OECD Corporate Governance Factbook 2019

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Foreword

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

The Factbook compiles information provided by 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 on how OECD, G20 and Financial Stability Board member jurisdictions address major corporate governance issues such as board practices (including remuneration); the role of institutional investors; related party transactions and minority shareholder rights; board member nomination and election; supervision and enforcement; risk management; and mechanisms for flexibility and proportionality in corporate governance. Additional sections address the corporate governance landscape, including ownership patterns, data on stock exchanges and their market activities; and the institutional and regulatory landscape. First published in 2014, the Factbook is updated every two years.

The Factbook is divided into five main chapters: 1) the corporate and market landscape; 2) the corporate governance and institutional framework; 3) the rights and equitable treatment of shareholders and key ownership functions; 4) the corporate board of directors; and 5) mechanisms for flexibility and proportionality in corporate governance. For each chapter a narrative overview with figures helps to provide an overall picture of main tendencies and variations in approach, followed by comparative tables providing details on each jurisdiction. The Factbook's 51 figures and 40 tables contain comparative information on all 36 OECD members and all G20 and Financial Stability Board members including Argentina; Brazil; People's Republic of China ("China"); Hong Kong, China; India; Indonesia; the Russian Federation ("Russia"); Saudi Arabia; Singapore and South Africa. Additional jurisdictions covered by the Factbook are Malaysia, which recently became a Participant to the Corporate Governance Committee, Colombia and Costa Rica, building upon information from OECD corporate governance accession reviews related to their ambitions to become members of the OECD.

The information on legal and regulatory provisions in this fourth edition of the Factbook is updated as of end 2018, while market-related data and data on gender composition of boards is from 2017.

This edition is the collective achievement of the OECD Corporate Governance Committee and the individual efforts of the delegates from all 49 participating jurisdictions, who diligently reviewed and updated the information in the Factbook to ensure its accuracy. The Factbook was prepared under the direction of Mats Isaksson by Daniel Blume with Kenta Fukami, and with the support of Arijete Idrizi, Carl Magnus Magnusson, Katrina Baker and Pamela Duffin of the OECD Directorate for Financial and Enterprise Affairs and the Corporate Governance and Finance Division.

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Preface

This 2019 edition of the *OECD Corporate Governance Factbook* provides a unique source for understanding how the *G20/OECD Principles of Corporate Governance* (the G20/OECD Principles) are implemented around the world. By providing comparative information across 49 jurisdictions including all OECD, G20 and Financial Stability Board members, the Factbook supports informed policymaking based on up-to-date information on the variety of ways in which different countries throughout the world translate the G20/OECD Principles' recommendations into their own legal and regulatory frameworks.

Good corporate governance is an essential 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. As a matter of fact, the quality of a country's corporate governance framework is of decisive importance for the dynamics and the competitiveness of a country's business sector.

The Factbook reveals that global markets and national regulatory frameworks have been evolving substantially. For example, since 2015, when the G20/OECD Principles were issued, 84% of the 49 surveyed jurisdictions have amended either their company law or securities regulations, or both. Nearly half of all jurisdictions have revised their national corporate governance codes in the past two years. Regulatory frameworks for risk management and remuneration policy—two issues where 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. An increasing number of jurisdictions are also establishing policies to promote balanced and diverse company boards, either through disclosure, voluntary gender targets or quotas.

As capital markets and corporations continue to evolve and new challenges arise, it is important for policy makers and regulators to stay abreast of developments in both the financial and corporate sector, so that policies and practices can be adapted to remain effective under new business circumstances. The Factbook can help them to do so.

Masato Kanda

Chair, OECD Corporate Governance Committee

Executive summary

The 2019 edition of the *OECD Corporate Governance Factbook* (the "Factbook") contains comparative data and information across 49 different jurisdictions including all G20, OECD and Financial Stability Board members. The information is presented and commented in 40 tables and 51 figures covering a broad range of institutional, legal and regulatory provisions. The Factbook provides an important and unique tool for monitoring the implementation of the G20/OECD Principles of Corporate Governance. Issued every two years, it is actively used by governments, regulators and others for information about implementation practices and developments that may influence their effectiveness. It is divided into five chapters addressing: 1) the corporate and market landscape; 2) the corporate governance framework; 3) the rights of shareholders and key ownership functions; 4) the corporate boards of directors; and 5) mechanisms for flexibility and proportionality in corporate governance.

The corporate and market landscape

Effective design and implementation of corporate governance rules requires a good empirical understanding of the ownership and business landscape to which they will be applied. The first chapter of the Factbook therefore provides an overview of ownership patterns around the world, with respect to both the categories of owners and the degree of concentration of ownership in individual listed companies. Since the G20/OECD Principles also include recommendations with respect to the functioning of stock markets, it also highlights some key structural changes with respect to stock exchanges.

The OECD Equity Market Review of Asia (OECD, 2018a) reported that stock markets have undergone profound changes during the past 20 years. Globally, one of the most important developments has been the rapid growth of Asian stock markets—both in absolute and in relative terms. In 2017, a record number of 1 074 companies listed in Asia, almost twice as many as the annual average for the previous 16 years. Of the five jurisdictions that have had the highest number of non-financial company IPOs in the last decade, three are in Asia. In 2017, Asian non-financial companies accounted for 43% of the global volume of equity raised. The proportion attributable to European and US companies has declined during the same period. In terms of stock exchanges, by total market capitalisation, four Asian exchanges were in the top ten globally (Japan Exchange Group, Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited, and Shenzhen Stock Exchange).

With respect to ownership patterns at the company level in the world's 50 000 listed companies, a recent OECD study (De la Cruz et al., forthcoming) reports a number of features of importance to policymaking and implementation of the G20/OECD Principles. The report, which contains unique information about ownership in companies from 54 jurisdictions that together represent 95% of global market capitalisation, shows that four main categories of investors dominate ownership of today's publicly listed companies. These are: institutional investors, public sector owners, private corporations, and strategic individual investors. The largest category is institutional investors, holding 41% of global

market capitalisation. The second largest category is the public sector, which has significant ownership stakes in 20% of the world's listed companies and hold shares representing 13% of global market capitalisation. With respect to ownership in individual companies, in half of the world's publicly listed companies, the three largest shareholders hold more than 50% of the capital, and in three-quarters of the world's public listed companies, the three largest owners hold more than 30%. This is to a large extent attributable to the growth of stock markets in Asian emerging markets.

Stock exchanges have also undergone important structural changes in recent years, such as mergers and acquisitions and demutualisations. Out of 52 major stock exchanges in 49 jurisdictions, 18 now belong to one of four international groups. Thirty-three (63%) of these exchanges are either self-listed or have an ultimate parent company that is listed on one or more of its own exchanges. More than 62% of market capitalisation is concentrated in the five largest stock exchanges, while more than 95% is concentrated in the largest 25. The top 25 highest valued exchanges include 11 non-OECD jurisdictions.

The corporate governance framework

An important bedrock for implementing the Principles is the quality of the legal and regulatory framework, which is consistent with the rule of law in supporting effective supervision and enforcement.

Against this background, the Factbook monitors who serves as the lead regulatory institution for corporate governance of listed companies in each jurisdiction, as well as issues related to their independence. Securities regulators, financial regulators or a combination of the two play the key role in 82% of all jurisdictions, while the Central Bank plays the key role in 12%. The issue of the independence of regulators is commonly addressed (among 86% of regulatory institutions) through the creation of a formal governing body such as a board, council or commission, usually appointed to fixed terms ranging from two to eight years. In a majority of cases, independence from the government is also promoted by establishing a separate budget funded by fees assessed on regulated entities or a mix of fees and fines. On the other hand, 25% of the regulatory institutions surveyed are funded by the national budget.

Since 2015 when the G20/OECD Principles were issued, 84% of the 49 surveyed jurisdictions have amended either their company law or securities law, or both. Nearly all jurisdictions also have national codes or principles that complement laws, securities regulation and listing requirements. Nearly half of all jurisdictions have revised their national corporate governance codes in the past two years and 83% of them follow a "comply or explain" compliance practice. A growing percentage of jurisdictions – 67% – now issue national reports on company implementation of corporate governance codes, up from 58% in 2015. In 29% of the jurisdictions it is the national authorities that serve as custodians of the national corporate governance code.

The rights and equitable treatment of shareholders and key ownership functions

The G20/OECD Principles state that the corporate governance framework shall protect and facilitate the exercise of shareholders' rights and ensure equitable treatment of all shareholders, including minority and foreign shareholders.

Chapter 3 of the Factbook therefore provides detailed information related to rights to obtain information on shareholder meetings, to request meetings and to place items on the agenda,

and voting rights. The chapter also provides detailed coverage of frameworks for review of related party transactions, triggers and mechanisms related to corporate takeover bids, and the roles and responsibilities of institutional investors.

All jurisdictions require companies to provide advance notice of general shareholder meetings. A majority establish a minimum notice period of between 15 and 21 days, while another third of the jurisdictions provide for longer notice periods. Nearly two-thirds of jurisdictions require such notices to be sent directly to shareholders, while all but four jurisdictions require multiple methods of notification, which may include use of a stock exchange or regulator's electronic platform, publication on the company's web site or in a newspaper.

Approximately 80% of jurisdictions establish deadlines of up to 60 days for convening special meetings at the request of shareholders, subject to specific ownership thresholds. This is an increase from 73% in 2015. Most jurisdictions (61%) set the ownership threshold for requesting a special shareholder meeting at 5%, while another 32% set the threshold at 10%. Compared to the threshold for requesting a shareholder meeting, many jurisdictions set lower thresholds for placing items on the agenda of the general meeting. With respect to the outcome of the shareholder meeting, approximately 80% of jurisdictions require the disclosure of voting decisions on each agenda item, including 59% that require such disclosure immediately or within 5 days.

The G20/OECD Principles state that the optimal capital structure of the company is best decided by the management and the board, subject to approval of the shareholders. This may include the issuing of different classes of shares with different rights attached to them. In practice, all but three of the 49 jurisdictions covered by the Factbook allow listed 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.

Related party transactions are typically addressed through a combination of measures, including board approval, shareholder approval, and mandatory disclosure. Provisions for board approval are common; two-thirds of jurisdictions surveyed require or recommend board approval of certain types of related party transactions. Shareholder approval requirements are applied in 55% of jurisdictions, but are often limited to large transactions and those that are not carried out on market terms. Nearly all jurisdictions require disclosure of related party transactions, with 82% requiring use of International Accounting Standards (IAS24), while an additional 8% allow flexibility to follow IAS 24 or the local standard.

The Factbook provides extensive data on frameworks for corporate takeovers. Among the 46 jurisdictions that have introduced a mandatory bid rule, 80% take an *ex-post* approach, where a bidder is required to initiate the bid after acquiring shares exceeding the threshold. Nine jurisdictions take an *ex-ante* approach, where a bidder is required to initiate a takeover bid for acquiring shares which would exceed the threshold. More than 80% of jurisdictions with mandatory takeover bid rules establish a mechanism to determine the minimum bidding price.

Considering the important role played by institutional investors as shareholders of listed companies, nearly all jurisdictions have established provisions for at least one category of institutional investors (such as pension, investment or insurance funds) to address conflicts of interest, either by prohibiting specific acts or requiring them to establish policies to manage conflicts of interest. Three-fourths of all jurisdictions have established requirements or recommendations for institutional investors to disclose their voting policies, while almost half require or recommend disclosure of actual voting records. Some

jurisdictions establish regulatory requirements or may rely on voluntary stewardship codes to encourage 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.

The corporate board of directors

The G20/OECD Principles require that the corporate governance framework ensures the strategic guidance of the company by the board and its accountability to the company and its shareholders. The most common board format is the one-tier board system, which is favoured in twice as many jurisdictions as those that apply two-tier boards (supervisory and management boards). A growing number of jurisdictions allow both one and two-tier structures.

Almost all jurisdictions require or recommend a minimum number or ratio of independent directors. Definitions of independent directors have also been evolving during this period: 80% of jurisdictions now require directors to be independent of significant shareholders in order to be classified as independent, up from 64% in 2015. The shareholding threshold determining whether a shareholder is significant ranges from 2% to 50%, with 10% to 15% being the most common.

Recommendations or requirements for the separation of the board chair and CEO have doubled in the last four years to 70%, including 30% required. The 2015 edition of the Factbook reported a binding requirement in only 11% of the jurisdictions, with another 25% recommending it in codes.

Nearly all jurisdictions require an independent audit committee. Nomination and remuneration committees are not mandatory in most jurisdictions, although more than 80% of jurisdictions at least recommend these committees to be established and often to be comprised wholly or largely of independent directors.

Requirements or recommendations for companies to assign a risk management role to board level committees have sharply increased since 2015, from 62% to 87% of surveyed jurisdictions. Requirements or recommendations to implement internal control and risk management systems have also increased significantly, from 62% to 90%.

While recruitment and remuneration of management is a key board function, a majority of jurisdictions have a requirement or recommendation for a binding or advisory shareholder vote on remuneration policy for board members and key executives. And nearly all jurisdictions surveyed now require or recommend the disclosure of the remuneration policy and the level/amount of remuneration at least at aggregate levels. Disclosure of individual levels is required or recommended in 76% of jurisdictions.

The 2019 Factbook provides data for the first time on measures to promote gender balance on corporate boards and in senior management, most often via disclosure requirements and measures such as mandated quotas and/or voluntary targets. Nearly half of surveyed jurisdictions (49%) have established requirements to disclose gender composition of boards, compared to 22% with regards to senior management. Nine jurisdictions have mandatory quotas requiring a certain percentage of board seats to be filled by either gender. Eight rely on more flexible mechanisms such as voluntary goals or targets, while three resort to a combination of both. The proportion of senior management positions held by women is reported to be significantly higher than the proportion of board seats held by women.

Mechanisms for flexibility and proportionality in corporate governance

It has already been pointed out that effective implementation of the G20/OECD Principles requires a good empirical understanding of economic realities and adaption to changes in corporate and market developments over time. The G20/OECD Principles therefore state that policy makers have a responsibility to put in place a framework that is flexible enough to meet the needs of corporations that are operating in widely different circumstances, facilitating their development of new opportunities and the most efficient deployment of resources. The 2019 Factbook provides a special chapter that presents the main findings of a complementary OECD review of how 39 jurisdictions apply the concepts of flexibility and proportionality across seven different corporate governance regulatory areas. The chapter builds on the 2018 OECD report *Flexibility and Proportionality in Corporate Governance* (OECD, 2018b). The report finds that a vast majority of countries have criteria that allow for flexibility and proportionality at company level in each of the seven areas of regulation that were reviewed: 1) board composition, board committees and board qualifications; 2) remuneration; 3) related party transactions; 4), disclosure of periodic financial information and ad hoc information; 5) disclosure of major shareholdings; 6) takeovers; and 7) pre-emptive rights. The report also contains case studies of six countries, which provide a more detailed picture of how flexibility and proportionality is being used in practice.

1. The corporate and market landscape

1.1. Ownership of listed companies

A more nuanced picture of ownership patterns is emerging around the world, both with respect to the categories of owners and the degree of concentration of ownership in individual listed companies. While listed companies with concentrated ownership make up an increasing share of global market capitalisation, a range of different ownership structures and governance arrangements co-exist.

Markets including the **United States**, **United Kingdom**, **Canada** and **Australia** are usually classified as having more dispersed ownership, while a few other jurisdictions have more mixed characteristics and the vast majority have corporations with controlling shareholders as the dominant characteristic.

OECD research shows, however, that ownership structures are evolving and that, while there has been an overall global trend towards greater predominance of concentrated ownership structures, the traditional concepts of dispersed and concentrated ownership may no longer be sufficient as a basis for understanding and adapting corporate governance frameworks to the more complex landscape of corporate ownership structures in place around the world. Part of the transformation of the global picture is due to the rise of emerging market economies where concentrated ownership is predominant, particularly those in Asia. In 2017, Asian companies accounted for 43% of all public equity capital raised in the world, a figure that has been gradually rising from less than 20% in the year 2000 (OECD, 2018a).

Further OECD research finds that, contrary to public perception, concentrated ownership is also making inroads in advanced markets that are usually classified as having dispersed ownership structures. In this process of re-concentration, the growing significance of institutional investors plays an important role. In the United States and the United Kingdom for example, the largest 20 institutional owners on average hold more than 30% of the capital in listed companies (De la Cruz et al., forthcoming). From a corporate governance perspective, this would in principle help the shareholder to overcome the costs of collective action that traditionally have been seen as an obstacle to active shareholder engagement when ownership is widely fragmented. But it is also worth noting that institutional investors vary considerably with respect to their ability and economic incentives to actually exercise their shareholder rights.

In terms of the broader global picture, at the end of 2017, there were approximately 50 000 listed companies worldwide with a combined market value of USD 80 trillion. In half of them, the three largest shareholders held 50% of the capital, and more than 30% of the capital in three-fourths of all listed companies. In only 1% did they hold less than 10% (De la Cruz et al., forthcoming).

While institutional investors are the largest category of shareholders in listed companies, holding 41% of global market capitalisation, the public sector, private corporations and

strategic individuals are also important owners in most equity markets. Today, the public sector has significant ownership in 20% of the world's listed companies. Their stakes are worth some USD 10 trillion and represent 13% of global market capitalisation. Private corporations, holding companies, strategic individuals and family members hold another 18% (De la Cruz et al., forthcoming).

In sum, OECD research finds the emergence of a new and sometimes more complex pattern of ownership around the world. It concludes that the greatest challenge for policy makers is to accommodate these developments in a way that provides sound incentives for both investors and entrepreneurs to contribute to capital formation, efficient capital allocation and business sector dynamics. This task is not made less important by the fact that no less than 31% of all public equity investments today take place across national borders.

1.2. Stock exchanges

Stock exchanges have undergone important structural changes in recent years, such as mergers and acquisitions and demutualisations. Out of 52 major stock exchanges in 49 jurisdictions, 18 now belong to one of four international groups.

