions (Table 3.3).

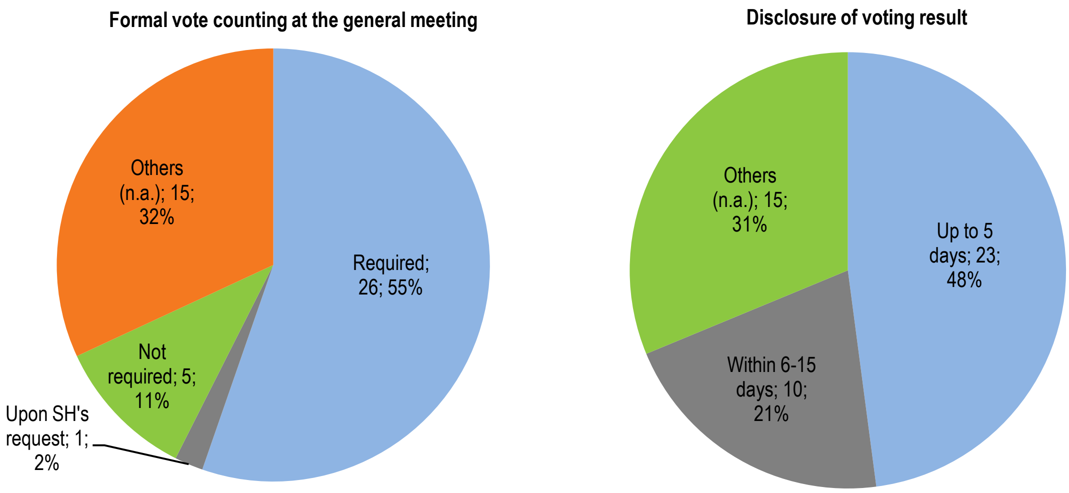
Figure 3.5 **Issuance of shares with limited or no voting rights**

Note: This Figure shows the number of jurisdictions in each category. See Table 3.3.

Half of the jurisdictions surveyed require listed companies to publish voting results promptly (within five days) after the general meeting. Several jurisdictions do not prescribe a formal procedure of vote counting.

The majority of jurisdictions require the disclosure of voting results on each agenda item. The "voting result" includes the number of votes for, against and abstentions (Table 3.4). More than three-fourths of the jurisdictions surveyed require listed companies to publish voting results within 15 days, while for half of jurisdictions, more prompt disclosure is required (within five days after the general meeting) (Figure 3.6). More than half of the jurisdictions prescribe a formal procedure of vote counting, while voting by show of hands is still common in some jurisdictions. In the **United States,** Delaware law requires large listed companies to appoint one or more inspectors for the general shareholder meeting, who count all votes and ballots. In **Singapore**, the exchange (SGX) requires that all resolutions at general meetings must be voted by poll and at least one scrutineer must be appointed at each general meeting to direct and supervise the counting of votes. The **Hong Kong**, **China** Main Board Listing Rules require that issuers conduct voting by poll unless the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Figure 3.6 **Formal vote counting and disclosure of the voting results**



Note: This Figure shows the number of jurisdictions in each category and percentage share of all 46 jurisdictions. See Table 3.4.

Table 3.3 **Preferred shares and voting caps**

Issuing a class of shares with limited voting rights is allowed in the company law (or listing rules in **Australia**) in all jurisdictions other than **Indonesia, Israel** and **Singapore.** Issuing a class of shares without voting rights is prohibited in five jurisdictions (**Australia**, the **Netherlands**, **Singapore**, the **Slovak Republic** and **Sweden**).

Jurisdiction	Issuing a class of shares with:			Multiple voting rights	Voting caps[*1]
	Limited voting rights				
		Without voting rights			
			And without preferential rights to dividends		
Argentina	Allowed	Allowed	Not allowed	Allowed	Allowed
Australia	[Allowed]	[Not allowed]	-	[Not allowed]	
Austria	Allowed	Allowed			
Belgium	Allowed	Allowed: Max 1/3		-	Allowed
Brazil	Allowed: Max 50%	Allowed: Max 50%	Allowed[*2]	Not allowed	Allowed
Canada	Allowed			-	
Chile	Allowed	Allowed	Allowed	-	Allowed
China	Allowed	Allowed	Not allowed	Not allowed	Not allowed
Colombia	Allowed	Allowed: Max 50%	Not allowed	Not allowed	Not allowed
Czech Republic	Allowed	Allowed		Allowed	Allowed
Denmark	Allowed	Allowed	Allowed	Allowed	Allowed
Estonia	Allowed	Allowed		-	
Finland	Allowed	Allowed		Allowed	Allowed
France	Allowed: Max 50%	Allowed: Max 25%	-	Allowed (Double voting shares with more than 2 years holding)[*3]	Allowed
Germany	Allowed	Allowed: Max 50%	Not allowed	Not allowed	Not allowed
Greece	Allowed	Allowed		-	
Hong Kong, China	Allowed[*4]	Allowed	Allowed	Not allowed	-
Hungary	Allowed	Allowed	Allowed	Allowed	
Iceland					
India	Allowed with condition[*5]	Allowed with condition[*5]	Allowed with condition[*5]	Allowed with condition[*5]	Allowed[*5]
Indonesia	Not allowed	Allowed	Allowed	Not Allowed	-
Ireland	Allowed	Allowed	Allowed	Allowed	Allowed
Israel	Not allowed[*6]	-	-	Not allowed	Not allowed
Italy	Allowed: Max 50% (cumulated for limited and non-voting shares)	Allowed Max 50% (cumulated for limited and non-voting shares)		Allowed[*7]	Allowed
Japan	Allowed: Max 50%	Allowed: Max 50%	Allowed	Not allowed	Not allowed
Korea	Allowed: Max 25% (cumulated for limited and non-voting shares)	Allowed: Max 25% (cumulated for limited and non-voting shares)	Allowed	Not allowed	Not allowed
Latvia	Allowed	Allowed	Allowed	Not allowed	Not allowed
Luxembourg	Allowed	Allowed: Max 50%			

Jurisdiction	Issuing a class of shares with:			Multiple voting rights	Voting caps[*1]
	Limited voting rights				
		Without voting rights			
			And without preferential rights to dividends		
Mexico	Allowed with approval: Max 25%[*8]	Allowed with approval: Max 25%[*8]	Not Allowed	Allowed	Not allowed
Netherlands	Allowed	Not allowed	-	-	Allowed
New Zealand	Allowed	Allowed	Allowed	Allowed	Allowed
Norway	Allowed[*9]			Allowed	Allowed
Poland	Allowed	Allowed			-
Portugal	Allowed	Allowed: Max 50%	Allowed	Not Allowed	Allowed[*10]
Russia	Allowed	Allowed: Max 25%	Not allowed	-	-
Saudi Arabia	Allowed	Allowed	Not allowed		
Singapore	[Not allowed][*11]	[Not allowed][*11]	-	[Not allowed][*11]	[Not allowed] [*11]
Slovak Republic	Allowed	Not allowed	-		Allowed
Slovenia	Allowed	Allowed: Max 50%	Not allowed	Not allowed	Not allowed
South Africa	Allowed	Allowed	Allowed	Allowed	Not allowed
Spain	Allowed	Allowed: Max 50%	Not allowed	Not allowed	Allowed
Sweden	Allowed	Not allowed	-	Allowed (1/10)	Allowed
Switzerland	Allowed	Allowed	Not allowed	Allowed	Allowed
Turkey	Allowed[*12]	Allowed[*12]	Allowed	Allowed	Allowed
United Kingdom	Allowed	Allowed	Allowed	Allowed[*13]	Allowed
United States	Allowed[*14]	Allowed	Allowed	Allowed[*14]	Allowed[*14]

Key:

[]=requirement by the listing rule; **()**=recommendation by the codes or principles; **"-"**=absence of a specific requirement or recommendation

Notes:

[*1] Voting caps refer to limits on the number of votes a single shareholder may cast.

[*2] In **Brazil,** no voting right shares and limited voting right shares must have preferential rights to dividends, or if they do not have preferential rights to dividends, the shares must have tag-along-rights (the right to sell the shares in cases of change of corporate control, usually on the same terms as the controlling shareholder).

[*3] In **France**, double voting rights may be conferred on fully paid shares which have been in registered form for at least two years in the name of the same person.

[*4] In **Hong Kong, China**, while the Listing Rules do not require one share one vote, a company cannot list with shares whose "voting power does not bear a reasonable relationship to the equity interest of such shares when fully paid", other than "exceptional circumstances" agreed with the Exchange (No exception has been permitted to date).

[*5] In **India**, the Companies Act allows companies to issue shares with differential rights to dividends, voting or otherwise in accordance with such rules as may be prescribed, while the listing regulations require listed companies not to issue shares in any manner which may confer on any person, superior rights as to voting or dividend vis-a-vis the rights on equity shares that are already listed. Voting caps are allowed only with respect to banking companies.

[*6] In the case of **Israel**, shares with preference profits are allowed under certain conditions, but they may not restrict voting rights (in publicly traded companies).

[*7] In **Italy**, multiple voting rights are allowed for shareholders with more than 2 years holding ("Loyalty Shares": up-to double voting, according to the bylaws) and for newly-listed companies ("IPO Shares": up-to three votes, according to the bylaws).

[*8] In **Mexico**, a prior authorization by the national authority is required when issuing limited right shares.

[*9] In **Norway**, the Public Limited Liability Companies Act permits companies to have different classes of shares, but the Code prescribes that the company should only have one class of shares.

[*10] In **Portugal**, when the company is a credit institution, the maintenance of voting caps must be submitted to the vote of the shareholders at least once every five years. In case of failure to comply with the submission requirement such caps are automatically canceled/revoked at the end of the relevant year.

[*11] In **Singapore**, issuing a class of shares with limited voting rights or multiple voting rights is not allowed for listed companies (only allowed for private companies).

[*12] In **Turkey**, the Capital Markets Board may authorise issues of shares without voting rights should the need arise.

[*13] In the **United Kingdom,** shares with multiple voting rights, while legally permitted, are not likely to be found in practice due to having insufficient liquidity to qualify for admission for listing. Companies are not permitted to have a Premium listing for shares that do not confer full voting rights.

[*14] In **United States**, a company may have multiple voting rights or caps in place at the time that it goes public/lists its securities. However, once a company has listed its securities, it may not disparately reduce or restrict the voting rights of existing shareholders through any corporate action or issuance (NYSE Listed Company Manual Section 313.00 and Nasdaq Listing Rule 5640).

Table 3.4 **Voting practices and disclosure of voting results**

Some jurisdictions including the **EU**, **Japan** and **United States,** require the disclosure of voting results on each agenda item. European Shareholder's Right Directive requires the disclosure within 15 days after the general meeting.

Jurisdiction	Formal procedure for vote counting	Disclosure of voting result for each agenda item		
		Deadline after GM	Issues to be disclosed	
			Outcome of vote	Number or % of votes for, against and abstentions
Argentina	Required	5 days	Required	Required for each resolution
Australia	Required	Immediately	Required	Required for each resolution
Austria			Recommended	
Belgium	Required	15 days	Required	Required for each resolution
Brazil	**-**	Immediately	Required	Required for each resolution
Canada		N/A	N/A	-
Chile	Required	-	Required	Required
China	Required	Immediately	Required	Required
Colombia	-	-	-	-
Czech Republic	Required	15 days	Required	Required
Denmark		Immediately	Required	
Estonia			Recommended	Recommended
Finland		2 weeks	Recommended	Recommended
France		15 days	Required	Required
Germany		Promptly	Required	Required
Greece		15 days	Recommended	Recommended
Hong Kong, China	Required	Promptly	-	Required
Hungary	Required		Required	Required
Iceland				
India	Required	Immediately	Required	Required
Indonesia	Required	2 days	Required[*1]	Required
Ireland	Required	15 days	Required	Required
Israel	Required	Promptly	Required	Required
Italy	Required	5 days	Required	Required

Jurisdiction	Formal procedure for vote counting	Disclosure of voting result for each agenda item		
		Deadline after GM	Issues to be disclosed	
			Outcome of vote	Number or % of votes for, against and abstentions
Japan	Required	Promptly	Required	Required
Korea		-	Required	(Required upon shareholder's request)
Latvia	Required	Promptly	Required	Required
Luxembourg				
Mexico	Not Required	5 days	Required	Required
Netherlands	Required	15 days	Required	Required
New Zealand	Not Required			
Norway	Not Required	-	-	-
Poland	Required	1 day	Required	Required
Portugal	Not Required	15 days	Required	-
Russia	Required	4 days	Required	Required for each resolution
Saudi Arabia	Required	Immediately	Required	Required
Singapore	Required	Immediately	Required	Required
Slovak Republic				
Slovenia	Required	2 days	Required	Required
South Africa	Required	Immediately	Required	Required
Spain	Required	5 days	Required	Required
Sweden	Upon shareholder's request	2 weeks	Required	Required upon shareholder's request
Switzerland	Not required	-	Required	Required
Turkey	Required	Immediately	Required	Required
United Kingdom	Required	Immediately	Required	Recommended
United States	Required	4 days	Required	Required for each candidate and resolution

3.4 Related party transactions

Corporate law and relevant regulatory frameworks address related party transactions through a combination of measures, such as mandatory disclosure, board approval, and shareholder approval.

Corporate law and other related regulatory frameworks address related party transactions through a combination of measures, such as mandatory disclosure, board approval, and in some cases shareholder approval. Prohibition of related party transactions is less common and its coverage is typically limited (Figure 3.7). At least 10 jurisdictions (e.g. **Brazil**; **Chile**; **Estonia; France**; **Hungary**; **India**; **Korea**; **Portugal**; **Turkey**; and the **United States**) prohibit certain related party transactions, focusing mainly on loans between a company and its directors. Some jurisdictions (e.g. **New Zealand**) have prohibited a wide range of material related party transactions, but this prohibition can be waived by the approval of minority shareholders or regulators.

Almost all jurisdictions locate their reference definition of related parties in company law or securities law (Table 3.5). Some types of related party transactions, such as the issuance of securities (for which many jurisdictions require shareholder approval) and board and executive pay arrangements (see Section 4.4: Board and key executive remuneration), are excluded in the following discussion.

Figure 3.7 **Regulatory frameworks for related party transactions**

Disclosure
- Periodic disclosure
- Immediate disclosure

Prohibition of certain RPTs
- Prohibition of loans between the company and directors

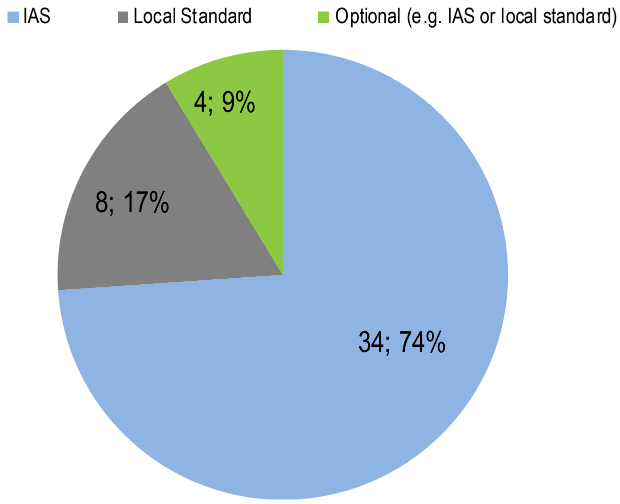
Board approval
- Disinterested board approval
- Opinions from independent specialists

Shareholder approval
- Minority approval
- Opinions from independent specialists

Regarding the disclosure of related party transactions, 74% of jurisdictions have adopted International Accounting Standards (IAS24), while an additional 9% allow flexibility to follow IAS 24 or the local standard.

Regarding the disclosure of related party transactions, almost all jurisdictions have adopted either International Accounting Standards (IAS24) or a local standard similar to IAS24 (Figure 3.8), whereby all listed companies have to disclose annually any transaction with directors, senior executives, and controlling or certain large shareholders in their financial statement. Beside periodic disclosure, about half of the jurisdictions require immediate disclosure for significant related party transactions soon after their terms and conditions have been settled (Table 3.6). This disclosure usually contains the materials necessary for shareholders to decide whether to approve the transaction at a general meeting.

Figure 3.8 **Disclosure of related party transactions in financial statements**

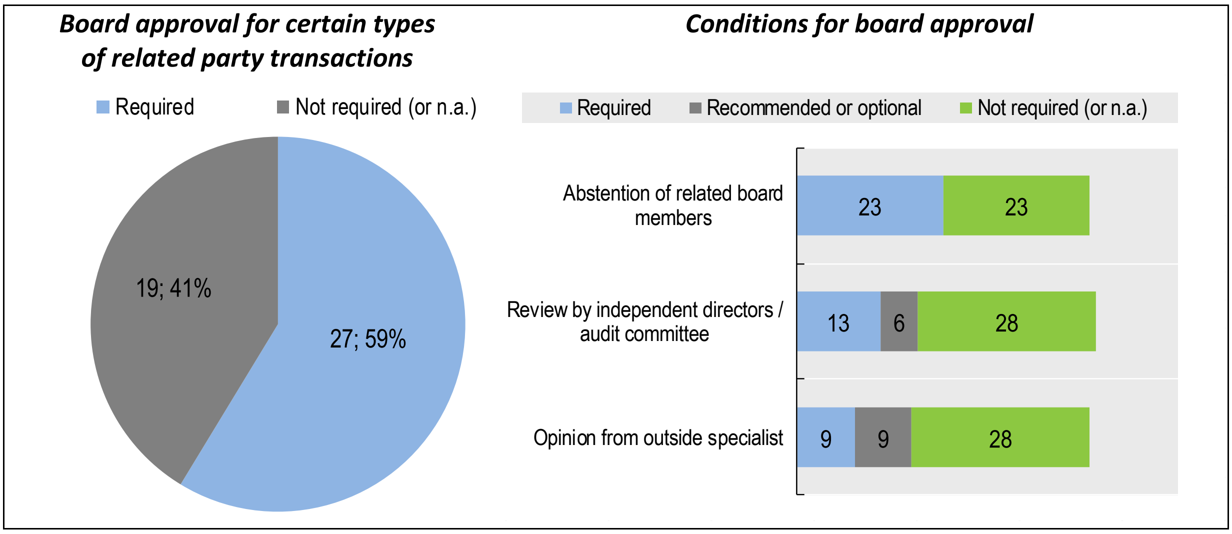


Note: This Figure shows the number of jurisdictions in each category and percentage share out of all 46 jurisdictions. See Table 3.6.

59% of jurisdictions surveyed require board approval of certain types of related party transactions. The types of RPTs brought to the board and conditions for their consideration vary.

In many jurisdictions, the board is charged with making decisions about related party transactions. The most common basis for the board's responsibilities is its fiduciary duty. In addition, the majority of jurisdictions require explicit board approval of certain types of related party transactions (Figure 3.9: left side). The types of RPTs brought to the board vary significantly among jurisdictions (e.g. from all non-routine related party transactions to only lending to directors). Out of 30 jurisdictions with a board approval requirement (or expectation of board review based on fiduciary duties), the abstention of related members from the board resolution is mandatory in 23 jurisdictions. Independent board members play a key role in 19 jurisdictions, reviewing the terms and conditions of related party transactions, often as a member of the audit committee. An independent formal valuation is required or recommended in 18 jurisdictions (Figure 3.9: right side).

Figure 3.9 **Board approval for certain types of related party transactions**

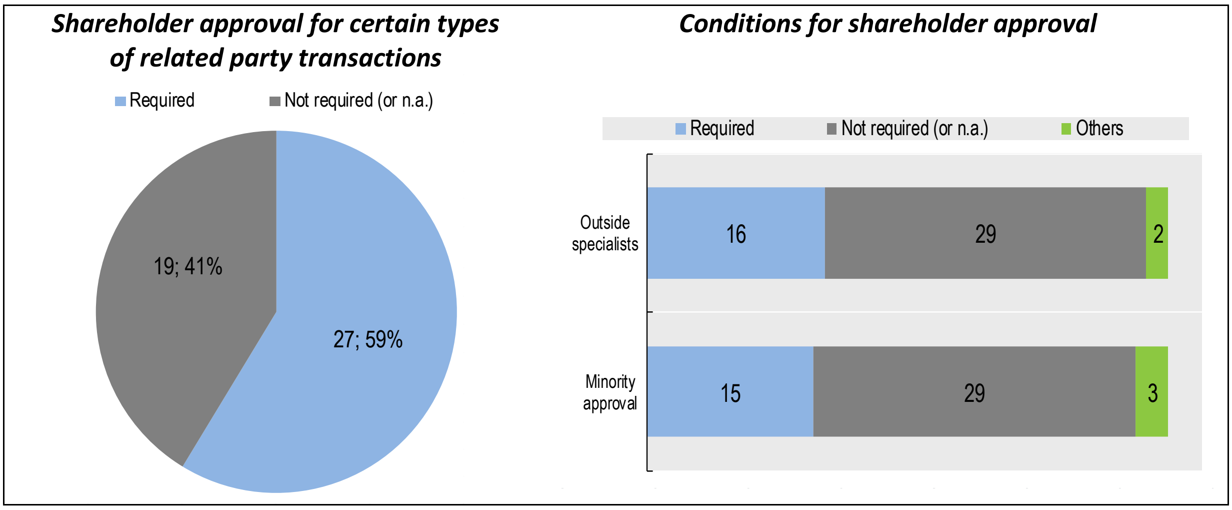


Note: These Figures show the number of jurisdictions in each category and percentage share out of all 46 jurisdictions. See Table 3.7.

Shareholder approval of related party transactions can be regarded as an alternative or complement to board approval, but is often limited to large transactions and those not on market terms.

Shareholder approval of related party transactions can be regarded as an alternative or complement to the board approval procedure. A majority of jurisdictions require shareholder approval under certain conditions, but this often applies only to large transactions or those not on market terms (Figure 3.10: left side). In some jurisdictions (e.g. **Chile**, **Colombia**, **Italy** and **Turkey**), shareholder approval is required based on the opinions of the audit committee or if certain directors disapprove (in the case of **Colombia** shareholder approval is required when a board member has a conflict of interest). In the **United Kingdom**, *ex ante* shareholder approval is mandated for the non-routine related party transactions of premium listed companies. Including these countries, 27 jurisdictions (59%) require shareholder approval as an additional control over the potential abuse of related party transactions, and 15 of these jurisdictions have adopted provisions for approval by non-interested shareholders ("minority approval" or "majority of the minority"). Obtaining an opinion or evaluation from external auditors or other outside specialists is imposed as a precondition for shareholder approval in 16 jurisdictions (Figure 3.10: right side).

Figure 3.10 **Shareholder approval for certain types of related party transactions**



Note: These Figures show the number of jurisdictions in each category and percentage share out of all 46 jurisdictions. See Table 3.8.

Table 3.5 **Sources of definition of related parties**

Each jurisdiction provides a definition of related parties in its legal framework. These definitions are introduced for various purposes such as prohibiting specific related party transactions or setting the scope of the mandatory disclosure of related party transactions

Jurisdiction	Provision
Argentina	Law 26831, section 72
Australia	Corporations Act 2001, Volume 1, Part 1.2, Division 1, Section 9 & Part 2E.2, Section 228
Austria	Commercial Code (UGB), § 237 Z 8b
Belgium	Company Code , Sections XVIIbis and XVIIIbis, article 91 / Royal Decree of 30/01/2001
Brazil	CVM Deliberation 642/2010 (IAS 24) CVM Instruction 552/2014
Canada	Canada Business Corporation Act, Part 1, No. 2; provinces and territories also have corporate statutes
Chile	Securities Market Law, Title XV, article 100 Articles 44 y 146 (Title XVI) of Law N°18.046
China	Company Law Article 21 Shenzhen Stock Exchange Listing Rule Section 10 Accounting standards for enterprises 2015 No.36 Guidelines for the implementation of related party transactions of Listed Companies in Shanghai Stock Exchange Article 7-12
Colombia	Decree 2555 of 2010, articles 2.6.12.1.15, 2.31.3.1.12 and 7.3.1.1.2 Num 2(b)
Czech Republic	Business Corporations Act No. 90/2012, Part 9, articles 71-91
Denmark	Decree No. 1580 of 16 December 2015, Danish Financial Statement Act
Estonia	Securities Market Act, §-s 168
Finland	Accountancy Decree 1339/1997 Chapter 2, section 7 b.
France	Commercial Code, Book II, Title II, Chapter V, Section 2, article L225-38 and L225-86
Germany	Stock Corporation Act (Akteingesetz) §15
Greece	Capital Market Commission Encyclical No 45
Hong Kong, China	Companies Ordinance (Cap. 622), section 486
Hungary	Act C of 2000 on Accounting, Art. 3, Para. (2), Point 8; Civil Code Art. 3:264, Paragraphs (2) and (4)
Iceland	Public Limited Liability Companies Act No 2/1995, article 95
India	Companies Act, 2013, section 2(76) Accounting Standard 18 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
Indonesia	Bapepam and LK RULE NUMBER IX.E.1
Ireland	Companies Act 2014, section 220 , 236-239
Israel	Companies Law 5759-1999, Part 1 Definitions
Italy	Civil Code, article 2391-bis / CONSOB Regulation 17221/2010, Annex No. 1
Japan	Ordinance on Company Accounting (Enforcement of the Company Act), article 112(4)
Korea	Commercial Act 398, article 542-8 section (2)
Latvia	Article 139 of the Commercial Law Annual Accounting and Consolidated Annual Accounting Law, Section 1 (3) and 53 (1) 14 NASDAQ Principles, Section 5.2. and 8.2
Luxembourg	Companies Law, articles 49bis(3), 309, 344
Mexico	Securities Market Law, article 2, section XIX

Jurisdiction	Provision
Netherlands	Civil Code, Book 2, article 381
New Zealand	Companies Act 1993, section 2(3)
Norway	Public Limited Liability Companies Act, § 1–5 / Securities Trading Act, Section 2–5
Poland	Code of Commercial Companies, Dz.U.2013.1030, article 4, section 1
	Law on Trading in Financial Instruments, Dz.U.2010.211.1384, article 160
Portugal	International Accounting Standards (IAS 24) CMVM Corporate Governance Code (Section V)
Russia	Federal Law "On Joint-Stock Companies" Nº 208-FZ of 1995, Chapter XI, article 81
Saudi Arabia	Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority
Singapore	SGX Listing Manual, Chapter 9, Listing Rule 904 Companies Act, Chapter 50, sections 5, 5A, 5B, 6 and 7 Securities & Futures Regulation – Definition of "interested person" for prospectus disclosure.
Slovak Republic	Commercial Code, Section 59a
Slovenia	Companies Act, Articles: 38a, 69 and 527-534
South Africa	Companies Act of 2008, section 75
Spain	Ministerial Order 3050/2004, article 2
Sweden	Companies Act, Chapter 16, Section 2; in relation to related party transactions – Securities Council's statement; additional definitions exist in other rules.
Switzerland	Civil Code, Book V Code des Obligations / BBl 2004 4223, 23 Juin 2004
Turkey	Capital Markets Law Article 17(3)
	CMB Communiqué II-17.1 Article 3
United Kingdom	Companies Act, Sections 252-256 FCA Listing Rules, LR 11.1.4 R
United States	Securities Exchange Act of 1934, Rule 13e-3
	SEC Regulation S-K, Item 404
	Accounting Standards Codification Topic 850 and Rule 4-08(k) of Regulation S-X State Law: for example, Section 203 of the Delaware General Corporation Law

Table 3.6 **Disclosure of related party transactions**

Almost all jurisdictions have adopted either the International Accounting Standard 24 (IAS 24) or local accounting standards similar to IAS 24. For the sake of transparency, some jurisdictions have developed more detailed regulations regarding criteria for mandatory disclosure on a continuous basis (i.e. materiality thresholds, arm's length criteria, market condition, etc.).