Figure 1.1 Largest stock exchanges by jurisdiction and group membership

MEMBER OF AN INTERNATIONAL GROUP (18 exchanges)

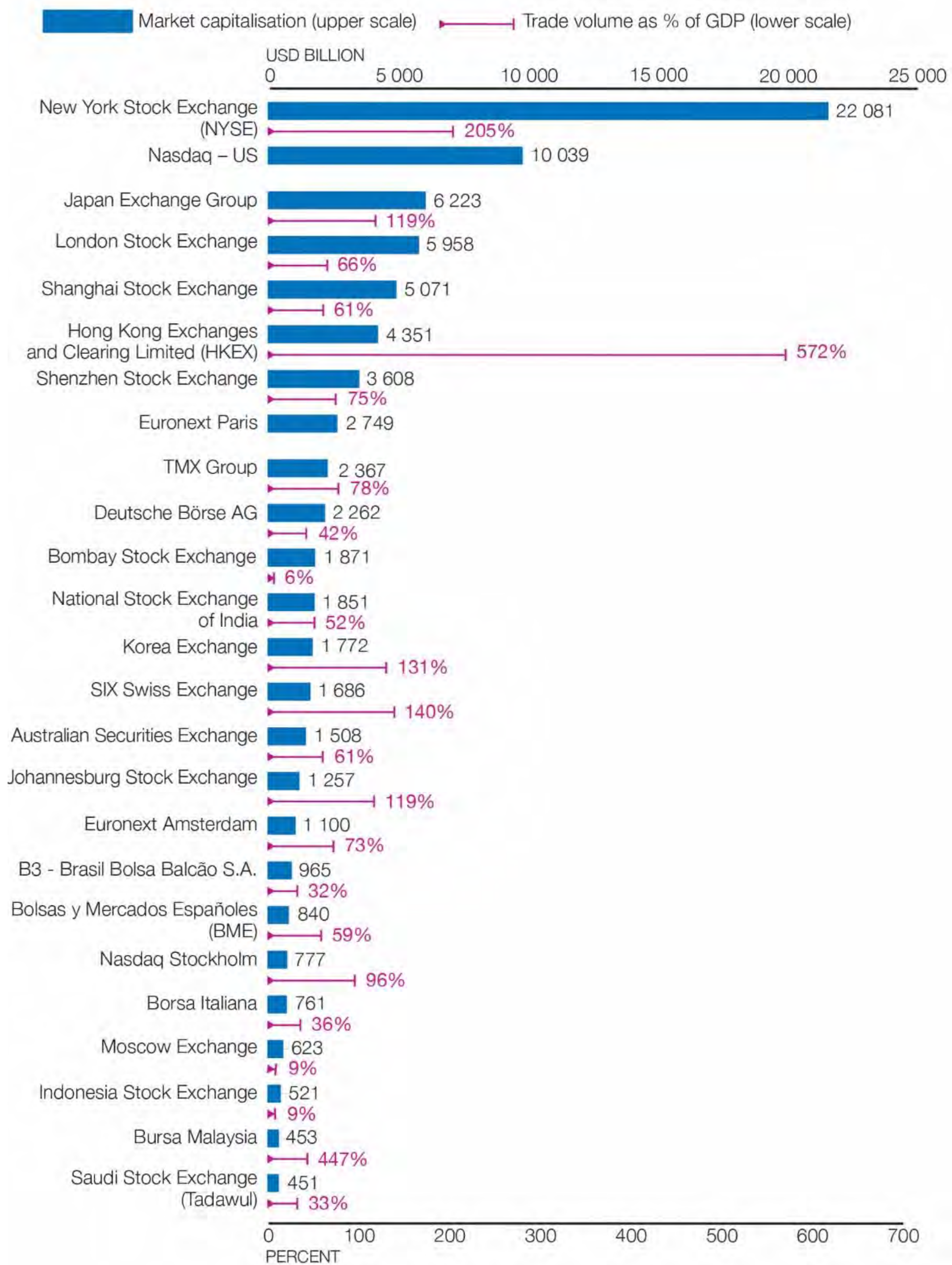
NASDAQ OMX Group (8)		Euronext (5)	London Stock Exchange Group (2)	CEE Stock Exchange Group (3)
Denmark	Latvia	Belgium	Italy	Austria
Estonia	Lithuania	France	United Kingdom	Czech Republic
Finland	Sweden	Ireland		Slovenia
Iceland	United States (NASDAQ)	Netherlands		
		Portugal		

INDIVIDUAL OR DOMESTIC GROUP (34 exchanges)

Argentina	China (Shenzhen and Shanghai)	India (Mumbai and National)	Mexico	Slovak Republic
Australia	Colombia	Indonesia	New Zealand	South Africa
Brazil	Germany	Israel	Norway	Spain
Canada	Greece	Japan	Poland	Switzerland
Chile	Hong Kong, China	Korea	Russia	Turkey
Costa Rica	Hungary	Luxembourg	Saudi Arabia	United States (NYSE)
		Malaysia	Singapore	

Notes: The two largest stock exchanges in China, India and the United States are counted separately. See Table 1.2 for data.

Figure 1.2 Top 25 stock exchanges by market capitalisation and total value traded as a percentage of GDP, 2017 (USD billion)



The New York Stock Exchange remains the largest exchange in terms of market capitalisation, followed by NASDAQ US, Japan Exchange Group, and the London Stock Exchange. The aggregate share of the five largest stock exchanges and groups (i.e. NYSE, NASDAQ US, London Stock Exchange Group, Japan Exchange Group, and Shanghai) in terms of market capitalisation currently represents 62% of the market capitalisation among the 49 jurisdictions reviewed in this Factbook.[1]. The combined market capitalisation of the five exchanges in the Euronext Group, which in previous editions of the Factbook was reported among the top five, is now in sixth place behind the Shanghai Exchange. Among the 25 highest valued stock exchanges, 11 are from non-OECD jurisdictions, including the stock exchanges of Shanghai, Hong Kong, Shenzhen, Bombay, the National Stock Exchange of India, Johannesburg, Brazil's B3, Moscow, Indonesia, Malaysia and Saudi Arabia (Figure 1.2). This figure also provides a second indicator of market size based on total value traded as a percent of GDP. The top 25 exchanges account for 95.6% of the market capitalisation of the 52 exchanges listed in Table 1.1.

A major issue among all stock exchanges globally is the extent to which they have been able to attract new listings to the market. Figure 1.3 divides the 52 stock exchanges from the 49 jurisdictions covered in the Factbook into three categories: larger exchanges with more than 500 listed companies; medium-sized markets with between 101 and 500 companies; and those with 100 or fewer listed companies. The size of the bubbles for each exchange provide an indication of their overall market capitalisation relative to the reference group, while their vertical placement in the figure shows their numbers of Initial Public Offerings (IPOs) in 2017. Their horizontal position indicates the total number of listed entities on the exchange.

Among the 15 exchanges with 500 or more listed companies, the stock exchanges of the People's Republic of China (hereafter China) and Hong Kong, China attracted the largest numbers of listings, with NASDAQ US, the Australian Securities Exchange and NASDAQ Stockholm also performing above the average.

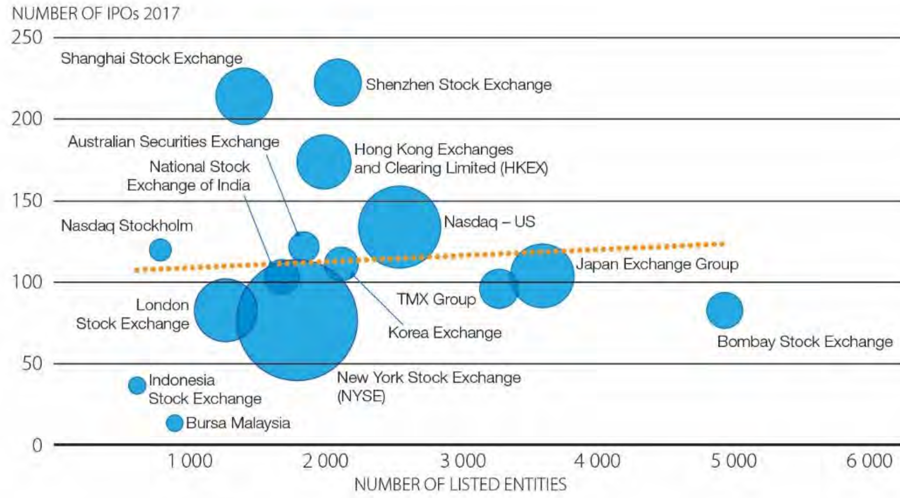
Among mid-sized exchanges, Singapore, Borsa Italiana, Johannesburg and Tel Aviv clearly stand out. Among the 15 exchanges with fewer than 100 listed companies, only three have more than one listing: the stock exchanges of Luxembourg and Argentina with five IPOs each, and the Irish Stock Exchange with three.

In addition to the data from the World Federation of Exchanges, World Bank and national authorities that serve as the basis for Figure 1.3, Table 1.1 provides data on the number of domestic issuers of bonds.

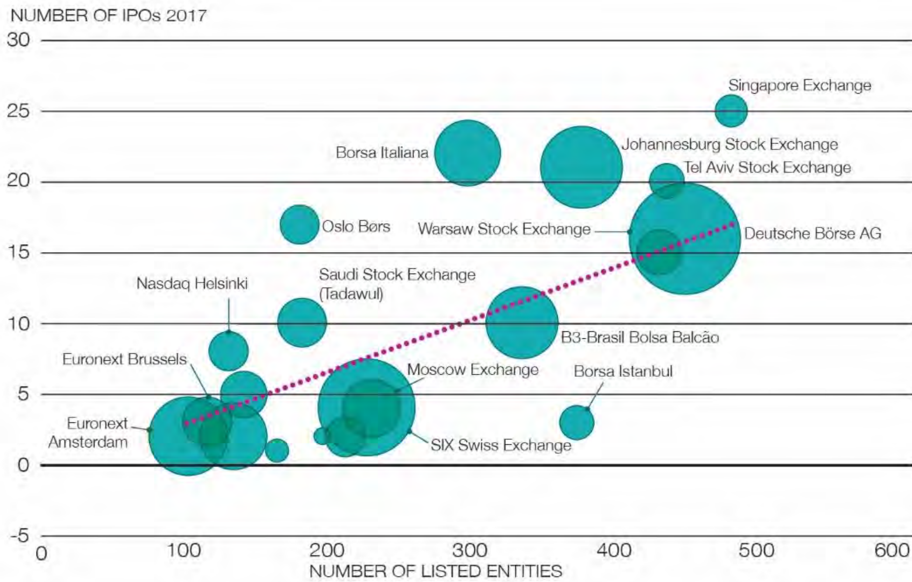
[1] For aggregate calculations involving India, only the Mumbai Stock Exchange market capitalisation was included to avoid double-counting dual listed companies that are listed on both the Mumbai and National Stock Exchanges of India.

Figure 1.3 Comparison of companies and IPOs, 2017

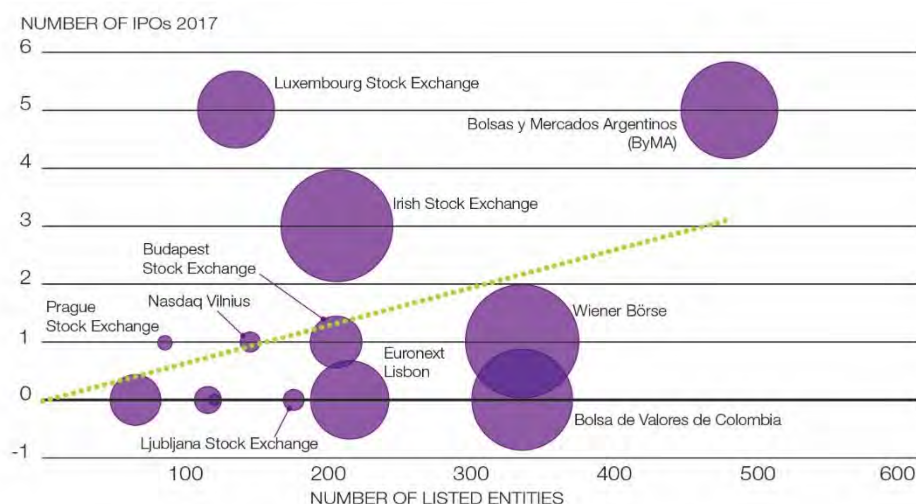
Large stock exchanges with >500 listings



Medium stock exchanges with 101-500 listings



Small stock exchanges with 0-100 listings



Note: Bubble size indicates market capital relative to reference group. Trendlines show the correlation between the number of listed entities and the number of IPOs. Based on 50 stock exchanges in 47 jurisdictions. Euronext Paris and Nasdaq Copenhagen are excluded due to absence of data on number of IPOs.

Out of the 52 stock exchanges in 49 jurisdictions, 33 (63%) are either self-listed or have an ultimate parent company that is listed on one or more of its own exchanges. Eleven stock exchanges are classified as joint stock companies but their stocks are not listed on the exchanges. An additional eight remain non-listed as a private corporation, association or other form such as a state-owned public institution (Table 1.2)**.**

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 for-profit corporation (demutualisation) (Ryden, 2010). The first stock exchange to demutualise (or privatise from a government-owned entity) was the Stockholm Stock Exchange in 1993, followed by more than 20 other 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 owned by the state through Turkey's sovereign wealth fund (transferred from the Treasury in 2017), a public offer of the shares can be made upon determination by the Council of Ministers (OECD, 2013: 90).

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.

Table 1.1 Market characteristics, 2017

Jurisdiction	Main national stock exchange	N° domestic listed companies		N° IPOs domestic and foreign	Total value traded % of GDP	Market capitalisation USD million
		Equity	Bonds			
Argentina	Bolsas y Mercados Argentinos (ByMA)	96	178	5	1.0	108 740
Australia	Australian Securities Exchange	1 842		122	61.15	1 508 429
Austria	Wiener Börse	67	108	1	9.6	150 646
Belgium	Euronext Brussels	116	10	3	-	437 794
Brazil	B3 - Brasil Bolsa Balcão S.A.	335	582	10	32.2	954 715
Canada	TMX Group	3 278	0	96	77.9	2 367 132
Chile	Bolsa de Comercio de Santiago	212	154	2	13.7	294 676
China	Shanghai Stock Exchange	1 396	3 043	214	61.0	5 070 626
	Shenzhen Stock Exchange	2 089	3 846	222	74.6	3 608 112
Colombia	Bolsa de Valores de Colombia	67	69	0	4.2	121 477
Costa Rica	Bolsa de Valores de Costa Rica	10	35	0	0.12	2 436
Czech Republic	Prague Stock Exchange	13	42	0	2.7	32 280
Denmark	Nasdaq Copenhagen A/S	141	34	6	66.4	432 307
Estonia	NASDAQ Tallinn	17	3	1	-	2 951
Finland	Nasdaq Helsinki	130	53	8	60.14	285 767
France	Euronext Paris	465	-	-	-	2 749 315
Germany	Deutsche Börse AG	450	300	16	42.4	2 262 233
Greece	Athens Stock Exchange	196	8	2	7.6	50 605
Hong Kong, China	Hong Kong Exchanges and Clearing Limited (HKEX)	1 987	338	174	[572]	4 350 501
Hungary	Budapest Stock Exchange	41	12	1	7 014	31 563
Iceland	NASDAQ OMX Iceland	23	57	0	19.35	9 133
India	National Stock Exchange of India	1 676	14	103	52.14	1 850 680
	Bombay Stock Exchange	4 939	558	83	5.81	1 871 122
Indonesia	Indonesia Stock Exchange	615	128	37	9.1	520 685
Ireland	Irish Stock Exchange	41	-	3	8.7	146 555
Israel	Tel-Aviv Stock Exchange	437	216	20	19.7	231 052
Italy[1]	Borsa Italiana	298	73	22	36.3	760 895
Japan	Japan Exchange Group	3 598	21	104	118.6	6 222 835
Korea	Korea Exchange	2 114	570	111	131.4	1 771 776
Latvia	Nasdaq Riga	24	14	0	0.18	1 489
Lithuania	Nasdaq Vilnius	29	1	1	0.2	4 512

Jurisdiction	Main national stock exchange	N° domestic listed companies		N° IPOs domestic and foreign	Total value traded % of GDP	Market capitalisation USD million
		Equity	Bonds			
Luxembourg	Luxembourg Stock Exchange	27	192	5	142	68 362
Malaysia	Bursa Malaysia	891	-	14	43.7	452 817
Mexico[2]	Bolsa Mexicana de Valores	141	-	5	9.9	417 021
Netherlands	Euronext Amsterdam	102	-	2	72.5	1 100 105
New Zealand	NZX Limited	164	41	1	5.8	94 694
Norway	Oslo Børs	180	436	17	29.5	287 194
Poland[3]	Warsaw Stock Exchange	432	161	15	13.0	407 822
Portugal	Euronext Lisbon	43	44	0	12.4	75 555
Russia	Moscow Exchange	230	335	4	9.2	623 425
Saudi Arabia	Saudi Stock Exchange (Tadawul)	182	-	10	32.6	451 161
Singapore	Singapore Exchange	482	-	25	61.2	198 337
Slovak Republic	Bratislava Stock Exchange	-	-	-	-	-
Slovenia	Ljubljana Stock Exchange	35	15	0	0.78%	6 318
South Africa	Johannesburg Stock Exchange	377	132	21	118.1	1 256 759
Spain[4]	Bolsas y Mercados Españoles (BME)	134	-	2	59	839 879
Sweden[5]	Nasdaq Stockholm	782		120	96	777 499
Switzerland	SIX Swiss Exchange	228	819	4	139.7	1 686 497
Turkey	Borsa Istanbul	374	47	3	44.3	227 511
United Kingdom[7]	London Stock Exchange	990	-	83	66	-
United States	New York Stock Exchange (NYSE)	1 791		77	205.2[7]	22 081 367
	NASDAQ – US	2 545		134	-	10 039 336

Definitions: - = No data available

N° of domestic listed companies: refers to the number of domestic companies which have shares listed on an exchange at the end of the period, excluding investment funds and unit trusts, and companies whose only business goal is to hold shares of other listed companies such as holding companies and investment companies, and regardless of their legal status. A company with several classes of shares is counted just once. Only companies admitted to listing are included.

Bonds: includes number of domestic issuers in a given year for corporate bonds, bonds issued by domestic banks and financial institutions as of 31 December 2017. This excludes domestic public bonds issued by government, and/or state-related organisations and institutions.

N° of IPOs (or number of newly listed companies in WFE dataset): is the number of companies which list shares for the first time on a stock exchange. Only companies admitted to listing are included.

Total value traded (as % of GDP): The total number of shares traded, both domestic and foreign, multiplied by their respective matching prices, as a percentage of Gross Domestic Product (GDP). Figures are single counted (only one side of the transaction is considered). Companies admitted to listing and admitted to trading are included in the data. Data are end of year values.

Market capitalisation: The domestic market capitalisation of a stock exchange is the total number of issued shares of domestic companies (as defined in the number of listed companies definition), including their several classes, multiplied by their respective prices at a given time. This figure reflects the comprehensive value of the market at that time. The market capitalisation figures include a) shares of listed domestic companies, b) shares of foreign companies which are exclusively listed on an exchange, i.e. the foreign company is not listed on any other exchange, c) common and preferred shares of domestic companies, d) shares without voting rights.

Sources: World Federation of Exchanges (WFE), 2017 and national sources. For total value of shares traded as well as market capitalisation of **Austria, Belgium, France, Hungary, the Netherlands, Poland, Portugal** and **Slovenia,** World Bank DataBank.

Euronext includes **Belgium, France, Ireland, the Netherlands, Portugal** and **Ireland**.

Notes:

[1] For **Italy**, number of domestic issuers of equity and bonds and number of IPOs in 2017 are taken from the OECD Capital Market Review 2018 Mapping Report and include companies in all segments listed on the exchange including AIM Italia.

[2] In 2018, **Mexico** established a second stock exchange, Bolsa Institucional de Valores.

[3] For **Poland**, data is provided for the Warsaw Stock Exchange Main Market only (excluding alternative market MTF)

[4] Figures for **Spain** include the continuous (main market only), and do not include companies on the alternative market or Latibex.

[5] Figures for **Sweden** include aggregated data of Nasdaq Stockholm, Nasdaq First North, NGM Equity, Nordic MTF and Spotlight Stock Market. For the main market alone, Sweden reported 296 domestic listed companies, 14 IPOs and market capitalisation of USD 757 677.

[6] Figures for the **United Kingdom** come from the London Stock Exchange’s website. The total value traded reflects the UK order book only.

[7] This is the total number of shares traded in the **United States**, both domestic and foreign, multiplied by their respective matching prices, as a percentage of GDP.