Jurisdiction	Periodical disclosure		Immediate disclosure for specific RPTs
	Financial statement	Additional disclosure*1	
Argentina	Local standard		Required
Australia	Local standard		
Austria	IAS 24	-	-
Belgium	IAS 24	Required (intra-group)	Required
Brazil	IAS 24	Required (intra-group) *2	Required*3
Canada	IAS 24		Required for SHs approval
Chile	IAS 24	Required*4	-
China	Local standard	Required	Required
Colombia	IAS 24	Required	Required
Czech Republic	IAS 24	Required (intra-group) *2	-
Denmark	IAS 24		
Estonia	IAS 24	Required	Required
Finland	IAS 24	Required*5	-
France	IAS 24	Required	
Germany	IAS 24	Required (intra-group) *2	-
Greece	IAS 24		
Hong Kong, China	IAS24 or Local standard	Required	Required*6
Hungary	IAS 24	Required (intra-group) *2	-
Iceland	IAS 24		
India	Local standard	Required	-
Indonesia	Local standard (PSAK)	Required	Required
Ireland	IAS 24		
Israel	IAS 24	Required	Required for SHs approval
Italy	IAS 24	Required	Required*7
Japan	Local standard	Required	Required*8
Korea	IAS 24	-	Required
Latvia	IAS24 and Local standard	-	-
Luxembourg	IAS 24	-	-
Mexico	IAS 24	Required	Required
Netherlands	IAS 24	-	-
New Zealand	Local standard	Required	
Norway	IAS 24	-	
Poland	IAS 24	Required	-
Portugal	IAS 24	Required (intra-group) *2	-
Russia	IAS24 or Local standard	Required	Required

Jurisdiction	Periodical disclosure		Immediate disclosure for specific RPTs
	Financial statement	Additional disclosure[*1]	
Saudi Arabia	IAS24	Required	Required
Singapore	IAS24, US GAAP or Local standard	Required	Required[*9]
Slovak Republic	IAS 24	-	-
Slovenia	IAS 24	Required (intra-group) [*2]	-
South Africa	IAS 24	Required	Required
Spain	IAS 24	Required	-
Sweden	IAS 24	-	Required
Switzerland	IAS 24 or US GAAP, Swiss GAAP FER or Local Standard	Required	Required
Turkey	IAS 24	Required	Required
United Kingdom	IAS 24		Required
United States	US GAAP Item 404 of Regulation S-K, ASC 850 and Rule 4-08(k) of Regulation S-X	Required	-

[*1] Many jurisdictions require publicly listed companies to disclose detailed information on related party transactions in the form of a corporate governance report, usually as a part of an annual report.

[*2] In the jurisdictions which have adopted the "German model" (**Brazil,** the **Czech Republic, Germany, Hungary, Portugal** and **Slovenia**), the negative impact of any influence by the parent company must be disclosed, audited and compensated in certain prescribed cases.

[*3] In **Brazil,** according to article 30 of CVM Instruction No. 480, as amended, companies must report material related party transactions within seven business days.. Material RPTs are defined as those exceeding (i) BRL 50 million or (ii) 1% of the issuer's total assets. CVM new regulation also establishes specific disclosure requirements regarding loans granted by the issuer to a related party.

[*4] In **Chile**, Corporations Law requires the disclosure of all related party transactions in the next general meeting, with the exception of (a) those regarding a non-relevant amount, (b) the ones involving a subsidiary whose equity is controlled by a 95% or more, (c) and those considered ordinary according to the routine operations policy approved by the board.

[*5] In **Finland**, the Corporate Governance Code imposes an obligation to report the decision-making procedure applied in related party transactions only on companies whose related party transactions are material from the perspective of the company and where such transactions deviate from the company's normal business operations or are not made on market or market equivalent terms. Such procedure shall be reported once a year in the Corporate Governance Statement.

[*6] In **Hong Kong (China)**, Listing Rules require listed companies to issue an immediate announcement of material connected transactions that exceed certain de minimis thresholds.

[*7] **Italy** takes a proportionate approach differentiating between material and immaterial transactions: prompt disclosure is required for material transactions that exceed materiality thresholds (5% or 2.5% for pyramids).

[*8] In **Japan**, a listed company that has a controlling shareholder shall, in the cases where it makes significant transactions with a controlling shareholder, obtain an opinion from an independent entity and disclose it timely. This opinion shall ensure that any decision on the matters will not undermine the interests of minority shareholders of such listed company.

[9] In **Singapore**, an issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets. They are also required to disclose all transactions (regardless of transaction value) if the cumulative transaction with that interested person and its associates is above the 3% threshold. Interested person transactions exceeding the 5% materiality threshold must be subject to independent shareholders' approval.

Table 3.7 **Board approval for related party transactions**

In many jurisdictions, the board is charged with making decisions about related party transactions primarily in the interests of all shareholders. Under board approval procedures, independent board members play a key role in some jurisdictions. In some jurisdictions an independent formal valuation is required. The requirement for the abstention of related members from the resolution on the board is common in jurisdictions with the requirement of board approval.

Jurisdiction	Board approval for non-routine RPTs	Abstention of related board members	Review by independent directors / audit committee	Opinion from outside specialist
Argentina	Required	Required	Optional*1	Optional*1
Australia	Required	Required	-	-
Austria	Required			
Belgium	Required	-	Required	Required
Brazil	-*2	Required*3	-	Recommended
Canada	Required	-	-	Required
Chile	Required	Required	Required	Recommended*4
China	Required	Required	Required	-
Colombia	Required	Required	Recommended	-
Czech Republic	-*5	-	-	-
Denmark	-	-	-	-
Estonia	Required	-	Recommended	-
Finland				
France	Required	Required	-	Required
Germany	-*5	-	-	-
Greece	-	-	-	-
Hong Kong, China	Required	Required	Required	-
Hungary	Required*5	-	-	-
Iceland				
India	Required	Required	Required*6	Optional
Indonesia	-	-	-	Required
Ireland	Required	-	-	Required
Israel	Required	Required	Required*7	-
Italy	Required*8	Not required but veto power by a committee of independent directors*8	Required	Required if requested by independent directors
Japan	Required	Required	Recommended	-
Korea	Required	Required	-	-
Latvia	Required	Required	-	-
Luxembourg				
Mexico	Required	Required	Required	Required*9
Netherlands	-*2	-	-	-
New Zealand				
Norway	Required	Required	-	-
Poland	-	-	-	-

Jurisdiction	Board approval for non-routine RPTs	Abstention of related board members	Review by independent directors / audit committee	Opinion from outside specialist
Portugal	Not required[*5 *10]	Required	Not required	Not required[*11]
Russia	Not required[*12]	Required	Recommended	Recommended
Saudi Arabia	Required	Required	Not required	Required
Singapore	Required[*13]	Required[*13]	Required[*13]	Required
Slovak Republic	-	-	-	-
Slovenia	-[*5]	-	Required	-
South Africa	Required	Required	Required	Optional
Spain	Required	Required	Required	-
Sweden	-	-	-	-
Switzerland	-[*2]	Required	-	Recommended
Turkey	Required[*14]	Required	Required	Required
United Kingdom	Not required	-	-	-
United States	Required	-	Recommended	Recommended[*15]

[*1] In **Argentina**, the Board may require a ruling from the Audit Committee on whether the terms of the transaction may reasonably be considered appropriate to normal and usual market conditions (the Committee must decide within five days). The company may also request a report from two independent assessment firms, which must issue on the same matter and on other conditions of the operation.

[*2] In **Brazil**, the **Netherlands** and **Switzerland**, approval of material related party transactions by the Board is expected based on their fiduciary duties.

[*3] In **Brazil**, board members are prohibited from interceding in any transaction where their interests conflict with those of the company and also prohibited from participating in such deliberation. The extent of their conflict also must be detailed in the minutes of board meetings.

[*4] In **Chile**, related party transactions must be approved by the majority of the directors with no interest in the transaction, or by 2/3 of the extraordinary general meeting. In this event, the board shall appoint at least one independent evaluator. The directors committee, and/or the uninvolved directors, may also appoint an additional independent evaluator, in case of disagreement with the evaluator appointed by the board.

[*5] In the jurisdictions which have adopted the "German model" (**Czech Republic, Germany, Hungary, Portugal** and **Slovenia**), the Board of the controlled entity must prepare a report on relations with the controlling entities (including the negative impact of any influence by the controlling entities).

[*6] In **India**, the Companies Act provides that the terms of reference of the Audit Committee include approval or subsequent modification of transactions with related parties. The Audit Committee has the power to obtain professional advice from external sources (not mandatory) and have full access to information contained in the records of the company.

[*7] In **Israel**, according to an amendment to the Companies Law (entered into force as of January 2014), a related party transaction is subject to an additional procedure according to which the audit committee (which is comprised of a majority independent directors) is required to hold a competitive procedure with respect to any related party transaction (including in not out-of-the-ordinary transactions in which the Companies Law does not require a special authorization). The audit committee is also required to fix a procedure for approval of non-negligible related party transactions.

[*8] In **Italy**, the general procedure for transactions below the materiality threshold (e.g. 5% of the market capitalisation) requires that a committee of unrelated directors comprising a majority of independent ones gives its advice on the company's interest in entering into the transaction and on its substantial fairness. The opinion of the committee is not binding for the body responsible to approve the related party transaction – whether it is the CEO or the board of directors: the transaction can be entered into even if the advice is negative. However, if that is the case, the transaction must be disclosed in the quarterly report. The involvement of independent directors is stronger when the related party transaction is material. First, a committee of unrelated independent directors must be involved in the negotiations: they have to receive adequate information from the executives and may give them their views. Second, the committee has a veto power over the transaction: material related party transactions can only be approved by the whole board upon the favourable advice of the committee of independent directors (Bianchi et al., 2014).

[*9] In **Mexico**, firms planning to undertake related party transactions, simultaneously or successively, which could be considered as a single transaction due to their characteristics in the course of one business year, valued at least at 5% of total consolidated assets of the firm, should obtain an opinion on the fairness of the prices and the market conditions of the transaction from an independent specialist designated by the audit committee, prior to the approval by the board of directors.

[*10] In **Portugal**, only non-routine transactions with directors must be authorised by both the board of directors and the supervisory board.

[*11] In **Portugal** this is the general rule, but opinion from an independent auditor is required for certain purchases of goods to shareholders before, simultaneously or within 2 years of incorporation or share capital increase.

[*12] In **Russia**, since amendments to the JSC Law took effect on January 1, 2017, related party transactions do not require board approval unless the company receives the request for such approval from the CEO, board member or shareholder owning not less than 1% of voting shares.

[*13] In **Singapore**, the audit committee must review and approve the transaction(s) and satisfy itself that the terms of the transaction(s) are fair and reasonable and are not prejudicial to the interests of the issuer and its minority shareholders. An interested person and any nominee of the interested person must abstain from voting on all resolutions to approve the proposed transaction(s) with the interested persons. The Companies Act requires every director and chief executive officer of a company to disclose particulars of his interest in any transaction or proposed transaction with the company.

[*14] In **Turkey**, a board decisions is mandatory for any related party transactions and where the amount is corresponding to 5% of the equity capital an appraisal is required. In case the transaction exceeds 10%, approval by the majority of the independent board members shall be required in the board resolution (abstention of related board members is required), in addition to an appraisal. In case that the majority of the independent board members do not approve such transaction, this situation shall be disclosed at the Public Disclosure Platform including a satisfactory explanation and the transaction shall be submitted to the approval of the general assembly. In these general assembly meetings, resolution shall be taken through a voting, in which parties to the transaction and the persons related thereto cannot vote.

[*15] In the **United States**, a company's board of directors may require the review of a related party transaction by independent directors and require receipt of an opinion from an outside specialist in order to support its reliance on the business judgment rule under state law jurisprudence. To the extent that a company or an affiliate is a party to, or otherwise engaged in, such transaction and security holders will lose the benefits of public ownership by taking the class of equity private, Rule 13e-3 also requires disclosure on whether: the transaction is fair to unaffiliated security holders; the transaction was approved by a majority of directors not employed by the issuer; and the transaction is structured to require that at least a majority of the unaffiliated security holders approve.

Table 3.8 **Shareholder approval for related party transactions (non-equity)**

27 jurisdictions require shareholder approval as an additional control over the potential abuse of related party transactions, 15 of which have adopted provisions for approval by non-interested shareholders ("minority approval" or "majority of the minority").

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Requirement for shareholders voting[*1]
	Requi-rement	RPTs for shareholder approval	Auditors	Outside specialists	
Argentina	Yes	If classified as not reasonably appropriate to the market by the audit committee or assessment firms	Optional	Optional	-
Australia	Yes[*2]	Not on arm's length terms	-	-	Simple majority with related parties or their associates precluded from voting
Austria	No	-	-	-	-
Belgium	No	-	-	-	-
Brazil	No	-	-	-	-
Canada	Yes	Not on market terms; >25% of market cap.	-	Required	Minority approval
Chile	Yes	If disapproved by any director	-	Required	2/3 majority
China	Yes	-	-	-	2/3 majority
Colombia	Yes	When a board member has conflicts of interest	-	-	-
Czech Republic	No	-	-	-	-
Denmark	No	-	-	-	-
Estonia	Yes	Not on market terms; >30% of market cap.	Required	-	-
Finland	No	-	-	-	-
France	No[*3]	-	Required	-	-
Germany	No	-	-	-	-
Greece	-	-	-	-	-
Hong Kong, China	Yes	>5% ratios (except profit ratio)	-	Required	Minority approval
Hungary	Yes	Substantial property transactions (>10% of equity) within two years from the company's registration, except when the property is transferred under a contract of ordinary magnitude, by virtue of official resolution or by official auction, or in connection with stock exchange transactions	-	-	Simple majority
Iceland					
India	Yes	Material transactions (individually or collectively exceeding 10% of the annual consolidated turnover of the listed entity)	-	Optional	Minority approval
Indonesia	Yes	i) Transaction with employees and board members; ii) Conflict of interest transactions (>0.5% of paid capital); iii) Material transactions (>50% of equity)	-	Required	Minority approval for ii) and Simple majority for iii)
Ireland	Yes	Substantial property transactions, loans, credit transactions, guarantees and the provision of security	-	Required	Simple majority
Israel	Yes	Either of the following: Not on market terms; Material; Not on regular business activity	-	-	Minority approval

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Requirement for shareholders voting*1
	Requi-rement	RPTs for shareholder approval	Auditors	Outside specialists	
Italy	Yes*4	If disapproved by the committee of independent directors	-	Required if requested by independent directors	Minority approval
Japan	No	-	-	-	-
Korea	No	-	-	-	-
Latvia	-	-	-	-	-
Luxembourg					
Mexico	Yes	For all transactions that represent >20% of consolidated assets of the company	Required	Required	Minority approval
Netherlands	No	-	-	-	-
New Zealand	Yes*2*5	>10% of market cap	-	Required	Minority approval
Norway	Yes	>5% of share capital (>10% for private limited liability companies)	-	-	-
Poland	No	-	-	-	-
Portugal	Yes	Certain purchases of goods to shareholders before, simultaneously or within 2 years of incorporation or share capital increase	Required	-	Minority approval
Russia	Yes	≥10% of book value assets	-	-	Minority approval
Saudi Arabia	Yes		Required		
Singapore	Yes	>5% of audited consolidated net tangible assets	-	Required	Minority approval
Slovak Republic	No	-	-	-	-
Slovenia	No	-	-	-	-
South Africa	Yes	All Category 1 transactions (>30% of market cap) or Category 2 related party transactions (5% to 30% of market cap)	-	Required*6	Simple majority
Spain	Yes	10% of company's assets	Required	-	Minority approval
Sweden	Yes	Material transactions	-	Required	Simple majority (if shareholder is RP, may not vote)
Switzerland	No	-	-	-	-
Turkey	Yes	If disapproved by the independent directors*7	-	Required	Minority approval
United Kingdom	Yes*8	Non-routine transactions	-	-	Minority approval
United States	Yes*9	Non-routine transactions	-	-	-

*1 "Minority approval" means, in this context, that shareholders with material interest must abstain from voting and that decision will be reached by the simple majority of those able to vote.

*2 In **Australia** and **New Zealand**, the regulator (ASIC) or stock exchange (NZX) must be given an opportunity to comment on or approve the proposed resolution.

*3 In **France**, while shareholder votes on RPTs are required, those that are not approved by shareholders can nevertheless be entered into. When a given transaction does not receive the shareholders' approval, however, the interested party can be held liable for any detrimental consequences that the transaction may have had on the company (commercial code articles L225-41 §2 and L225-89 §2).

*4 In **Italy**, companies may provide that a transaction can still be entered into despite the negative advice of independent directors, provided that a general meeting is convened where a majority of unrelated shareholders approve it (the whitewash). Internal codes may also provide that for the majority of unrelated shareholders to block the transaction, the unrelated shareholders represented at the meeting must hold a minimum percentage of outstanding shares, no higher than 10 %.

[*5] In **New Zealand**, the issuer can avoid the requirement to obtain the approval of the ordinary resolution providing that the NZX is satisfied that the personal interest of a related party is immaterial or plainly unlikely to have influenced the promotion of the proposal to enter into the transaction or its terms and conditions.

[*6] In **South Africa,** for related party transactions between 0.25% and 5% of market cap, no shareholder vote is required if a positive fairness opinion is obtained. The JSE listing rules also provide for alternative methods for calculating transaction size thresholds related to dilution of shares or use of a mix of cash and shares for transactions.

[*7] In **Turkey**, if majority of the independent board members do not approve the decision on the related party transaction the decision is brought before the general shareholders meeting.

[*8]In the **United Kingdom,** under the Listing Rules, Premium listed companies must obtain shareholder approval for related party transactions above a 5% materiality threshold, or in the case of smaller transactions in excess of a 0.25% threshold obtain written confirmation from an approved sponsor that the terms of the proposed transaction are fair and reasonable. Aggregation rules also apply. In the case of the shareholder approval process, the related party and its associates may not vote on the proposal.

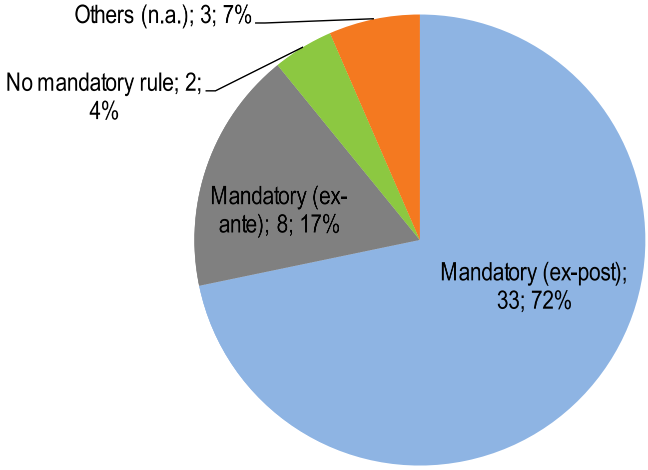
[*9] In the **United States**, a company's organizational documents, state corporate law and exchange rules set forth the transactions that are required to be approved by shareholders, including certain related party transactions. A company's board of directors may require approval of a majority of the minority of shareholders in order to support its reliance on the business judgment rule under state law jurisprudence.

3.5 Takeover bid rules

In framing mandatory takeover bid rules, four-fifths of jurisdictions take an ex-post approach.

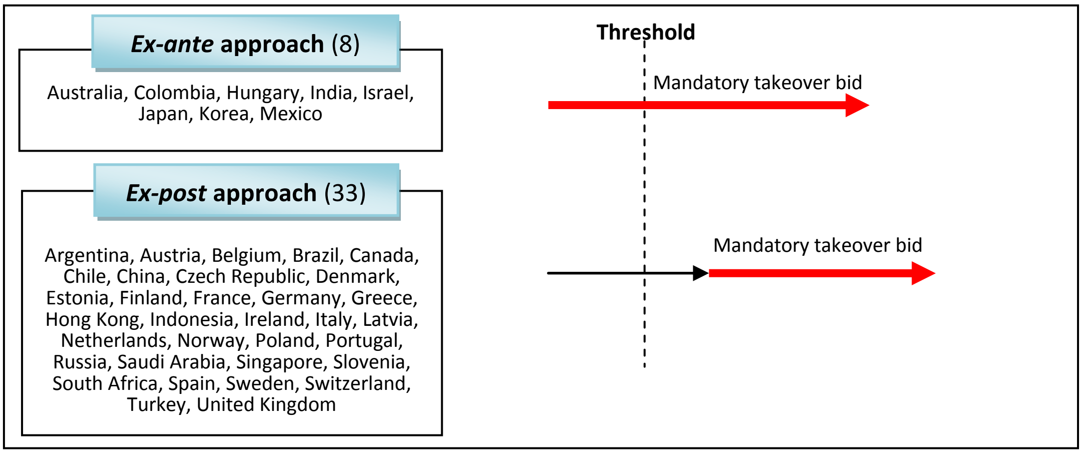
Nearly all jurisdictions have regulations on takeover bids, but some address the issues in voluntary codes (**Hong Kong, China**) rather than through hard law, and others regulate voluntary takeover bids but do not require mandatory ones (**New Zealand**). Forty-one jurisdictions have introduced a mandatory takeover bid rule (Figure 3.11). Four-fifths of these jurisdictions take an *ex-post* approach, where a bidder is required to initiate a takeover bid after acquiring shares exceeding the threshold (e.g. after the control shift). Eight jurisdictions take an *ex-ante* approach, where a bidder is required to initiate a takeover bid for acquiring shares which would exceed the threshold (Figure 3.12).

Figure 3.11 **Takeover bids rules**



Note: This Figure shows the number of jurisdictions in each category. See Table 3.9.

Figure 3.12 ***Ex-ante* or *ex-post* mandatory takeover bid rules**



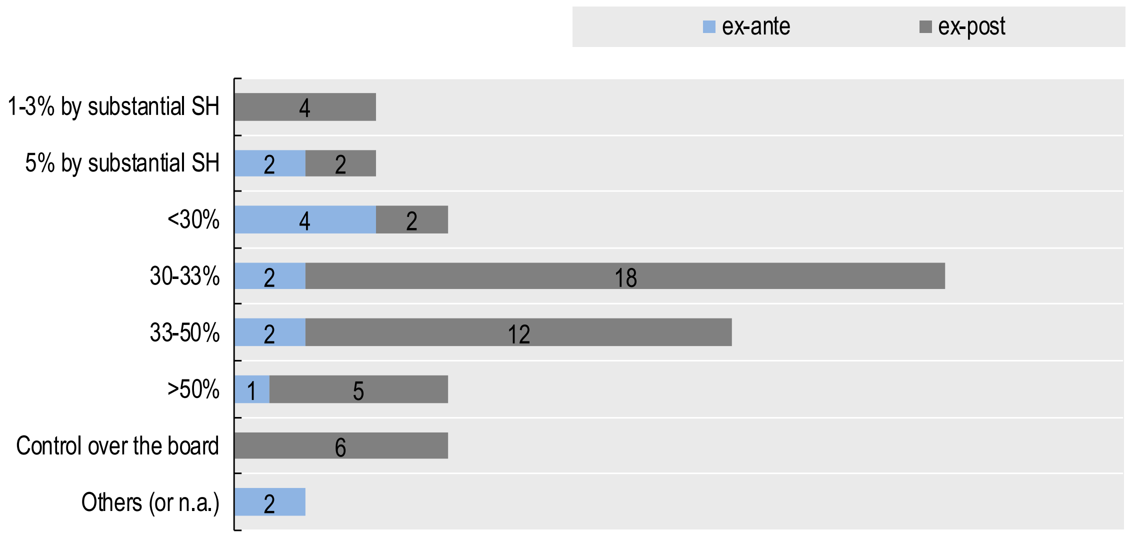
Note: See Table 3.9.

Mandatory takeover bids are most commonly triggered by a 30-33% ownership threshold.

Mandatory takeover bids are most commonly triggered by a 30-33% ownership threshold where the calculation regularly includes all affiliated parties in the sum (Figure 3.13). In two jurisdictions with *ex-ante* frameworks (**Japan** and **Korea**), acquisition of 5% of voting rights from more than 10 shareholders within a certain period is also prescribed as a trigger for mandatory takeover bids. In **Italy**, the law differentiates the mandatory triggering threshold according to the size of companies, where small &

medium sized companies may establish in the bylaws a threshold in the range 25%-40% of voting rights, while for the others the threshold is 25% of voting rights provided that no other shareholder holds a higher stake.