Table 1.2 The largest stock exchanges

Jurisdiction	Largest stock exchanges		Group	Legal status	Self-listing
Argentina	MerVal	Bolsas y Mercados Argentinos (ByMA)1	Domestic	Private corporation or association	Yes
Australia	ASX	Australian Securities Exchange	-	Joint stock company	Yes
Austria		Wiener Börse	CEESEG	Private corporation or association	No
Belgium		Euronext Brussels	Euronext	-	(Holding)
Brazil	B3	B3 – Brasil Bolsa Balcão S.A.	-	Joint stock company	Yes
Canada	TMX	Toronto Stock Exchange	TMX	Joint stock company	Yes
Chile		Santiago Stock Exchange	-	Joint stock company	Yes
China	SSE	Shanghai Stock Exchange	-	Private corporation or association/SOE[2]	No
	SZSE	Shenzhen Stock Exchange	-	Private corporation or association/SOE[2]	No
Colombia	BVC	Bolsa de Valores de Colombia	BVC	Joint stock company	Yes
Costa Rica	BNV	Bolsa Nacional de Valores	-	Private corporation or association	No
Czech Republic	PSE	Prague Stock Exchange	CEESEG	Joint stock company	No
Denmark		NASDAQ Copenhagen A/S	NASDAQ Nordic LTD [3]	Private corporation or association	(NASDAQ)
Estonia	TSE	Nasdaq Tallinn AS	NASDAQ Nordic LTD [3]	Joint stock company	(NASDAQ)
Finland	OMXH	NASDAQ Helsinki	NASDAQ Nordic LTD [3]	Private corporation or association	(NASDAQ)
France	-	Euronext Paris	Euronext	Joint stock company	(Holding)
Germany		Deutsche Börse	-	Joint stock company	Yes
Greece	ATHEX	Athens Exchange	-	Joint stock company	Yes
Hong Kong, China	SEHK	The Stock Exchange of Hong Kong Limited		Private corporation or association	Yes
Hungary	BSE	Budapest Stock Exchange	-	Joint stock company	No
Iceland		NASDAQ OMX Iceland	NASDAQ Nordic LTD [3]	Private corporation or association	(NASDAQ)
India[4]	NSE	National Stock Exchange	-	Joint stock company	No
	BSE	Bombay Stock Exchange	-	Joint stock company	No
Indonesia	IDX	Indonesia Stock Exchange	-	Private corporation or association	No
Ireland	ISE	Euronext Dublin	Euronext	Private corporation or association	No
Israel	TASE	Tel Aviv Stock Exchange	-	Private corporation or association	No

Jurisdiction	Largest stock exchanges		Group	Legal status	Self-listing
Italy		Borsa Italiana	LSEG	Joint stock company	(LSEG)
Japan	TSE	Tokyo Stock Exchange	JPX	Joint stock company	(JPX)
Korea	KRX	Korea Exchange	-	Joint stock company	No
Latvia	XRIS	Nasdaq Riga	NASDAQ Nordic LTD [3]	Joint stock company	(NASDAQ)
Lithuania		Nasdaq Vilnius	NASDAQ Nordic LTD [3]	Private corporation or association	(NASDAQ)
Luxembourg	LSE	Luxembourg Stock Exchange	-	Private corporation or association	No
Malaysia	KLSE	Bursa Malaysia	-	Private corporation or association	Yes
Mexico[5]	BMV	Bolsa Mexicana de Valores	Domestic	Joint stock company	Yes
Netherlands	AMS	Euronext Amsterdam	Euronext	Joint stock company	(Holding)
New Zealand	NZX	New Zealand Exchange	-	Joint stock company	Yes
Norway	OSE	Oslo Stock Exchange	-	Joint stock company	No
Poland	WSE	Warsaw Stock Exchange	-	Joint stock company/SOE	Yes
Portugal	ELI	Euronext Lisbon	Euronext	Joint stock company	(Holding)
Russia	MOEX	Moscow Exchange	Moscow Exchange	Joint stock company	(Moscow Exchange)
Saudi Arabia	TASI	Saudi Stock Exchange Tadawul	-	Joint stock company/SOE	No
Singapore	SGX	Singapore Exchange	-	Joint stock company	Yes
Slovak Republic	BSSE	Burza Cenných Papierov v Bratislave	-	Joint stock company	No
Slovenia	LJSE	Ljubljana Stock Exchange	CEESEG	Joint stock company	No
South Africa	JSE	Johannesburg Stock Exchange Limited	JSE Limited	Joint stock company	Yes
Spain	BME	Bolsas y Mercados Espanoles	BME	Joint stock company	Yes
Sweden		Nasdaq Stockholm	NASDAQ Nordic LTD[3]	Private corporation or association	(NASDAQ)
Switzerland	SIX	SIX Swiss Exchange	SIX Group AG	Joint stock company	No
Turkey	BIST	Borsa Istanbul	-	Joint stock company/SOE [6]	No
United Kingdom	LSE	London Stock Exchange	LSEG	Joint stock company	Yes
United States	NYSE	New York Stock Exchange	Intercontinental Exchange, Inc.	Joint stock company	Yes
	NASDAQ	NASDAQ Stock Market	Nasdaq OMX	Joint stock company	Yes

Key: SOE = state-owned enterprise, - = no data available. () = holding company listing

Notes:

[1] In **Argentina**, ByMA is a continuation of the activity of the Stock Market of Buenos Aires S.A., with the particularity that in the constitution of the new entity the Stock Exchange of Buenos Aires has been incorporated as a shareholder.

[2] In **China**, the law (Law of the People's Republic of China on Securities, Article102) provides that a stock exchange is a legal person performing self-regulatory governance which provides the premises and facilities for centralised trading of securities, organizes and supervises such securities trading and that the establishment and dissolution of a stock exchange shall be subject to decision by the State Council.

[3] 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.).

[4] In **India**, there are three nation-wide stock exchanges- NSE, BSE and MSE as mentioned above. Both NSE and BSE have been included in this table since NSE is largest in terms of volume of trading and BSE is largest in terms of number of entities listed on the stock exchange.

[5] In **Mexico**, a second exchange, Bolsa Institucional de Valores (BIVA) started trading in July 2018.

[6] In **Turkey**, in line with the Council of Ministers resolution 2017/9756 published in the Official Gazette dated 5 February 2017, the shares owned by the Treasury in Borsa Istanbul were transferred to the Turkish Wealth Fund Management, which is ultimately owned by the state.

2. The corporate governance framework

2.1. The regulatory framework for corporate governance

Changes to jurisdictions' corporate governance legal frameworks have been quite dynamic: 84% have amended either their company law or securities law to incorporate changes since 2015. Nearly half of all jurisdictions have revised their national corporate governance codes in the past two years. The balance between formal regulation and a "comply or explain" approach in the corporate governance framework varies among jurisdictions.

While nearly all jurisdictions now have national codes or principles, with 83% 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.

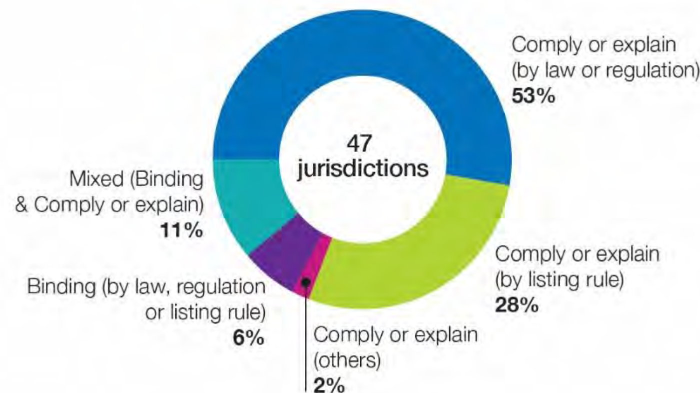
In dealing with corporate governance issues, countries have used various combinations of legal and regulatory instruments on the one hand, and codes and principles on the other. In all jurisdictions, corporate governance standards are included in company law and securities law. Company laws set forth 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.

In addition, nearly all jurisdictions complement their legal and regulatory requirements with corporate governance codes; 83% have such codes involving voluntary recommendations, which listed companies are generally required either to apply and/or to disclose an explanation, in particular if they do not follow the recommendation. An additional five jurisdictions (11%) report that they have a mixed system with codes that provide some binding and some voluntary measures (Table 2.2 and Figure 2.1).

Only three jurisdictions do not have national codes or principles under the "comply or explain" framework. **India** and the **United States** instead rely upon their laws, regulations and listing rules as their legal corporate governance framework. **China** is another notable exception. While it has a national corporate governance code that it updated in 2018, it is fully binding, so may instead be understood as mandatory regulation.

National corporate governance codes are updated with increasing frequency, with 23 revised codes issued during 2017-18, an increase from 17 new or updated codes in the previous biennium. In the majority of jurisdictions, national authorities and/or stock exchanges have taken the lead in setting up or revising the codes.

Figure 2.1 Implementation mechanisms of corporate governance codes, %



Note: See Table 2.2 for data.

Box 2.1. Variations on comply-or-explain reporting on corporate governance codes

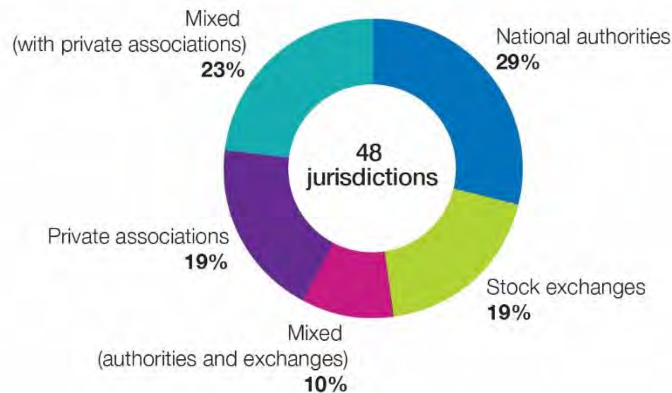
A few countries have developed unique systems for promoting implementation of national corporate governance codes that do not hew strictly to usual comply-or-explain systems. For example, in **Costa Rica**, the National Council of Supervision of the Financial System (CONASSIF) Corporate Governance Regulation is mandatory to implement but based on a "comply and explain" rule, unlike the more common model followed in other countries under which the company may choose not to comply but must explain the reason why. While complying with the code is considered mandatory, it also suggests that companies may apply the principle of proportionality, meaning that in practice there remains some flexibility in how the code is applied. Listed companies are nevertheless mandated under the national code to establish and disclose their own codes and additional information consistent with the disclosure and transparency recommendations of the G20/OECD Principles of Corporate Governance.

In **Malaysia,** the Malaysian Code on Corporate Governance follows an “apply or explain an alternative” approach, where companies that are not applying the practices prescribed by the Code must provide an explanation for the departure, and disclose an alternative practice that meets the intended outcome of the principles of the Code. In addition, large companies (as defined in the Code) departing from a recommended practice in the Code are required to disclose measures to be taken by the company to adopt the practice and the time frame for their adoption. The disclosure requirements are mandated in the Listing Requirements, which apply to all Code practices, and to all listed companies.

Mexico provides an example of a mixed approach involving binding and voluntary code recommendations. In 2005, its securities market law incorporated a minimum framework of the practices and principles of sound corporate governance for listed companies contained in the Code of Principles and Best Practices in Corporate Governance. That is, while the Code itself is not binding, many of the practices previously recommended in it have become binding by Law. Moreover, Stock Exchange listing rules require listed companies to disclose their degree of adherence to the Code both to the Stock Exchange in which their stock is traded, and to investors. Stock Exchange listing rules also require issuing companies to be knowledgeable about the Code.

National authorities are the formally designated custodians for their codes in 29% of jurisdictions, while exercising the role jointly with stock exchanges in another 10%. The role of national authorities has increased significantly from 2015, when it represented just 17%. Stock exchanges and private associations have each taken the lead in 19% of jurisdictions, while the remaining 23% of jurisdictions have featured a mix of private associations, stock exchanges and national authorities (Table 2.3 and Figure 2.2). Update procedures for the codes have remained flexible in most jurisdictions.

Figure 2.2 Custodians of corporate governance codes, %



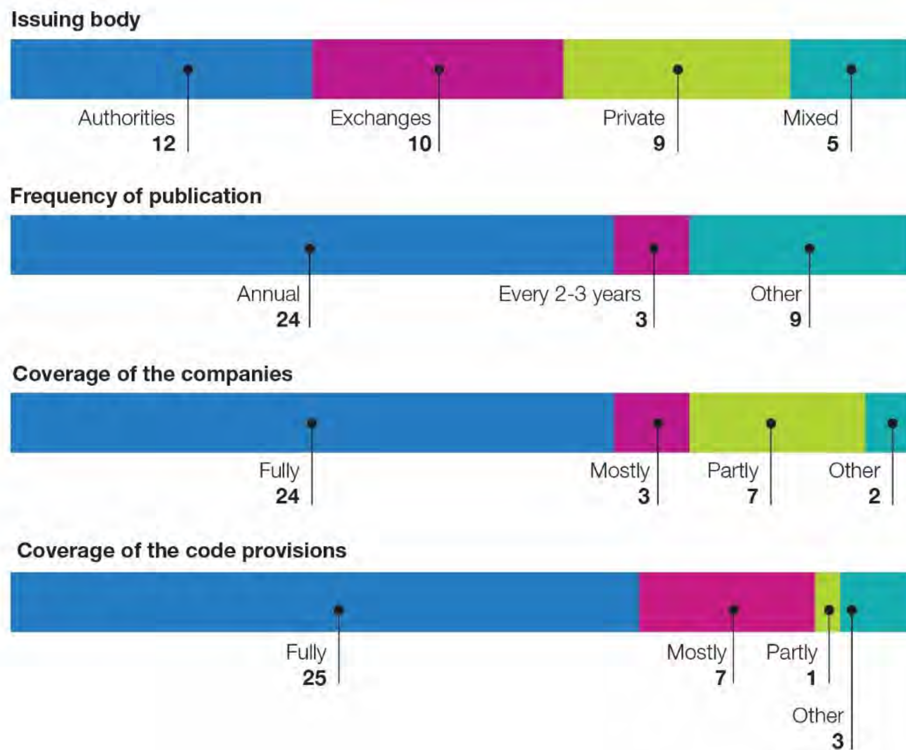
Note*:* See Table 2.3 for data.

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 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 36 institutions (in 33 jurisdictions) issue a national report reviewing adherence to the corporate governance code by listed companies in the domestic market. Approximately two-thirds of these issue such reports annually, and in most cases they cover all listed companies and all code recommendations. National regulators review and publish such reports in 12 jurisdictions. Stock exchanges review and publish such reports in 10 jurisdictions. Thus, national authorities or stock exchanges take the lead in publishing reports on listed companies' adherence to the code in approximately two-thirds of the jurisdictions that report on such codes (up from 58% in 2015), while in a smaller number of jurisdictions such reports are prepared by business/investor or multi-stakeholder groups. (Figure 2.3 and Table 2.4)

Figure 2.3 National reporting on adherence to corporate governance codes



Note: Based on 36 institutions in 33 jurisdictions. See Table 2.4 for data.

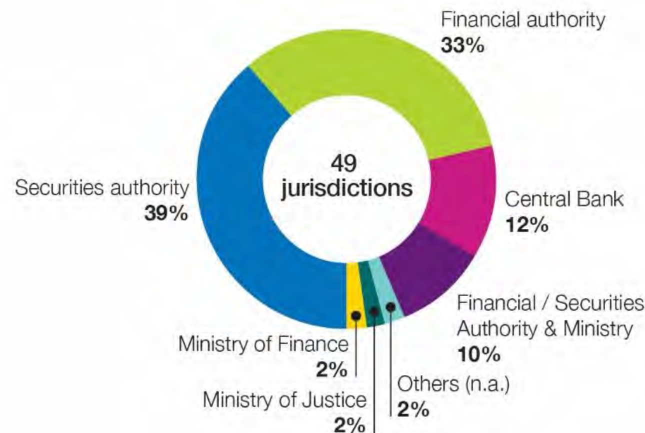
2.2. The main public regulators of corporate governance

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, financial regulators or a combination of the two play the key role in 82% of all jurisdictions (Table 2.7 and Figure 2.4). The Central Bank plays the key role in an additional 6 jurisdictions (12%). Differing approaches are taken in a few jurisdictions. 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, 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. The division of corporate governance regulators has not changed significantly since 2015.

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 2.4 Who is the regulator of corporate governance?

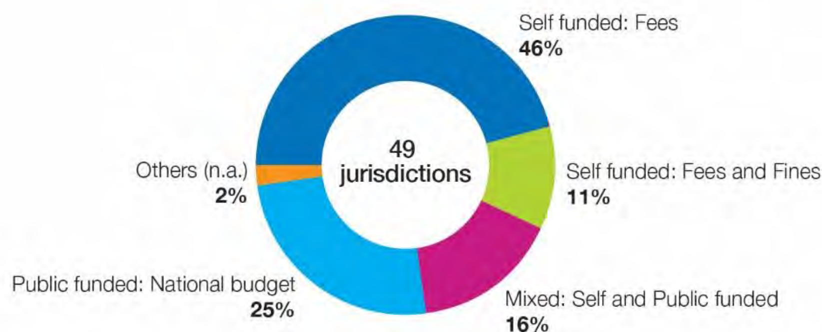


Note: See Table 2.5 for data.

More than two-thirds of regulators are funded fully or partly by fees from regulated entities, while 25% of regulators are fully financed by the government budget.

Most regulators are funded fully by fees and/or fines (32 institutions) or partially (nine institutions) by fees from regulated entities, while a quarter of the regulators (14 institutions) in the survey are fully financed by the government budget (Figure 2.5). 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). Self-funding from fees has increased from 35% in 2015 to 46% in 2018, while self-funding from fees and fines, as well as national budget financing have decreased slightly during the same period.

Figure 2.5 How is the regulator funded?

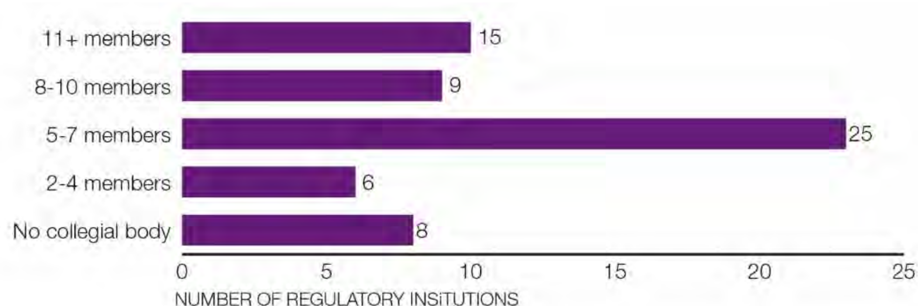


Note: Based on 46 regulatory institutions across 49 jurisdictions. See Table 2.6 for data. The jurisdictions with two main regulators are counted twice.

The issue of the independence of regulators is commonly addressed through the creation of a formal governing body. The typical board size is 5 to 7 members, but it may range as low as two and as high as 17 members.

The issue of the independence of regulators is commonly addressed (among 86% 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 2.6). Seats are sometimes reserved for representatives from specific institutions, such as central banks (in 18 jurisdictions) and other public authorities (in 10 jurisdictions) (Table 2.7). However, a significant number (8 jurisdictions) have no governing board, although **Chile** established a Financial Markets Commission in 2018 with a 5-member board. 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 2.6 What size are boards of regulators?

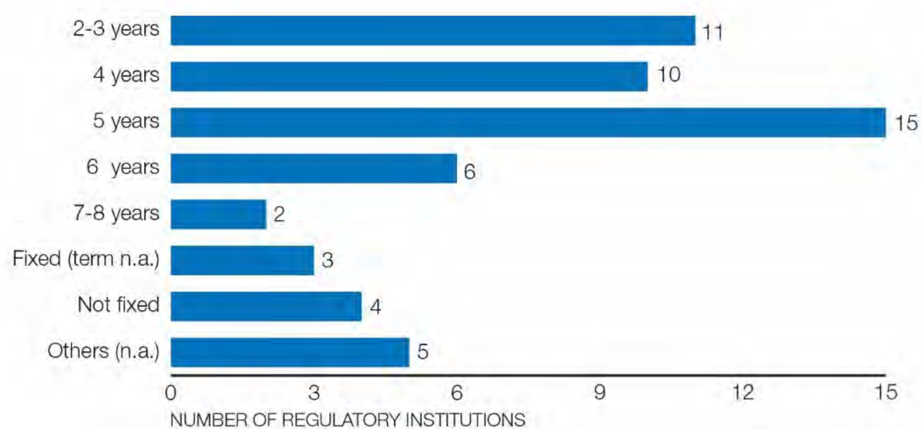


Note*:* Based on 55 regulatory institutions in 48 jurisdictions. Jurisdictions with two main regulators are counted twice. See Table 2.7 for data.

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

Members of a governing body are given fixed terms of appointment in 47 institutions, ranging from two to eight years (most commonly four to five years) (Table 2.8, Figure 2.7). 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 six jurisdictions (**Costa Rica**, the **Czech Republic**, **France**, **Saudi Arabia**, **Spain** and **Turkey**) or twice in two jurisdictions (the **Netherlands** and **Switzerland**).

Figure 2.7 What term of office do board members of the regulator serve?



Note: Based on 56 regulatory institutions in 49 jurisdictions. See Table 2.8 for data.