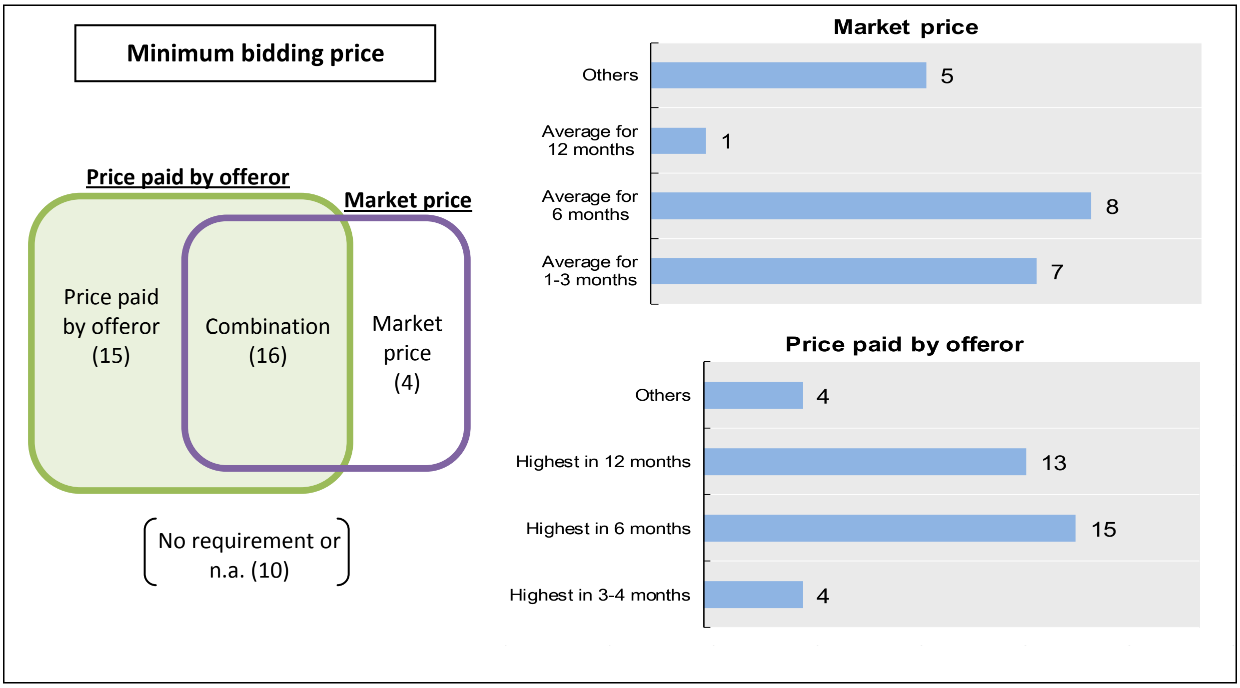
Figure 3.13 **Key thresholds for mandatory takeover bids**



Note: This Figure shows the number of jurisdictions in each category. Jurisdictions with several thresholds are counted more than once. See Table 3.9.

More than four-fifths of jurisdictions with mandatory takeover bid rules establish a mechanism to determine the minimum bidding price. The minimum bidding price is most often determined by: a) the highest price paid by the offeror (within 3-12 months); b) the average market price (within 1-12 months); or a combination of the two (Figure 3.14). Nevertheless, there are other mechanisms used less often, particularly in situations involving illiquid stocks, such as the price fixed by an appraiser firm or value based on net assets divided by number of shares.

Figure 3.14 **Requirements for minimum bidding price in mandatory takeover bids**



Note: These Figures show the number of jurisdictions in each category. Jurisdictions with several thresholds are counted more than once in the right hand graphs. See Table 3.9.

Table 3.9 **Takeover bid rules**

This table shows the basic framework of the takeover bid rule in each jurisdiction, including the national institution in charge of takeover bid regulation, key thresholds or triggers of mandatory takeover bids if any, and key requirements for the minimum bidding price.

Jurisdiction	Institutions in charge of takeover bids	Key thresholds of mandatory takeover bids	Key requirements for the minimum bidding price	
			M: mandatory takeover bids; V: voluntary takeover bids	
Argentina	CNV	*ex-post:* 50% of voting rights + 1 share	M	Highest market price in last 6 months
Australia	ASIC, Takeover Panel	*ex-ante*: from less than 20% to more than 20%; from more than 20% to less than 90%	M	Highest price the offeror has provided or agreed to provide in the 4 months preceding the bid
Austria	Takeover Commission	*ex-post:* 30% of voting rights	M	a) Highest price paid by offeror within last 12 months; b) Average market price of last 6 months
Belgium	FSMA	*ex-post:* 30% of voting rights	M	a) Highest price paid by offeror within last 12 months; b) Average market price of last 30 days
Brazil	CVM	*ex-post:* control over the board	M	At least 80% of the price paid to the controlling entity.
Canada (Provinces e.g. Ontario)	OSC	*ex-post:* 20% of voting rights	-	-
Chile	SVS	*ex-post:* 67% of voting rights	M	Price not lower than the market price
China	CSRC	*ex-post:* 30% of voting rights	M	Highest price paid by offeror within last 6 months
Colombia	SFC	*ex-ante:* 25% of voting rights; 5% acquisition by SH with 25%	M	a) Highest paid by offeror within last 3 months; b) Highest price set in a previous agreement, if any; c) Price fixed by an appraiser firm (just for delisting takeover bids)
Czech Republic	CNB	*ex-post:* 30% of voting rights; control over the board	M	a) Highest price paid by offeror within last 12 months; b) Average market price of last 6 months
Denmark	DFSA	*ex-post:* 33% of voting rights	M	Highest price paid by offeror within last 6 months
Estonia	EFSA	*ex-post:* 50% of voting rights; control over the board	M	Highest price paid by offeror within last 6 months
Finland	FIN-FSA, Takeover Panel	*ex-post:* 30% or 50% of voting rights	M	a) Highest price paid by offeror within last 6 months; b) Weighted average market price of last 3 months
France	AMF	*ex-post:* 30% of voting rights	M	Highest price paid by offeror within last 12 months
Germany	Bafin	*ex-post:* 30% of voting rights	M, V	a) Highest price paid by offeror within last 6 months; b) Average market price of last 3 months
Greece	HCMC	*ex-post:* 33% of voting rights; 3% acquisition by the SH with 33-50% (within a year)	M	a) Highest price paid by offeror within last 12 months; b) Average market price of last 6 months
Hong Kong, China	SFC, Takeovers and Mergers Panel	*ex-post:* 30% of voting rights; 2% acquisition by the SH with 30-50% (within a year)	M	Highest price paid by offeror within last 6 months
			V	Not less than 50% discount from the latest market price
Hungary	CBH	*ex-ante:* 33% or 25% (if no other SH with more than 10%) of voting rights	M	a) Highest price paid by offeror within last 180 days; b) Weighted average market price of last 180 days (or, if available, 360 days)
Iceland				

Jurisdiction	Institutions in charge of takeover bids	Key thresholds of mandatory takeover bids	Key requirements for the minimum bidding price	
			M: mandatory takeover bids; V: voluntary takeover bids	
India	SEBI	*ex-ante:* 25% of voting rights; 5% acquisition by SH with 25% (within a year)	M	a) Highest negotiated price per share for any acquisition under the agreement attracting the obligation to make a mandatory takeover offer
				b) Volume-weighted average price paid or payable for acquisitions by the acquirer during 52 weeks
				c) Highest price paid or payable for any acquisition by the acquirer during 26 weeks
				d) Volume-weighted average market price of such shares for a period of 60 trading days
Indonesia	IFSA (OJK)	*ex-post:* 50% of voting rights; control over the board	M	Average of the highest daily price of last 90 days
Ireland	Irish Takeover Panel	*ex-post:* 30% of voting rights acquiring control or acquisition of 5% consolidating control	M	Highest price paid by offeror within last 12 months
Israel	ISA	*ex-ante:* 25% of voting rights; 45% of voting rights	-	-
Italy	CONSOB	*ex-post:* 25% of voting rights (30% for SMEs); 5% acquisition by SH with 30-50% (within a year)[*1]	M	Highest price paid by offeror within last 12 months;
Japan	FSA	*ex-ante:* 33% of voting rights; 5% of voting rights from more than 10 SHs (within 61 days)	-	-
Korea	FSC	*ex-ante:* 5% acquisition from 10 SHs	-	-
Latvia	FCMC	*ex-post:* 30% of voting rights[*2]	M	a) Highest price paid by offeror within last 12 months; b) Average market price of last 12 months; and c) value of a share calculated by dividing the net assets of the target company with the number of issued shares
Luxembourg				
Mexico	CNBV	*ex-ante:* 30% of voting rights	-	-
Netherlands	AFM	*ex-post:* 30% of voting rights	M	Highest price paid by offeror within last 12 months
New Zealand	Takeover Panel	No mandatory threshold	-	-
Norway		*ex-post:* 33%, 40% or 50% of voting rights	M	Highest price paid by offeror within last 6 months
Poland	KNF	*ex-post:* 33% or 66% of voting rights	M	Average market price of last 6 months
Portugal	CMVM	*ex-post:* 33% or 50% of voting rights	M	a) Highest price paid by offeror within last 6 months;
				b) Weighted average market price of last 6 months
Russia	CBR	*ex-post:* 30%, 50% or 75% of voting rights	M	a) Weighted average market price of the last 6 months (or appraiser's report price if not listed); b) Highest price paid by the offeror or its affiliated parties in last 6 months
Saudi Arabia	CMA	*ex-post:* 50% of voting rights	M	Highest price paid by offeror or any person acting in concert with the offeror during the offer period and within the12 months prior to the commencement of the offer.
Singapore	Securities Industry Council	*ex-post:* 30% of voting rights; acquisition of more than 1% by SH with 30-50% (within 6 months)	M, V	M: Highest price paid by offeror during the offer period and within last 6 months V: Highest price paid by offeror during the offer period and within last 3 months
Slovak Republic				

Jurisdiction	Institutions in charge of takeover bids	Key thresholds of mandatory takeover bids	Key requirements for the minimum bidding price	
			M: mandatory takeover bids; V: voluntary takeover bids	
Slovenia	ATVP	*ex-post:* 33% of voting rights	M, V	Highest price paid by offeror within last 12 months
South Africa	Takeover Regulation Panel	*ex-post:* 35% of voting rights	-	-
Spain	CNMV	*ex-post:* 30% of voting rights; control over the board; appointing a number of directors who represent more than one half of the members of the management body of the company within 24 months	M, V	Highest price paid by offeror within last 12 months
Sweden	FI/SFSA, Swedish Securities Council	*ex-post:* 30% of voting rights	M, V	a) Highest price paid by offeror within last 6 months b) (if not a) 20 days trading average prior to disclosure (only applies to mandatory bids)
Switzerland	Swiss Takeover Board	*ex-post:* 33% (can be raised to 49% by company) of voting rights	M, V	a) Stock exchange price (i.e. volume-weighted average price of the last 60 trading days) or evaluation by audit firm (if listed equity securities are not liquid); b) Highest price paid by offeror within last 12 months
Turkey	CMB	*ex-post:* 50% of voting rights	M	a) Highest price paid by offeror within last 6 months; b) Average market price of last 6 months
United Kingdom	Panel on Takeovers and Mergers	*ex-post:* 30% of voting rights; acquisition by SH with 30-50%	M, V	a) Highest price paid by offeror within last 12 months; b) Highest price paid by offeror during the offer and within the 3 months before offer period. If offeror has bought more than 10% of offeree's shares for cash during the offer period in the previous 12 months, highest price paid by offeror in that period.
United States	SEC	No mandatory takeover bids[*3]	-	-

[*1] In **Italy**, the mandatory triggering threshold is differentiated according to the size of companies, where small & medium sized enterprises (SMEs) may establish in the bylaws a threshold in the range 25%-40% of voting rights, while for non-SMEs the threshold is 25% of voting rights provided that no other shareholder holds a higher stake.

[*2] **Latvia** enacted a new law in June 2016 reducing the ex ante takeover threshold from 50% to 30%, but existing listed firms with shareholders owning 30% and 50% are grandfathered in to allow them to maintain their shares but must initiate a takeover bid if they increase their shareholdings.

[*3] In the **United States**, neither statutes nor rules impose a requirement that a bidder conduct a mandatory tender offer, leaving it to the bidder's discretion as to whether to approach shareholders, whether on an unsolicited basis without the prior approval of the target, or, alternatively, pursuant to a private agreement between the bidder and the target that has been reached following a negotiation.

3.6 The roles and responsibilities of institutional investors

During the last decade, many OECD countries have experienced dramatic increases in institutional ownership of publicly listed companies. Significant discrepancies remain, however, with regard to the ability and incentives of institutional investors to engage in corporate governance.

During the last decade, the share of equity investments held by institutional investors such as mutual funds, pension funds, insurance companies and hedge funds that manage other people's money has increased significantly. There is a great variety of asset managers that invest in stocks directly or on behalf of other institutional investors. Besides, institutional investors differ widely, including with respect to their ability and interest to engage in corporate governance. For some institutions, engagement in corporate governance is a natural part of their business model, while others may offer their clients a business model and investment strategy that does not include or motivate spending resources on active ownership engagement (Isaksson and Çelik, 2013a). The Principles annotations note that if shareholder engagement is not part of the institutional investor's business model and investment strategy, that mandatory requirements to engage, for example, through voting, may be ineffective and lead to a box-ticking approach.

Many jurisdictions impose different requirements for different types of institutional investors, but voluntary codes are also increasingly common.

Rather than providing overarching corporate governance requirements, many jurisdictions impose different requirements for different types of institutional investors (e.g. investment funds, insurance companies, pension funds, etc.). Some countries provide more stringent requirements for institutional investors with significant shares (of the assets under management) in their domestic markets, while others set forth requirements only for sectors whose share is insignificant. Institutional investors with significant shares can be pension funds (e.g. in **Australia**, **Chile**, **Iceland** and the **Netherlands**), insurance companies (e.g. in **Italy**, **Norway**, **Slovenia**, **Finland** and **Sweden**), or investment funds (e.g. in **Austria**, **Luxembourg** and **Mexico**) (OECD, 2011; OECD Institutional Investors Statistics).

The Principles note that the effectiveness and credibility of the entire corporate governance framework and company oversight depend to a large extent on institutional investors that can make informed use of their shareholder rights and effectively exercise their ownership functions in their investee companies. However, if the institutional investors with the most significant amount of shares in the market are foreign-based, requirements for enhancing corporate governance practices (e.g. managing conflict of interests with investee companies, monitoring the investee companies) may not be very effective, as long as the main target of these requirements is the domestic institutional investors. Similarly, if the domestic institutional investors invest mainly in foreign companies, the requirements which are only applicable to the domestic institutional investors may not have the desired effect in enhancing corporate governance practices of the domestic investee companies. In this context, many jurisdictions have given increasing attention to voluntary initiatives, such as stewardship codes, that both foreign and domestic institutional investors can commit to follow. As may be seen in Table 3.10, investor stewardship codes or other guidelines led either by public authorities or by investor associations or other private sector bodies are increasingly common (recently, for example, in **Denmark**, **Korea** and **Brazil**).

Some jurisdictions oblige or encourage institutional investors to exercise their voting rights.

Several jurisdictions set forth legal requirements regarding exercise of voting rights by some types of institutional investors. In **Chile** for example, pension, investment and mutual funds are obliged to attend shareholder meetings and exercise their voting rights in cases where they hold more than a certain threshold of a corporation's equity. In **Israel**, institutional investors (including fund managers, pension funds, provident funds and insurance companies) must participate and vote on certain resolutions. **Switzerland** implemented the Ordinance against Excessive Compensation in 2014, requiring pension fund schemes to vote in the interest of their insured persons on specific matters, such as: election of the members of the board of directors and compensation committee; and compensation to the board of directors and executive management.

On the other hand, some countries impose constraints on institutional investor voting. For example, the **United States** Employee Retirement Income Security Act of 1974 (ERISA) generally considers a fiduciary's duties, as described in ERISA, to include a consideration of only those factors that relate to the economic value of the plan's investment. The fiduciary shall not subordinate the interests of the participants and beneficiaries in their retirement income to unrelated objectives, and if a responsible fiduciary reasonably determines that the cost of voting (including the cost of research, if necessary, to determine how to vote) is likely to exceed the expected economic benefits of voting, or if the exercise of voting results in the imposition of unwarranted trading or other restrictions, the fiduciary has an obligation to refrain from voting (DOL Interpretive Bulletin; Advisory Opinion No. 2007-07A (Dec. 21, 2007)). In **Sweden**, one of the state-owned pension funds, known as AP7, which manages pension savings for 3 million Swedes, is, as a main rule, prohibited from voting for its shares in Swedish companies, unlike the other pension funds (AP1-4).

Institutional investor disclosure of voting policies is required or recommended in 67% of jurisdictions, whereas only 41% require or recommend disclosure of actual voting records.

Of 46 jurisdictions, 67% require or recommend that institutional investors disclose their voting policies for certain institutional investors. Figure 3.15 below, counting multiple requirements and recommendations in some jurisdictions, shows that voting policy disclosure is about equally split between legal requirements and code recommendations, applying typically to investment funds and asset managers.

On the other hand, just 41% of jurisdictions require or recommend at least certain institutional investors to disclose actual voting records. Again, as some jurisdictions have more than one type of requirement or recommendation, Figure 3.15 shows that a majority of these 41% have legal requirements, with code recommendations less common.

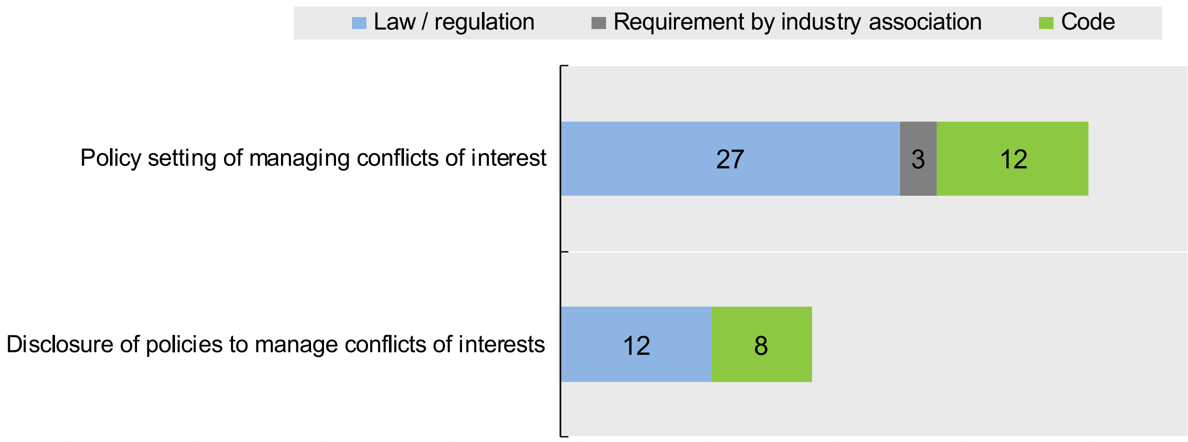
Figure 3.15 **Disclosure of voting policies and actual voting records by institutional investors**

Note: This Figure shows the number of jurisdictions in each category. Jurisdictions with several sets of rules are counted more than once. The numbers in parentheses shows the number of jurisdictions where the requirement or recommendation is for disclosure to clients upon request. See Table 3.10.

80% of jurisdictions provide a framework for institutional investors to address conflicts of interest. However, disclosure of policies for managing conflicts of interest and their implementation is less common, required or recommended in 39% of jurisdictions.

In recent years, besides bans or legal requirements to manage some types of conflicts of interest, a number of jurisdictions have introduced professional codes of behaviour. Thirty-seven of 46 jurisdictions (80%) require or recommend at least one sector of institutional investors to have policies to manage conflicts of interest or prohibit specific acts, while just 39% require or recommend disclosure of such policies. Figure 3.16, counting some jurisdictions with several sets of rules more than once, provides another way of tabulating how most jurisdictions make use of legal requirements rather than codes to ensure that certain institutional investors develop or disclose policies to manage conflicts.

Figure 3.16 **Existence and disclosure of conflicts of interest policies by institutional investors**

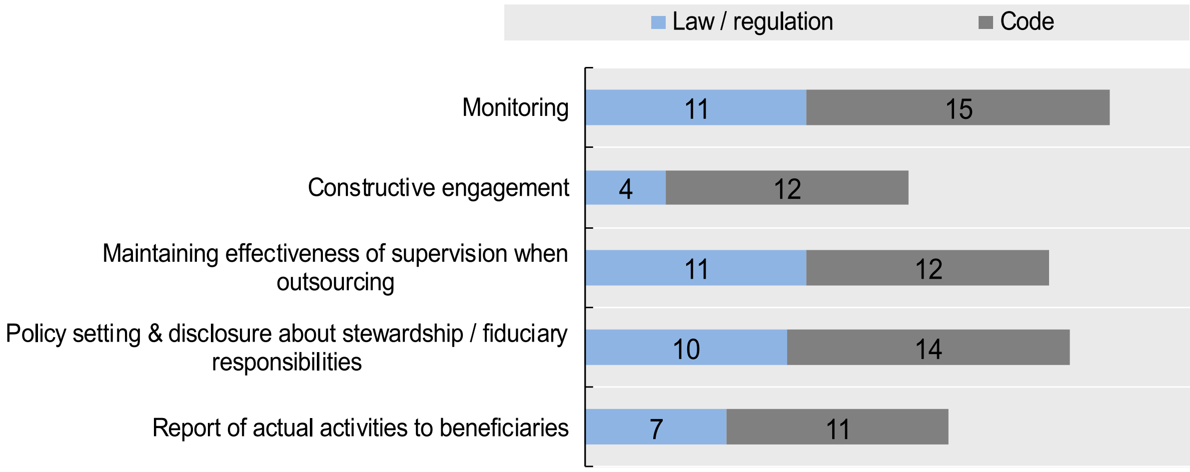


Note: This Figure shows the number of jurisdictions in each category. Jurisdictions with several sets of rules are counted more than once. See Table 3.10.

Some jurisdictions provide specific requirements or recommendations with regard to various forms of ownership engagement, such as monitoring and constructive engagement with investee companies and maintaining the effectiveness of monitoring when outsourcing the exercise of voting rights.

Some jurisdictions go beyond requirements or recommendations to encourage voting, providing more specific requirements or guidance with regard to other forms of ownership engagement. Requirements or recommendations that they monitor investee companies are most common (26 cases). Constructive engagement, generally involving direct dialogue with the board or management, is only required in 4 jurisdictions, but recommended in 12. In 23 cases, jurisdictions require or recommend that investors maintain the effectiveness of monitoring when outsourcing the exercise of voting rights (Figure 3.17). For example, the stewardship codes of the **United Kingdom** and **Japan** note that institutional investors that outsource to external service providers including proxy advisors remain responsible for ensuring that outsourced activities are carried out in a manner consistent with their own approach to stewardship. Regarding the scope of monitoring activities, some jurisdictions refer only broadly to corporate actions, while others more explicitly require or recommend monitoring to take into account environmental, social and governance activities, strategy, performance, capital structure, and risk management.

Figure 3.17 **Stewardship and fiduciary responsibilities of institutional investors**



Note: This Figure shows the number of jurisdictions in each category. Jurisdictions with several sets of rules are counted more than once. See Table 3.10.

Table 3.10 **Roles and responsibilities of institutional investors: exercise of voting rights and management of conflicts of interest**

This table shows the national frameworks (laws and voluntary guidelines or stewardship codes) regarding the roles and responsibilities of institutional investors, focusing on the exercise of voting rights and the management of conflicts of interest. This table only covers the key frameworks applicable to institutional investors with significant shares in the domestic market, and therefore does not necessarily present a complete picture.

Jurisdiction	National framework	Target institutions	Exercise of voting rights		Management of conflicts of interest	
	(Public / private / mixed initiative)		Disclosure of voting policy	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Argentina	Public: Law No. 24,083	Mutual funds	L	L	- (L: specific bans)	L
Australia	Private: FSC Standards Public: Superannuation (Industry) Supervision Act	FSC members: investment funds, pension funds, life insurance, etc.	I/L	I/L	I	-
Austria	Public: Investment Funds Act 2011	Investment funds	- (L: policy setting)	-	L	-
Belgium	Private: BEAMA Code of Conduct	Investment funds and asset managers	C	-	C	C
Brazil	Public: CVM Instruction 555/2014 Private: AMEC Stewardship Code	Investment funds	L	L	L	L
Canada	Public: Securities Act	Investment funds	L	L	-	-
	Private: CCGG Policy 2010 Principles for Governance Monitoring, Voting and Shareholder Engagement	Pension funds, investment funds, asset managers, etc.	C	C	-	-
Chile	Public: Decree Law No. 3.500 of 1980	Pension funds	L	L	L	L
China	Public:Guidelines for the voting rights of the fund managers	Investment funds	I	-	I	-
Colombia	Public: Decree 2555 of 2010 / CBJ, Part II, Title III, Chapter IV, # 3 and 4	Pension funds	L	L	L	L
Czech Republic	Public: Corporate Governance Code based on the OECD Principles	Institutional investors	C	-	C	C
Denmark	Public: Stewardship Code	Institutional Investors	C	C	C	C
Estonia	-	-	-	-	-	-
Finland	Public: Organisation and code of conduct of investment funds and asset managers	Investment funds and asset managers	- (L: policy setting)	-	L	-
France	Public: General Regulation of the AMF	Investment funds and asset managers	L to clients upon request	L	L	-
Germany	Private + Public (Part I) : BVI code of conduct + German Capital Investment Code Private: Corporate Governance Code for Asset Management Companies	Investment funds and asset managers	L,C	-	L,C	-
Greece	Public: HCMC rule 1/462/2008 (Code of conduct of business)	Mutual funds	-	-	L	-
Hong Kong, China	Public: Code of Conduct for Persons Licensed by or Registered with the SFC[*1]	Investment funds and asset managers	-	-	-	- (L: disclosure of conflicts of interest)

Jurisdiction	National framework	Target institutions	Exercise of voting rights		Management of conflicts of interest	
	(Public / private / mixed initiative)		Disclosure of voting policy	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Hungary	Public: Act on the Capital Market	Investment funds and asset managers	-	-	L	L
Iceland	-	-	-	-	-	-
India	Public: Regulations and circulars	Mutual funds and asset managers	L	L	(L: specific bans)	-
Indonesia	Public: OJK Regulation 43/POJK.04/2015	Fund Manager	-	-	L	(L: disclosure of conflicts of interest)
Ireland	-	-	-	-	-	-
Israel	Public: Joint Investment Trust Law Supervision of Financial Services Regulations (Provident Funds) (Participation of Managing Company in General Meeting), 2009	Mutual funds, fund managers, provident funds, pension funds and insurance companies	L	L	L	L
Italy	Public: Consolidated Law On Finance and Bank of Italy-Consob regulations Private: Italian Stewardship Principles	Investment funds	L,C	C	L	-
Japan	Public: Principles for Responsible Institutional Investors: Japan's Stewardship Code	Institutional investors and proxy advisors	C	C	C	C
Korea	Public: Financial Investment Services and Capital Markets Act Mixed: Stewardship Code Principles on the Stewardship Responsibilities of Institutional Investors	Institutional investors	C	- (L if holding equities more than a certain level)	L	L
Latvia	Public: The Law On Private Pension Funds and The Law On Investment management Companies	Pension funds and investment funds	L	-	L	L
Luxembourg	Private: ALFI Code of Conduct for Luxembourg Investment Funds	ALFI members: investment funds	C	C	C	-
Mexico	General financial provisions for pension funds systems	Pension funds	L	-	L	-
Netherlands	Public: Act on Financial Supervision + Mixed: Dutch corporate governance code section IV.4	Institutional investors	C	C	-	-
	Private: Best Practices for Engaged Share-ownership Intended for Eumedion Participants	Eumedion members: institutional investors	C	C	C	C
New Zealand	-	-	-	-	-	-
Norway	Private: VFF recommendation on exercising ownership rights	VFF members: investment funds and asset managers	C	C to clients upon request	C	-
Poland	Private: Code of Good Practices of Institutional Investors	IZFiA members: institutional investors	C	-	C	-
Portugal	Public: Decree Laws, ASF Regulatory Norms and CMVM regulations / recommendations	Pension funds and investment funds	L/C	- (L: divergence from voting policy)	- (L: specific bans)	-

Jurisdiction	National framework	Target institutions	Exercise of voting rights		Management of conflicts of interest	
	(Public / private / mixed initiative)		Disclosure of voting policy	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Russia	Public: The Law On Investment Funds № 156-FZ of 29.11.2001, The Law On Non-state Pension Funds № 75-FZ of 07.05.1998, The Law On Investments for Financing of the Cumulative Part of the Retirement Pension 111-FZ of 24.07.2002, Government and Bank of Russia Regulations	Investment funds	L	L	-	-
		Pension funds	-	-	L	L
Saudi Arabia	-	-	-	-	-	-
Singapore	Private: IMAS Guidelines on Corporate Governance	IMAS members: Investment funds and asset managers	I	-	I	-
Slovak Republic	Public: Act on Collective Investments	Mutual funds and asset managers	L to clients	-	- (L: specific bans)	-
	Mixed: Corporate Governance Code	Institutional investors	C	-	C	C
Slovenia	Public: Market in Financial Instruments Act and Investment Funds and Management Companies Act	Investment funds	-	-	L	-
South Africa	Private: Code for Responsible Investing for South Africa	Pension funds and asset managers	C	C	C	C
Spain	Public: Securities Market Act and Collective Investment Institutions Act	Investment funds and asset managers	- (L for those cases in which the value of shares is quantitatively significant and "temporarily stable".)	-	L	(L for those cases in which the value of shares is quantitatively significant and "temporarily stable".)
Sweden	Public: National Pension Insurance Funds Act	Public pension funds (AP1, AP2, AP3, AP4 and AP7)	- (L: policy setting for AP1-4)	-	- (L: specific bans for AP1-4)	-
Switzerland	Public: Federal Act on Collective Investment Schemes and Swiss Code of Obligations, Ordinance Against Excessive Remuneration at Listed Companies Private: Guidelines for institutional investors	Institutional investors	C	L (on certain issues: e.g. board election, remuneration)	L	- (C: disclosure of unavoidable conflicts of interest)
Turkey	Public: Communiqué on Principles of Investment Funds; Communiqué on Portfolio Management Companies and Activities of Such Companies	Investment funds and asset management companies	-	-	L	-
United Kingdom	Public: The UK Stewardship Code	Asset managers, asset owners and service providers	C	C	C	C
United States	Public: Investment Company Act of 1940 and Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Management Investment Companies	Registered Management Investment Companies	L	L	L	L

Jurisdiction	National framework	Target institutions	Exercise of voting rights		Management of conflicts of interest	
	(Public / private / mixed initiative)		Disclosure of voting policy	Disclosure of actual voting records	Setting of policy	Disclosure of policy
	Public: The Employee Retirement Income Security Act of 1974	Private pension funds	- (C: policy setting)	-	-	-
	Public: Investment Advisers Act of 1940; Proxy Voting by Investment Advisers; Staff Legal Bulletin No. 20	Investment advisers	L (must describe voting policies and provide a copy of the policies to clients upon request)	L (must disclose how clients can obtain voting records)	L	L

Key: **L**=requirement by the law or regulations / **I** = requirement by industry association / **C**=recommendation by the codes or principles /

"-"=absence of a specific requirement or recommendation

Note: European Fund and Asset Management Association (EFAMA) provides "EFAMA Code for external governance - Principles for the exercise of ownership rights in investee companies"; International Corporate Governance Network (ICGN) provides "ICGN Statement of Principles for Institutional Investor Responsibilities".

[*1] In **Hong Kong (China)**, the "Code of Conduct for Persons Licensed by or Registered with the SFC" only applies where the investment funds or asset managers concerned are licensed or registered persons carrying on the regulated activities for which they are licensed or registered. To the extent that a licensed or registered person acts in the capacity of a management company in relation to the discretionary management of collective investment schemes, such licensed or registered persons are subject to the Fund Manager Code of Conduct.

Table 3.11 **Main roles and responsibilities of institutional investors: stewardship / fiduciary responsibilities**

This table shows the national frameworks regarding stewardship and fiduciary responsibilities of institutional investors. This table only covers the key framework applicable to institutional investors with significant shares in the domestic market, and therefore does not necessarily represent the entire landscape.

Jurisdiction	Target group	Stewardship / fiduciary responsibilities				
		Specific requirements			Setting of voting policy	Report of actual activities to clients / beneficiaries
		Monitoring	Constructive engagement[*1]	Maintaining effectiveness of supervision when outsourcing[*2]		
Argentina	Mutual funds	L	L	L	L	L
Australia	FSC members:investment funds, pension funds, life insurance, etc.	C	C	-	-	-
Austria	Investment funds	L	-	L	-	-
Belgium	Investment funds and asset managers	-	-	C	C	-
Brazil	Investment funds	L	L	L	L	L
Canada	Investment funds	-	-	-	-	-
	Pension funds, investment funds, asset managers, etc.	C	C	C	C	-
Chile	Pension funds	-	-	-	-	-
China	Institutional investors	-	-	-	I	-
Colombia	Pension funds	L	L	L	L	-
Czech Republic	Institutional investors	-	-	-	-	-
Denmark	Institutional investors	C	C	C	C	C
Estonia	-	-	-	-	-	-
Finland	Investment funds, asset managers and pension funds	L	-	-	-	-
France	Investment funds and asset managers	-	-	-	-	-

Jurisdiction	Target group	Stewardship / fiduciary responsibilities				
		Specific requirements			Setting of voting policy	Report of actual activities to clients / beneficiaries
		Monitoring	Constructive engagement*1	Maintaining effectiveness of supervision when outsourcing*2		
Germany	Investment funds and asset managers	C	C	L,C	C	C
Greece	Mutual funds	-	-	-	-	-
Hong Kong, China	Investment funds and asset managers	-	-	-	-	-
Hungary	Investment funds and asset managers	-	-	-	-	-
Iceland	-	-	-	-	-	-
India	Mutual funds and asset managers	-	-	-	L	-
Indonesia	Fund Manager, Pension Fund and Insurance Company	L	L	L	L	L
Ireland	-	-	-	-	-	-
Israel	Mutual funds	-	-	-	-	-
Italy	Investment funds	L,C	C	-	C	C
Japan	Institutional investors and proxy advisors	C	C	C	C	C
Korea	Institutional investors	C	C	-	C	-
Latvia	Investment funds	L	-	L	L	L
Luxembourg	ALFI members: investment funds	C	-	-	-	-
Mexico	-	-	-	-	-	-
Netherlands	Institutional investors	C	C	C	-	-
	Eumedion members: institutional investors	C	C	C	C	C
New Zealand	-	-	-	-	-	-
Norway	VFF members: investment funds and asset managers	C	-	C	C	-
Poland	IZFiA members: institutional investors	-	-	C	-	-
Portugal	All undertakings for collective investment	C	C	-	C	C
Russia	Investment funds	-	-	-	L	L
Saudi Arabia	-	-	-	-	-	-
Singapore	IMAS members: Investment funds and asset managers	I	I	-	I	I
Slovak Republic	Mutual funds and asset managers	-	-	-	-	-
	Institutional investors	-	-	-	-	-
Slovenia	Investment funds	-	-	-	-	-
South Africa	Pension funds and investment funds	C	C	C	C	C
Spain	Investment funds and asset managers	L	-	L	L	
Sweden	Public pension funds (AP1, AP2, AP3, AP4 and AP7)	-	-	-	-	-
Switzerland	Institutional investors	C	-	C	C	C
Turkey	-	-	-	-	-	-
United Kingdom	Institutional investors and service providers	C	C	C	C	C
United States	Registered Management Investment Companies	L	-	L	L	L, C
	Private pension funds	-	-	L	-	-
	Investment advisors (proxy advisors)	L	-	L, C	L	L, C

Key: **L**=requirement by the law or regulations / **I** = requirement by industry association / **C**=recommendation by the codes or principles / **"-"**=absence of a specific requirement or recommendation

*1 "Constructive engagement" in the top row means purposeful dialogues with investee companies on the matters such as strategy, performance, risk, capital structure and corporate governance.

[*2] "Maintaining effectiveness of supervision when outsourcing" refers to whether the institutional investors which outsource some of the activities associated with stewardship to external service providers (e.g. proxy advisors and investment consultants) remain responsible for ensuring those activities being carried out in a manner consistent with their own approach to stewardship (UK Stewardship Code).

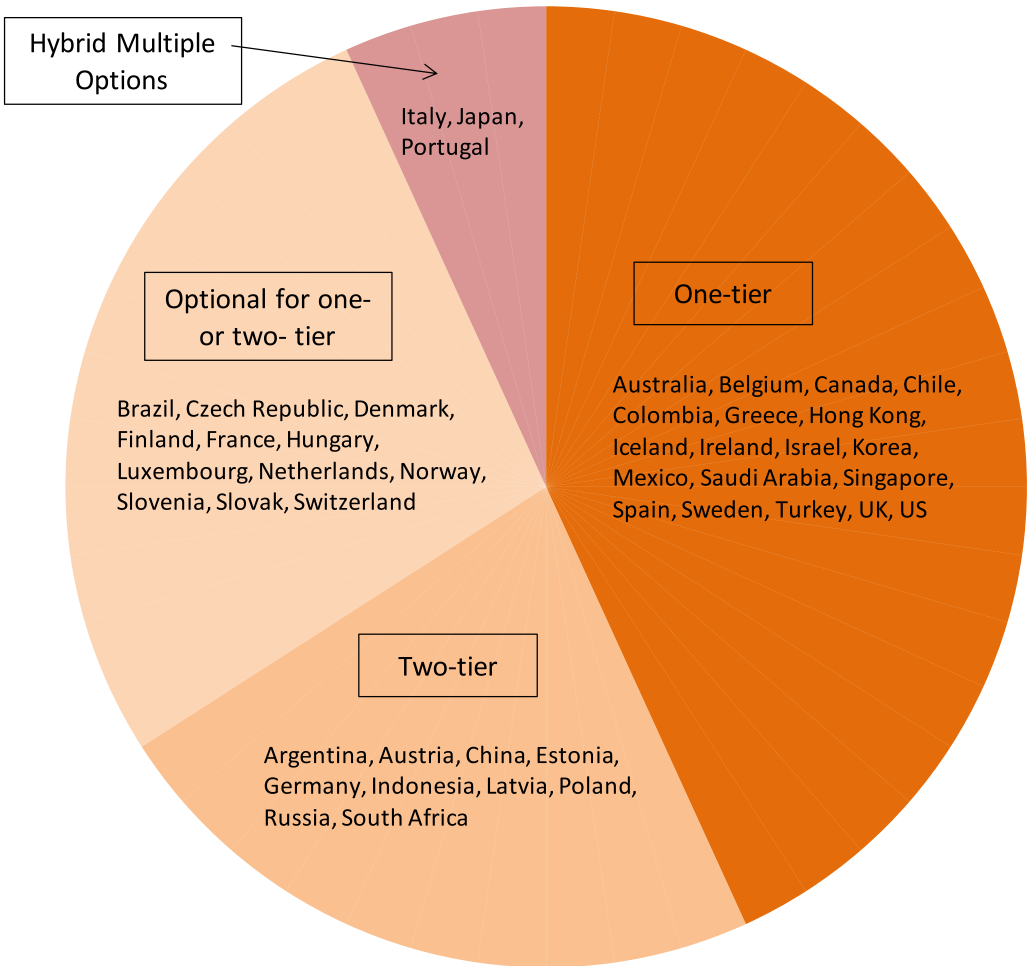
4 THE CORPORATE BOARD OF DIRECTORS

4.1 Basic board structure and independence

One-tier board systems are most common, but a growing number of jurisdictions allow both one and two-tier structures.

Different national models of board structures are found around the world. One-tier boards are most common (in 19 jurisdictions), but a growing number of jurisdictions (12) offer the choice of either single or two-tier boards, consistent with EU regulation for European public limited-liability companies (*Societas Europaea*) (Council Regulation (EC), 2001). Ten jurisdictions have exclusively two-tier boards that separate supervisory and management functions into different bodies. (Figure 4.1).

Figure 4.1 **One-tier, two-tier, optional or hybrid?**



Note: See Table 4.1.

Three countries (**Italy**, **Japan** and **Portugal**) have hybrid systems that allow for three options and provide for an additional statutory body mainly for audit purposes. **Italy** and **Portugal** have established models similar to one-tier or two-tier systems in addition to the traditional model with a board of statutory auditors. **Japan** amended the Company Act in 2014 to introduce a new type of board structure – a company with an audit and supervisory committee - besides models providing for a board with statutory auditor and a company with three committees (Table 4.4).

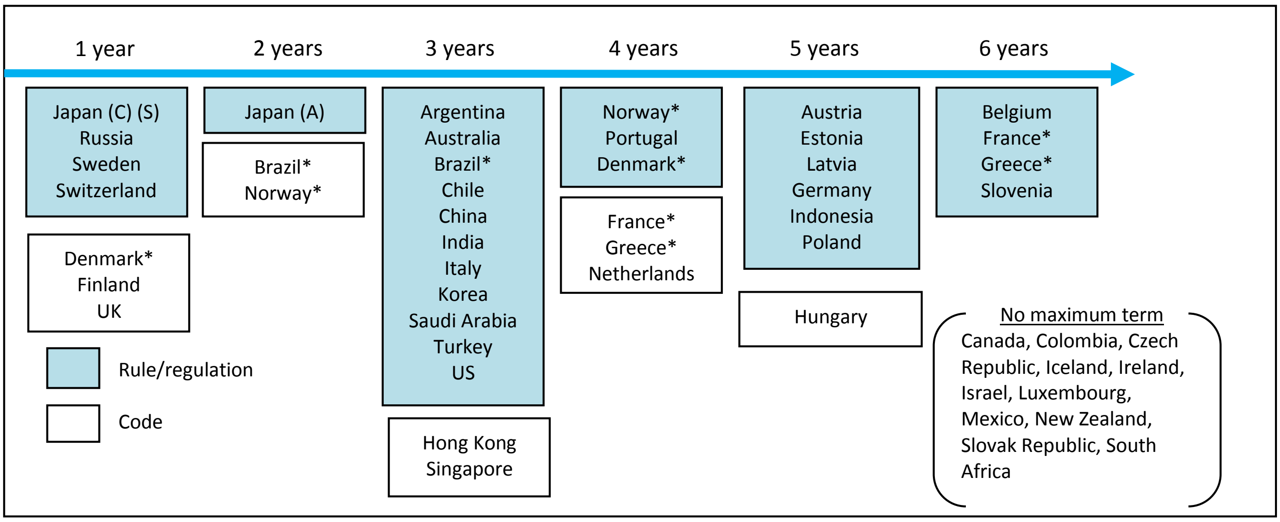
Limits on the maximum size for boards are rare, existing in only 7 jurisdictions with ceilings ranging from 5 to 21. However, most jurisdictions impose minimum limits on board size of three to five members.

Seven jurisdictions set forth a maximum board size ranging from 5 to 21, while the others leave it to the company's discretion. Thirty jurisdictions require or recommend a minimum board size of three or five (seven for large companies in **Chile** and 12 for the companies with two-tier boards in **Norway**). For two-tier system management boards, only **China** (19) and **France** (7) establish a maximum size requirement, while 10 jurisdictions set a minimum size requirement (five in **China** and **Norway**, three in **Brazil, Hungary** and **Latvia**, two in **Italy** and **Indonesia,** and one in **Estonia, France**, **Germany**, **Poland** and **Slovenia**) (Table 4.5).

Three-year terms for board members is most common practice, while annual re-election for all board members is required or recommended in seven jurisdictions.

The maximum term of office for board members before re-election varies from one to six years (most commonly three years). There are no compulsory limits on the number of re-elections of board members in any jurisdiction. Annual re-election for all board members is required or recommended in 7 jurisdictions (Figure 4.2). In some of the other jurisdictions, a number of companies have moved to require their directors to stand for annual re-election. In the **United States**, for example, while Delaware law and exchange rules permit a company to have a classified board which typically has three classes of directors serving staggered three-year board terms, many companies have adopted annual re-election, and the classified board system has become less prevalent. In **France,** it is recommended that the terms of office of the board members should be staggered. In **Hong Kong, China**, one-third of the directors are required to retire from office by rotation at each annual shareholder meeting.

Figure 4.2 **Maximum term of office for the (supervisory) board members before re-election**

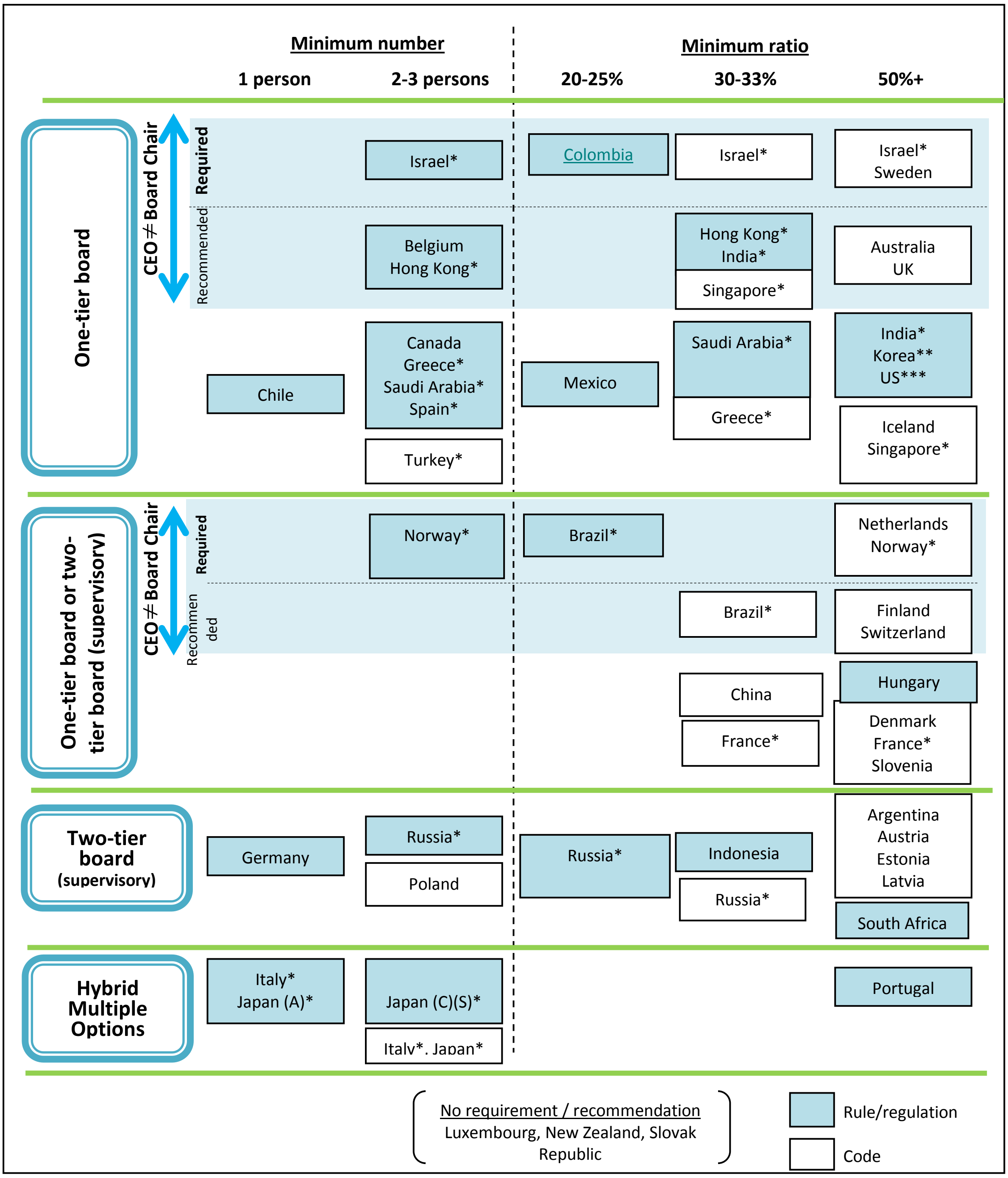


Note: "*" denotes a jurisdiction with more than one requirement or recommendation. "Rule/regulation" includes the requirement by the listing rule. "Japan (A), (S) and (C)" denote a company with statutory auditors model, audit and supervisory committee model, and three committees model respectively. See Table 4.5.

The recommendation for boards to be composed of at least 50% independent directors is the most prevalent voluntary standard, while two to three independent board members are more commonly subjected to legal requirements. Some jurisdictions link the board independence requirement with the ownership structure of a company.

Despite differences in board structure, almost all jurisdictions have introduced a requirement or recommendation with regard to a minimum number or ratio of independent directors. Six jurisdictions have established binding requirements for 50% or more independent board members for at least some companies. However, it is far more common for calls for the majority of board members to be independent to be limited to recommendations on a comply or explain basis (Figure 4.3). **Japan** amended the Company Act in 2014 and introduced a more stringent disclosure requirement than the normal "comply or explain" approach, requiring companies with no outside director to explain in the annual shareholders meeting the reason why appointing one is "inappropriate", as well as to explain that reason in the annual reports and the proxy materials of the shareholder meetings. Moreover, **Japan** introduced a Corporate Governance Code in 2015 which recommends that companies appoint at least two independent directors on a "comply or explain" basis.

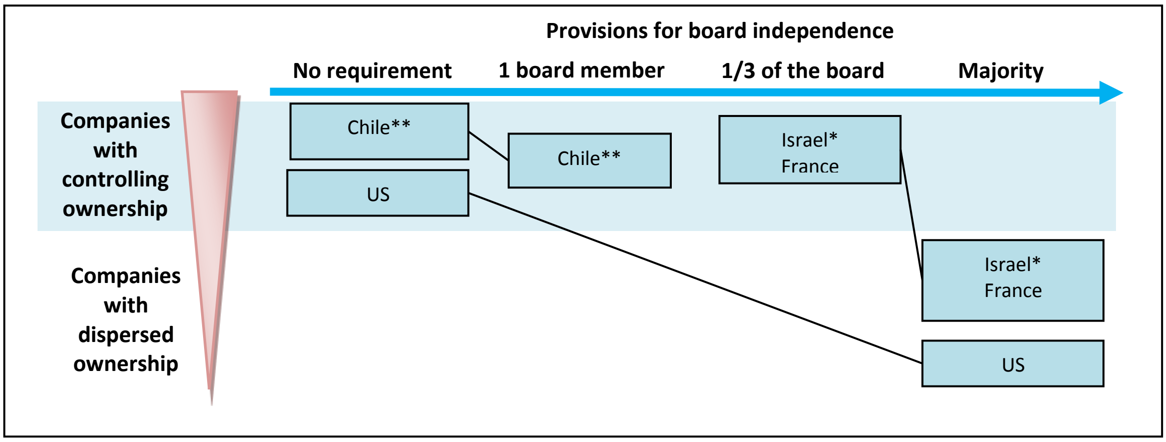
Figure 4.3 **Minimum number or ratio of independent directors on the (supervisory) board**



Note: "*" denotes a jurisdiction with more than one requirement or recommendation. "Rule/regulation" includes requirements by listing rule. "Japan (A), (C) and (S)" denote a company with statutory auditors model, three committees model, and audit and supervisory committee model, respectively. **Korea's requirement applies to financial companies. ***The US requirement applies to listed companies without a controlling majority. See Table 4.6.

Six jurisdictions link board independence requirements or recommendations with the ownership structure of a company. In the cases of **Chile**, **France, Israel** and the **US**, companies with more concentrated ownership are subject to less stringent requirements or recommendations (Figure 4.4). The role of independent directors in controlled companies may be considered as different than in dispersed ownership companies, since the characteristic of the agency problem is different (e.g. the vertical agency problem is less common and the horizontal agency problem presents a greater risk in controlled companies). In **Italy**, a stricter requirement for a majority of independent directors is imposed in cases involving integrated company groups with pyramid structures that may contribute to more concentrated control. **Italy** and **Portugal** are not shown in Figure 4.4 below because their provisions are not linked to quantitative thresholds; **Portugal** requires an "adequate" number of independent directors that takes into account shareholder structure and free float.

Figure 4.4 **Board independence requirement or recommendation and ownership structure**

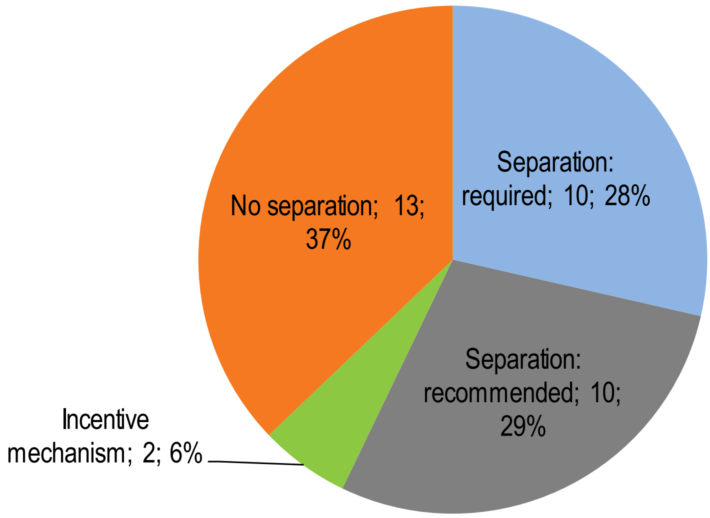


Note: *In Israel, the correlation between the board independence requirement and the ownership structure of a company is set in a list of recommended (not binding) rules set forth in the First Addendum to the Companies Law. ** In Chile, the waiving of a requirement for independent board members occurs in smaller companies and those with less than 12.5% minority shareholders. See Table 4.7.

Nearly two-thirds of the jurisdictions with a one-tier board system require or encourage the separation of the board chair and the CEO.

While only 28% of jurisdictions with one-tier board systems require the separation of the board chair and CEO, it is encouraged through code recommendations or incentive mechanisms in an additional 35% of jurisdictions. Ten jurisdictions require and 10 jurisdictions recommend the separation of the two posts in “comply or explain” codes. **India** and **Singapore** encourage separation of the two posts through an incentive mechanism by requiring a higher minimum ratio (50% instead of 33%) of independent directors on boards where the chair is also the CEO. In **Israel**, a separation may be waived subject to a special majority of two-thirds of the minority approval, or if no more than two present of all shareholders objected to such nomination. Some jurisdictions with two-tier boards (such as **Russia**) also allow executive directors to serve on the supervisory board, but in these cases too the CEO cannot serve as Chair (Figure 4.5).