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

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
Argentina	Companies Law	2014		Capital Market Law Nº 26831		2018	Rule Nº 622/13 (Ordered Text 2013 CNV)
Australia	Corporations Act 2001		2018				Listing rules
Austria[1]	Commercial Code	2018		Stock Corporation Act	2014		
Belgium[1]	Company Code	2013		Law of 2 August 2002	2014	2013	
Brazil	Corporation Act	2013	2001	Securities Act	2017		Rules, Instructions (CVM)
Canada	Federal *(Canada Business Corporations Act)* or provincial statutes	2018 (federal)	2018 (federal)	Provincial securities laws (e.g. Securities Act in Ontario)	-		*Canada Business Corporations Regulations* (federal) plus provincial regulations
Chile	Corporations Law	2014		Securities Market Law	2014		Rule No. 385 of 2015 (CMF)
China	The Company Law of the People`s Republic of China	2018	-	Securities Law of the People's Republic of China	2014	-	Code of Corporate Governance for Listed Companies in China; Regulations (CSRC)
Colombia	Commercial Code	1971	-	Securities Market Law 964	2005	-	Rules, Instructions (SFC)
	Law 222 of 1995	1995					
Costa Rica	Code of Commerce	2016	-	Regulatory Law of the Securities Market	1997	-	
Czech Republic	Business Corporations Act	2017	2012	Capital Market Undertakings Act	2017	2018	
Denmark	Company Act	2015	2009	Capital Markets Act	2019	-	Listing rules by Nasdaq Copenhagen: Rules for issuers of shares
	Financial Statements Act	2015	2009				
Estonia	Commercial Code	2018	2018	Securities Market Act	2018	2018	
Finland	Limited Liability Companies Act	2017	2011	Securities Markets Act	2016	2013	
France	Code de Commerce	2017	2013	Code monétaire et financier	2017	2010	

Jurisdiction	Company Law	Latest update		Securities Law	Latest update		Other relevant regulations on corporate governance
		Original language	*English*		*Original language*	*English*	
Germany[1]	Commercial Code	2018	2016	Securities Trading Act	2018	2011	-
	Stock Corporation Act	2017	2016				
Greece	Law 3016/2002	2002	2002				
	Law 3693/2008	2008					
	Law 3884/2010	2010					
Hong Kong, China[1]	Companies Ordinance	2018	2018	Securities and Futures Ordinance	2018	2018	Main Board and GEM Listing Rules
	Companies (Winding Up and Miscellaneous Provisions) Ordinance	2017	2017				
Hungary	Civil Code	2016	2014	Act on the Capital Market	2014	2014	
Iceland	Act on Annual Account	2018	2006	Act on Securities Trading	2015	2007	Act on Financial undertakings (161/2002), Act on Insurance activities (56/2010)
	Act on Public Limited Companies	2017	2010				
India	Companies Act 2013		2018	Securities and Exchange Board of India Act	1992	2017	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
				Securities Contract (Regulation) Act	1956	2017	
Indonesia	Company Law	2007	2007	Capital Market Law	1995	1995	Rules (OJK) IDX Rules on Listing
Ireland	Companies Act	2014	2018	Securities Markets Regulations		2016	Listing Rules and the statutory Corporate Governance Code for Credit Institutions
				Funds Regulation		2017	
Israel	Companies Law	2016	2011	Securities Law	2017	2017	Securities Regulations, Companies Regulations (ISA)
Italy	Civil Code	2016	-	Consolidated Law on Finance	2018	2018	Regulations (Consob)
Japan	The Companies Act	2014	2015	Financial Instruments and Exchange Act	2017	2017	Regulations (FSA)

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
Korea	Company Act	2016	2015	Financial investment Services and Capital Markets Act	2016	2016	Act on Corporate Governance of Financial Companies
Latvia	Company Law	2017	2017	Financial Instrument Market Law	2016	2017	Group of Companies Law, Listing rules
Lithuania	Law on Companies	2018	2014 (related changes 2017)	Law on Securities	2018	2015	Law on Markets in Financial Instruments
Luxembourg	Companies Act	2003	-	Law on markets in financial instruments	2018	-	
Malaysia	Companies Act	2016	2016	Securities Commission Act	2017	2017	Bursa Malaysia Listing Requirements
				Capital Markets and Services Act	2015	2015	
				Securities Industry Act (Amendment)	2004	2004	
Mexico	General Law of Mercantile Corporations	2018		Securities Market Law	2018		Rules applicable to Issuers (CNBV) Stock Exchanges Internal Rules & Regulations
Netherlands	Netherlands Civil Code	2013		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	Financial Markets Conduct Regulations
Norway	Public Limited Liability Companies Act	2017	2014	Securities Trading Act	2014	2014	
Poland	Code of Commercial Companies	2018		Act on Trading in Financial Instruments Act on Public Offer of Financial Instruments	2018		

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
Portugal	Companies Law	2017	2017	Securities Law	2018		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 22.04.1996 (Securities Law)	2018	-	Bank of Russia Regulations, Listing Rules
	Federal Law “On Joint-Stock Companies” № 208-FZ of 26.12.1995 (JSC Law)	2018	-				
Saudi Arabia	Companies Law	2018	-	Capital Market Law	2003	2018	Corporate Governance Regulation issued by the CMA
Singapore	Companies Act		2018	Securities and Futures Act		2018	SGX Listing Manual; Corporate governance regulations for banks, insurers and financial market infrastructures
Slovak Republic	Commercial Code						
Slovenia[1]	Companies Act	2017	-	Market in Financial Instruments Act	2017	2010	ZSDH-1 - The Slovenian Sovereign Holding Act The Ordinance on State Assets Management Strategy
South Africa	Companies Act	2008	2011	Financial Markets Act	2012	2012	
Spain	Capital Company Act	2015		Securities Market Law	2018		Regulations (CNMV); Good Governance Code of Listed Companies

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
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	2017		
Switzerland	The Code of Obligations (CO)	2017	2017	Financial Market Infrastructure Act	2017	2017	Laws, Ordinances, Circulars, Self-regulation (FINMA)
				Stock Exchange Act	2016		
				Regulations of the Swiss Stock Exchange	2018	2018	
Turkey	Turkish Commercial Code no. 6102 (TCC)	2018	-	Capital Market Law no. 6362	2018	2012	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		2018	
				Securities Exchange Act of 1934		2018	

Key: - = no data available. The online version of the publication contains links to websites and reports where available.

[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

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Basis for framework	Approach	Disclosure in annual company report	Surveillance
Argentina	Corporate Governance Code	Law or regulation	Comply or explain	Required	Securities regulator
Australia	Corporate Governance Principles and Recommendations[1]	Listing rule	Comply or explain	Required	Stock exchange
Austria	Austrian Code of Corporate Governance	Law or regulation	Comply or explain	Required	
Belgium	The 2009 Belgian Code on Corporate Governance	Law or regulation	Comply or explain	Required	Securities regulator
Brazil	Brazil Corporate Governance Code – Listed Companies	Law or regulation	Comply or explain	Required	Securities regulator
Canada	Corporate Governance: Guide to Good Disclosure	Law or regulation	Comply or explain	Required	
Chile	Practices for Corporate Governance Rule N°3851	Law or regulation	Comply or explain[2]	Not Required[2]	Securities regulator
China	The Code of Corporate Governance for Listed Companies in China 2018	Law or regulation, Listing rule	Binding	Required	Securities regulator & Stock exchange
Colombia	Codigo Pais 2014	Law or regulation[3]	Comply or explain[3]	Required	Securities regulator
Costa Rica	CONASSIF Corporate Governance Regulation	Law or regulation	Comply or explain[4]	Required[4]	Securities regulator
Czech Republic	Czech Corporate Governance Code	Voluntary	Comply or explain	Required	-
Denmark	Recommendations on Corporate Governance	Law or regulation, Listing rule	Comply or explain	Required	Securities regulator, Stock exchange & Private
Estonia	Corporate Governance Recommendations	Law or regulation	Comply or explain	Required	Securities regulator, Stock exchange & Private
Finland	Finnish Corporate Governance Code	Listing rule	Comply or explain	Required	Stock exchange
France	Corporate Governance Code of Listed Corporations	Law or regulation	Comply or explain	Required	Private & Securities regulator
Germany	German Corporate Governance Code	Law or regulation	Comply or explain	Required	
Greece	Hellenic Corporate Governance Code For Listed Companies	Law or regulation	Comply or explain	Required	
Hong Kong, China	Corporate Governance Code (Appendix 14 of the Main Board Listing Rules)	Listing rule	Comply or explain	Required	Stock exchange
Hungary	Corporate Governance Recommendations	Law or regulation	Comply or explain	Required	
Iceland	Corporate Governance Guidelines	Listing rule	Comply or explain	Required	Stock exchange
	Nasdaq Iceland Rules for issuers	Law or regulation	Binding		

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Basis for framework	Approach	Disclosure in annual company report	Surveillance
India	SEBI (listing Obligations and Disclosure Requirement) Regulations, 2015	Law or regulation	Binding	Required	Securities regulator & Stock exchange
Indonesia	Good Corporate Governance Code	Voluntary	Comply or explain	Not Required	-
	OJK Rules on Corporate Governance for Issuers	Law or regulation	Binding	Required	Securities regulator
	Corporate Governance Guidelines of Public companies	Law or regulation	Comply or explain	Required	Securities regulator
Ireland	Irish Stock Exchange Listing Rules applying UK Corporate Governance Code with Irish Annex	Listing rule	Comply or explain	Required	-
Israel[5]	Code of recommended corporate governance embedded in Companies Law	Law or regulation	Other and Comply or explain	Required	Securities regulator
Italy	Corporate Governance Code	Law or regulation, Listing rule	Comply or explain	Required	Securities regulator, Stock exchange & Private
Japan	Corporate Governance Code	Listing rule	Comply or explain	Required	Stock exchange
Korea	Code of Best Practices for Corporate Governance/Disclosure Rules on KOSPI Market	Listing rule	Comply or explain	-	Stock exchange
Latvia	NASDAQ Principles of Corporate Governance and Recommendations on their Implementation	Law or regulation, Listing rule	Comply or explain	Required	Stock exchange
Lithuania	The Corporate Governance Code for the Companies Listed on Nasdaq Vilnius	Law or regulation, Listing rule	Comply or explain	Required	Securities regulator & Stock exchange
Luxembourg	Ten Principles of Corporate Governance	Listing rule	Comply or explain	Required	Stock exchange
Malaysia	Malaysian Code on Corporate Governance	Listing rule	Other[6]	Required	Securities regulator & Stock exchange
Mexico	Code of Principles and Best Practices in Corporate Governance	Law or regulation, Listing rule[7]	Other[7]	Required	Securities regulator & Stock exchange
Netherlands	Dutch Corporate Governance Code	Law or regulation	Comply or explain	Required	Securities regulator
New Zealand	NZX Corporate Governance Code	Listing rule	Comply or explain	Required	Securities regulator
	Corporate Governance in New Zealand	-	-	-	
Norway	Norwegian Code of Practice for Corporate Governance	Listing rule	Comply or explain	Required	
Poland	Code of Best Practice of WSE Listed Companies	Law or regulation, Voluntary	Comply or explain	Required	Stock exchange
Portugal	The Corporate Governance Code of IPCG	Law or regulation	Comply or explain	Required[8]	Privation institution[8]

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Basis for framework	Approach	Disclosure in annual company report	Surveillance
Russia	Corporate Governance Code	Law or regulation, Listing rule[9]	Comply or explain	Required	Securities regulator & Stock exchange
Saudi Arabia	Corporate Governance Regulations	Law or regulation	Binding & Comply or explain	Required	Securities regulator
Singapore	Code of Corporate Governance	Listing rule	Comply or explain	Required	Stock exchange
Slovak Republic	Corporate Governance Code for Slovakia	Law or regulation	Comply or explain	Required	
Slovenia	Corporate Governance Code for Listed Companies	Law or regulation, Listing rule	Comply or explain	Required	Securities regulator & Stock exchange
South Africa	King Code for Listed Companies	Listing rule	Comply or explain	Required	Stock exchange
Spain	Good Governance Code of Listed Companies	Law or regulation	Comply or explain	Required	Securities regulator
Sweden	Swedish Corporate Governance Code	Law or regulation	Comply or explain	Required	Securities regulator & Stock exchange
Switzerland	Swiss Code of Best Practice for Corporate Governance	Voluntary	Comply or explain[10]	-	-
	Directive on Information relating to Corporate Governance	Listing rule	Comply or explain	Required	Stock exchange
Turkey	Corporate Governance Principles	Law or regulation	Binding & Comply or explain	Required	Securities regulator
United Kingdom	UK Corporate Governance Code	Listing rule	Comply or explain	Required	Securities regulator
United States	NASDAQ Listing Rules	Law or regulation, Listing rule	Binding	Required	Securities regulator & Stock exchange
	NYSE Listed Company Manual		Binding	Required	

Key: - = no data available. The online version of the publication contains links to websites and reports where available.

Notes:

[1] **In Australia**, the ASX has consulted on the 4th edition of the ASX Corporate Governance Principles and Recommendations. It is expected that the 4th edition will be released in early 2019, becoming effective from mid-2019.

[2] In **Chile**, although there is no Corporate Governance Code, there is a regulatory requirement for disclosure that the Chilean regulator considers to function similarly to a code. Hence, listed companies are obliged to perform a self-assessment with regard to the adoption of good practices of corporate governance, and report to the CMF on a "comply or explain" basis.

[3] In **Colombia**, the Código País recommendations are adopted on a voluntary basis by issuers; however, disclosure against the code is required by regulation, and once practices are reported as adopted, they become mandatory. Issuers have to include in their internal codes a clause under which the firm, its directors and employees are required to comply with the recommendations that were voluntarily adopted, as well as fill and submit the Código País Implementation Report to the SFC on an annual basis.

[4] In **Costa Rica**, the National Council of Supervision of the Financial System (CONASSIF) Corporate Governance Regulation is mandatory to implement but based on a "comply and explain" rule (See Box on country examples for more details).

[5] **Israel's** corporate governance code has both binding and voluntary recommendations embedded in its Companies Law, and which companies must report on based on the comply or explain approach.

[6] **Malaysia**'s code adopts an "apply or explain an alternative" approach (See Box 2.1 on country examples for more details).

[7] **Mexico's** code includes a number of recommendations that have become binding as a result of amendments to the Securities Market Law (LMV) incorporated in 2005. Listed companies must also disclose their degree of adherence to the Code to both the Stock Exchange and investors (See Box on country examples for more details).

[8] In **Portugal**, as of October 2017, CMVM concluded a protocol with the Portuguese Institute of Corporate Governance ("IPCG") in order to establish a model of self-regulation of the corporate governance recommendation regime. To that extent, as from 2018, the Corporate Governance Code of the CMVM was replaced by the Corporate Governance Code of the IPCG. Therefore, since January 2018, the IPCG is responsible for monitoring the adoption of its Code.

[9] 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.

[10] 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 The custodians of national codes and principles

Jurisdiction	Custodians		First code	Update	
	(Public/private/stock exchange/mixed initiative)			No.	Latest
Argentina	Comision Nacional de Valores	Public	2007	1	2012[1]
Australia	ASX Corporate Governance Council	Mixed	2003	3	2014
Austria	Austrian Working Group for Corporate Governance	Private	2002	9	2018
	Federal Ministry of Finance	Public			
Belgium	Corporate Governance Committee	Mixed	2004	1	2009
Brazil	Brazilian Securities and Exchange Commission (CVM)	Public	2016	-	2016
Canada	Provincial stock exchanges, e.g. Toronto Stock Exchange (TMX)	Exchange			2014
Chile	Comisión para el Mercado Financiero	Public	2012	1	2015
China	China Securities Regulatory Commission	Public	2002	-	2018
Colombia	Superintendencia Financiera de Colombia	Public	2007	1	2014
Costa Rica	National Council of Supervision of the Financial System (CONASSIF)	Public	2017	-	2017
Czech Republic	-[2]	-[2]	2001	2	2018
Denmark	Committee on Corporate Governance	Public	2001	8	2017
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		2018
	Mouvement des Entreprises de France (MEDEF)				
	Middlenext		2016		2016
Germany	Commission of the German Corporate Governance Code	Mixed	2002		2017
Greece	Hellenic Corporate Governance Council	Mixed			2013
Hong Kong, China	The Stock Exchange of Hong Kong Limited (SEHK)	Exchange	2005	5	2018
Hungary	Budapest Stock Exchange Company Limited	Exchange	2004		2018
Iceland	Iceland Chamber of Commerce	Public	2004	5	2015
	NASDAQ OMX Iceland	Exchange			
	SA Confederation of Icelandic Employers	Private			
India	Securities and Exchange Board of India (SEBI)	Public	2000	10	2018
	Recognised Stock Exchanges	Exchange			
Indonesia	Indonesia Financial Services Authority (OJK)	Public	2015	-	2015
Ireland	Irish Stock Exchange (following UK Financial Reporting Council recommendations)	Mixed	2003		2016

Jurisdiction	Custodians		First code	Update	
	(Public/private/stock exchange/mixed initiative)			No.	Latest
Israel	Ministry of Justice (MOJ) Israel Securities Authority (ISA)	Public	1999		2016
Italy	Corporate Governance Committee	Mixed	1999	6	2018
Japan	Tokyo Stock Exchange (TSE) and other local stock exchanges	Exchange	2015	1	2018
Korea	Korea Corporate Governance Service (KCGS)	Private	1999	2	2016
Latvia	Nasdaq Riga	Exchange	2005	2	2010 (update pending)
Lithuania	Nasdaq Vilnius	Exchange	2006	1	2010
Luxembourg	Luxembourg Stock Exchange	Exchange	2007	4	2017
Malaysia	Securities Commission of Malaysia	Public	2000	3	2017
Mexico	Business Coordinating Council (Consejo Coordinador Empresarial)	Private	1999	3	2018
Netherlands	Monitoring Committee Corporate Governance Code	Mixed	2003	2	2016
New Zealand	New Zealand Exchange (NZX)	Exchange	2003	-	2017
	Financial Markets Authority	Public	2004	-	2018
Norway	Norwegian Corporate Governance Board	Private	2005	6	2018
Poland	Warsaw Stock Exchange (WSE)	Exchange	2002		2016
Portugal	Portuguese Corporate Governance Institute (IPCG)	Private	2013	1	2018
Russia	The Central Bank of the Russian Federation	Public	2002[3]	1	2014
Saudi Arabia	Capital Market Authority	Public	2006	2	2018
	Saudi Arabian Monetary Agency SAMA (Central Bank of KSA):				
	Insurance Corporate Governance Regulation 2015	Public	2015	1	-
	Principles of Corporate Governance for Banks Operating in Saudi Arabia 2014	Public	2014	1	-
Singapore	Monetary Authority of Singapore (MAS)	Public	2001	3	2018
	Singapore Exchange (SGX)	Exchange			
Slovak Republic	Central European Corporate Governance Association	Mixed	2003		2008
Slovenia	Ljubljana Stock Exchange	Exchange	2004	7	2017
	Slovenian Directors' Association	Private	2016		
	Slovenian Chamber of Commerce	Private	2014	1	2016
	Slovenian Sovereign Holding	Public	2016		
	Ministry of Economic Development and Technology	Public			
	Managers' Association of Slovenia	Private			
	Bank Assets Management Company (BAMC)	Public			

Jurisdiction	Custodians		First code	Update	
	(Public/private/stock exchange/mixed initiative)			No.	Latest
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
	SIX Exchange Regulation (SER)	Private	2002		2018
Turkey	Capital Markets Board of Turkey (CMB)	Public	2003	4	2014
United Kingdom	Financial Reporting Council (FRC)	Mixed	2003		2018
United States	NASDAQ	Exchange	2003		2018
	New York Stock Exchange (NYSE)	Exchange	2003		2018

Notes:

[1] **Argentina's** corporate governance code was being updated during 2018 with plans to issue in 2019.

[2] 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.

[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

Jurisdiction	Issuing body		Publication		Key contents		
	R: Securities Regulator **S:** Stock exchange **P:** Private institution **M:** Mixed		Frequency (years)	Latest	Corporate governance landscape	Evaluation of the "Comply or Explain" practices	
						Coverage of the listed companies	Coverage of the provisions of codes
Argentina							
Australia							
Belgium	R	FSMA	1	2015	Yes	Fully	Partly
	P	GUBERNA and FEB	1	2015	Yes	BEL20, mid & small	Fully
Brazil							
Canada							
Chile							
China	M	CAPCO	-	2014	Yes	Partly	Mostly
Colombia	R	SFC	1	2017	Yes	Fully, plus non-listed financial institutions	Fully
Costa Rica							
Czech Republic							

Jurisdiction	Issuing body		Publication		Key contents		
	R: Securities Regulator **S:**Stock exchange **P:** Private institution **M:** Mixed		Frequency (years)	Latest	Corporate governance landscape	Evaluation of the "Comply or Explain" practices	
						Coverage of the listed companies	Coverage of the provisions of codes
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	Occasional	2017	Yes	Yes	Yes
Finland	M	Chamber of Commerce	1	2018	Yes	Fully	Fully
France	R	AMF	1	2015	Yes	Partly (60 companies)	Fully
	P	AFEP and MEDEF (via a High Committee on Corporate Governance, HCGE)	1	2015	Yes	SBF 120	Fully
Germany	P	Berlin Center of CG	1	2018	Yes	Fully	Fully
Greece							
Hong Kong, China	S	SEHK	2	2018	Yes	Partly (400 companies)	Fully
Hungary							
Iceland	-	-	-	-	-	-	-
India							
Indonesia							
Ireland	M	ISE, Irish Association of Investment Managers	-	2010	Yes	Fully	Fully
Israel							
Italy	R	Consob	1	2018	Yes	-	-
	S	Corporate Governance Committee	1	2018	Yes	Fully	Fully
	P	Assonime	1	2018	Yes	Fully	Fully
Japan	S	TSE	2	2017	Yes	Fully	Fully
Korea	S	KRX	-	2018	Yes	Fully; partly for KOSPI listed companies	Fully
Latvia	S	Nasdaq Riga	-	2015	Yes	Fully	Mostly
Lithuania	S	Nasdaq Vilnius	-	2015[1]	Yes	Fully	Mostly

Jurisdiction	Issuing body		Publication		Key contents		
	R: Securities Regulator **S:**Stock exchange **P:** Private institution **M:** Mixed		Frequency (years)	Latest	Corporate governance landscape	Evaluation of the "Comply or Explain" practices	
						Coverage of the listed companies	Coverage of the provisions of codes
Luxembourg	S	Bourse de Luxembourg	1	2017	Yes	Fully	Fully
Malaysia	R	Securities Commission Malaysia	1	2019	Yes	Fully	Fully
Mexico	P	PwC México Deloitte	2-3	2018	Yes	Mostly	Mostly
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	R	CBR	1	2017	Yes	Mostly	Mostly
Saudi Arabia	R	CMA	1	2017	-	Fully	Mostly
Singapore	S	SGX	-	2016	Yes	Mainboard companies	Fully
Slovak Republic	P	CECGA	-	2012	-	Fully	Fully
Slovenia	P	Slovenian Directors' Association (SDA)	1	2017	-	Fully	Fully
	S	Ljubljana Stock Exchange (LJSE)	1	2017	Yes	Fully	Fully
South Africa							
Spain	R	CNMV	1	2018	Yes	Fully	Fully
Sweden	P	Swedish CG Board	1	2016	Yes	Fully	Fully
Switzerland							
Turkey	R	CMB	-	2007	Yes	Mostly	Mostly
United Kingdom	R	FRC	1	2018	Yes	FTSE 350 & small	Fully
United States							

Coverage of companies and provisions is defined as *fully* (80-100%), *mostly* (50-80%), *partly* (less than 50%)

Notes:

[1] In **Lithuania**, the latest monitoring on compliance was performed in 2017; however, it is not publicly available.

Table 2.5 The main public regulators of corporate governance

Jurisdiction	Main public regulators	
Argentina	CNV	Comisión 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	CMF[1]	Comisión para el Mercado Financiero
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
Costa Rica	SUGEVAL	Superintendencia General de Valores
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 SEHK	Securities and Futures Commission The Stock Exchange of Hong Kong Limited
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
Korea	MOJ[3]	Ministry of Justice
Latvia	FCMC	Financial and Capital Market Commission
Lithuania	LB	Bank of Lithuania
Luxembourg		
Malaysia	SCM	Securities Commission Malaysia

Jurisdiction	Main public regulators	
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
	SAMA	Saudi Arabian Monetary Authority
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	CIPC[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

Notes:

[1] In **Chile**, the Financial Market Commission replaced the Superintendence of Securities and Insurance as of December 14, 2017.

[2] In **Czech Republic,** the **Netherlands**, **Singapore** and **Sweden**, the public regulator is concerned with 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 enforcing 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 2.6 Budget and funding of the main public regulator of corporate governance

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[1]	ASIC	Public & Self	●	-	●	Required	Required
Austria	FMA	Public	●	-	-		
Belgium	FSMA	Self	-	-	●		
Brazil	CVM	Public[2]	●	-	-	Required	Required
Canada (Provinces e.g. Ontario)	OSC	Self			●		
Chile	CMF	Public	●	-	-	Required	Required
China	CSRC	Public	●	-	-	Required	
Colombia	SFC	Self	-	●	●	Required	Required
Costa Rica	SUGEVAL	Public & Self[3]	●	-	●	Not required	Not 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	-	-	●	Required	
Greece	HCMC	Self	-	-	●	Required	
Hong Kong, China	SFC SEHK	Self Self	-	-	●[4] ●	Required Not required	Required Not 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	Required
Iceland	FME	Self	-	-	●	Not required	Required
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
Latvia	FCMC	Self	-	-	●	Not required	Not required
Lithuania	Bank of Lithuania	Self	-	-	●	Not required	Not 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
Luxembourg							
Malaysia	SCM	Self					
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
	SAMA	Public & Self	-	●	●	Not required	N/A
Singapore	MAS	Self	-	-	●		
	ACRA	Self	-	-	●		
Slovak Republic	MOFSR						
Slovenia	ATVP	Self	-	●	●	Not required	Not required
South Africa	CIPC	Public & Self	●	●	●	Required	Required
Spain	CNMV	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	-[5]	(50% to NB)	●	Required	Required
United Kingdom	FCA	Self	-	-	●	Not required	Not required
United States	SEC	Public[6]	●	-	●	Required	Required

Notes:

[1] In **Australia**, industry funding arrangements for ASIC became law in 2017. Each year, the Government publishes a legislative instrument setting out ASIC's regulatory costs for the previous financial year and how they are allocated. ASIC then issues levy notices to recover most of its regulatory costs from regulated entities. Regulatory costs are also recovered through fees for service pursuant to the *Corporations (Fees) Regulations 2001*.

[2] 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.

[3] In **Costa Rica**, in accordance with article 174 of the Securities Market Regulatory Law, SUGEVAL´s budget is 80% funded by the Central Bank and 20% funded by compulsory contributions of regulated entities.

[4] 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.

[5] 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.

[6] 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 2.7 Size and composition of the governing body of the main public regulator of corporate governance

Jurisdiction	Key regulators	Governing body	Composition				
			Members incl. Chair (current)	Representatives from specific bodies			
				Government	Central Bank	Others public	Others private
Argentina	CNV	Board of Directors	5	●	-	-	-
Australia	ASIC	Commission	3-8 (7)	-	-	-	-
Austria	FMA	Executive Board	2				
Belgium	FSMA	Board of Directors	4	-	-	-	-
Brazil	CVM	Board of Commissioners	5				
Canada (Provinces e.g. Ontario)	OSC	Commission	9-16 (14)				
Chile	CMF	The Board	5				
China	CSRC	Commission	6	●	-	-	-
Colombia	SFC	Superintendent Minister of Finance and Public Credit	-	-	-	-	-
Costa Rica	SUGEVAL	CONASSIF (Board of Directors)	7	●	●	-	●
Czech Republic	CNB	Bank Board	7	-	●	-	-
Denmark	DFSA	Board of directors	7				●
Estonia	EFSA	Management Board	3-5 (3)				
Finland	FIN-FSA	Board	6	-	●	●	●
France	AMF	Board	16	●	●	●	●
Germany	BaFin	Executive Board	6				
	BfJ		7				
Greece	HCMC	Board of Directors	7		●		●
Hong Kong, China	SFC SEHK	Board of Directors Board of Directors	14 5	- ●	-	-	-
Hungary	CBH	Financial Stability Board	3-10	-	●	-	-
Iceland	FME	Board of Directors	3	●	●	-	-
India	SEBI	The Board	8	●	●	●	-
	MCA	The Minister	-	-	-	-	-
Indonesia	IFSA (OJK)	Board of Commissioners	9	●	●	●	-
Ireland	CBI	Commission	10	●	-	-	-
Israel	ISA	Commissioners	12 (11)	●	●	●	●
Italy	CONSOB	Commission	5	-	-	-	-

Jurisdiction	Key regulators	Governing body	Composition				
			Members incl. Chair (current)	Representatives from specific bodies			
				Government	Central Bank	Others public	Others private
Japan	FSA	Commissioner	-	-	-	-	-
	SESC	Commission	3	-	-	-	-
Korea	MOJ	Minister	-	-	-	-	-
Latvia	FCMC	Board	5	-	-	-	-
Lithuania	Bank of Lithuania	Board	5(4)	-	●	-	-
Luxembourg							
Malaysia	SCM	Board of Commission	9				
Mexico	CNBV	Governing Board	13	●	●	●	-
Netherlands	AFM	Executive Board	3-5 (4)	-	-	-	-
New Zealand	FMA	Board	5-9				
Norway	NFSA	Board	5				
Poland	KNF	Commission	12	●	●	●	-
Portugal	CMVM	Executive Board	5(4)				
Russia	CBR	Board of Directors	15	-	●	-	-
Saudi Arabia	CMA	Board of Commissioners	5	-	-	-	-
	MCI	Minister	-	-	-	-	-
	SAMA	Board of Directors	5	-	●	-	●
Singapore	MAS	Board	11	●	●	●	●
	ACRA	Board	16	●	●	●	●
Slovak Republic	MOFSR	Minister	-	-	-	-	-
Slovenia	ATVP	Director	-	-	-	-	-
South Africa	CIPC	Commissioner	-	●	-	-	-
Spain	CNMV	Board	8	●	●		
Sweden	FI/SFSA	Board	8	-	-	●	●
Switzerland	FINMA	Board of Directors	7-9	-	-	-	-
	SER	Regulatory Board	17	-	-	-	●
Turkey	CMB	Board	7	-	-	-	-
United Kingdom	FCA	Board	10	●	-	-	-
United States	SEC	Commission	5[1]	-	-	-	-

Notes:

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

Table 2.8 Terms of office and appointment of the ruling body of the main public regulator of corporate governance

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	Required
Australia	ASIC	Commission	Up to 5	Allowed	Governor-General	
Austria	FMA	Executive Board	Fixed		President	
Belgium	FSMA	Board of Directors	6	Allowed	Royal Decree	
Brazil	CVM	Board of Commissioners	5	Not allowed	President	Required
Canada (Provinces e.g. Ontario)	OSC	Commission	Fixed	Allowed	Lieutenant Governor in Council	Not required
Chile	CMF	The Board	4-6[1]	Allowed	President	Required
China	CSRC	Commission	5	Allowed	The State Council	Not required
Colombia	SFC	Superintendent	4	Allowed	President	Not required
Costa Rica	SUGEVAL	CONASSIF (Board of Directors)	5	Only once	Board of the Central Bank nominates 5 members (Chair is appointed, among them) President nominates the other 2 members (Minister of Finance and President of the Central Bank)	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	3 (4 for the Chair)	Allowed	Supervisory Board of EFSA	Not required
Finland	FIN-FSA	Board	3	Allowed	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

Jurisdiction	Key regulators	Ruling body in charge of corporate governance	Term of members (in years)	Re-appointment	Nomination or Appointment by:	Approval by Legislature
Germany	BaFin	Executive Board	8	Allowed	President	
	BfJ				President	
Greece	HCMC	Board of Directors			Minister of Economy and Finance	Required
Hong Kong, China	SFC SEHK	Board of Directors Board	Fixed Not fixed	Allowed Allowed	Financial Secretary HKEK (as the SEHK's sole member)	Not required Not required
Hungary	CBH	Financial Stability Board			Governor	Not required
Iceland	FME	Board of Directors	4	Allowed	Minister of Economic Affairs (2 members) Central Bank of Iceland (1 member)	Not required
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 once	President, Minister of Finance	
Israel	ISA	Commissioners	3	Allowed	Minister of Finance	
Italy	CONSOB	Commission	7	Not allowed	President of the Republic after a proposal of the Prime Minister	Opinion
Japan	FSA	Commissioner	Not fixed	-	Prime Minister	
	SESC	Commission	3	Allowed	Prime Minister	Required
Korea	MOJ	The Minister	Not fixed	Allowed	President (upon recommendation of the Prime Minister)	Not required
Latvia	FCMC	Board	6 (Chair and Deputy Chair) Not fixed (other members)	Allowed	Chair and Deputy Chair are nominated by Minister of Finance and the President of the Central Bank and appointed by the Parliament. Other members are appointed by the Chair.	Required for the Chair and Deputy Chair

Jurisdiction	Key regulators	Ruling body in charge of corporate governance	Term of members (in years)	Re-appointment	Nomination or Appointment by:	Approval by Legislature
Lithuania	Bank of Lithuania	Board	5 (Chair) 6 (Other board members)	Allowed	Chair is nominated by the President and appointed by the Parliament Other members are nominated by the Chair and appointed by the President	Required for the Chair
Luxembourg						
Malaysia	SCM	Board of Commission	2	Allowed	Minister of Finance	Not required
Mexico	CNBV	Governing Board	Not fixed	-	Ministry of Finance	Not required
					Central Bank, other public bodies	
Netherlands	AFM	Executive Board	4	Only twice	Royal Decree	
New Zealand	FMA	Board	5	Allowed	Governor-General	
Norway	NFSA	Board	4-6		King in Council	
					Minister of Finance	
Poland	KNF	Commission	5 (Chair only)	Allowed	Prime Minister (Chair) and other respective institutions	
Portugal	CMVM	Executive Board	6	Not allowed	Council of Minister's Resolution	
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	Required
					Members of BoD: Nominated by Chair with the agreement of President and appointed by the State Duma of the Federal Assembly of the Russian Federation	Required
Saudi Arabia	CMA	Board of Commissioners	5	Only once	Royal Order	
	MCI	Minister	4	Allowed	Royal Order	
	SAMA	Board of Directors	4 (Governor and Vice-Governor) 5 (other members)	Allowed	Royal Order	

Jurisdiction	Key regulators	Ruling body in charge of corporate governance	Term of members (in years)	Re-appointment	Nomination or Appointment by:	Approval by Legislature
Singapore	MAS	Board	Up to 3	Allowed	President	The directors are appointed by the President, as prescribed in the MAS Act.
	ACRA	Board	2	Allowed	Minister	
Slovak Republic	MOFSR	Minister				
Slovenia	ATVP	Director	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	Not required
Sweden	FI/SFSA	Board	3	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	4[2]	Allowed[4]	President of the Republic[2]	Not required
United Kingdom	FCA	Board	3	Allowed	Treasury	Not required
United States	SEC	Commission	5	Allowed	President	Required

Notes:

[1] In **Chile**, the Chair is appointed for the same term as the President of the Republic (4 years); the commissioners are appointed by the President and ratified by the Senate, holding office for 6 years and are replaced in pairs every three years, as applicable.

[2] In **Turkey**, the Capital Markets Law has been amended within the year of 2018 and the provision stipulating the term of office for Board members in article 120 has been abolished. Presidential Decree no. 3 published in the Official Gazette dated 10.07.2018 and 30474 sets the term of office for the chair and members of the Board as 4 years. It is also possible for the members to be re-elected. On the other hand, the Law has been aligned with the new governmental organisation and the expression of “Council of Ministers” has been replaced with the expression of “President of the Republic”.

3. The rights of shareholders and key ownership functions

3.1. Notification of general meetings and information provided to shareholders

All jurisdictions require companies to provide advance notice of general shareholder meetings, with a majority establishing a minimum notice period of between 15 and 21 days, while another third of jurisdictions provide for longer notice periods.

Nearly two-thirds of jurisdictions (32) require notices of general shareholder meetings to be sent directly to shareholders, while all but four jurisdictions require multiple methods of notification which may include use of a stock exchange or regulator's electronic platform, publication on the company's web site or in a newspaper.

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 corporate governance frameworks of all jurisdictions. The minimum period of notification in advance of the meeting varies, with a majority of jurisdictions (27) adopting a requirement of between 15-21 days. Seventeen jurisdictions have established mandatory notice requirements of greater than 21 days, while only five have notice periods of less than 15 days. (Table 3.1, Figure 3.1). In addition, some jurisdictions have voluntary code recommendations supporting longer notice periods (e.g. Colombia's code, which recommends a notice period of 30 days, twice as long as the statutory 15-day notice period, while Hong Kong, China's code provides for 20 business days (at least 4 weeks) instead of the statutory 3-week minimum).

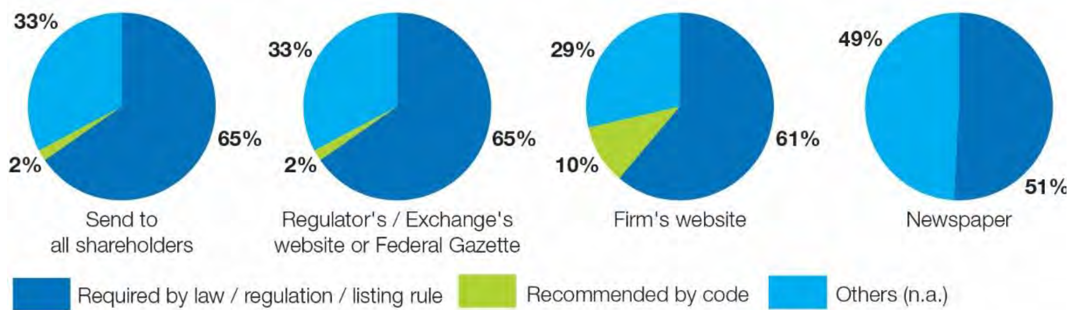
Proxy materials are sent to shareholders at the same time or a few days after the notification is given. In some jurisdictions, shareholders with a certain shareholding (e.g. 10% in Mexico, one-third in Italy) can also request to postpone the voting on any matter for 3-5 days if they consider that they have been insufficiently informed.

Nearly all jurisdictions rely on multiple methods of shareholder notification (Table 3.1, Figure 3.2). A growing number of jurisdictions require companies to send notifications of general shareholder meetings to all shareholders (65% as of end of 2018, up from 55% in the previous edition of the Factbook covering the period through 2016). Publishing notifications of general shareholder meetings on a common electronic platform such as the regulator's or stock exchange's web site or in the Federal Gazette are also increasingly common, required in 65% of jurisdictions, up from 46% in 2015. Requiring publication on the company's web site is almost as common (61%), with another 10% recommended to do so by national corporate governance codes. Publication in newspapers is also required in a slight majority of jurisdictions. Only four jurisdictions establish a single required method of shareholder notification.

Figure 3.1 Minimum public notice period for general shareholder meetings and requirements for sending notification to all shareholders

Note: Based on 49 jurisdictions. *Canada and the United States are classified in the category of greater than 28 days but actual notice periods vary depending on state and provincial jurisdictions (see Table 3.1 and its footnotes for details).

Figure 3.2 What is the means of shareholder meeting notification?



Note: Based on 49 jurisdictions. Jurisdictions may be counted in more than one category. See Table 3.1 for data.

3.2. Shareholders' right to request a meeting and to place items on the agenda

Approximately 80% of jurisdictions establish deadlines of up to 60 days for convening special meetings at the request of shareholders, subject to specific ownership thresholds. This is an increase from 73% in 2015. Compared to the threshold for requesting a shareholder meeting, many jurisdictions set lower thresholds for placing items on the agenda of the general meeting.