Figure 4.5 **Separation of CEO and chair of the board in one-tier systems**

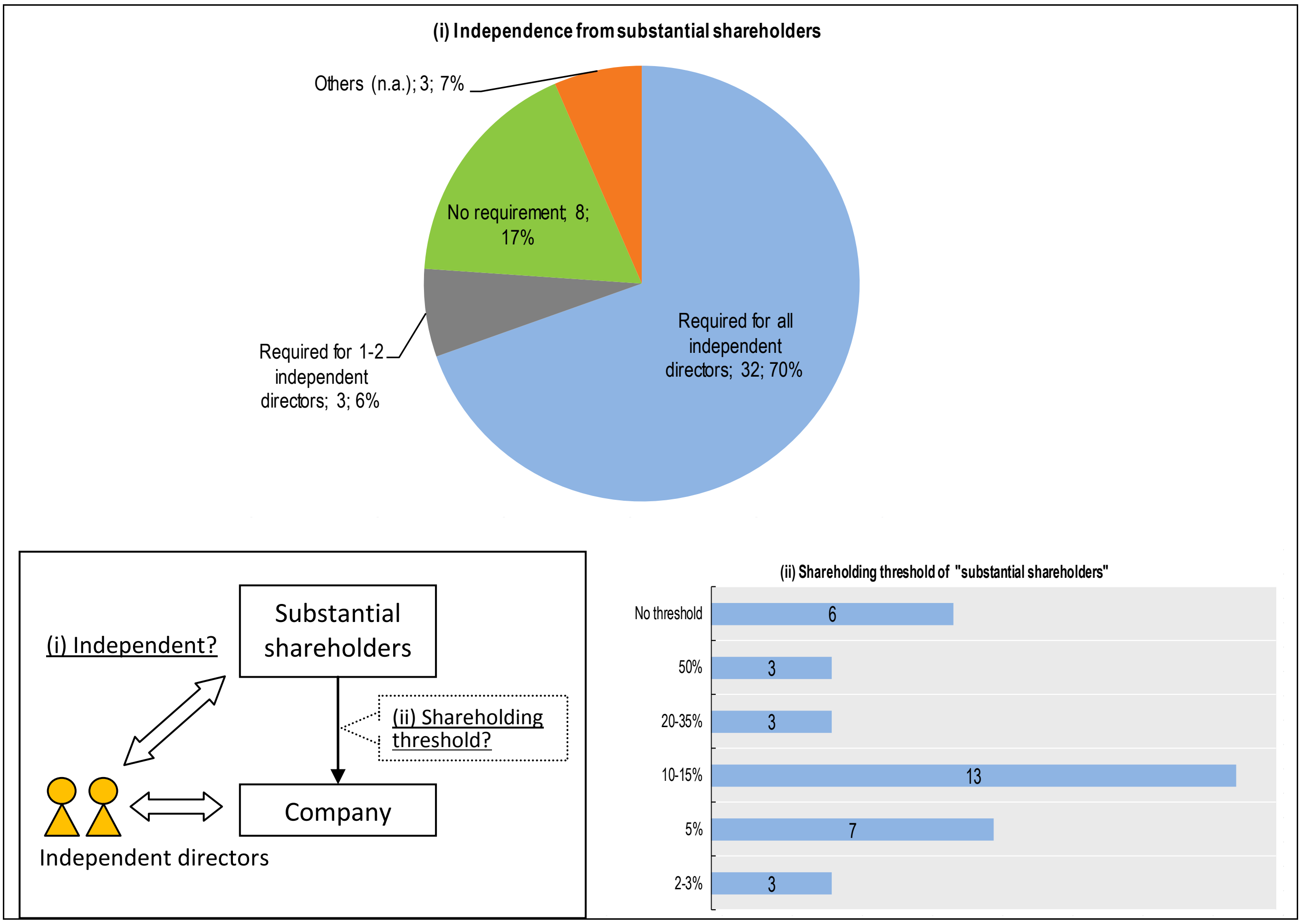


Note: This Figure shows the number of jurisdictions in each category and percentage share of 35 jurisdictions with a one-tier board system. The two jurisdictions denoted as "Incentive mechanism" set forth a higher minimum ratio of independent directors on boards where the chair is also the CEO. See Table 4.6.

National approaches on the definition of independence for independent directors vary considerably, particularly with regard to maximum tenure and independence from a significant shareholder.

Regarding the definition of independence, typical criteria include a combination of: 1) not to be a member, or an immediate family member of a member, of the management of the company; 2) not to be an employee of the company or a company in the group; 3) not to receive compensation from the company or its group other than directorship fees; 4) not to have material business relations with the company or its group; 5) not to have been an employee of the external auditor of the company or of a company in the group; 6) not to exceed the maximum tenure as a board member; and 7) not to be or represent a significant shareholder (IOSCO, 2007). The legal or regulatory approaches vary among jurisdictions, particularly with regard to independence from a significant shareholder and maximum tenure. While most jurisdictions' definitions of independent directors (76%) include requirements that they be independent of substantial shareholders, the shareholding threshold of substantial shareholders ranges from 2% to 50%, with 10% to 15% the most common (Figure 4.6).

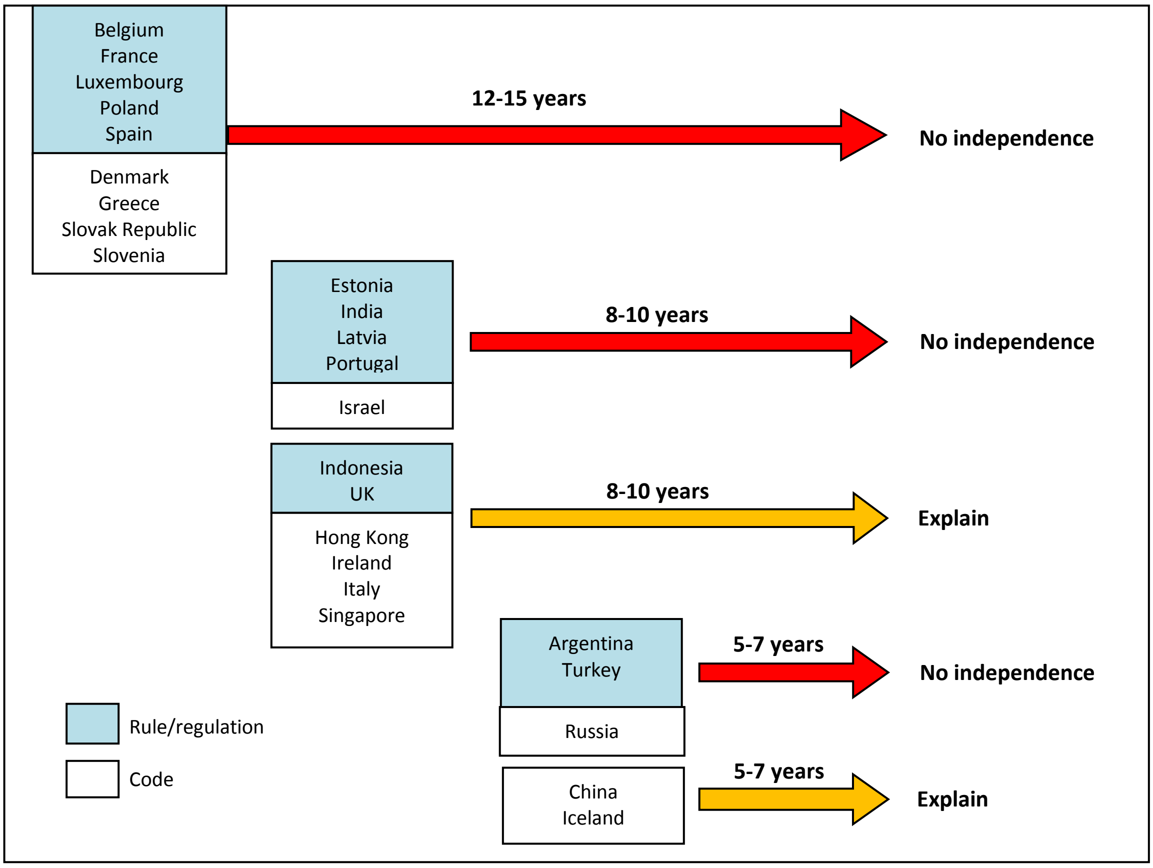
Figure 4.6 **Definition of independent directors: independence from substantial shareholders**



Note: These Figures show the number of jurisdictions and percentages in each category. See Table 4.6.

Another significant variation occurs with regard to maximum tenure. Twenty-five jurisdictions set a maximum tenure as an independent director, varying from 5 to 15 years (with the mode at 8-10 years). At the expiration of the tenure, these directors are no longer regarded as independent (in 17 jurisdictions), or need an explanation regarding their independence (in eight jurisdictions) (Figure 4.7).

Figure 4.7 **Definition of independent directors: maximum tenure**



Note: See Table 4.6.

Only China and some European countries have requirements for employee representation on the board.

No jurisdiction prohibits publicly listed companies from having employee representatives on the board. Twelve EU countries plus **China** have established legal requirements regarding the minimum share of employee representation on the board, which varies from one member to half the board members, with one third being the most common. Jurisdictions that require employee board members usually have 2-tier boards or allow for one and two-tier board structures (See Table 4.8).

Table 4.1 **Basic board structure: classification of jurisdictions**

Board structures vary both within and among countries. Some countries have two-tier boards that separate the supervisory function and the management function into different bodies. Such systems typically have a “supervisory board” composed of non-executive board members and a “management board” composed entirely of executives. Other countries have “unitary” boards, which bring together executive and non-executive board members. In some countries there is also an additional statutory body for audit purposes or the option to choose between the one-tier and the two-tier systems.

One-tier system		Two-tier system	Optional for one-tier and two-tier system	Multiple option with hybrid system
Australia	Korea	Argentina	Brazil	Italy
Belgium	Mexico	Austria	Czech Republic	Japan
Canada	Saudi Arabia	China	Denmark	Portugal
Chile	Singapore	Estonia	Finland	
Colombia	Spain	Germany	France	
Greece	Sweden	Indonesia	Hungary	
Hong Kong, China	Turkey	Latvia	Luxembourg	
Iceland	United Kingdom	Poland	Netherlands	
Ireland	United States	Russia	Norway[*1]	
Israel		South Africa[*2]	Slovenia	
			Slovak Republic	
			Switzerland	
			European Public LLC	

[*1] In **Norway**, both supervision and management of the operations of the company are the responsibility of the board of directors, while the companies have a possibility to elect an extra supervisory organ.

[*2] In **South Africa**, although the legislation allows a choice between a one-tier and a two-tier system, listing rules require public companies to adopt a two-tier system.

Table 4.2 **One-tier board structures in the selected jurisdictions**

In companies with a one-tier board system, executives typically sit on the board. In **Sweden,** a CEO is entitled to attend (but not vote at) all board meetings except when a conflict of interest exists.

Jurisdiction	Description of board structure
Australia	• Australian listed companies commonly have a mixed one-tier board – a one-tier board comprised of both executive and non-executives directors. • There are usually between 7 to 12 directors on the boards of large (top 100) listed companies, with the board structure generally conforming to the pattern: non-executive chairman + several other non-executive directors + chief executive. This pattern is followed by 70 of the top 100 companies, and a further 25 companies have modified that pattern only by the addition of one or two executive directors.
Finland	• Listed companies use a one-tier governance model, which, in addition to the general meeting, comprises the board of directors and the managing director. According to the Limited Liability Companies Act, a company may also have a supervisory board. Very few listed companies have supervisory boards. • The boards of listed companies mainly consist of non-executive directors. In some companies, the managing director is a member of the board. The typical board consists of approximately five to seven directors.
Mexico	• According to the Securities Markets Law, the Board of Directors is responsible for setting the general strategies for the business and the subsidiaries that it controls. • The directors of the Board of listed companies have the duty of loyalty and care not only for the company but also for the subsidiaries and firms where the listed firm has significant influence (more than 20% of equity). • In practice, it is common to have directors in several boards and also participating in more than one company within a company group.
Sweden	• The Companies Act recognizes a Board and a CEO (company body/person). The Corporate Governance Code recommends a maximum of one executive to sit on the Board. • Under the Companies Act the CEO (if not a Board member) has the right to attend (but not vote at) all board meetings except when a conflict of interest exists. • About 50% of Swedish listed companies have one executive on the Board, which is the CEO in nearly all cases.
Switzerland	• In form, the Swiss board concept follows the one-tier board model. • However, in case of a delegation of management authorities to individual members of the board, a two-tier board results. • Furthermore, among banks and insurers a two-tier approach is common and is expected by the regulator.
Turkey	• With regard to the composition of the typical board of a listed company, the total number of board members in BIST 30 (an index for leading stock companies) is between 5 and 14. The average number of board members is approximately 7; outsider directors are more common for the management. Most of the chairmen do not hold the CEO position at the same time, instead one of the board members commonly holds the CEO position.
United States	• Delaware corporate law mandates that the responsibility for the oversight of the management of a corporation's business and affairs is vested in its board of directors. • The boards for listed companies are generally one-tier which may be comprised of both executive and non-executive directors and the maximum and minimum number of directors is fixed in the company's governing documents. • Delaware corporate law also permits the board of directors to appoint committees having a broad range of powers and responsibilities, and to select the company's executive officers consistent with its bylaws.

Table 4.3 **Two-tier board structures in selected jurisdictions**

Some jurisdictions employ a two-tier board system, either alone or with an option for a one-tier board system. In some jurisdictions, the supervisory board is not entitled to appoint members of the management board.

Jurisdiction	Description of board structure
Brazil	**Supervisory body (optional except for state-owned enterprises)**
	• The Fiscal Council is a board that reports to the shareholders, independent from the administrators, and is established by decision of the general meeting with the purpose of supervising the management's activities. It therefore may be seen as equivalent to a supervisory board.
	• Brazilian Corporate Law prevents administrators and employees (and their close relatives) of the company, or of a company in the same group, to be appointed to the Fiscal Council.
	• Members of the Fiscal Council have the power to act individually, despite the collective nature of the body.
	• According to a KPMG Survey based on data from Brazil's 2016 Reference Forms, 60% of listed companies have a Fiscal Council and 41% of members are appointed by minority shareholders.
	• For the 40% of listed companies without a Fiscal Council, the management body as described below serves as a single-tier board.
	Management body
	• According to Brazilian Corporate Law, both supervision and management of the operations of the company are the responsibility of the board of directors.
	• The board of directors consists of executive and non-executive managers (the latter up to the limit of one third of the members).
	• According to a KPMG Survey based on data from Brazil's 2016 Reference Forms, 10% of directors on the boards are executive managers, 60% are outside directors and 30% are independent directors.
Estonia	**Supervisory body**
	• Public limited liability companies are required to have a supervisory board with at least three members. An advisory board is also obligatory for public limited companies.
	• The supervisory board plans the activities and organizes the management of the company and supervises the activities of the management board. The supervisory board must notify the general meeting of the results of a review.
	• In practice, the majority of listed companies have five to six members on the supervisory board.
	Management body
	• Public limited liability companies are required to have a management board which may comprise only one member. The management board is responsible for the daily representation and management of the company.
	• In practice, the majority of listed companies have two to four members in the management board. 6 listed companies (of the total 15) were reported to have only one member in the management board.
Germany	**Supervisory body**
	• A Supervisory Board (Aufsichtsrat) consists of non-executive board members.
	Companies subject to co-determination: Listed companies with 501 – 2000 employees must have a supervisory board that consists of one third of employee representatives. Companies with more than 2000 employees must have a supervisory board that is equally composed of shareholder representatives and employee representatives.
	Companies not subject to co-determination: The Supervisory Board should usually consist of 3 members. The articles of association may establish a higher number of board members which, commensurate with the registered capital of the company concerned, may amount to a maximum of 9, 15, or 21 members.
	• The typical board of a listed company has a mixed structure. In many cases, the board consists of former CEOs and experts, particularly financial experts, such as auditors or accountants.
	Management body
	A Management Board (Vorstand) consists of executive board members.
Indonesia	**Supervisory body**
	• The board of commissioners is defined as the company organ with the task of supervising and giving advice to the board of directors, which is the management body of the company.

Jurisdiction	Description of board structure
	• The members are elected at the general meeting of shareholders.
	Management body
	• The board of directors is defined as the company organ with full authority and responsibility for the management of the company.
	• The members are elected at the general meeting of shareholders. The board of commissioners is not endowed to appoint and/or dismiss the directors.
	• The board of commissioners is endowed to temporary dismiss the directors upon the approval by the general meeting of shareholders.

Table 4.4 **Examples of a hybrid board structure**

Three jurisdictions have developed a board system which does not fall into either the one-tier or two-tier category. This system is usually set forth as one of the several options which include one- or two-tier systems. The * in this table signifies the most commonly used models in each country, which tend to involve a board of directors and statutory auditor board.

Jurisdiction	Structure			
Italy[*1]	[T] The "**traditional**" model*	-	Board of directors	A **board of directors** and a **board of statutory auditors** (*collegio sindacale*) both appointed by the shareholders' meeting; the board of directors may delegate day-to-day managerial powers to one or more executive directors, or to an executive committee.
		-	Board of statutory auditors	
	[2] The "**two-tier**" model (*dualistico*)	-	Supervisory board	A **supervisory board** appointed by the shareholders' meeting and a **management board** appointed by the supervisory board, unless the bylaws provide for appointment by the shareholders' meeting; the supervisory board is not vested with operative executive powers, but, in the by-laws, it may be entrusted with "high level" management powers.
		-	Management board	
	[1] The "**one-tier**" model (*monistico*)	-	Board of directors	A **board of directors** appointed by the shareholders' meeting and a **management control committee** made up of non-executive independent members of the board; the board may delegate day-to-day managerial powers to one or more managing directors, or to an executive committee.
		-	Management control committee	
Japan	**[A]** "**Company with statutory auditors**" model*	-	Board of directors	There must be at least one executive director and may be non-executive directors as well. Where this model is adopted, there is a separate organ of the company called the "**statutory auditors**" (*Kansayaku*), which has the function of auditing the execution of duties by the directors.
		-	Statutory auditors	
	[C] "**Company with three committees**" model	-	Board of directors	The company must establish **three committees** (nomination, audit and remuneration committees), with each committee composed of three or more directors, and a majority must be outside directors.
		-	Three committees	
	[S] "**Company with an audit and supervisory committee**" model	-	Board of directors	The company must establish an **audit and supervisory committee** composed of more than three directors, the majority being outside directors. The committee has mandates similar to that of the statutory auditors, as well as those of expressing its view on the board election and remuneration at the shareholder meeting.
		-	Audit and supervisory committee	
Portugal[*2]	[2C] The "**Classic**" model*	-	Board of directors	A board of directors and a supervisory board (*conselho fiscal*) appointed by the shareholders; the board of directors may delegate managerial powers to one or more executive directors or to an executive committee; members of the supervisory board cannot be directors and, in case of listed companies, the majority must be independent.
		-	Supervisory board (*conselho fiscal*)	
	[2A] The "**Anglo-Saxon**" model	-	Board of directors	A board of directors and a supervisory board (*comissão de auditoria*) appointed by the shareholders; the board of directors may delegate managerial powers to one or more executive directors or to an executive committee; members of the supervisory board must be non-executive directors and, in case of listed companies, the majority must be independent.
		-	Supervisory board (*comissão de auditoria*)	
	[2G] The "**German**" model	-	Executive board of directors	A board of directors and a supervisory board (*conselho geral e de supervisão*); members of the board of directors are appointed by the supervisory board (unless the articles of association provide for appointment by shareholders); members of the supervisory board cannot be directors and are appointed by shareholders; in case of listed companies, the majority must be independent; there are more restrictions to delegation of managerial powers by the board of directors.
		-	Supervisory board (*conselho geral e de supervisão*)	

[*1] In **Italy**, the traditional model, where the general meeting appoints both a board of directors and a board of statutory auditors, is the most common board structure, while the adoption of the two-tier system is very limited among listed companies (4 companies at the end of 2015, according to Consob).
[*2] In **Portugal**, all three models comprise two boards (a board of directors and a supervisory board), although subject to different rules.

Table 4.5 **Board size and director tenure for listed companies**

Some jurisdictions require a maximum or minimum board size and maximum tenure for board members before re-election. In almost all jurisdictions, the term of office determined by the company's articles tends to be shorter than the maximum tenure established by the law.

Jurisdiction	Tier	Board of directors (Supervisory board: two-tier system)			Management board (two-tier system)			
		Size		Appointment	Size		Appointment	
		Minimum	*Maximum*	*Maximum term year*	*Minimum*	*Maximum*	*Maximum term year*	*By*
Argentina	2	3	-	3 to 5	No size requirement		-	GSM
Australia	1	3	-	[3]				
Austria	2	No size requirement		5	No size requirement			SB
Belgium	1	3	-	6				
Brazil	1	3 (-)	- (-)	3 (2)				
	2	3	5	-	3	-	3(2)	GSM
Canada	1	3	-	-				
Chile	1	5 or 7	-	3				
China		3		3	5	19	3	GSM
Colombia	1	5	-[*1]	-				
Czech Republic	1+2	No size requirement		-	No size requirement		-	GSM, SB
Denmark	1+2	No size requirement		4 (1)	No size requirement		(1)	SB
Estonia	2	No size requirement		5	1	-		SB
Finland	1+2	No size requirement		(1)				
France	1+2	3	18	6 (4)	1	7	6	SB
Germany	2	3	21	5	1-2	-		SB
Greece	1	3 (7)	- (15)	6 (4)				
Hong Kong, China	1	[3][*2]	-	(3)				
Hungary	1+2	(3)	-	(5)	3	-	-	GSM
Iceland	1	No size requirement		-				
India	1	3	15[*3]	3[*3]				
Indonesia	2	2	-	5	2	-	5	GSM
Ireland	1	No size requirement		-				
Israel	1	4[*4]	-	-				
Italy	T+1	No size requirement		3				
	2	3	-	3	2	-	3	SB
Japan	C+S	3	-	1				
	A	3	-	2				
Korea	1	3 (smaller for SMEs)	-	3				
Latvia	2	5	20	5	3	-	5	SB
Luxembourg	1+2	No size requirement		-				
Mexico	1	- (3)	21 (15)	-				
Netherlands	1+2	No size requirement		(4)	No size requirement		(4)	GSM
New Zealand	1	No size requirement		-				
Norway	1	3	-	4 (2)				
	2	12	-	4 (2)	5	-	-	SB
Poland	2	5	-	5	1	-	5	SB
Portugal	2C+2A+2G	No size requirement[*5]		4	No size requirement		4	SB/GSM[*6]
Russia	2	5	-	1	No size requirement		-	GSM[*7]

Jurisdiction	Tier	Board of directors (Supervisory board: two-tier system)			Management board (two-tier system)			
		Size		Appointment	Size		Appointment	
		Minimum	*Maximum*	*Maximum term year*	*Minimum*	*Maximum*	*Maximum term year*	*By*
Saudi Arabia	1	3	11	3				
Singapore	1	3	-	(3)				
Slovak Republic	1+2	No size requirement		-	No size requirement		-	
Slovenia	1+2	3	-	6	1	-	6	SB
South Africa	2	3	-	-	-	-	3	GSM
Spain	1	3	-	5				
Sweden	1	3	-	1				
Switzerland	1+2	No size requirement		1				
Turkey	1	5	-	3[*8]				
United Kingdom	1	2	-	(1)				
United States	1	(3)[*9]	-	3[*9]				

Key: **[]**=requirement by the listing rule
()=recommendation by the codes or principles
"-"=absence of a specific requirement or recommendation
For description of Italy, Japan and Portugal hybrid tier structures, see Table 4.4.

SB=Supervisory Board
GSM=General Shareholder Meeting

[*1] In **Colombia,** financial companies have a maximum board size of 10 members, but there is no limit for non-financial issuers.

[*2] In **Hong Kong, China**, the Main Board Listing Rules do not contain any requirements for minimum board size but they require at least three independent non-executive directors and they must represent at least one-third of the board.

[*3] In **India**, a maximum number of directors (15) may be overridden by a special resolution of the shareholder meeting. Likewise, independent directors can be appointed for a term of up to 5 years, and another term of up to 5 years through special resolution, while directors other than independent directors are liable to retire by rotation and their term is restricted to 3 years.

[*4] In some jurisdictions (e.g. **Israel**) minimum board size is underpinned by the requirement for the membership of audit committees.

[*5] In **Portugal**, when a company adopts the "German model", the number of members of the supervisory board must be higher than that of the board of directors.

[*6] In **Portugal**, in the "German model", members of the board of directors are appointed by the supervisory board, unless the articles of association provide that they are appointed by the shareholders. In the remaining two models, members of the board of directors are elected by the shareholders.

[*7] In **Russia**, the management board will be appointed by the supervisory board if provided in the charter.

[*8] In **Turkey**, directors may be re-appointed unless there is a disposition to the contrary in the articles of association. Independent directors may be re-appointed only for a second term. If independent members of the board have served for 6 years (within the previous 10 years), they are considered to lose their independence.

[*9] In the **United States**, NYSE and Nasdaq rules require companies to have an audit committee of at least three members. The maximum term of three years would apply to companies with classified boards of directors.

Table 4.6 **Board independence requirements for listed companies**

Seven jurisdictions require at least 50% of independent members on the board for at least some of their companies, while 17 jurisdictions recommend 50% or more independent members. The definition of independence for independent directors varies considerably, particularly with regard to the maximum term of office and independence from significant shareholders.