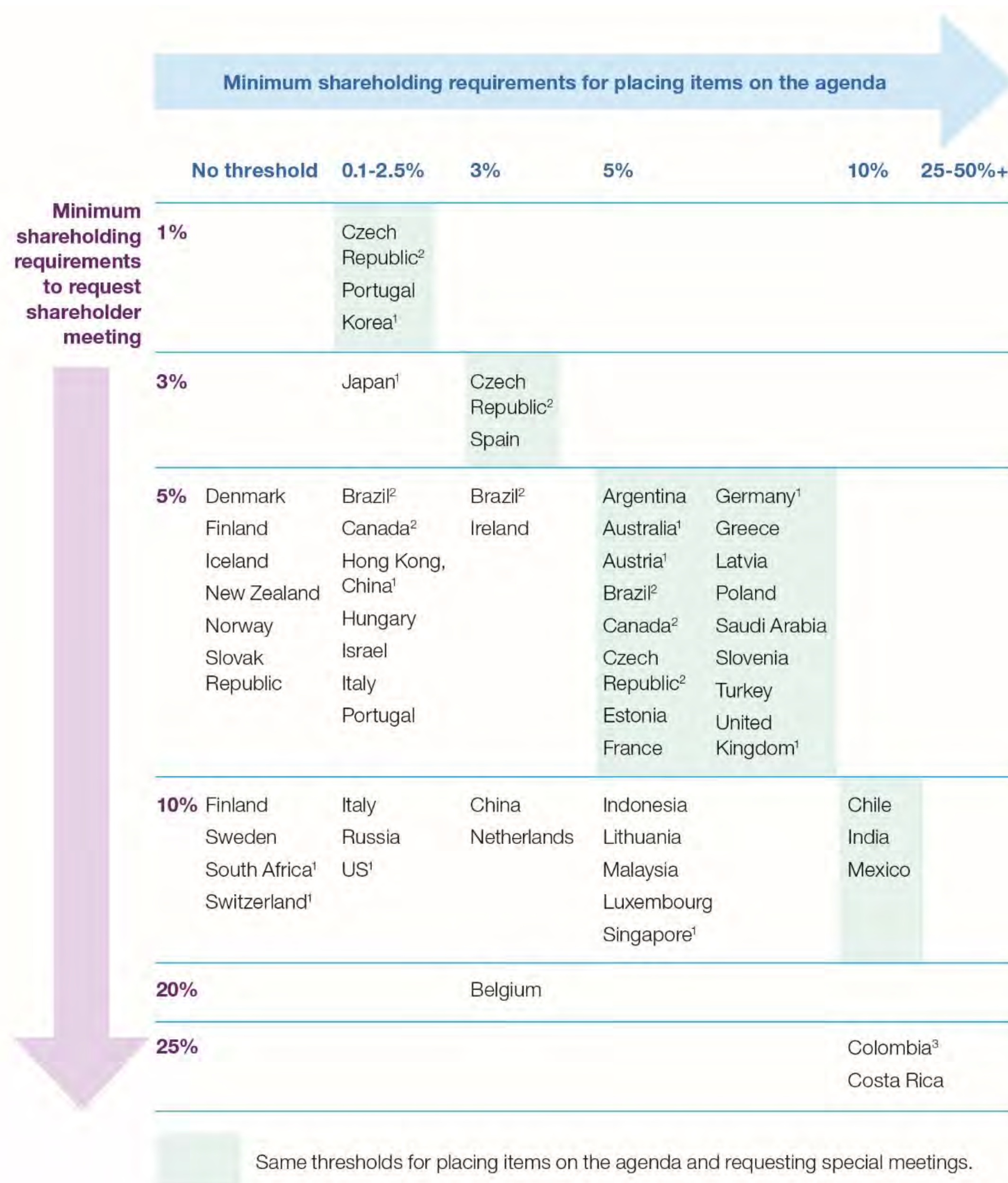
As part of their fundamental rights, shareholders are able to request that a meeting be convened and to place items on the agenda of the general meeting. Regarding the shareholder's right to request a shareholder meeting, approximately 80% of jurisdictions have set forth a requirement that the meeting take place within a certain time period (e.g. 15 days to two months) after the shareholder's request (Table 3.2, Figure 3.3), an increase from 73% in 2015. Ten 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*:* Italy's requirement is for the meeting to be scheduled "without delay" which has been interpreted by courts as within 30 days. See Table 3.2 for data.

Most jurisdictions require that a request for a shareholder meeting be supported by shareholders holding a minimum percentage of shares or voting rights. The most common minimum threshold is 5%, established in 61% of jurisdictions, while another 32% of jurisdictions set the threshold at 10%. A handful of jurisdictions (**Czech Republic** in some cases, **Japan, Korea, Portugal** and **Spain**) set lower thresholds to make it easier for shareholders to call shareholder meetings. A few jurisdictions (**Belgium, Colombia** and **Costa Rica**) have set much higher thresholds of 20 to 25% (Figure 3.4).

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.

“3” denotes a jurisdiction that also has a voluntary recommendation in a corporate governance code. See Table 3.2 for data.

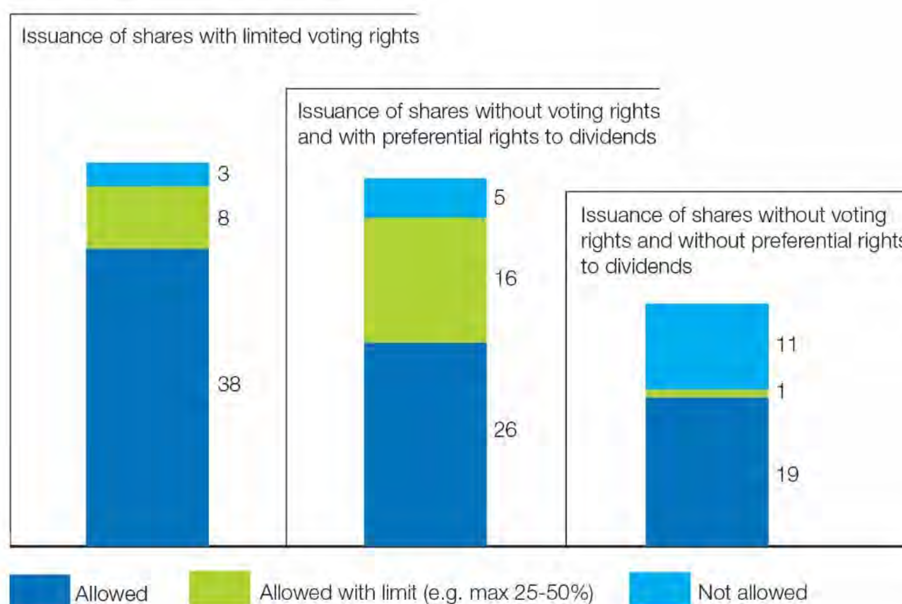
Thresholds enabling shareholders to place items on the agenda in many cases are lower than for requesting a meeting (Figure 3.4). Approximately half of all jurisdictions either have no threshold or a low threshold in the range of 0.1 to 2.5%. **South Africa** does not set a threshold but allows any two shareholders to request an item to be added to the agenda. The **United States** allows shareholders holding shares with market value of at least USD 2 000 held for at least one year to propose an item for inclusion on the agenda, or holders of at least 1% of shares. **Switzerland** sets a monetary threshold of 1 million Swiss francs. However, the most common minimum threshold for placing items on the agenda is 5%, established in 16 jurisdictions. Only a few jurisdictions set minimum thresholds above 5%, with **Colombia** the jurisdiction with the highest legally required minimum threshold of 50% plus one vote. However, 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.

3.3. Shareholder voting

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.

Conditions pertaining to shareholder voting at general shareholder meetings are another key component of shareholder rights. While the Principles of Corporate Governance recommend that shareholders should have the right to participate and vote in general meetings, they also allow for the possibility of different classes of shares with different rights attached to them. In practice, all surveyed jurisdictions other than Indonesia, Israel and Singapore allow listed companies to issue shares with limited voting rights. In eight jurisdictions, these shares, while allowed, may not represent more than 25% to 50% of capital. More than half of jurisdictions (26 of 49) also allow such shares to come with a preference in respect to the receipt of the firm's profits ("preferred" or "preference" shares), while an additional 16 jurisdictions limit such shares to a maximum of 25% to 50% of all shares. More stringent constraints are prescribed for the issuance of non-voting shares without preferential dividend rights, which nevertheless are allowed in 19 jurisdictions (Figure 3.5). Multiple voting rights are allowed in 43% of surveyed jurisdictions and explicitly prohibited in just 35%. Voting caps, whereby a company limits the number of votes that a single shareholder may cast, are permitted in approximately half of jurisdictions and prohibited in 13 jurisdictions. (Table 3.3).

Figure 3.5 Issuance of shares with limited or no voting rights

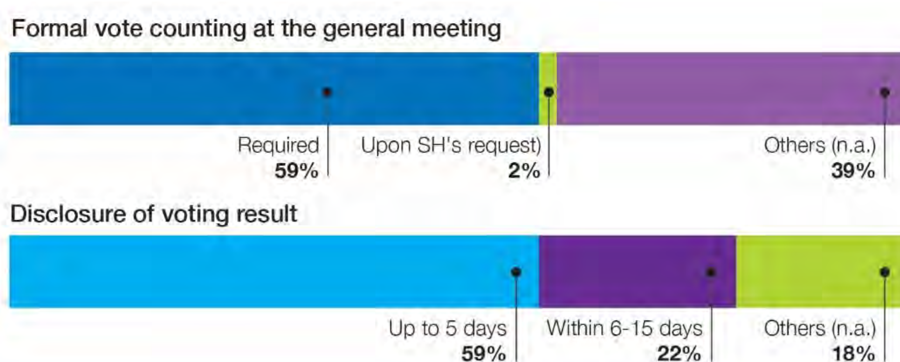


Note: Based on 49 jurisdictions. See Table 3.3 for data.

A growing majority of jurisdictions require listed companies to publish voting results promptly (within five days) after the general meeting, as well as to prescribe a formal procedure of vote counting.

More than 80% of jurisdictions require the disclosure of voting decisions on each agenda item, including 59% that require such disclosure immediately or within 5 days (Figure 3.6). In 2015, only 39% of the surveyed jurisdictions required disclosure within 5 days. In most cases, jurisdictions are required to disclose not only the outcome but also the number of votes for, against and abstentions (Table 3.4). A growing majority of jurisdictions (59%) also prescribe a formal procedure of vote counting (up from 49% in 2015), 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: Based on 49 jurisdictions. See Table 3.4 for data.

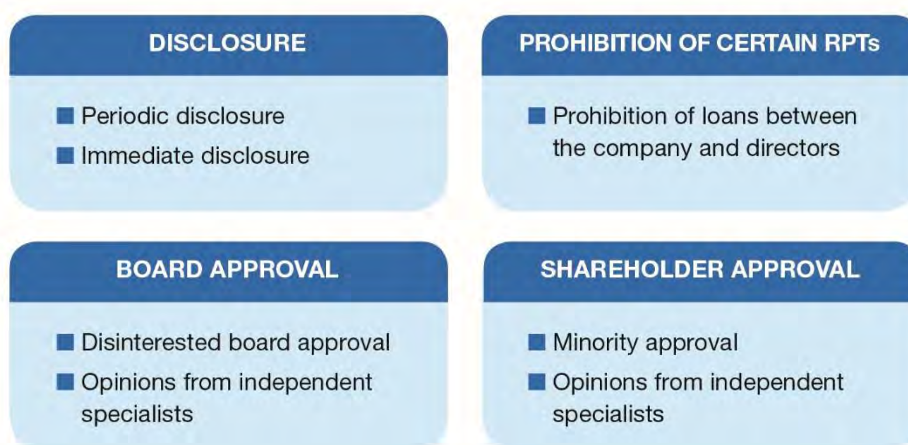
3.4. Related party transactions

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

Prohibition of related party transactions is less common and its coverage is typically limited (Figure 3.7). At least 10 jurisdictions (i.e. **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.

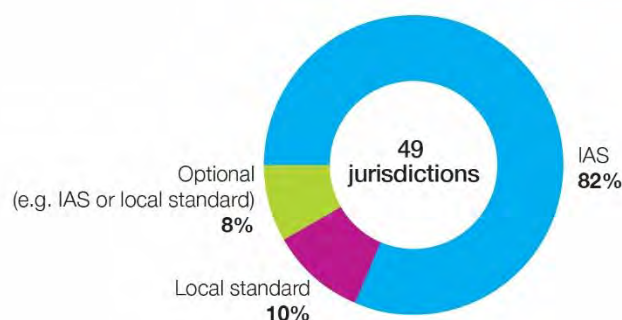
Figure 3.7 Regulatory frameworks for related party transactions



Regarding the disclosure of related party transactions, 82% of jurisdictions now require use of International Accounting Standards (IAS24) for disclosure of related party transactions, while an additional 8% allow flexibility to follow IAS 24 or the local standard.

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. The percentage of jurisdictions adopting IAS24 has increased from 71% in 2015 to 82% as of the end of 2018. Besides periodic disclosure, a majority 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

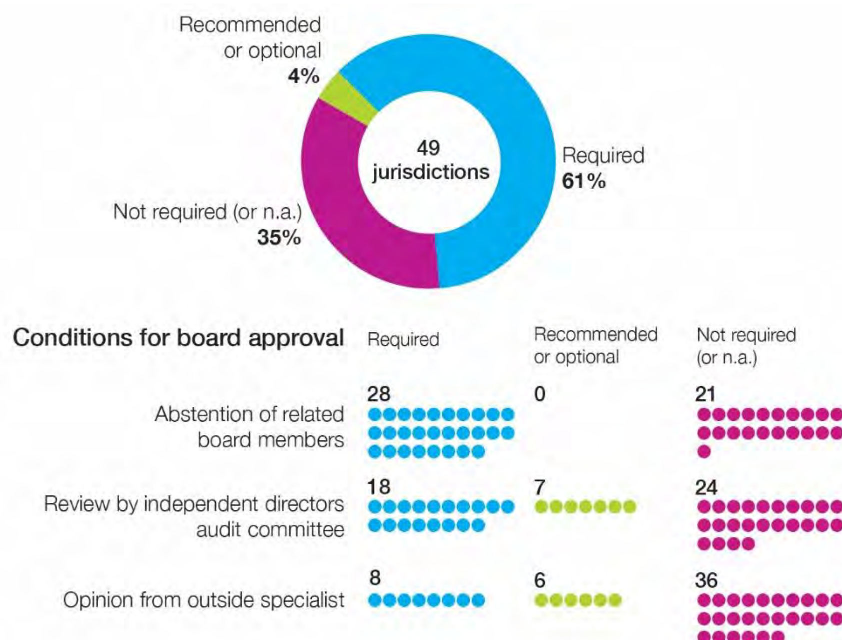


Note: See Table 3.6 for data.

Two-thirds of jurisdictions surveyed require or recommend 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, a growing number of jurisdictions (30) require explicit board approval of certain types of related party transactions (Figure 3.9), while it is recommended in two additional jurisdictions. 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). The abstention of related members from the board resolution is mandatory in 28 jurisdictions. Independent board members play a key role in 25 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 14 jurisdictions (Figure 3.9).

Figure 3.9 Board approval for certain types of related party transactions

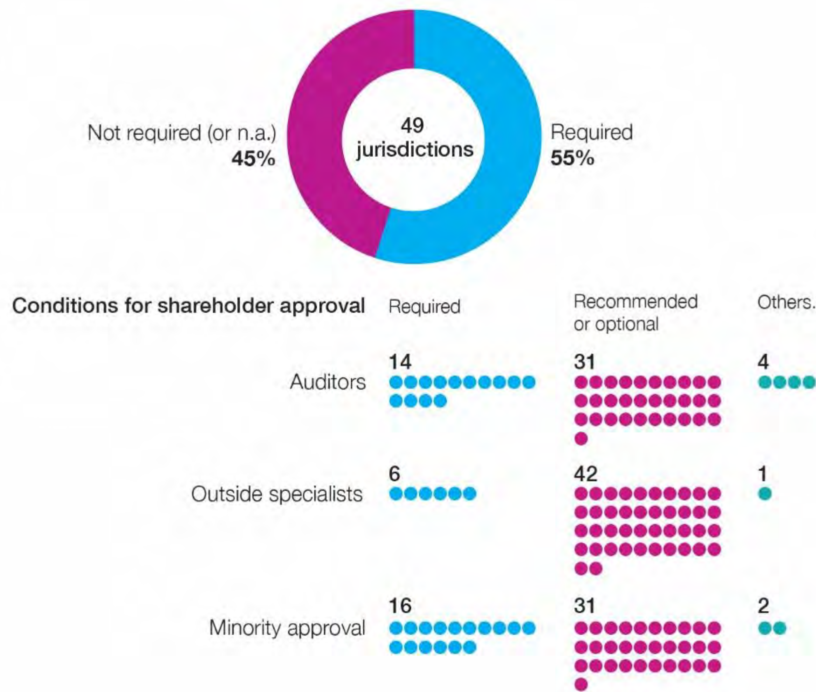


Note: See Table 3.7 for data.

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). In some jurisdictions (e.g. **Chile, Italy and Turkey**), shareholder approval is required based on the opinions of the audit committee (in the case of **Colombia** and **Latvia** shareholder approval is required for cases involving board member conflicts 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 (55%) require shareholder approval as an additional control over the potential abuse of related party transactions, and 16 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 outside specialists is imposed as a precondition for shareholder approval in 18 jurisdictions, including two that require either one or the other (Figure 3.10).

Figure 3.10 Shareholder approval for certain types of related party transactions



Note: See Table 3.8 for data.

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 (Figure 3.11), 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**). The **United States** is also a notable exception in not imposing a requirement that a bidder conduct a mandatory tender offer, leaving it to the bidder's discretion as to whether to approach shareholders (Table 3.9). Among the 46 jurisdictions that have introduced a mandatory takeover rule, 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 (i.e. after the control shift). Nine 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 3.11). These figures are broadly in line with the results from 2015.

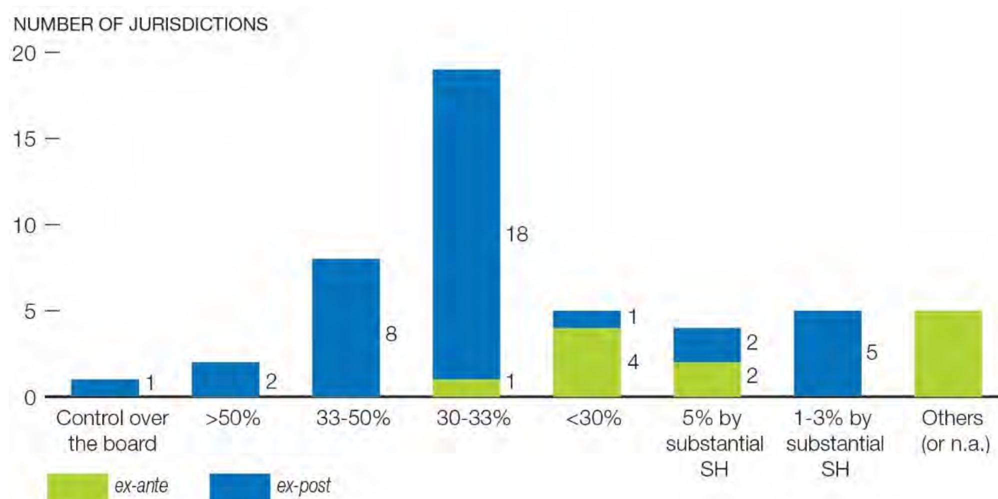
Figure 3.11 Takeover bid rules

Note: See Table 3.9 for data.

Mandatory takeover bids are most commonly triggered by a 30-33% ownership threshold where the calculation regularly includes all affiliated parties in the sum. However, it is worth noting that approximately half of all jurisdictions establish multiple thresholds that can trigger takeover bid requirements. Figure 3.12 provides a summary of the lowest thresholds adopted by each jurisdiction. For example, although there are seven jurisdictions that have established 50% or higher as a trigger for mandatory takeover bids, all but two impose lower triggers as well. The exceptions are **Argentina**, which sets the first trigger at 50% plus one vote, and **Chile,** which has just one threshold at 67% of voting rights to trigger ex-post mandatory bidding requirements. In two jurisdictions with *ex-ante* frameworks (**Japan** and **Korea**), acquisition of 5% of voting rights from a substantial number of shareholders within a certain period is also prescribed as a trigger for tender offers.

In **Italy**, the law differentiates the mandatory triggering threshold according to the size of companies, where small and 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 3.12 Lowest threshold for mandatory takeover bids



Note: Based on 49 jurisdictions. Jurisdictions with several thresholds are counted at their lowest threshold level. See Table 3.9 for data.

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 offer or (within 3-12 months); b) the

average market price (within 1-12 months); or a combination of the two (Figure 3.13). 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 3.13 Requirements for minimum bidding price in mandatory takeover bids

Note: These numbers 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 for data.

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. According to OECD research covering 50 000 companies worldwide, institutional investors held 41% of global market capitalisation at the end of 2017 (De la Cruz et al., forthcoming). These are mainly profit-maximising intermediaries that invest on behalf of their ultimate beneficiaries. The most important ones are mutual funds, pension funds and insurance companies.

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. Others may engage on a more selective basis, depending on the issue at stake (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.

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, if the requirements only apply to the domestic institutional investors. Similarly, if the domestic institutional investors operate in jurisdictions with smaller or less developed equity markets and 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 3.11, 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** and **Japan**).

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 more than 4 million Swedes, is, as a main rule,

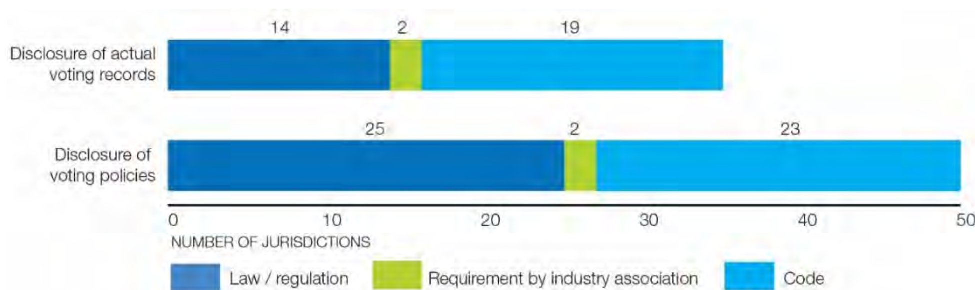
prohibited from voting for its shares in Swedish companies, unlike the other pension funds (AP1-4).

Institutional investor disclosure of voting policies is required or recommended in 75% of jurisdictions, whereas only 47% require or recommend disclosure of actual voting records.

Three-fourths of jurisdictions require or recommend that certain institutional investors disclose their voting policies. Figure 3.14 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 47% of jurisdictions require or recommend at least certain institutional investors to disclose actual voting records. As some jurisdictions have more than one type of requirement or recommendation, Figure 3.14 shows that a slight majority of these 47% have established voluntary code recommendations rather than legally binding requirements for disclosure of their actual voting records.

Figure 3.14 Disclosure of voting policies and actual voting records by institutional investors

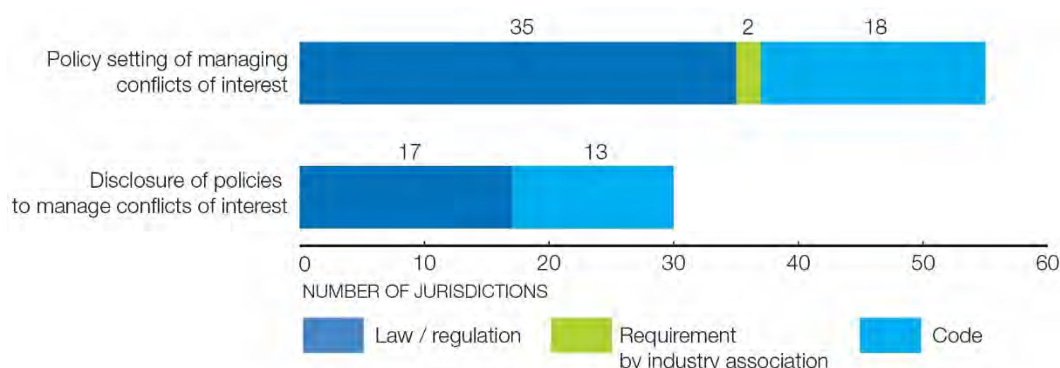


Note: Based on 49 jurisdictions. Jurisdictions with several sets of rules are counted more than once. See Table 3.10 for data.

All but two 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 57% of jurisdictions. Nonetheless, this is a significant increase from 2015, when just 32% required or recommended such disclosure.

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. Forty-seven of 49 jurisdictions (96%) require or recommend at least one sector of institutional investors to have policies to manage conflicts of interest or prohibit specific acts, while just 57% require or recommend disclosure of such policies. Figure 3.15, 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 3.15 Existence and disclosure of conflicts of interest policies by institutional investors

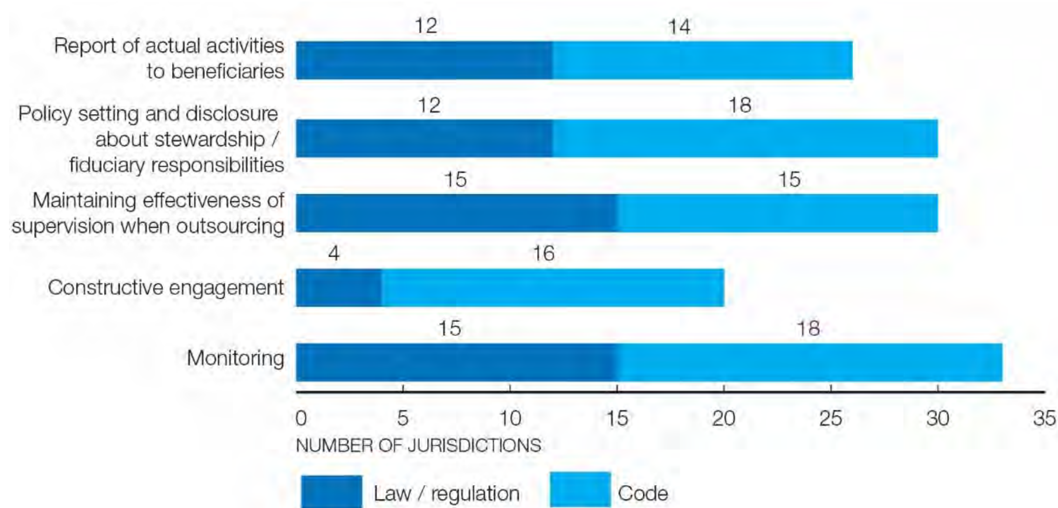


Note: Based on 49 jurisdictions. Jurisdictions with several sets of rules are counted more than once. See Table 3.10 for data.

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 institutional investors monitor investee companies are most common (33 cases). Constructive engagement, generally involving direct dialogue with the board or management, is only required in 4 jurisdictions, but recommended in 16. In 30 cases, jurisdictions require or recommend that institutional investors maintain the effectiveness of monitoring when outsourcing the exercise of voting rights (Figure 3.16). 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 3.16 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 3.11 for data.

Table 3.1 Means of notifying shareholders of the annual general meeting

Jurisdiction	Minimum period in advance	Provision to send a notification to all shareholders	Provisions 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			R
Austria	28 days	-	L	-	L
Belgium	30 days	-	L	L	-
Brazil	15 days	-	L	L	L
Canada	21-60 days	L			L
Chile	20 days	L	L	-	-
China	20 days	L	L	-	L
Colombia	15 days (30 days)	L/C	L	C	L
Costa Rica[1]	15 days	-	L	-	L
Czech Republic	30 days	L	-	L	-
Denmark	3 weeks	L	-	L	-
Estonia	3 weeks	L	L	L	
Finland	3 weeks	L	-	C	L
France	15 days	L	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	14 days	L	-	L	-
India	21 days[3]	L	L[3]	L	L
Indonesia	22 days	L	L	L	L
Ireland	21 days	L	L	L	-
Israel	21 days	L	L	L	L
Italy[4]	30 days	L	L	L	-
Japan	2 weeks	L		C	C
Korea	2 weeks	L	L	C	L
Latvia	30 days	-[5]	-	L	L
Lithuania	21 days	-	-	-	L
Luxembourg	16 days	L	L		L
Malaysia	21 days	L ; R	R	R	R
Mexico[4]	15 days	-	-	-	L[6]
Netherlands	42 days	L	-	L	-

Jurisdiction	Minimum period in advance	Provision to send a notification to all shareholders	Provisions for publication		
			Newspaper	Firm's website	Regulator's/ Exchange's website or Federal Gazette
New Zealand	10 working days	L	-	-	-
Norway	21 days	L		R	
Poland	21 days	L	-	L	-
Portugal	21 days	-	-	L	L
Russia	21 days (30, 50 days for special resolutions)	L[7]	L	L	-
Saudi Arabia	21 days	L	L	L	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[8]	-[8]	-[8]	L
Turkey	21 days	-	-	L	L[9]
United Kingdom	21 days	L		L	
United States	10-60 days[10]	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

Notes:

[1] In **Costa Rica**, the notification for general meetings must be made as specified in the company bylaws, or by default 15 working days prior the date of the meeting. The notification requirement may be waived when all the members together agree to hold an assembly and expressly agree with the fact that this procedure is dispensed with, which will be recorded in the minutes to be signed by all.

[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. However, it does not specify whether the website has to be one of the company or the regulator. The Listing Rules require notice of every annual general meeting to be published on the Exchange's website and the issuer's own website. The Corporate Governance Code requires issuers to, on a "comply or explain" basis, arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

[3] In **India**, Shareholders may approve a shorter notice in some cases, as per the Companies Act, 201r. Provisions for publication to newspaper is required wherever the agenda item in the general meeting requires a postal ballot from the shareholders, as per the Companies (Management and Administration) Rules, 2014.

[4] 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).

[5] In **Latvia**, the notification for general meetings must be made through the publication in the official electronic system (Central Storage of Regulated Information - ORICGS).

[6] In **Mexico**, the notification for general meetings must be made through the publication in the electronic system established by the Ministry of Economy with the anticipation established by the company bylaws, or in its absence 15 days before the date indicated for the meeting. This applies to both listed and non-listed companies.

[7] 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.

[8] In **Switzerland**, registered shareholders are notified of in writing, bearer shareholders by publication in the Swiss Official Gazette of Commerce (art. 696 sect. 2 CO) and additionally in the form prescribed by the articles of association. Moreover, if intended in the articles of incorporation, companies can provide the information on newspapers and their websites

[9] In **Turkey**, public companies are not under the obligation to send notification to all shareholders. The notification and relevant documents such as agenda of the annual general assembly meeting is published on the Turkish Trade Registry Gazette along with the registered website of the company and the Public Disclosure Platform (PDP). PDP is a website which is currently operated by the Central Securities Depository of Turkey and public companies are required to inform investors through such website on the company aside from their website. Information available on PDP includes financial statements, management & shareholding structures, articles of association, material events etc.

[10] In the **United States**, the obligation for corporations to distribute timely notice of an annual meeting is determined by a source of authority other than the federal securities laws, and may vary within each of the individual 50 state jurisdictions. Generally, the written notice of any meeting shall be given not less than 10 nor more than 60 days before the date of the meeting at which each stockholder is entitled to vote. 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. However, companies that choose to furnish proxy materials to shareholders by posting them on the Internet must provide 40 days' notice of the availability of their proxy materials on the Internet.

Table 3.2 Shareholder rights to request a shareholder meeting and to place 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	2 months	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 days	-
Brazil	5%	23 days	1% / 2% / 3% / 5%	35 or 45 days	30 days
Canada (federal)	5%	-	1% 5% for nominating a director	90-150 days before anniversary of previous meeting[1]	21 days to notify of refusal
Chile	10%	30 days	10%	10 days	-
China	10%	10 days	3%	10 days	2 days
Colombia	25%	-	50%+1 share (5%)	5 days	-
Costa Rica	25%[2]	30 days	25%	-	-
Czech Republic	1% / 3% / 5% depending on share capital	40 or 50 days	1% / 3% / 5% depending on share capital	-	5 days
Denmark	5%	2 weeks	-		
Estonia	5%	1 month	5%	15 days	-
Finland	10%	minimum 3 weeks and maximum 3 months	-	4 weeks before notice	Required
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[3]	2.5% or 50 SHs	6 weeks	Promptly[3]
Hungary	5%	30 days	1%	-	-
Iceland	5%	-	-	10 days	3 days
India	10% (of share capital corresponding to voting power)	21 days	10% (of share capital corresponding to voting power)	21-45 days	21 days from the date of receipt of requisition

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)*
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%	Without delay[4]	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[5]	6 weeks	-
Latvia	5%	3 months	5%	[7 days]	14 days
Lithuania	10%	30 days	5%	14 days	10 days
Luxembourg	10%	1 month	5%	22 days	-
Malaysia	10%	21 days	2.5% (or 50 shareholders)	28 days	
Mexico	10%	30 days	10%	-	15 days
Netherlands	10%	6 weeks	3%	60 days	42 days
New Zealand	5%	-	-		
Norway	5%	1 month	-	7 + 21 days[6]	21 days
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	5 days[7]
Saudi Arabia	5%	36 days (15 for invitation, 21 for holding a meeting)	5%	-	-
Singapore	10%	As soon as practicable, and no later than 2 months	5% (or 100 members with average paid-up capital of $500)	6 weeks	14 days
Slovak Republic	5%	-	-		
Slovenia	5%	60 days	5%	[7 days]	14 days
South Africa	10%	-	Any 2 SHs	-	-

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)*
Spain	5%	2 months	3%	5 days	15 days
Sweden	10%	About 2 months	-	7 weeks	Required
Switzerland	10%	-[8]	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 code or principles;
"-" = absence of a specific requirement or recommendation

Notes:

[1] In **Canada**, this deadline was fixed in federal law by a 2018 amendment that will only take effect once regulations are promulgated.

[2] In **Costa Rica**, it is also possible for the owner of a single share to request the convening of a shareholder meeting and suggest items on the agenda when no meeting has been held for two consecutive financial years and when the meetings held at that time did not deal with ordinary matters, such as the discussion and approval of the financial reports, or the distribution of profits, among others.

[3] 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. Since 30 April 2018, the SEHK will consider listing applications of companies with a weighted voting rights ("WVR") structure provided that such applications satisfy the conditions and safeguards set out in Chapter 8A of the Main Board Listing Rules. Under Chapter 8A, Non-WVR shareholders must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer. (LR 8A.23).

[4] In **Italy**, while the Civil Code (art 2367) requires the meeting to be convened "without delay", the Courts have established 30 days as a fair term to call the meeting, without setting a deadline for time required to hold the meeting.

[5] In **Korea**, more than six months shareholding is required for a shareholder of listed companies to qualify. The stricter shareholding threshold of 1% to place items on the agenda applies to companies with equity capital valued under 100 billion won. A 3% threshold applies to non-listed companies.

[6] In **Norway**, a shareholder can request placing items on the agenda until seven days before the general meeting is convened. The time limit for written notice to all shareholders is 21 days before the company convenes the general meeting.

[7] In **Russia** the Board of Directors considers the proposed items on the agenda and approves or rejects them not later than 5 days after the deadline for placing items on the agenda. The agenda is provided at the same time as the notice of meeting is given.[8] 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.

Table 3.3 Preferred shares and voting caps

Jurisdiction	Issuing a class of shares with:			Multiple voting rights	Voting caps
	Limited voting rights				
		Without voting rights			
			And without preferential rights to dividends		
Argentina	Allowed[1]	Allowed	Not allowed	Not allowed[2]	Allowed
Australia[3]	[Allowed for preference securities only]	[Not allowed]	[Not allowed]	[Not allowed]	[Not allowed]
Austria	Allowed	Allowed			
Belgium	Allowed	Allowed: Max 1/3		-	Allowed
Brazil	Allowed: Max 50%	Allowed: Max 50%	Allowed[4]	Not allowed	Allowed
Canada	Allowed[5]			Allowed[5]	Allowed[6]
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
Costa Rica	Allowed	Allowed[7]	Allowed	Not allowed	Allowed
Czech Republic	Allowed	Allowed: Max 90%	-	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)[8]	Allowed
Germany	Allowed	Allowed: Max 50%	Not allowed	Not allowed	Not allowed
Greece	Allowed	Allowed		-	
Hong Kong, China	Allowed	Allowed	Allowed	Allowed[9]	-
Hungary	Allowed	Allowed	Allowed	Allowed	
Iceland	Allowed	Allowed	Allowed	-	-
India	Allowed with condition[10]	Allowed with condition[10]	Allowed with condition[10]	Allowed with condition[10]	Allowed[10]
Indonesia	Not allowed	Allowed	Allowed	Not Allowed	-
Ireland	Allowed	Allowed	Allowed	Allowed	Allowed
Israel	Not allowed[11]		-	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[12]	Allowed

Jurisdiction	Issuing a class of shares with:			Multiple voting rights	Voting caps
	Limited voting rights				
		Without voting rights			
			And without preferential rights to dividends		
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
Lithuania	Allowed	Allowed	-	-	-
Luxembourg	Allowed	Allowed: Max 50%			
Malaysia	Allowed	Allowed	-	No	No
Mexico	Allowed with approval: Max 25%[13]	Allowed with approval: Max 25%[13]	Not Allowed	Allowed	Not allowed
Netherlands	Allowed	Not allowed	-	-	Allowed
New Zealand	Allowed	Allowed	Allowed	Allowed	Allowed
Norway	Allowed[14]	Allowed		Allowed	Allowed
Poland	Allowed	Allowed	Not allowed	Allowed	-
Portugal	Allowed	Allowed: Max 50%	Allowed	Not Allowed	Allowed[15]
Russia	Allowed	Allowed: Max 25%	Not allowed	-	-
Saudi Arabia	Allowed	Allowed	Not allowed	Not allowed	
Singapore	[Not allowed][16]	[Not allowed][16]	-	[Allowed][16]	[Not allowed] [16]
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[17]	Allowed	Allowed	Allowed	Allowed
Turkey[18]	-	-	-	Allowed	Allowed
United Kingdom	Allowed	Allowed	Allowed	Allowed[19]	Allowed
United States	Allowed[20]	Allowed	Allowed	Allowed[20]	Allowed[20]

Key: Allowed = specifically allowed by law or regulation; Not allowed = specifically prohibited by law or regulation; [ ] = Requirement by the listing rule; ( ) = Recommended by the codes or principles; "-" = absence of a specific requirement or recommendation; N/A = not applicable

Notes:

[1] In **Argentina**, shareholders might recover their right to vote in special cases, such as a suspension of public offer (Section 217 General Companies Law).

[2] In **Argentina**, according to the General Companies Law, Section 216, privileged voting shares cannot be issued after the company has been authorised to make a public offer.

[3] In **Australia**, ASX Listing Rule 6.9 requires ordinary securities to have one vote per fully paid security. Preference securities have more limited voting rights but must have preferential rights to dividends: Listing Rule 6.3 – 6.5. Generally voting and ownership caps are not permitted due to the prohibition against interfering with the transfer of securities in Listing Rule 8.10 and anti-divestiture provisions in Listing Rule 6.10 and 6.12. However, the ASX has discretion to waiver compliance with these Listing Rules where the entity seeking to list is a co-operative or mutual pursuant to its policy in Guidance Note 3 Co-operatives and Mutuals Listing on ASX. This discretion has been exercised rarely so most ASX listed entities have one vote per ordinary security with no ownership caps.

[4] 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).

[5] In **Canada**, a public company may issue shares with multiple voting rights or with limited voting rights subject to certain requirements under provincial securities laws and stock exchange rules. Depending on the circumstances, these requirements may include: supplementary disclosure requirements, a requirement to include 'coattail' provisions that protect shareholders with limited voting rights in the event of a take-over bid, and shareholder approval requirements.

[6] In **Canada**, a person with holdings in a constrained corporation is subject to a cap on maximum individual holdings which correspondingly limits the maximum voting rights associated with such holdings. The constraint relates to the level of Canadian ownership or control required to qualify under a law or to obtain licences, permit or other benefits.

[7] In **Costa Rica**, voting rights of preferred shareholders can be restricted in company statutes, but under no circumstance will their rights be limited in their right in extraordinary meetings to modify the duration or the purpose of the company, to agree on a merger with another company or to establish its registered office outside the territory of Costa Rica.