Jurisdiction	Tier	Board independence requirements		Key factors in the definition of independence			
		Separation of the CEO and Chair of the board	*Minimum number or ratio of independent directors*	Term		Independence from "substantial shareholders"	
				Maximum term of office & effect at the expiration of term[*1]		*Requirement*	*Shareholding threshold of "substantial shareholders" for assessing independence*
Argentina	2	-	(66%)	5	No independence	Yes	15%
Australia	1	(Recommended)	(>50%)	-	-	(Yes)	5%
Austria	2	-	(50%)	-	-	No	-
Belgium	1	(Recommended)	3	12	No independence	Yes	10%
Brazil	1	[Required][*2]	20% (30%)[*3]	-	-	(Yes)	(50%)
Canada	1	-	2	-	-		
Chile	1	Required	1	-	-	Yes	10%
China	2	-	(33%)	(6)	(Explain)	Yes	(5%)
Colombia	1	Required	25%	-	-	Yes	50%+1
Czech Republic	1+2	-	-	-	-	No	-
Denmark	1+2	-	(50%)	(12)	(No independence)	Yes	50%
Estonia	2	-	(50%)	10	No independence	Yes	-
Finland	1+2	(Recommended)	(>50%)	-	-	Yes for 2	10%
France	1+2	-	(50% or 33%)	(12)	(No independence)	(Yes)	(10%)
Germany	2	-	-[*4]	-	-	(Yes)[*5]	
Greece	1	-	2 (33%)	(12)	(No independence)	No	-
Hong Kong, China	1	(Recommended)	3 and 33%	(9)	(Explain)	Yes	10%
Hungary	1+2	-	50%	-	-	Yes	30%
Iceland	1	-	(50%)	(7)	(Explain)	Yes for 2	10%
India	1	(Recommended)[*6]	[33%]	10[*7]	No independence for 3 years	Yes	2%
		-	[50%]				
Indonesia	2	-	30%	10[*8]	Explain	Yes	20%
Ireland	1	(Recommended)	(50%) [*3]	(9)	(Explain)	No	-
Israel	1	[Required] [*9]	2 (50% or 33%)	9	(No independence)	Yes	5%
Italy	T+1+2	-[*10]	1 (or 2 if the board>7 members) [*11]	(9)	(Explain)	Yes	-
Japan[*12]	A	-	1 and (2)	-	-	Yes	50%
	C, S	-	Majority of each committee and (2)				
Korea	1	-	>50% and at least 3[*13]	-	-	Yes	Largest and all >10%

Jurisdiction	Tier	Board independence requirements		Key factors in the definition of independence			
		Separation of the CEO and Chair of the board	*Minimum number or ratio of independent directors*	Term		Independence from "substantial shareholders"	
				Maximum term of office & effect at the expiration of term[*1]		*Requirement*	*Shareholding threshold of "substantial shareholders" for assessing independence*
Latvia	2	-	(50%)	10	(No independence)	No	-
Luxembourg	1+2	-	-	12	No independence	Yes	10%
Mexico	1	Required	25%	-	-	Yes	20%
Netherlands	1+2	Required	(All-1)	-	-	Yes	10%
New Zealand	1	(Recommended)		-	-		
Norway	1+2	Required	2(>50%)	-	-	Yes	10%
Poland	2	-	(2)	12	No independence	Yes	5%
Portugal	BoD	-	Adequate proportion	-	-	(Yes)	(Controlling SH or company in group relationship)
	SB	-	>50%	8	No independence	Yes	2%
Russia	2	Required	20% and 3 (33%)	(7)	(No independence)	(Yes)	(5%)[*14]
Saudi Arabia	1	Required	33% and 2			Yes	5%
Singapore	1	(Recommended)	(50%)[*15]	(9)	Explain	Yes	10%
		(Recommended)	(33%)				
Slovak Republic	1+2	(Recommended)		(15)	(No independence)	No	-
Slovenia	1+2	Required	(100%)	12	(No independence)-	Yes	-[*16]
South Africa	2	Required	Majority of non-executives	-	-	Yes	-
Spain	1	Recommended	2	12	No independence	Yes	3%
Sweden	1	Required	(>50%)	-	-	Yes for 2	10%
Switzerland	1+2	(Recommended)[*17]	(>50%)	-	-	No	-
Turkey	1	-	(33% and 2)	6	No independence	Yes	5%
United Kingdom	1	(Recommended)	(50%)	9	Explain	No	-
United States	1	-	[>50%][*18]	-	-		

Key: **[]**=requirement by the listing rule **()**=recommendation by the codes or principles **"-"**=absence of a specific requirement or recommendation. For a description of Italy, Japan and Portugal tier structures, see Table 4.4

[*1] "Maximum term of office & effect at the expiration of term" means the maximum tenure for a director to still be considered independent and if the director is still regarded as independent, or needs an explanation regarding her/his independence, at the expiration of tenure.

[*2] The separation of the CEO and Chair of the board is required for companies that adhere to BM&FBOVESPA governance special segment listing rules ("Novo Mercado", Level 1 and Level 2). The **Brazil** Corporate Governance Code recommends the separation for all listed companies.

[*3] In **Brazil**, 20% ratio of independent directors is required for companies that adhere to BM&FBOVESPA governance special segment listing rules ("Novo Mercado" and Level 2) and a ratio of 30% independent directors is recommended by Brazil`s new comply-or-explain code.

[*4] In **Germany**, according to the German Corporate Governance Code, the Supervisory Board shall include an adequate number of independent members and not more than two former members of the Management Board shall be members of the Supervisory Board.

[*5] In **Germany**, according to the German Corporate Governance Code, a member of the Supervisory Board is not to be considered independent in particular if he/she has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests.

[*6] In **India**, the separation of the CEO and Chair of the board is legally mandatory if the company is carrying multiple businesses or if the Articles of the Association so provide..

[*7] In **India**, independent directors can be appointed for a term up to a period of 5 years and are eligible for re-appointment on passing of special resolution by the company. They can be appointed for another term of up to 5 years after a cooling off period of three years.

[*8] In **Indonesia**, maximum term of office for independent supervisory board members (called commissioners in Indonesia) is two periods of the board term. Independent commissioners can be appointed for more than 2 periods as long as they explain why they consider themselves independent at the Shareholder General Meeting.

[*9] In **Israel**, a separation may be waived (for three years term) subject to the approval of the majority of those shareholders who do not have 'personal interest' in the decision and/or do not hold control of the company or if no more than 2% of those shareholders objected to such nomination. Minimum ratio of independent directors is set in a list of recommended (not binding) rules set forth in the First Addendum to the Companies Law.

[*10] In **Italy**, the Corporate Governance Code does not recommend explicitly the separation of the Chair and the CEO, but at the same time requires, in case of the concentration of offices, the appointment of a Lead Independent Director.

[*11] In **Italy**, the Corporate Governance Code sets other independence criteria and recommends a different minimum number of independent directors in the board (1/3 in FTSE Mib companies, i.e. the larger Italian listed companies; at least 2 independent directors for all the other listed companies).

[*12] In **Japan,** the Company Act requires companies with no outside director to explain in the annual shareholders meeting the reason why appointing one is “inappropriate” and to explain that reason in the annual reports and the proxy materials of the shareholder meetings. By its turn, Japan’s Corporate Governance Code indicates that companies should appoint at least two independent directors, although, if a company in its own judgement believes it needs to appoint at least one-third of directors as independent directors, it should disclose a roadmap for doing so. For (C) and (S) see table 4.4.

[*13]In **Korea**, the requirement for at least 50% and at least 3 independent directors applies to the largest listed companies. Listed companies with equity capital valued less than 2 trillion won must elect at least 25% independent directors.

[*14] In **Russia**, the Corporate Governance Code (CGC) recommends that independent directors comprise one third of the board. As required by listing rules tier 1 listed companies board must have at least 20% (but no less than 3) independent directors (for tier 2 listed companies – no less than 2 independent directors). CGC also recommends that the director shall not be considered independent if he or she owns more than 1% of shares with voting rights or if the market value of shares owned exceeds 20

[*15] In **Singapore**, 50% ratio of independent directors is recommended for companies if (a) Chairman of the Board and the CEO (or equivalent) is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.

[*16] In **Slovenia** the threshold for assessing independence is in relation to a “controlling shareholder”. A shareholder is considered to be a controlling shareholder if they hold the majority of voting rights, if they control the company based on an enterprise contract or if it controls the company in practice through other reasons.

[*17] In **Switzerland**, the separation of the CEO and the chair of the board is required for banks and insurers. The Audit Committee and a majority of the Compensation Committee should consist of non-executive, preferably independent members of the Board of Directors respectively non-executive and independent members of the Board of Directors.

[*18] In the **United States**, controlled companies are not subject to this independence requirement (Figure 4.4).

Table 4.7 **Requirement or recommendation for board independence depending on ownership structure**

Six jurisdictions (**Chile, France, Portugal, Israel, Italy** and the **United States**) make the minimum threshold of independent board members dependent upon the company's ownership structure. Except in the case of **Italy**, the number of independent board members that are recommended or required is reduced as the degree of ownership concentration increases.

Jurisdiction	**Provision for independent board depending on ownership structure**		
	Factors influencing the independent board requirement		
Chile	Minority shareholders	A mandatory independent board member is required for a listed company, **only if it has listed equity above 1.500.000 inflation linked units and at least 12.5%** of its shares with voting rights **are owned by shareholders** who **do not individually own or control more than 10%** of such shares.	
France	Controlling shareholders	*Companies **without controlling shareholders**:*	- **A majority** of the directors should be independent.
		*Companies **with controlling shareholders**:*	**- At least one-third** of the directors should be independent.
Israel[*1]	Controlling shareholders	*Companies **with dispersed shareholding**:*	- **A majority** of the directors should be independent.
		*Companies **with controlling shareholders**:*	- **At least one-third** of the directors should be independent.
Italy	Pyramidal and integrated group structures	Companies belonging to an integrated group which are controlled by another listed company (pyramid) **must have a board with a majority of independent directors** as a listing requirement (For the purpose of such provisions independent directors cannot serve in the parent company's board).	
Portugal	Shareholding structure and free float	The board of directors should comprise an adequate proportion of independent directors, considering the governance model, size of the company, shareholding structure and free float.	
United States	Controlling shareholders	A listed company of which more than **50% of the voting power** for the election of directors is held by an individual is **not required** to comply with the majority independent board requirement.	

[*1] In **Israel**, the correlation between the board independence requirement and the ownership structure of a company is set in a list of recommended (not binding) rules set forth in the First Addendum to the Companies Law.

Table 4.8 **Employees on the board**

Twelve **EU** countries plus **China** have established legal requirements regarding the minimum threshold of employee representation on the board, which varies from one member to half the members of the board, with one third being the most common. Jurisdictions that require employee board members usually have 2-tier boards or allow for one and two-tier board structures.

Jurisdiction	Tier	Number of employees	Minimum requirement	Maximum allowance
Argentina	2	-	No	-
Australia	1	-	No	-
Austria	2	300-	33%	-
Belgium	1	-	No	-
Brazil	1	-	No	-
Canada	1	-	No	-
Chile	1	-	No	-
China	2	-	33%	-
Colombia	1	-	No	-
Czech Republic	1+2	-	-	-
Denmark	1+2	35-	2	50%
Estonia	2	-	1	-
Finland	1+2	150-	1[*1]	25% or 4
France	1+2	1000 or 5000-[*2]	1 or 2[*2]	33% or 5[*3]
Germany	2	2000-	50%[*4]	50%[*4]
		501-2000	33%	-
Greece	1	-	No	-
Hong Kong, China	1	-	No	-
Hungary	1+2	200-	33%	-
Iceland	1			
India	1	-	No	-
Indonesia	2	-	-	-
Ireland	1	-	No	-
Israel	1	-	No	-
Italy	T+1+2	-	No	-
Japan	C+A+S	-	No	-
Korea	1	-	No	-
Latvia	2	-	No	-
Luxembourg	1+2	1000-	33%	33%
		-1000	-	33%
Mexico	1	-	No	-
Netherlands	1+2	100-	-	33%[*5]
New Zealand	1	-	No	-
Norway	1+2	51-	33%	-
		30-50	1	-
Poland	2	-	No	-
Portugal	2C+2A+2G	-	No	-
Russia	2	-	No	-
Saudi Arabia	1	-	No	-
Singapore	1	-	No	-
Slovak Republic	1+2	50-	33%	-
Slovenia	1+2	-	33%	50%
South Africa	1+2	-	No	-

Jurisdiction	Tier	Number of employees	Minimum requirement	Maximum allowance
Spain	1	-	No	-
Sweden	1	1000-	3	50%
		25-999	2	50%
Switzerland	1+2	-	No	-
Turkey	1	-	No	-
United Kingdom	1	-	No	-
United States	1	-	No	-

*1 In **Finland**, employee representation in the administration of companies may be implemented as agreed between the employer and the personnel. If no agreement is reached on personnel representation, the personnel shall have the right to nominate their representatives to one administrative body, which shall be selected by the company from among the supervisory board, the board of directors, or similar bodies that together cover the profit units of the company.

*2 In **France**, employee representatives must be appointed to the board of directors or to the supervisory board when a company employs over two consecutive years at least 1 000 permanent employees, either directly or through subsidiaries located in France, or at least 5 000 employees, either directly or through subsidiaries worldwide. In that case, there must be at least one employee representative when the board consists of twelve members or fewer, and at least two employee representatives otherwise (commercial code articles L. 225-27-1 and L225-79-2).

*3 In **France**, employee's representatives may be appointed to the board of directors within a certain limit (five persons or one-third of board members whichever is smaller for the companies whose shares are allowed to be traded in the regulated market) if the company's articles so permit. In companies with a 2-tier structure, the maximum number of employee representatives on the supervisory board is four persons or one-third of members.

*4 Large **German** companies (with more than 2 000 German-based employees) subject to co-determination must have employees and union representatives filling 50% of the seats on the supervisory board but with the chair having the casting vote.

*5 In large companies in the **Netherlands** (those in the "structure regime" required for companies with more than EUR 16 million in capital and at least 100 employees based in the Netherlands), the Works Council (representing company employees) may recommend candidates to the supervisory board for nomination that are then subject to election by the shareholders. One-third of the recommended candidates will be nominated by the supervisory board for election, unless the supervisory board deems the candidate(s) unfit. The supervisory board needs to then go to the Enterprise Chamber of the Amsterdam Court of Appeal.

4.2 Board-level committees

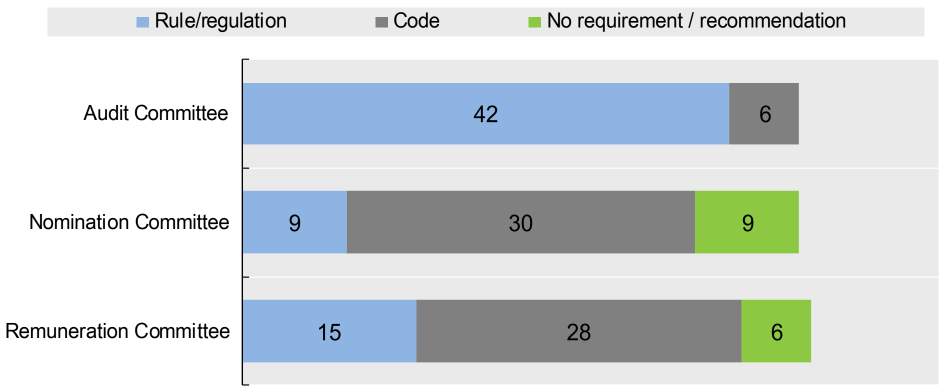
Nearly all jurisdictions require an independent audit committee. Nomination and remuneration committees are not mandatory in most jurisdictions, although many recommend these committees to be established and to be comprised wholly or largely of independent directors.

Audit committees have traditionally been a key component of corporate governance regulation, and 89% of jurisdictions require listed companies to establish an independent audit committee, (Figure 4.8), while the remaining jurisdictions recommend it in corporate governance codes. A full or majority (including the chair) independence requirement is common. The key roles of the audit committee, as prescribed in the relevant EU Directive (2006/43/EC), include: a) to monitor the financial reporting process; b) to monitor the effectiveness of the company's internal control, internal audit where applicable, and risk management systems; c) to monitor the statutory audit of the annual and consolidated accounts; and d) to review and monitor the independence of the statutory auditor or audit firm. In some jurisdictions, audit committees also have a role in the oversight of regulatory compliance. In the **United States**, the Sarbanes-Oxley Act of 2002 required exchanges to adopt rules requiring independent audit committees to oversee a company's accounting and financial reporting processes and audits of a company's financial statements. These rules require independent audit committees to be directly responsible for the appointment, compensation, retention and oversight of the work of external auditors engaged in preparing or issuing an audit report, and the issuer must provide appropriate funding for the audit committee.

Nomination and remuneration committees, on the other hand, are not mandatory in most jurisdictions (only 19% and 32% of jurisdictions have the requirement respectively). Most others recommend the establishment of these committees on a comply or explain basis, to be comprised by wholly or largely independent directors (Figure 4.8).

Some jurisdictions (e.g. **Australia**) allow some flexibility for listed companies to adopt and disclose more efficient and effective alternative governance practices instead of having a separate board-level committee.

Figure 4.8 **Board-level committees**



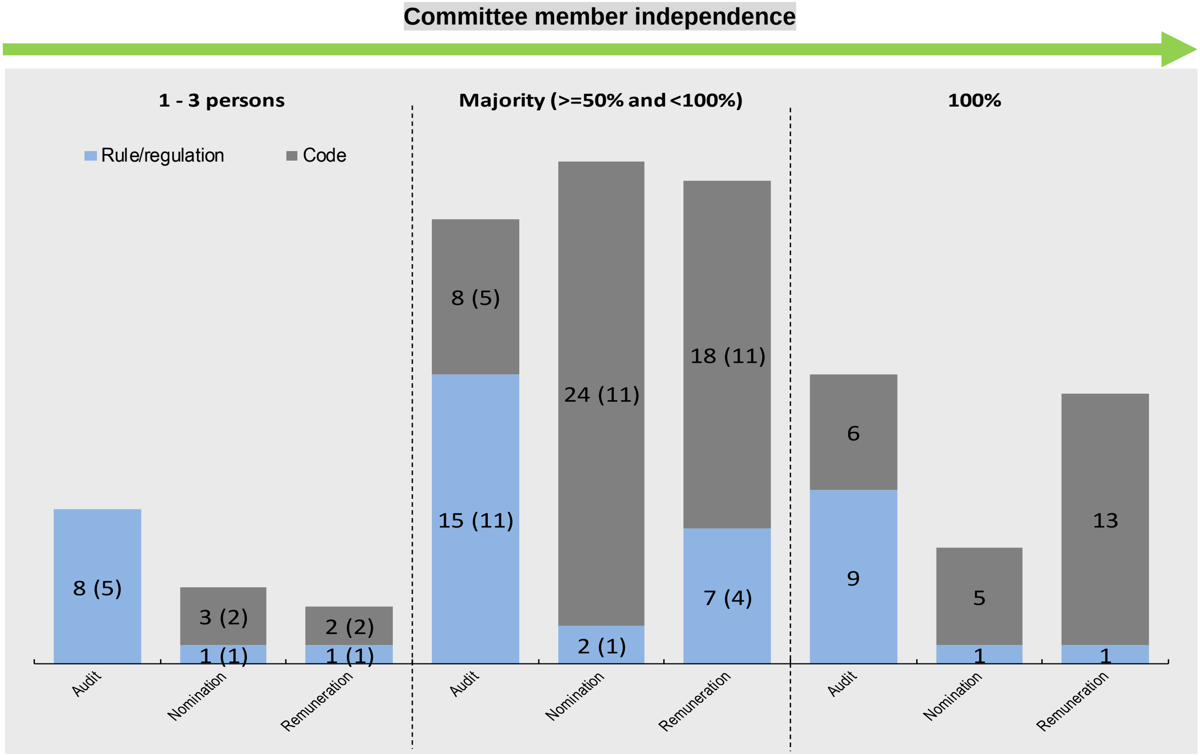
Note: This Figure shows the number of jurisdictions in each category. See Table 4.9.

Full or majority independent membership is required or recommended for all three committees in most of the jurisdictions, while provisions on chair independence in audit committees are more common compared to the nomination committee or remuneration committee (Figure 4.9). The **Swedish** code recommends that the largest shareholders (or their representatives) make up the majority of a nomination committee.

Six jurisdictions **(Brazil**, **Chile**, **Israel, Mexico, Portugal** and **South Africa**) require or recommend an independent remuneration committee, but have no specific requirement or recommendation on nomination committees. Twenty jurisdictions require or recommend the same minimum ratio of independence for nomination and remuneration committees. Where recommended ratios differ, there is a slightly greater tendency to recommend higher levels of independence in remuneration committees (12), than in nomination committees, where only 4 jurisdictions recommend higher independence ratios.

A majority of jurisdictions require audit committees to have an independent chair. Independent chairs are rarely required in nomination and remuneration committees, although recommendations for independent chairs are not unusual.

Figure 4.9 **Independence of the chair and members of board-level committees**

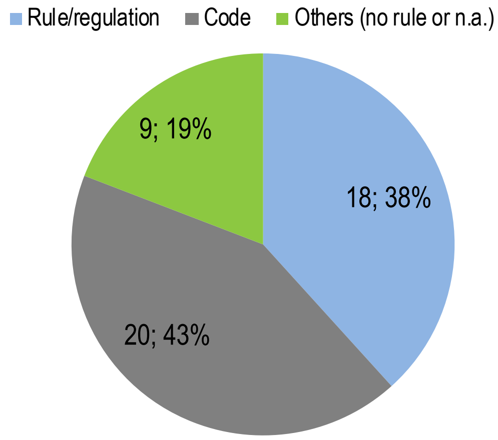


Note: This Figure shows the number of jurisdictions in each category. The number in parentheses shows the number of jurisdictions with an additional requirement or recommendation on the committee chair's independence. See Table 4.9.

Explicit legal requirements or recommendations on risk management have grown since the financial crisis. In particular, 81% of jurisdictions now assign a risk management role to a board-level committee either as a legal requirement or as recommended good practice.

A growing majority of the jurisdictions surveyed set out the board's responsibilities with respect to risk management, either in the law, regulations (38%) or codes (43%) (Figure 4.10). In the **United States**, for example, the Securities and Exchange Commission requires public companies to disclose the extent of the board's role in the oversight of risk. The combined percentage of 81% of jurisdictions reporting having rules or codes on this topic is up significantly from the 62% reported in the 2015 edition of the Factbook.

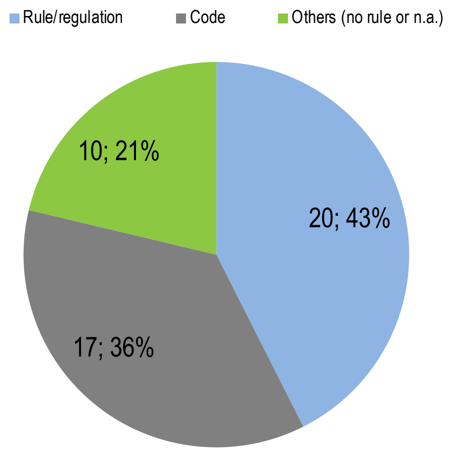
Figure 4.10 **Board responsibilities for risk management**



Note: This Figure shows the number of jurisdictions in each category and percentage share out of all 47 jurisdictions. See Table 4.10.

The percentage of jurisdictions that now require or recommend implementing an enterprise-wide internal control and risk management system (beyond ensuring the integrity of financial reporting) has also increased significantly to 79%, well above the 62% reported in the 2015 edition of the Factbook (Figure 4.11).

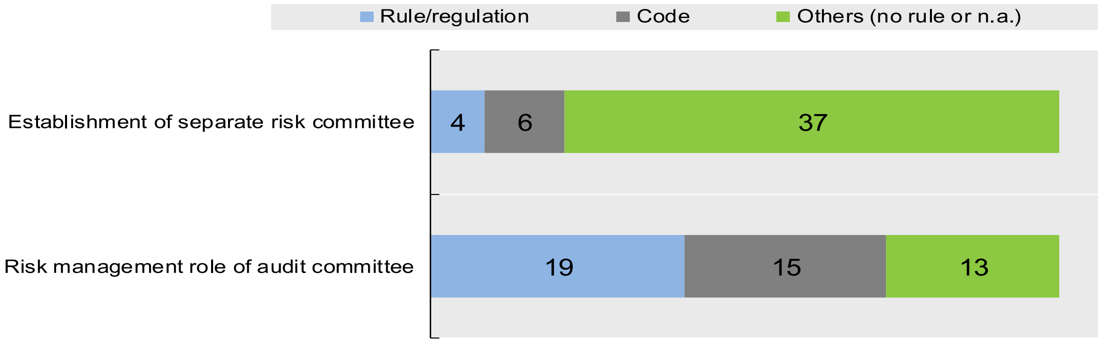
Figure 4.11 **Implementation of the internal control and risk management system**



Note: This Figure shows the number of jurisdictions in each category and percentage share out of all 47 jurisdictions. See Table 4.10.

Assigning the role of risk management oversight to a board-level committee is also becoming more common in large companies, notably in the financial sector (OECD, 2014). About half of jurisdictions now mandate the audit committee or a separate risk committee to address risk management. Taking into account code recommendations, the audit committee remains the preferred choice in 34 jurisdictions, while risk committees are required or recommended in 10 jurisdictions (Figure 4.12).

Figure 4.12 **Board-level committee for risk management**



Note: This Figure shows the number of jurisdictions in each category out of all 47 jurisdictions. See Table 4.10.

A number of measures have been taken to enhance communication between audit committees and external auditors.

Besides the issues of composition, independence and expertise, a number of measures have been taken to enhance communication between audit committees and external auditors. Some examples include: the Sarbanes-Oxley Act of 2002 in the **United States** required exchanges to adopt rules requiring independent audit committees to establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters; the Public Company Accounting Oversight Board (the **United States**) adopted in 2012 an auditing standard which aims to encourage effective two-way communication on matters of importance to the audit and the financial statements, such as significant risks, critical accounting estimates, and going concerns. The Financial Services Agency (**Japan**) introduced in 2013 a revised audit standard which facilitates in-depth discussion between the audit committee and the external auditor, particularly on the matter of a suspicion of a material misstatement due to fraud. The Financial Reporting Council (the **United Kingdom**) requires audit committees to provide more detailed reports to shareholders, particularly in relation to the risks faced by the business.

Table 4.9 **Board-level committees**

All jurisdictions require or recommend the establishment of an (full/majority) independent audit committee. The relevant EU Directive (2016/56/EU) prescribes that a listed company must have an audit committee (except in cases where audit tasks are assigned to the full board) composed of non-executive members. The Directive also prescribes that a majority of the members including the Chair be independent and that at least one member have competence in accounting and/or auditing.

Jurisdiction	Audit committee			Nomination committee			Remuneration committee		
	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members
Argentina	L	-	66%	C	C	(66%)	C	-	(66%)
Australia	R	C	(>50%)	C	C	(>50%)	C	C	(>50%)
Austria	L	L	1 or 2	C	-	-	C	-	(50%)
Belgium	L	-	1	C	-	(50%)	L	-	50%
Brazil	C*1	C	(100%)	-	-	-	C	C	(100%)*2
Canada	L	L	100%	C	C	(100%)	C	C	(100%)
Chile	L	L	50%	-	-	-	L*3	L	50%
China	C	C	(>50%)	C	C	(>50%)	C	C	(>50%)
Colombia	L	L	2	C	C	(100%)	C	C	(1)

Jurisdiction	Audit committee			Nomination committee			Remuneration committee		
	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members
Czech Republic	L	-	(100%)	C	C	(100%)	C	C	(100%)
Denmark	L	L	50%	C	-	(50%)	C	-	(50%)
Estonia	L	-	-	-	-	-	-	-	-
Finland	L	C	(>50%)[*4]	C	-	(>50%)[*4]	C	-	(>50%)[*4]
France	L	-	(66%)	C	-	(50%)	C	C	(50%)
Germany	L	C	1	C	C	(100%)	-	-	-
Greece	L	L	50%	C	C	(1)	C	C	(50%)
Hong Kong, China	R	R	>50%	C	C	(>50%)	R	R	>50%
Hungary	L	L	100%	C	-	(50%)	C	-	(50%)
Iceland	L	-	(50%)	C	-	(50%)	C	-	(50%)
India	L	R	66%	L	L	(50%)	L	L	(50%)
Indonesia	L	L	100%	L	L	(66%)	L	L	(66%)
Ireland	L	C	1 (100%)	C	C	(50%)	C	C	(100%)
Israel	L	L	50%	-	-	-	L	L	50%
Italy	L	L	100%	C	-	(>50%)	C	C	(100% or >50% with independent Chairman)
Japan	L[*5]	-	50%[*5]	L[*5]	-	50%[*5]	L[*5]	-	50%[*3]
Korea	L	L	(66%)	L	C	(50%)	C	C	(100%)
Latvia	L	L	1	-	-	-	-	-	-
Lithuania	L	-	1	C	-	(50%)	-	-	-
Luxembourg	C	-	(50%)	C	-	-	C	-	-
Mexico	L	L	100%	-	-	-	C[*6]	L, C	(>50%)
Netherlands	L	L	>50%	C	C	(All-1)	C	C	(All-1)
New Zealand	R	R	(50%)	C	-	(50%)	C	-	-
Norway	L	-	50%	C	-	(50%)	C	C	(100%)
Poland	L	-	1	-	-	-	-	-	-
Portugal	L	-	51%	-	-	-	-	C	(100%)
Russia[*7]	R/C	R/C	>50% (100%)	R/C	C	>50% (>50%)	R/C	C	>50% (100%)
Saudi Arabia	L	-	-[*8]	L	-	-	L	-	-
Singapore	L	L	50%	C	C	(50%)	C	C	(50%)
Slovak Republic	L	-	50%	C	-	-	C	C	(100%)
Slovenia	L	L	100%	C	C	(100%)[*4]	C	C	(100%)[*4]
South Africa	L	L	100%	-	-	(1)	R[*9]	C	(>50% non-exec)
Spain	L	L	>50%	L	L	(2)	L	L	(2)
Sweden	L[*10]	-		C	-	(>50%)	C	-	All except chair
Switzerland	C	C	(100%)	C	-	(>50%)	L	C	(100%)
Turkey	L	L	100%	L	L	The chair	L	L	The chair

Jurisdiction	Audit committee			Nomination committee			Remuneration committee		
	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members
United Kingdom	C	C	(100%)	C	-	(>50%)	C	C	(100%)
United States	L/R	L/R	100%	R	R	100%	L/R	L/R	100%

Key: **L**=requirement by the law or regulations **R**=requirement by the listing rule
C and **()**=recommendation by the codes or principles **"-"**=absence of a specific requirement or recommendation

*1 In **Brazil**, the Audit Committee is optional, but, when in place, the regulation extends audit firm rotation requirement from 5 to 10 years.

*2 In **Brazil**, the remuneration committee is recommended to be composed of external members.

*3 In **Chile**, the director´s committee is comprised by three members of the board, most of whom must be independent, The committee has among its duties the revision of audit reports, approval of related party transactions, the examination of the remuneration systems and compensation plans for senior executives and employees, amongst other duties.

*4 In **Finland** it is recommended that a majority of members of the audit committee should be independent from the company and at least one also from the significant shareholder. Neither the managing director nor executive directors may be members of the nomination committee. Neither the managing director nor executive directors may be members of the nomination or remuneration committee. Likewise, in **Slovenia**, it is recommended that all members of the nomination and remuneration committees should be independent from the company.

*5 In **Japan** the establishment of a board-level audit committee is mandatory for a company with the three committees model and for a company with an audit and supervisory committee model, and, in both cases, the majority of members should be outside directors. The establishment of a nomination and remuneration committee is mandatory only for a company with the three committees model, and, in that case, the majority of members should be outside directors. The Corporate Governance Code indicates that, “in adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company’s specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.”

*6 In **Mexico,** there is not a legal requirement to establish a Remuneration Committee, but the Corporate Practices Committee is mandated by law to review information regarding remuneration for executives.

*7 In **Russia**, regulations and listing rules for companies listed in the 1st tier quotation list require the audit committee and the remuneration committee to consist only of independent directors and the nomination committee to have a majority of independent directors. For companies listed in the 2nd tier quotation list, only the audit committee must consist of independent directors. If due to objective reasons the audit committee or the remuneration committee cannot be fully formed by independent directors, then such committees must have a majority of independent directors and the rest of members should be non-executive directors. Codes and principles, by their turn, recommend the formation of board of directors committees according to the same rules applied for 1st tier listing to all public companies.

*8 In **Saudi Arabia,** the audit committee is required to be composed of members other than executive directors. Non-executive directors, independent directors, shareholders, and other persons (other than executive directors) are allowed to be members of the audit committee.

*9 In **South Africa,** the requirement to have a remuneration committee is limited to issuers listed on the Main Board of the Johannesburg Stock Exchange.

*10 In **Sweden**, the tasks of the audit committee are established by law but the Committee itself is voluntary and the tasks can instead be handled by the full board.

Table 4.10 **Governance of internal control and risk management**

The responsibility for establishing and overseeing the company's enterprise-wide risk management system usually rests with the board of directors as a whole. This responsibility is prescribed in company law, listing rules or recommended in codes, except in a small number of jurisdictions where this is not clearly stated.

Jurisdiction	Board responsibilities for risk management[*1]	Implementation of the internal control and risk management system[*2]	Board-level committee		Chief risk officers[*4]
			Risk management role of audit committee[*3]	Establishment of separate risk committee	
Argentina	C	C	L/R	C	C
Australia	C	C	C	C	
Austria	L/C	L	L*/C*	-	-
Belgium	L	L	L	-	-
Brazil	L	-[*5]	C	-	-
Canada			-		
Chile	C	C	-	-	-
China	L	L	C	-	-
Colombia	L	L	L	L	C
Czech Republic	C	C	-	-	-
Denmark	L	L	L		
Estonia			-		
Finland	C	C	C*	-	-
France	L		L		
Germany	L/C	L/C	L/C	-	-
Greece			C		
Hong Kong, China	C	C	C*	-	-
Hungary	C	C	-	-	C
Iceland			C		
India	L/R	L/R	L/R	R[*6]	-
Indonesia	L	L	L	L	L
Ireland	C	C	C	-	-
Israel	-	R	L*[*7]	-	L*[*7]
Italy	C	C	L	C	C*
Japan	L	L	-	-	-
Korea	C	-	-	-	-
Latvia	C	C	L	-	-
Lithuania	-	-	C*	-	-
Luxembourg			C		
Mexico	L	L	L	-	-
Netherlands	C	C	C*	-	-
New Zealand	C	C	-	-	-
Norway	C	L/C	L*	-	-
Poland	-	L/C	L*	-	-
Portugal	L[*8]	L[*8]	-	-	-
Russia	R/C	R/C	R/C	C	-
Saudi Arabia	C	L/C	-		
Singapore	C	R/C	C	C	C
Slovak Republic			-		
Slovenia	C	C	L	-[*9]	-
South Africa	C	C	C	C	C
Spain	L	L/C	L*/C*	-	-

Jurisdiction	Board responsibilities for risk management[*1]	Implementation of the internal control and risk management system[*2]	Board-level committee		Chief risk officers[*4]
			Risk management role of audit committee[*3]	Establishment of separate risk committee	
Sweden	C	C	-	-	-
Switzerland	L	C	C*	-	-
Turkey	L	L	-	L	-
United Kingdom	C	C	C*	-	-
United States	R*[*10]	L/R	L*/R*[*10]	-	-

Key: **L**=requirement by the law or regulations **R**=requirement by the listing rule
C=recommendation by the codes or principles **"-"**=absence of a specific requirement or recommendation

[*1] This column shows the existence of specific provisions describing "Board responsibilities for risk management".

[*2] This column shows the existence of specific provisions describing "Implementation of the internal control and risk management system".

[*3] **"*"**in the column of "Risk management role of audit committee" denotes that risk management is explicitly included in the role of audit committee.

[*4] **"*"** in the column of "Chief risk officers" denotes that internal auditors are in charge of risk management.

[*5] In **Brazil**, listed companies are required to disclose if they have a formal risk management policy in their Reference Form (shelf document). They also have to disclose its characteristics and the adequacy of the operational structure and of the internal controls for the verification of the risk management policy adopted.

[*6] In **India,** the establishment of a separate risk management committee is mandatory for the top 100 companies by market capitalization, and is voluntary for other companies.

[*7] In **Israel**, internal auditors are in charge of risk management. The board of directors of a listed company is required to appoint an internal auditor, in charge of examining, *inter alia*, the propriety of the company's actions, in terms of compliance with the law and proper business management.

[*8] In **Portugal**, the duty to supervise the effectiveness of risk management systems, commonly attributed to audit committees, is performed, in any of the governance models admitted in the country, by the Supervisory Board.

[*9] In **Slovenia,** the establishment of a separate risk management committee has been made mandatory for banks and is voluntary for the rest of the companies.

[*10] In the **United States**, this is applicable only for NYSE-listed companies.

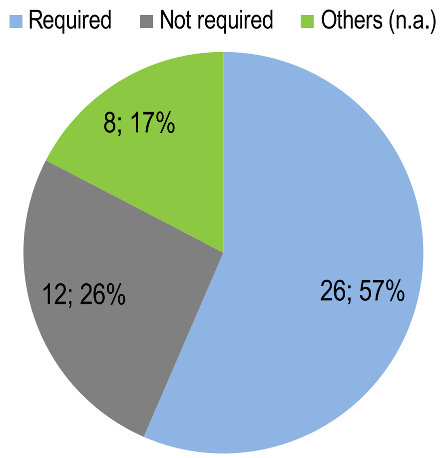
4.3 Board nomination and election

In almost all jurisdictions, shareholders can nominate board members or propose candidates.

Shareholders can generally nominate board members or propose candidates. Some jurisdictions set a minimum shareholding requirement for a shareholder to nominate, usually at the same level as the shareholders' right to place items on the agenda of general meetings (Figure 3.4; Table 3.2).

Regarding board election, a wide variety of voting practices can be observed. A majority of jurisdictions have established majority voting requirements for board elections, usually for individual candidates (i.e. not for slate) (Figure 4.13). In the **United States**, the Delaware Law's default rule is plurality voting, although companies may provide for cumulative voting. While about half of other jurisdictions allow cumulative voting, it has not been widely used by companies (Figure 4.14).

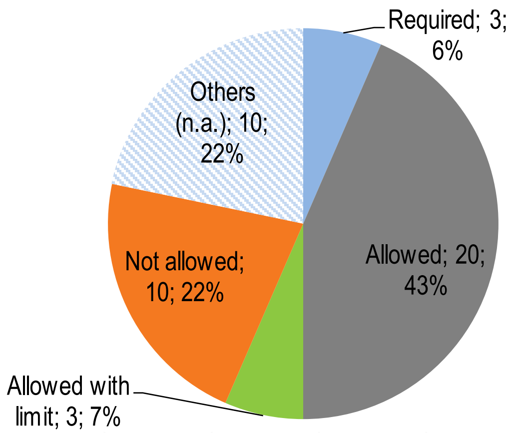
Figure 4.13 **Majority voting requirement for board election**



Note: This Figure shows the number of jurisdictions in each category and percentage share out of 46 jurisdictions. See Table 4.11.

Half of jurisdictions allow cumulative voting for electing members of the board, but only a few jurisdictions require it, and it has not been widely used by companies in jurisdictions where it is optional.

Figure 4.14 **Cumulative voting**



Note: This Figure shows the number of jurisdictions in each category and percentage share out of 46 jurisdictions. See Table 4.11.

Some jurisdictions mandate a representative of minority shareholders on the board.

Seven jurisdictions have special voting arrangements to facilitate effective participation by minority shareholders (Table 4.12). In **Italy**, at least one board member must be elected from the slate of candidates presented by shareholders owning a minimum threshold of the company's share capital. In **Israel**, it is recommended for initial appointment and required for re-election, that all outside directors be appointed by the majority of the minority shareholders. Moreover, initial appointments must be approved by the majority of the minority shareholders. **Brazil, India, Portugal** and **Turkey** have also established special arrangements to facilitate the engagement of minority shareholders in the process of board nomination and election.

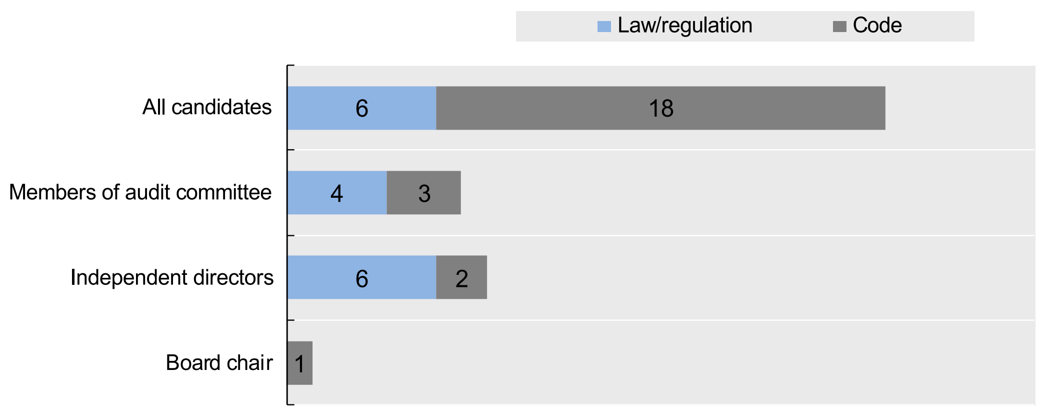
In the **United Kingdom**, the Financial Conduct Authority published a rule in May 2014 that provides additional voting power to minority shareholders in the election of independent directors for a premium listed company where a controlling shareholder is present ("dual voting mechanism"). It requires independent directors to be separately approved both by the shareholders as a whole and the independent shareholders as a separate class.

A majority of jurisdictions set out general requirements or recommendations for board member qualifications. Some jurisdictions give more emphasis to the balance of skills, experience and knowledge on the board, rather than on the qualifications of individual board members.

Regarding qualification of candidates, 24 jurisdictions set out a general requirement or recommendation for board member qualifications. For example, **Singapore**'s code states that the board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. Some other jurisdictions set out a requirement or recommendation only for certain board members, such as independent directors (in eight jurisdictions), members of audit committees (in seven jurisdictions) or Chair of the board (in one jurisdiction) (Figure 4.15).

At least 21 jurisdictions require or recommend that some of the candidates go through a formal screening process, such as approval by the nomination committee (Table 4.13). In the **United Kingdom**, it is recommended that nomination committees evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In **Chile,** the Corporations Law requires that candidates for an independent director provide an affidavit stipulating their compliance with the legal requirements in the same article. In **Turkey**, large listed companies must prepare a list of independent board member candidates, based on a report from the nomination committee, and submit this list to the securities regulator for its review.

Figure 4.15 **Qualification requirements for board member candidates**

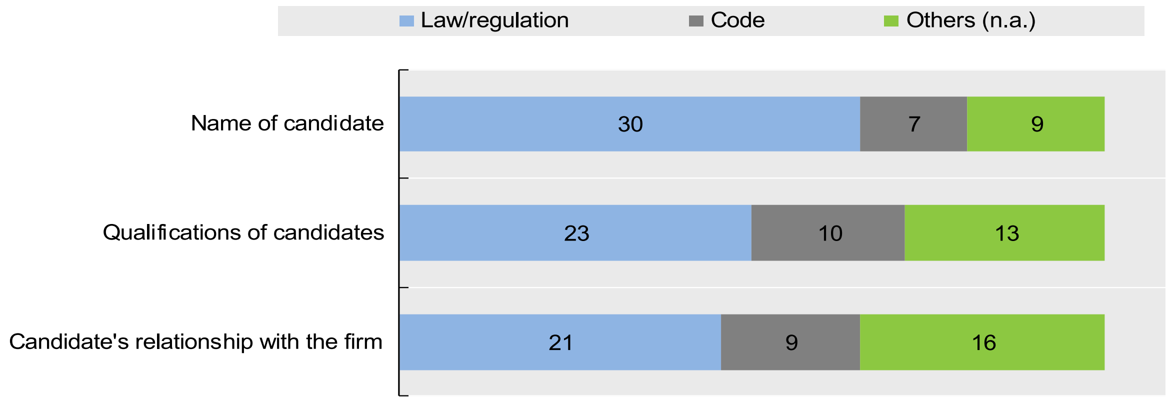


Note: This Figure shows the number of jurisdictions in each category. See Table 4.13. Jurisdictions with several requirements are counted more than once.

Requirements for disclosure of information to shareholders on candidate qualifications is lacking in many jurisdictions, with significant variations regarding more specific requirements.

The quantity and quality of information that must be disclosed to shareholders varies significantly among jurisdictions. About half of jurisdictions require information regarding the qualifications of candidates and the relationship between candidates and the company (Figure 4.16). In some jurisdictions, even the names of candidates are not always provided to shareholders before the general meeting.

Figure 4.16 **Information provided to shareholders regarding candidates for board membership**



Note: This Figure shows the number of jurisdictions in each category. See Table 4.13.

The market for managerial talent has gradually developed in some European countries and the United States.

Regarding CEO and executive turnover (i.e. how frequently CEOs and executives move between companies), it is observed that the market for managerial talent has gradually developed in some European countries and the **United States**, while in many other jurisdictions CEOs and executives tend to stay in the same company for longer periods (Table 4.14).

Table 4.11 **Voting practices for board election**

A majority resolution for board member election is not required in 12 jurisdictions. Cumulative voting, while permitted in many jurisdictions, is not widespread in practice.

Jurisdiction	Majority requirement for board election	Voting for:	Cumulative voting
Argentina	Not required	Individual candidate	Allowed
Australia	Required	Individual candidate	Not allowed
Austria			
Belgium	Not required	N/A	Allowed
Brazil	Not required	-	Allowed
Canada	Not required		Allowed
Chile	Not required	Individual candidate	Allowed
China	Required	Individual candidate	(Required if controlling SH has > 30% of the voting shares)
Colombia	Required	List	-
Czech Republic	Required	Individual candidate	Allowed
Denmark	Required	Individual candidate	Allowed

Jurisdiction	Majority requirement for board election	Voting for:	Cumulative voting
Estonia		Individual candidate	Allowed
Finland		Individual candidate	Allowed
France	Required		-
Germany	Required	(Individual candidate)	Allowed
Greece		N/A	
Hong Kong, China	Required	Individual candidate	-
Hungary	Required	(Individual candidate)	Not allowed
Iceland			
India	Required	Individual candidate	Allowed
Indonesia	Required	Individual candidate	Not allowed
Ireland	Required	Individual candidate	-
Israel	Required	Individual candidate	-
Italy	Required	List of candidates	Not allowed
Japan	Required	Individual candidate	Allowed but limited
Korea	Required	Individual candidate	Allowed but limited
Latvia	Not required	Individual candidate	Allowed
Luxembourg			
Mexico	Not required	Individual candidate	Allowed (1 board member for each 10%)
Netherlands	Not required	N/A	Allowed but limited
New Zealand	Required	-	Allowed
Norway	Not required	(Individual candidate)	Allowed
Poland	Required	Individual candidate	Allowed
Portugal		List of candidates	Not allowed
Russia	Required	Individual candidate	Required
Saudi Arabia	Required	Individual candidate	Required
Singapore	Required	Individual candidate	Not allowed
Slovak Republic			
Slovenia	Required	Individual candidate	Allowed
South Africa	Required	Individual candidate	Not allowed
Spain	Required	Individual candidate	Not allowed
Sweden	Not required	Individual candidate	Allowed
Switzerland	Not required	Individual candidate	Allowed
Turkey	Required	N/A	Not allowed
United Kingdom	Required		Not allowed
United States	Not required	Individual candidate	Allowed

Key: **[]**=requirement by the listing rule: **()**=recommendation by the codes or principles: **"-"**=absence of a specific requirement or recommendation

Table 4.12 **Board representation of minority shareholders**

Seven jurisdictions provide special arrangements to facilitate the engagement of minority shareholders in the process of board nomination and election.

Jurisdiction	Requirement / recommendation	
Brazil	Allowed	**One or two** members of the board may be elected separately by minority shareholders, provided that:
		- one member is elected by minority shareholders holding shares with at least 15% voting rights; and - one member is elected by minority shareholders holding preferred shares without voting rights or with restricted voting rights (with 10% share capital) - if neither the holders of shares with voting rights nor the holders of preferred shares without voting rights or with restricted voting rights are sufficient to achieve the quorum mentioned above, they are allowed to aggregate their shares in order to jointly elect a member for the board of directors, in this case the quorum required is 10% of share capital; and - in the case of state-owned enterprises, minority shareholders have the right to elect one representative for the Board with no minimum share capital requirement.
India	Allowed	Companies Act, 2013 provides for appointment of one director by small shareholders. In this context, a small shareholder is someone holding shares of nominal value of not more than twenty thousand rupees.
Israel	Recommended for initial appointment Required for re-election	**All** outside directors must be appointed by a majority of the minority.
Italy	Required	**At least one** board member must be elected from the slate of candidates presented by shareholders owning a minimum threshold of the company's share capital. His/her appointment is not a necessary condition for the valid composition of the board (i.e. the board composition is still valid if only one slate has been presented and the board is consequently made up of only directors elected from that slate).
Portugal	Required for re-election	The articles of association may allow that a **maximum of one-third** of board members are appointed within candidates proposed by a group of shareholders holding between 10 and 20% shareholding.
		The articles of association may allow that minority shareholders representing at least 10% of the share capital appoint **at least one** director.
Turkey	Allowed	The minority shareholders (holding 5% of the equity capital for listed companies) may be given the right to be represented at the board (**maximum half** of the members of the board can be elected in this way, provided that the articles of association of the company allow.)
United Kingdom	Required for premium listed companies with controlling shareholders	Premium listed companies with controlling shareholders must ensure that their constitutions provide for the election of independent directors by a **dual voting structure**. This structure requires that **independent directors must be separately approved both by the shareholders as a whole and the independent shareholders** as a separate class.

Table 4.13 **Governance of board nomination**

Information provided to shareholders regarding the candidates for board membership varies among jurisdictions. Some jurisdictions set out a general requirement or recommendation for board qualifications. At least 21 jurisdictions require or recommend that some of the candidates go through a formal screening process, such as approval by the nomination committee.

Jurisdiction	Information provided to shareholders regarding the candidates for board membership			Requirement or recommendation for board nomination	
	Name of candidate	Qualifications of candidates	Candidate's relationship with the firm	Qualification of candidates (e.g. only for non-executive directors (NED), independent directors (ID) or members of audit committee (AC))	Formal screening process (e.g. approval by the nomination committee)
Argentina	L, C	L, C	L, C	L, C	C
Australia	C	C	C	C	C: NED
Austria					
Belgium				C	C
Brazil	L	L	L	L	-
Canada				-	-
Chile	L	C	C	L: ID, C	L: ID
China	L	L	L	C	C
Colombia	L	L	L	L, C	C
Czech Republic	L	-	-	C	-
Denmark	L, C	L, C	L, C	C	C
Estonia	L	-	-	C	-
Finland	C	C	C	C	-
France	L	L	L	C	C
Germany	L	L	L	C	-
Greece				-	-
Hong Kong, China	R	R	R	R:ID, AC	C
Hungary	C	C	L/C	L/C: AC	-
Iceland					
India	L	L	-	L	L
Indonesia	L	L	L*1	L	L
Ireland	L	-	-	C	C
Israel	L	L	L		
Italy	L	L	L	C	C*2
Japan	L	L	L	C: ID; L: outside directors	-
Korea	L	L	L	-	-
Latvia	C	C	C	-	-
Luxembourg				-	-
Mexico	-	-	-	L: ID; C: ID, AC	-
Netherlands	L/C	L/C	L/C	-	-
New Zealand	-	-	-	-	-
Norway	C	C	C	L: AC, C	-

Jurisdiction	Information provided to shareholders regarding the candidates for board membership			Requirement or recommendation for board nomination	
	Name of candidate	Qualifications of candidates	Candidate's relationship with the firm	Qualification of candidates (e.g. only for non-executive directors (NED), independent directors (ID) or members of audit committee (AC))	Formal screening process (e.g. approval by the nomination committee)
Poland	L	-	-	-	-
Portugal	L	L	L	C: Chair	-
Russia	L	C	C	C	C
Saudi Arabia	L	L	L	L	
Singapore	R	R[*3]	R[*3]	C	C
Slovak Republic	C	C	-		
Slovenia	L	L	C	C	-
South Africa	L	L	L	C	C
Spain	L	L		L: ID	L
Sweden	C	C	C	NED, ID	C
Switzerland	L	C	C	C: AC	-
Turkey	L	L	L	L: ID	L: ID
United Kingdom				C	C
United States	L	L	L	L/R: AC, R: members of remuneration and nomination committees	R

Key: **L**=requirement by the law or regulations **R**=requirement by the listing rule
C=recommendation by the codes or principles **"-"**=absence of a specific requirement or recommendation

[*1] In **Indonesia**, the requirement to disclose the relationship with the firm is limited to independent supervisory board members (called commissioners in Indonesia).

[*2] In **Italy**, before board appointments occur, companies provide to their shareholders recommendations on the professional skills needed, as emerged in the self-evaluation process. The nomination committee, which supports the board in the self-evaluation process, is also in charge of proposing candidates if independent directors have to be nominated during the mandate.

[*3] In **Singapore**, the SGX Listing Manual provides that any appointment of a director must be announced by the issuer, providing information including the director's name, working experience, relationship with the issuer, shareholding interest in the issuer and other specified information.

Table 4.14 **CEO and executive turnover**

This table shows how frequently CEOs and executives move between companies in selected jurisdictions. In some countries, the market for managerial talent is not well-developed and CEOs and executives tend to stay for long periods in the same company, while in European countries and the United States an internal labour market has gradually developed.

Jurisdiction	Description of CEOs and executives turnover
Canada and United States	According to a PwC's Strategy& survey (2016), during 2000-2015, CEO turnover in the US and Canada ranged mostly between 10-15%, with a peak of 17.9% in 2000. CEO turnover in the region declined in both 2001 and 2007, which coincided with the dot-com bubble burst and the global financial crisis respectively. This declining trend continued in 2009 (12.7% turnover) and into 2010 (11.4%) as well, but, from 2011 onwards, the turnover returned to levels above 13%.
Estonia	The Estonian market for managerial talents is rather internal than external. No massive movements take place in that regard.
Finland	It is quite common and frequent for board members, CEOs and managers to move from one company to another. The same applies to areas where there is a high demand for special talent, whether of technical, financial or any other kind. More often than a decade ago, the Finnish companies need and look for internationally competent board members and executives willing to be based in Finland. Additionally, it is quite common for a CEO's contract be terminated, and pay-outs to a dismissed CEO do not exceed two year's salary in practice. Executive turnover has ranged between 15-17% during the past couple of years. Moreover, among women executives the turnover has been slightly higher. The CEO turnover on the other hand has been around 20 %. Over half of the CEOs were promoted from within companies in 2015.
Germany	Traditionally, in German companies employees would start off their career in one company and continue working there until their retirement. However, even in the past this did not always hold true for executives and CEOs. As the economy is changing, the traditional career has become rarer and fluctuation has risen. Today, individual differences among companies are such that average numbers of fluctuation only lead to misconceptions.
	A lively head-hunter scene shows that especially small and medium-sized enterprises, although they might even be world market leaders within their key product range, rely on head-hunter services for finding leading executives and CEOs. In addition, it is expected that a growing number of small and middle sized firm entrepreneurs will face problems finding successors to lead their firms in the future, strengthening the managers' labour market with their search. Foreign managers also form part of the external market for managerial talents. Today, many (especially listed) companies have at least one foreign senior executive and their overall quantity in management boards or supervisory boards of German companies has risen significantly.
	On the other side, most listed companies finance internal management development programmes, trying to raise their prospective managers from within the firm. So one may conclude that a growing market for managerial talent exists in Germany but cannot – at the moment – be said to be more important than the labour market within the single company. A provision recommending more "diversity" in German managing and supervisory boards has recently been included in the German Corporate Governance Code, encouraging the appointment of women and foreign managers to management and supervisory boards. The 2015 Act on equal participation of women and men in executive positions in private and public sectors, which establishes a 30% gender diversity quota for supervisory boards and requires listed and co-determined companies to establish targets for gender equality at the top two levels of management, could also have an impact on future executive appointments.
Korea	A majority of executives and CEOs tend to stay in a company for a long time. Even though some of them transfer their job, in most cases, they just move between affiliates within the same parent company.
New Zealand	Executives and CEOs do not move frequently between companies in New Zealand. This is because the New Zealand market is relatively small with few opportunities and a small pool of talent to take those opportunities. As a result, there is concern that the quality of directors and boards is comparatively lower than in countries with which New Zealand compares itself.
Portugal	The market for CEOs is mainly internal. Although there are a few exceptions as to foreign board members (most of them representing a qualified foreign shareholder), there is only one foreign CEO at this point. Traditionally, CEOs stay in the company through several mandates; on average the CEOs in office today have been in the job for 8 years and 13% of the existing executive members at the end of 2015 had been appointed in 2015. Despite some degree of mobility within companies of the same group, there is no significant mobility from one group to another. Furthermore, there are also companies that due to their small structure do not have an executive commission and therefore have no CEO. An increase of foreign executives has been verified in the context of share capital increases underwritten by foreign investors and M&A transactions.

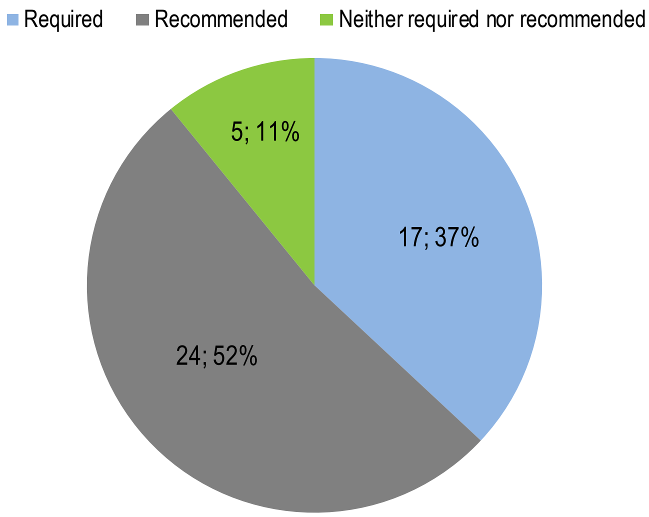
Jurisdiction	Description of CEOs and executives turnover
Sweden	The market for CEO's and other senior executives in Sweden is characterised by a relatively high – and increasing – turnover rate. Without having any firm statistics to found such a statement on, a reasonable judgement is that whereas a few decades ago CEO's of major companies could in many cases hold on to their jobs for 5-10 years and more, the general turnover rate of today is remarkably shorter. There is today a fierce competition for the most qualified top executives, which has led to a significant increase in compensation levels over the last 10-15 years. There is also no general view in the Swedish society in favour of long-term – and even less of life-long – employments. On the contrary, it is considered rational and natural for ambitious people to build a professional career based on recurrent changes of employment. The degree to which this market is international is debatable. The international competition for top-class executives of major companies is often referred to as a major factor behind the rapid increase in compensation levels in recent years. On the other hand, cases of Swedish executives being recruited to international top positions are relatively limited, and can hardly be assumed to have had a very significant effect on domestic compensation levels as yet. Still this competition is undeniably increasing, and it is a reasonable assumption that it will have a stronger impact on the domestic market for top executives in the future.
Switzerland	Anecdotal evidence would suggest that the mobility of executives varies considerably from one company to another. From one perspective, one might expect executives at larger companies to tend to be more inwardly mobile, since such companies offer a wider range of managerial positions internally. In contrast, managers of small- and medium- sized enterprises might be expected to be more likely to change employers lacking internal options. However, this may not always be true since there is considerable competition for executives with major company experience and such executives are sought after in the marketplace. At the senior level there can be a high representation of executives from other countries at many Swiss companies, particularly the larger ones, suggesting also that the competition is cross-border. Increased media coverage of executives and corporate performance over the past few years have also had an impact on the mobility of executives since those executives who fail to achieve the desired performance targets are more readily let go and replaced.

4.4 Board and key executive remuneration

Nearly all jurisdictions have introduced a mechanism for normative controls on remuneration, most often through the "comply or explain" system.

Since the financial crisis, much attention has been paid to the governance of the remuneration of board members and key executives. Besides measures to improve firm governance via promoting an independent board-level committee, 89% of jurisdictions have introduced general criteria on the structure of remuneration, mainly through the "comply or explain" system (Figure 4.17). For example, in **Austria**, the law requires that the remuneration of board members must be commensurate with their responsibilities and scope of work as well as the economic situation of the company. In **Hong Kong, China**, the Code recommends that a significant portion of executive directors' remuneration be linked to corporate and individual performance. The **Norwegian** Code, on the other hand, recommends that the company should not grant share options to board members, and that their remuneration not be linked to the company's performance. In **Turkey**, listed companies are required to have a remuneration policy to be approved at the general shareholders meeting and disclosed on the company website, and dividends, share options and performance-based plans are not allowed for independent board members.

Figure 4.17 **Criteria for board and key executive remuneration**

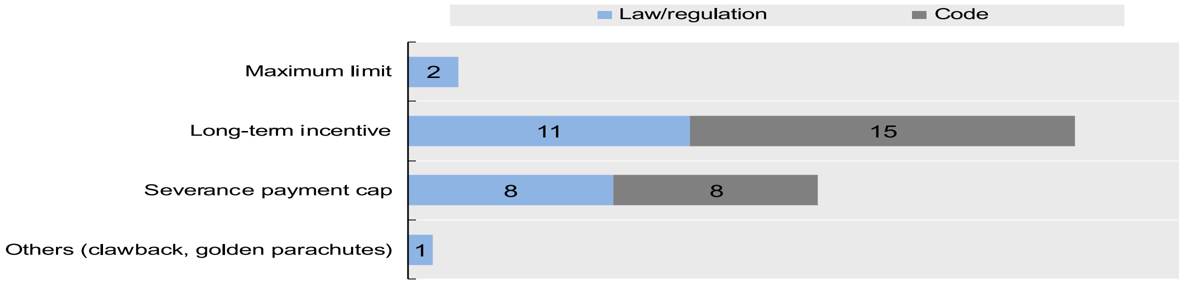


Note: This Figure shows the number of jurisdictions in each category and percentage share out of all 46 jurisdictions. See Table 4.15.

A majority of jurisdictions with general criteria also set forth specific measures in their rules or codes, such as long-term incentive mechanisms (most commonly targeting two to three-year terms) and severance payment caps (6-24 months). **India** and **Saudi Arabia** have set maximum limits on remuneration. Requirements or recommendations for *ex post* risk adjustments (including, provisions on golden parachutes, malus and/or clawback provisions[1]) are rare for non-financial listed companies around the world (Figure 4.18).

[1] The Basel Committee distinguishes between malus and clawbacks as follows: "*Malus and clawbacks are both methods for implementing explicit ex post risk adjustments. Malus operate by affecting vesting (reduction of the amount due but not paid). Clawbacks operate by requiring the employee to return a specified amount of money to the firm*." See "The Range of Methodologies for Risk and Performance Alignment of Remuneration" (Basel Committee, 2011).

Figure 4.18 **Specific requirements or recommendations for board and key executive remuneration**

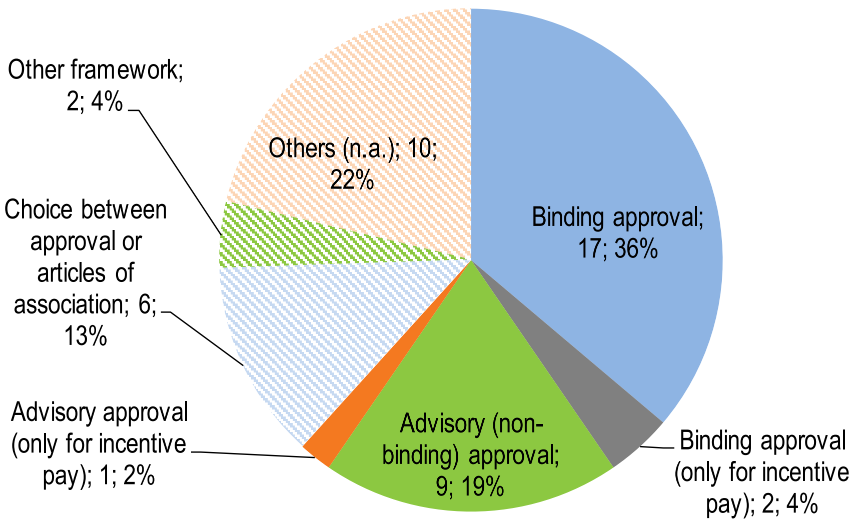


Note: This Figure shows the number of jurisdictions in each category. See Table 4.15. Jurisdictions with several requirements are counted more than once.

A majority of jurisdictions now set forth a requirement or recommendation for a binding or advisory shareholder vote on remuneration policy. Binding votes on remuneration amounts have also become common (36%), with another 15% of jurisdictions requiring advisory votes. Besides the classification between binding and non-binding, there are wide variations among "say on pay" mechanisms in the scope of approval.

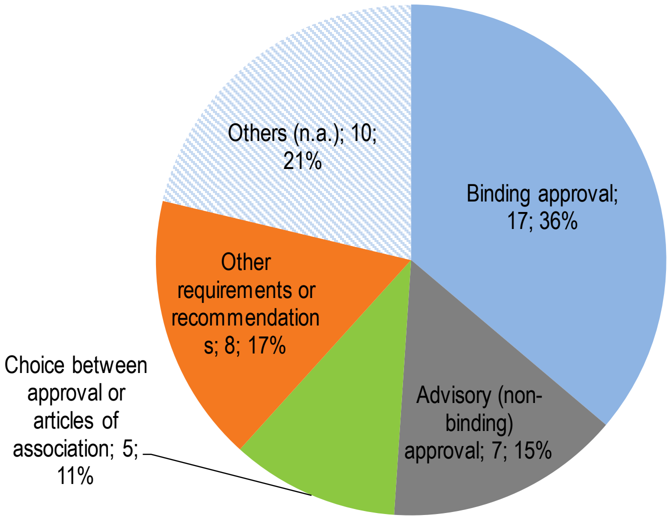
Many jurisdictions have adopted rules on prior shareholder approval of equity-based incentive schemes for board members and key executives. Beyond that, "say on pay", or the practice of giving shareholders the right to vote on a company's remuneration programme for board members and key executives, has remained an issue of debate in several jurisdictions. More than one-third of jurisdictions set forth a requirement or recommendation for binding shareholder approval on remuneration policy (Figure 4.19) as well as on the level and/or amount of remuneration (Figure 4.20). In addition to the distinction between binding and non-binding (advisory) votes, there are wide variations among "say on pay" mechanisms in terms of the scope of approval, mainly with regard to two dimensions: voting on the remuneration policy (its overall objectives and approach) and/or total amount or level of remuneration; and voting on the remuneration for board members (which typically include the CEO) and/or the remuneration for key executives (Table 4.16).

Figure 4.19 **Requirement or recommendation for shareholder approval on remuneration policy**



Note: This Figure shows the number of jurisdictions in each category and percentage share out of 46 jurisdictions. See Table 4.16.

Figure 4.20 **Requirement or recommendation for shareholder approval on level/amount of remuneration**



Note: This Figure shows the number of jurisdictions in each category and percentage share out of all 41 jurisdictions. See Table 4.16.

Some jurisdictions provide a direct link between shareholder approval of the remuneration programme and board elections.

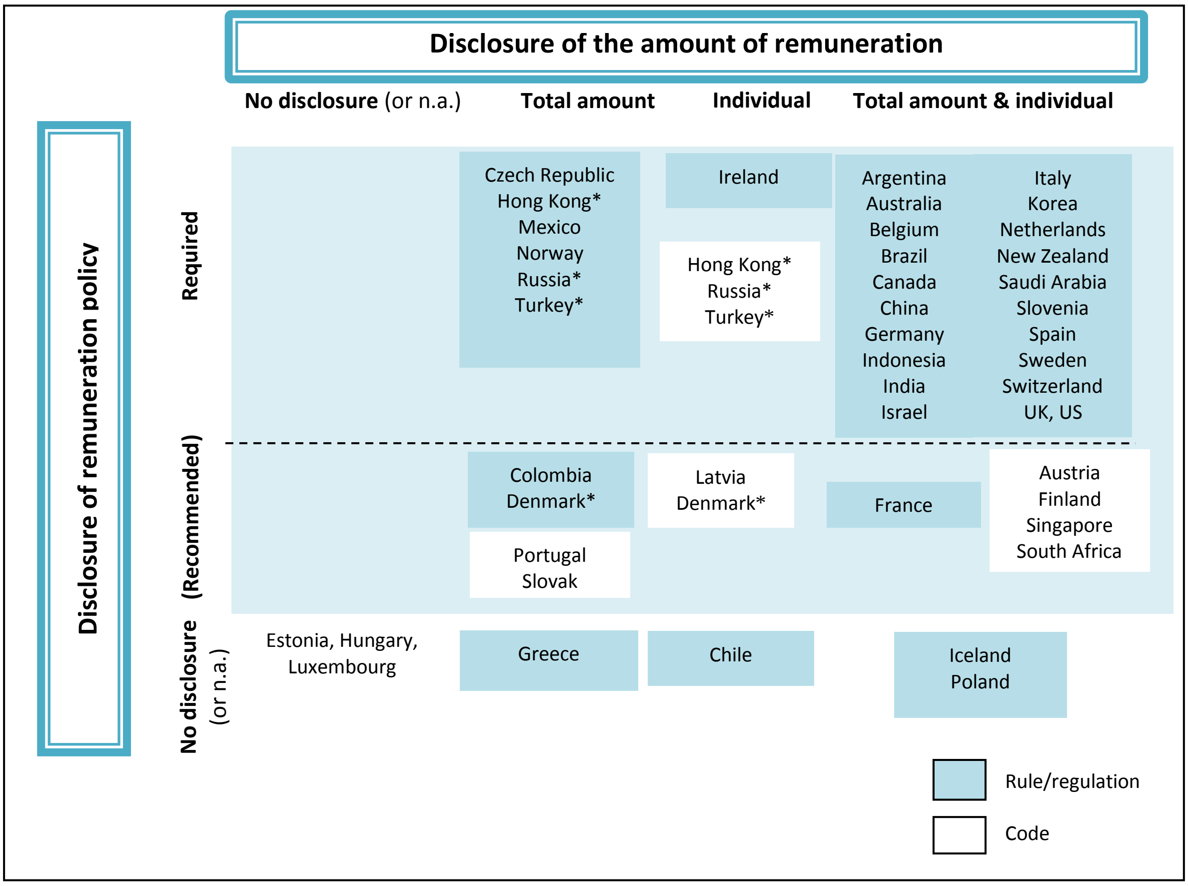
In **Australia**, there is a direct link between say on pay and board elections, in that the board of directors, with the exception of the CEO, may need to be re-elected if the remuneration report receives 25% or more dissenting votes for two consecutive years (known as "two-strikes rule").

Nearly all jurisdictions surveyed have implemented a requirement or recommendation for the disclosure of the remuneration policy and the level/ amount of remuneration at least at aggregate levels.

The increasing attention given to remuneration by shareholders has benefited from, and has also contributed to, enhanced disclosure requirements. Nearly all jurisdictions surveyed have now implemented a requirement or recommendation regarding the disclosure of remuneration policy and for at least the aggregate level of remuneration(Figure 4.21). Most jurisdictions (28) require disclosure of remuneration policy, while a smaller number (11) leave this to voluntary recommendations, meaning that 85% of jurisdictions have either requirements or recommendations in place to disclose remuneration policy.

Disclosure of individual remuneration remains a sensitive issue in some countries. An OECD survey of listed companies in 35 jurisdictions carried out in 2010 (OECD, 2011a) found that reporting of individual remuneration occurred in all listed companies in only 7 jurisdictions (20%), while such disclosure was provided by a substantial majority of listed companies (80% or above) in just 43% of jurisdictions. Requirements and code recommendations have evolved significantly since then. Total and individual remuneration for all or part of board members and key executives (e.g. board members and a certain number of the highest paid executives) is mandatory in 24 jurisdictions (52%), and individual remuneration disclosure is required in two additional jurisdictions. Taking into account code recommendations, individual remuneration disclosure is now required or recommended in 76% of jurisdictions. Most remaining jurisdictions have requirements or recommendations for aggregate reporting on remuneration (only 6% of jurisdictions are reported to have neither requirements nor recommendations in place on remuneration disclosure).

Figure 4.21 **Disclosure of the policy and amount of remuneration**



Note: "Rule/regulation" includes requirements by listing rules. See Table 4.16.
* Denmark, Hong Kong, Russia and Turkey are shown twice due to differing legal requirements and code recommendations.

Table 4.15 **Requirements or recommendations for board and key executives remuneration**

Nearly all jurisdictions have introduced general criteria for board and key executive remuneration. Most jurisdictions have also introduced a specific requirement or recommendation, such as long-term incentive mechanisms for variable remuneration schemes. Two jurisdictions (**India** and **Saudi Arabia**) set a maximum limit on remuneration.

Jurisdiction	General criteria	Specific requirement or recommendation
		e.g. Long term incentive mechanism for variable remuneration (LTIM); Severance payment cap (SPC)
Argentina	(●)	LTIM, SPC
Australia	(●)	LTIM, SPC
Austria	●	LTIM (3 years); SPC (2 years)
Belgium	●	LTIM (3 years); SPC (12-18 months)
Brazil	(●)	LTIM
Canada	-	-
Chile	(●)	-
China	(●)	-
Colombia	(●)	LTIM
Czech Republic	-	-
Denmark	●	LTIM (3years); SPC (2 years)
Estonia	●	-
Finland	(●)	-
France	●	Regulation on golden parachutes
Germany	●	LTIM (3 years), SPC (new)
Greece	●	LTIM
Hong Kong, China	●	-
Hungary	(●)	LTIM (credit institutions, investment firms, UCITs, AIF fund managers and insurance companies)
Iceland	(●)	LTIM
India	●	Maximum limit: 11% of net profits
Indonesia	●	LTIM
Ireland	(●)	LTIM
Israel	●	LTIM
Italy	(●)	LTIM (3 years); SPC (the company should clearly define a limit for severance payments)
Japan	(●)	LTIM
Korea	(●)	-
Latvia	(●)	SPC (2 years)
Luxembourg	(●)	-
Mexico	-	-
Netherlands	●	LTIM; SPC (1-2 years)
New Zealand	-	-
Norway	(●)	No link to the company's performance/ No grant of share options to board members
Poland	(●)	-
Portugal	(●)	LTIM (3 years); SPC
Russia	(●)	LTIM, SPC

Jurisdiction	General criteria	Specific requirement or recommendation
		e.g. Long term incentive mechanism for variable remuneration (LTIM); Severance payment cap (SPC)
Saudi Arabia	●	Maximum limit: 500,000 Saudi Riyal (for board members)
Singapore	(●)	LTIM
Slovak Republic	●	LTIM for VR (2 years); SPC (6 months)
Slovenia	●	LTIM, SPC
South Africa	(●)	LTIM, SPC
Spain	●	LTIM (3 years)
Sweden	(●)	LTIM (3 years), SPC (2 years)
Switzerland	●	SPC (Prohibition of contractually agreed severance payments)
Turkey	(●)	-
United Kingdom	(●)	LTIM
United States	-	-

Key: *"***()***"* in the column of "General criteria" denotes recommendation by the codes or principles.

Table 4.16 **Disclosure and shareholder approval on board and key executive remuneration**

In addition to a binding vote on equity based schemes, most of the jurisdictions have introduced a say on pay mechanism, either binding or advisory, whose coverage varies considerably among jurisdictions.

Jurisdiction	Remuneration policy		Level / amount of remuneration		
	Disclosure	Approval by shareholders	**Disclosure**		**Approval by shareholders**
			Total	**Individual**	
Argentina	L	SoP/AA	L	All directors	SoP/AA
Australia	L	L (Advisory)	L	Key management personnel	
Austria	C	SoP/AA	C	All members of the management board	SoP/AA
Belgium	L	L (Advisory)	L	L	L (Advisory)
Brazil	L	L (Binding)	L	Highest and lowest paid directors	L (Binding)
Canada	L	C (Advisory)	L	L	C (Advisory)
Chile	-	L (Binding)	-	Only for board members	L (Binding)
China	L	L	L	L	L
Colombia	C	C (Binding)[*1]	L,C	-	L (Binding) for directors C (Advisory) for execs
Czech Republic	L	L (Binding)	L	-	L (Binding)
Denmark	C	C (Advisory*)	L	C	L
Estonia	-	-	-	-	-
Finland	C	C (Binding*)	C	CEO and key executives	L
France	C	C (Advisory)	L	L	C (Total)
Germany	L	C (Advisory)	L	L	L (Advisory)
Greece	-	L (Binding)	L	-	L (Binding)
Hong Kong, China[*2]	R	-	R	Directors*	-
Hungary		L (Binding)			-
Iceland		L (Binding)	L	L	L (Binding)

Jurisdiction	Remuneration policy		Level / amount of remuneration		
	Disclosure	Approval by shareholders	Disclosure		Approval by shareholders
			Total	Individual	
India	L/R	-	L*3	L*3	L (Binding)
Indonesia	L	L(Binding)	L	L	L(Binding)
Ireland	R	-		R	-
Israel	L	L (Binding)	L	Top 5	L (Binding*4)
Italy	L	L (Advisory)*5	L	L: directors, statutory auditors and general managers	L (Binding) for directors*6
Japan	L	SoP/AA	L	Above JPY 100 million	SoP/AA
Korea	L	L (Binding)	L	Above KRW 500 million	L (Total)
Latvia	C	L (Binding)	-	C	L (Binding) for directors
Luxembourg		SoP/AA			SoP/AA
Mexico	L	-	L	-	L
Netherlands	L	L (Binding)	L	L/C	L (or AA)
New Zealand	L	-	L	All directors and employees above NZD 100 000	
Norway	L	L (Binding*)	L	-	L (Binding)
Poland	-	-	L	-	-
Portugal	C	L (Binding)	L	All members of the board of directors and supervisory board	L (Binding)
Russia	L	-	L	C (all directors and CEO)	L (Binding) for directors
Saudi Arabia	L	-	L	All directors and top 5 key executives	-
Singapore	C	R (Binding) for directors	C	All directors, CEO and top 5 key executives	-
Slovak Republic	C	-	C	-	C
Slovenia	L	SoP/AA	L	L	-
South Africa	C	C (Advisory)	C	All directors	C (Advisory)
Spain	L	L (Binding)	L	All members of the management board	L (Binding)
Sweden	L	L (Binding)	L	All directors and CEO	L (Binding)
Switzerland	L/R	C (Advisory)	L	All directors and CEO	L (Binding)
Turkey	L	SoP/AA	L	C (Board members and all directors)	L (Binding) for directors
United Kingdom	L	L (Binding)	L	All directors	L (Advisory)
United States	L	L (Advisory)	L	All directors and CEO, CFO and 3 executive officers (≥ USD 100 000)	L (Advisory)

Key: **L**=requirement by the law or regulations, **R**=requirement by the listing rule, **C**=recommendation by the codes or principles
"**-**"=absence of a specific requirement or recommendation
SoP/AA=Choice between shareholder approvals or articles of association
Advisory*=Advisory approval only required if a company uses incentive pay
Binding*=Binding approval only required if a company uses incentive pay

*1 In **Colombia**, the recommendation is that the remuneration policy for the board should always be approved by shareholders, but, for key executives, SHs approval is needed only if the policy involves a variable component tied to the value of the shares.

*2 In **Hong Kong China**, the Listing Rules require issuers to disclose the aggregate remuneration of the five highest paid individuals in their annual reports. It is not necessary to disclose the identity of the highest paid individuals unless any of them are directors of the issuers. The Code recommends disclosure of any remuneration payable to members of senior management, on an individual and named basis, in issuers' annual reports.

[*3] In **India,** remuneration is subject to shareholders' approval when it exceeds 5% of net profits for the managing director and/or 11% of net profits for all directors. Accordingly, companies disclose remuneration to the public as part of the process of obtaining shareholders' approval.

[*4] In **Israel**, binding approval for the level and amount of remuneration is required only if it is not within the remuneration policy.

[*5] In **Italy**, the SH vote on remuneration policy is binding for banks and insurance companies.

[*6] In **Italy**, the general meeting is in charge of approving the total remuneration (basis compensation) of the members of the board of directors and, if any, of the executive committee. Moreover, if the bylaws so provide, the general meeting may be in charge of approving the total amount of directors' compensation, including the additional remuneration of executive board members, such as the CEO. Otherwise the remuneration of executive board members falls within the scope of authority of the board of directors.

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