[8] 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.

[9] In **Hong Kong,** China, since April 2018, companies may list with a WVR structure under the conditions and safeguards set out in in Chapter 8A of the Main Board Listing Rules.

[10] 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. Any company that has issued such shares should make them pari passu before applying for listing. Voting caps are allowed only with respect to banking companies.

[11] 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).

[12] 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 ("Multiple Voting Shares": up-to three votes, according to the bylaws).

[13] In **Mexico**, a prior authorisation by the national authority is required when issuing limited right shares or shares without voting rights. This 25% corresponds to the stock capital publicly owned (art. 54 Securities Markets Law). The CNBV can authorize a percentage higher than 25% as long as these are convertible into ordinary shares in a maximum period of 5 years.

[14] 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.

[15] 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 cancelled/revoked at the end of the relevant year.

[16] In **Singapore**, issuing a class of shares with multiple voting rights, carrying no more than 10 votes per share, is allowed for Mainboard listed companies, subject to other restrictions (SGX Listing Rule 210(10)).

[17] In **Switzerland**, the nominal value of the other shares must not exceed ten times the nominal value of the voting shares.

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

[19] 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.

[20] In the **United States**, a company may have multiple voting rights or caps in place at the time that it goes public/lists its securities, and also is permitted to issue non-voting classes of 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

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	1 day	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	-	Promptly[1]	Required	Required, if the vote was conducted by ballot
Chile	Required	-	Required	Required
China	Required	2 business days	Required	Required for each resolution
Colombia	-	Immediately	Required	Required
Costa Rica	Recommended	Immediately	Required	Recommended
Czech Republic	Required	15 days	Required	Required
Denmark	-	Immediately	Required	-
Estonia			Required	Required
Finland	Required	2 weeks	Required	Required (If a full account of the voting that has been carried out in the GM)
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	Required	15 days	Required	-
India	Required	Immediately[2] / 3 days	Required	Required
Indonesia	Required	2 days	Required	Required
Ireland	Required	15 days	Required	Required
Israel	Required	Promptly	Required	Required
Italy	Required	5 days	Required	Required
Japan	Required	Promptly	Required	Required
Korea		Immediately	Required	(Required upon shareholder's request)
Latvia	Required	Promptly	Required	Required upon shareholder’s request

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*
Lithuania	Required	7 days	Required	Required
Luxembourg	-	ASAP	Required	
Malaysia	Required	Immediately	Required	Required (disclosure of votes 'for' and 'against')
Mexico	-	Promptly (5 days)	Required	Required
Netherlands	Required	15 days	Required	Required
New Zealand	-			
Norway	-	-	-	-
Peru	-	-	Required	Required
Poland	Required	1 day	Required	Required
Portugal	-	15 days / Immediately (when qualifying as inside information)	Required	Required
Russia	Required	4 days	Required	Required for each resolution
Saudi Arabia	Required	Immediately	Required	Required
Singapore	Required	Immediately	Required	Required for each resolution
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	-	-	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

Key: Immediately = within 24 hours. Promptly = may be more than 24 hours after the AGM but no more than 5 days."-" = absence of a specific requirement or recommendation

Notes:

[1] In **Canada**, the requirement to disclose voting results only applies to issuers listed on senior exchanges (e.g. the TSX).

[2] In **India**, the occurrence of the AGM and the item of discussion is to be disclosed promptly after the AGM, as per the Listing regulations, for listed entities. However, the results of the AGM / EGM are disclosed after the scrutinizer submits his report, which can be up to 3 days from the close of the meeting, as per the Companies (Management and Administration) Rules, 2014.

Table 3.5 Sources of definition of related parties

Jurisdiction	Provision
Argentina	Law 26831, Section 72 and 73 General CNV Resolution 576/2010
Australia	Corporations Act 2001, Volume 1, Part 1.2, Division 1, Section 9 & Part 2E.2, Section 228 ASX Listing Rules, Chapter 10 with the definition of related party contained in Listing Rule 19.12
Austria	Commercial Code (UGB), § 237 Z 8b
Belgium	Company Code , Section II, Under section III,, 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. For public companies, see also Part 5 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*
Chile	Securities Market Law, Title XV, article 100 Articles 44 y 146 (Title XVI) of Law N°18.046
China	Company Law Article 21 Code of Corporate Governance for Listed Companies in China 2018 Section 6, Article 74-77 Shanghai Stock Exchange Listing Rule Section 10 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) Decree 1486 of 2018, article 2.39.3.12
Costa Rica	Code of Commerce CONASSIF Corporate Governance Regulation
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. Limited Liability Companies Act, Chapter 8, Section 6 Securities Market Act, Chapter 12, Section 5 Finnish Corporate Governance Code, Rec. 28 (IAS 24)
France	Commercial Code, Book II, Title II, Chapter V, Section 2, article L225-38 and L225-86
Germany	Stock Corporation Act (Aktiengesetz) §§ 15, 89, 115, 291-318
Greece	Capital Market Commission Encyclical No 45
Hong Kong, China	Companies Ordinance (Cap. 622), section 486; Main Board Listing Rules, LR 14A.06(7); GEM Listing Rules LR 20.06(7)[1]
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 a
India	Companies Act, 2013, section 2(76) Indian Accounting Standard 24 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
Indonesia	Bapepam and LK RULE NUMBER IX.E.1

Jurisdiction	Provision
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 article 398, article 542-9
Latvia	Article 184 of the Commercial Law Article 1 (4) and Article 59 of the Financial Instruments Market Law Annual Accounting and Consolidated Annual Accounting Law, Section 1 (3) and 53 (1) 14 NASDAQ Principles, Section 5.2. and 8.2
Lithuania	Law on Companies (Article 37) Law on Financial Reporting by Undertakings (Subparagraph 5 of the Paragraph 1 of the Article 23)
Luxembourg	Companies Law, articles 49bis(3), 309, 344
Malaysia	Bursa Malaysia Main Market Listing Requirements, Part B Clause(s) 10.02 (j), (k), (l), 10.08, 10.09, Appendix 10C, Appendix 10D Capital Markets and Services Act 2007, Clause 256U, Schedule 2, Section 4Companies Act 2016, Section 228 (1) (A)
Mexico	Securities Market Law, article 2, section XIX Rules applicable to Issuers, Annex N, section II, C) 4, b) (Disclosure approach)
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, article 4
	Act on Trading in Financial Instruments, article 3 Act on Legal Entities' Income Tax, article 11 Accounting Act, article 3
Portugal	International Accounting Standards (IAS 24) IPCG Corporate Governance Code (Chapter 1, Principle 1.5)
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 Corporate Governance Regulations
Singapore	SGX Listing Manual, Chapter 9, Listing Rule 904 Companies Act, Chapter 50, sections 5, 5A, 5B, 6, 7, 162(8) and 163(5) Securities & Futures Regulation Fourth Schedule – 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	Companies Act (articles 228 to 232), 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	Ordinance against Excessive Compensation for Listed Stock Corporations of 20th November 2013; Art. 628 section 2 CO ([intended] acquisitions in kind); Art. 718b CO (Contracts between the company and its representative)

Jurisdiction	Provision
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

Note:

[1] In **Hong Kong, China**, the Listing Rules refer to "related party" as "connected person".

Table 3.6 Disclosure of related party transactions

Jurisdiction	Periodical disclosure		Immediate disclosure for specific RPTs
	Financial statement	Additional disclosure	
Argentina	IAS 24	Required	Required
Australia	AASB 124 incorporates IAS 24	AASB 124 has additional requirements identified with the prefix ‘Aus’	Required for director’s interests in company’s securities
Austria	IAS 24	-	-
Belgium	IAS 24	Required	Required
Brazil	IAS 24	Required (intra-group) [1]	Required[2]
Canada	IAS 24		Required for SHs approval
Chile	IAS 24	Required[3]	-
China	Local standard	Required	Required[4]
Colombia	IAS 24	Required	Required
Costa Rica	IAS 24	Required	-
Czech Republic	IAS 24	Required (intra-group) [1]	-
Denmark	IAS 24		
Estonia	IAS 24	Required	Required
Finland	IAS 24	Required[5]	-
France	IAS 24	Required	
Germany	IAS 24	Required (intra-group) [1]	-
Greece	IAS 24		
Hong Kong, China	IAS24 or Local standard	Required	Required[6]
Hungary	IAS 24	Required (intra-group) [1]	-
Iceland	IAS 24	Required	-
India	Local standard	Required	Required[7]
Indonesia	Local standard (PSAK)	Required	Required[8]
Ireland	IAS 24	Required	Required
Israel	IAS 24	Required	Required for SHs approval
Italy	IAS 24	Required	Required[9]
Japan	Local standard	Required	Required[10]
Korea	IAS 24	-	-
Latvia	IAS24 and Local standard	-	Required
Lithuania	IAS 24	Required	-
Luxembourg	IAS 24	-	-
Malaysia	IAS 24	Required	-
Mexico	IAS 24	Required	Required
Netherlands	IAS 24	-	-

Jurisdiction	Periodical disclosure		Immediate disclosure for specific RPTs
	Financial statement	Additional disclosure	
New Zealand	IAS 24	Required	
Norway	IAS 24	-	Required[11]
Poland	IAS 24	Required	-
Portugal	IAS 24	Required (intra-group)[1]	-
Russia	IAS24 or Local standard	Required	Required
Saudi Arabia	IAS24	Required	Required
Singapore	IAS24, US GAAP or Local standard	Required	Required[12]
Slovak Republic	IAS 24	-	-
Slovenia	IAS 24	Required (intra-group)[1]	-
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, Art. 13 f. Ordinance against Excessive Compensation for Listed Stock Corporations of 20th November 2013 (compensation report)	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	-

Notes:

[1] 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.

[2] In **Brazil**, companies must report material related party transactions within seven business days (article 30 of CVM Instruction No. 480, as amended). 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.

[3] 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.

[4] In **China**, a listed company should issue a prompt announcement of material connected transactions that exceed certain de minimis thresholds. A listed company is required to, apart from disclosing such matters promptly, in the cases where it makes significant transactions meeting certain requirements, obtain opinions from independent directors, arrange for an intermediary institution qualified to conduct securities and futures businesses to conduct the audit and evaluation of the transaction target and submit the transaction to the shareholders general meeting for deliberation.

[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 announcement of material connected transactions that exceed certain de minimis thresholds as soon as practicable after their terms have been agreed.

[7] In **India**, material related party transactions, i.e. transactions which exceed a certain minimum threshold require shareholder approval. In such cases, the relevant disclosures applicable to shareholder agenda items apply to such transactions including immediate disclosure on approval of such transactions by the shareholders. In addition, if such related party transactions are material events e.g. amalgamation, etc. through general norms applicable to disclosure of material events, such events are to be immediately disclosed.

[8] In **Indonesia**, the requirement for immediate disclosure of affiliated-party transactions and transactions involving conflicts of interest is provided in Bapepam and LK rule number IX.E.1.

[9] **Italy** takes a proportionate approach differentiating between material and immaterial transactions: prompt disclosure is required for material transactions, i.e. those exceeding materiality thresholds (5% or 2.5% for pyramids) of the listed company's capitalisation or total assets.

[10] 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.

[11] In **Norway**, the board is required to account for the RPT as per Public Limited Liability Companies Act, article 3-8 second paragraph. The account is attached to the notice of general meeting, and disclosed in the Register of Business Enterprises.

[12] 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. However, this does not apply to any transaction below S$100 000, or to certain types of transactions.

Table 3.7 Board approval for related party transactions

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	Required[1]	Optional[1]
Australia	Required	Required	-	-
Austria	Required			
Belgium	Required	-	Required	Required
Brazil	-[2]	Required	-	Recommended
Canada	Required	Required	Recommended[3]	Required[3]
Chile	Required	Required	Required	Recommended[4]
China	Required	Required	Required	-
Colombia	Required	Required[5]	Recommended	-
Costa Rica	Required	Required[6]	-	-
Czech Republic	-[7]	-	-	-
Denmark	-	-	-	-
Estonia	Required	-	Recommended	-
Finland	Required	Required	Optional	Optional
France	Required	Required	-	Required
Germany	-[7]	-	-	-
Greece	-	-	-	-
Hong Kong, China	Required	Required	Required	-
Hungary	Required[7]	-	-	-
Iceland	-	-	-	-
India	Required	Required	Required	Optional
Indonesia	-	-	-	Required
Ireland	Required	-	-	Required
Israel	Required	Required	Required	-
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[9]	Required	-	-
Latvia	Required	Required	Required	Optional
Lithuania	Required	Required	Required	-
Luxembourg				
Malaysia	-[10]	Required	Required	-
Mexico	Required	Required	Required	Required[11]
Netherlands	-[2]	-	-	-

Jurisdiction	Board approval for non-routine RPTs	Abstention of related board members	Review by independent directors / audit committee	Opinion from outside specialist
New Zealand	-	-	-	-
Norway	Required	Required	-	-
Poland	Recommended	-	-	-
Portugal	Recommended[7]	Required	Recommended	-[12]
Russia	Optional[13]	Required	Recommended	Recommended
Saudi Arabia	Required	Required	Required	-
Singapore	Required	Required	Required	Required[14]
Slovak Republic	-	-	-	-
Slovenia	-[7]	-	Required	-
South Africa	Required	Required	Required	Optional
Spain	Required	Required	Required	-
Sweden	-	-	-	-
Switzerland	-[2]	Required	-	Recommended[15]
Turkey[16]	Required	Required	Required	Required
United Kingdom	-	-	-	-
United States	Required	-	Recommended	Recommended[17]

Notes:

[1] In **Argentina**, the Board of Directors or any members thereof, shall request a ruling from the audit committee on whether the terms of a transaction may be reasonably deemed adapted to regular and usual market condition (the Committee must decide within 5 days). Notwithstanding the consultation to the audit committee, a resolution may be adopted by the company on the basis of a report from two (2) independent evaluation companies, which shall express their opinion on the same matter and other terms of the transaction.

[2] In **Brazil**, the Netherlands and Switzerland, approval of material related party transactions by the Board is expected based on their fiduciary duties. In **Switzerland**, for listed corporations boards, approval of the compensations of the members of the board, the management and the advisory board by the general assembly is required (Art. 18 and 19 of the Ordinance against Excessive Compensation for Listed Stock Corporations of 20th November 2013). The compensation report, containing the compensations of the board, management and advisory board, is part of the annual financial statement that needs approval by the general assembly.

[3] In **Canada**, certain material related party transactions of public companies require a formal valuation from a qualified outside specialist. Independent special board committee review is recommended.

[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 **Colombia**, managers and board members have to refrain from participating, personally or through intermediaries, in their own interest or the one of any third parties, in activities that may compete with those of the corporation, or in deeds that may pose a conflict of interest, except if there is an explicit authorisation by the shareholders' board or by the general assembly of shareholders. In these cases, the manager will provide to the appropriate corporate body all the information relevant to the decision-making. In any case, the authorisation of the shareholders' board or of the general assembly of shareholders will only be granted when the decision is not detrimental to the interests of the corporation.

[6] In **Costa Rica**, Code of Commerce (article 33ter) includes the obligation for any transaction that involves the acquisition, sale, mortgage or pledge of assets that involves the general manager, any board member, or a related party to be reported to the board, providing all relevant information on the interests of the parties in the transaction. In line with the above, the persons involved have to refrain from the decision-making process in the transaction.

[7] In some 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).

[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 **Korea**, board approval for non-routine related party transactions is required for listed firms with book value of assets more than 2 trillion won.

[10] In **Malaysia**, related party transactions are subject to shareholders' approval based on Section 228(1)(A).

[11] 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 10% 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 Corporate Practices Committee, prior to the approval by the board of directors (Art. 71 Rules applicable to Issuers).

[12] 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.

[13] 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.

[14] In **Singapore**, an opinion of an independent financial adviser is required for RPTs that meet the requisite materiality threshold requiring shareholders' approval. However, this is not required for (i) issue of listed securities for cash; or (ii) purchase or sale of any real property, where the consideration for the purchase or sale is in cash, and an independent professional valuation has been obtained for the purpose of the purchase or sale of such property and disclosed in the shareholders' circular.

[15] In **Switzerland**, opinion from an outside specialist is recommended for verification of the compensation report by the auditor (Art. 17 of the Ordinance against Excessive Compensation for Listed Stock Corporations of 20th November 2013).

[16] In **Turkey**, para. 3 of article 17 of the Capital Markets Law requires the board of directors to adopt a resolution determining the specifics for the non-routine related party transactions (RPT). In order for such board resolutions to be executed, the majority of independent directors must have voted in favour of such RPT. In case the majority of independent directors haven't approved the RPT in the voting, this shall be disclosed to public and the RPT shall be discussed and resolved by the general assembly. In such general assembly meetings, the related parties and other relevant persons shall abstain from voting. If such principles thereto are not followed, the board and general assembly resolutions on the RPT shall be void. Article 9 of the CMB Communiqué no. II-17.1 requires that in case the value of the RPT exceeds a certain threshold (with respect to total assets or revenue or company value to be calculated in line with the relevant provision), the Company shall have the RPT valued by a firm which will be determined by the CMB. Apart from this, the CMB has the discretion to request valuation for any RPT if deemed necessary.

[17] 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)

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Requirement for shareholders voting
	Requirement	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[1]	Not on arm's length terms. Listed entities need to seek approval for certain transactions with persons in a position of influence (whether or not on arm's length terms)	-	Required for LR 10.1 transactions: LR 10.10.2	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	When more than CNY 30 million, accounting for more than 5% of total value of the latest audited net assets.	Required (when more than CNY 30 million/5% of latest audited net assets)	Required (when more than CNY 30 million/5% of latest audited net assets)	Minority approval
Colombia	Yes	When a board member has conflicts of interest	-	-	-
Costa Rica	No	-	-	-	-
Czech Republic	No	-	-	-	-
Denmark	No	-	-	-	-
Estonia	No	-	-	-	-
Finland	No	-	-	-	-
France	No[2]	-	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	No	-	-	-	-

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Requirement for shareholders voting
	Requirement	RPTs for shareholder approval	Auditors	Outside specialists	
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
Italy	Yes[3]	If disapproved by the committee of independent directors	-	Required if requested by independent directors	Minority approval
Japan	No	-	-	-	-
Korea	No	-	-	-	-
Latvia	Yes	Conflict of interest transactions (all of the board members are the interested parties)	-	-	Simple majority with related parties or their associates precluded from voting
Lithuania	No	-	Required	-	-
Luxembourg					
Malaysia	Yes	If equal to or >5%	Not required	Required – appointment of an independent advisor	Simple majority
Mexico	Yes	For all transactions that represent >20% of consolidated assets of the company	-	Required[4]	Minority approval
Netherlands	No	-	-	-	-
New Zealand	Yes[15]	>10% of market cap	-	Required	Minority approval
Norway	Yes	> NOK 50 000 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

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Requirement for shareholders voting
	Requirement	RPTs for shareholder approval	Auditors	Outside specialists	
Russia	Optional[6]	≥10% of book value assets	-	-	Minority approval
Saudi Arabia	Yes[7]	-	Required	Required	
Singapore	Yes	>5% of audited consolidated net tangible assets[8]	-	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[9]	Simple majority
Spain	Yes	10% of company's assets	Required	-	Minority approval
Sweden	Yes	Material transactions	-	Required	Simple majority (shareholder may not vote if related party)
Switzerland	No	-	-	-	-
Turkey	Yes	If disapproved by majority of independent directors	-	Required	Minority approval
United Kingdom	Yes[10]	Non-routine transactions	-	-	Minority approval
United States	Yes[11]	Non-routine transactions	-	-	-

Notes:

[1] 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. In Australia, there are additional requirements for entities listed on ASX if the transaction is covered by Listing Rule 10.1.

[2] 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).

[3] In **Italy**, companies may provide that a transaction can still be entered into despite the negative advice of independent directors, provided that a shareholder meeting is convened and 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 %.

[4] In **Mexico**, the opinion from outside specialists is required whenever the criteria related to the percentage of total consolidated assets is met (Art 71 of the Rules applicable to Issuers).

[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 **Russia** related party transactions do not require shareholder 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

[7] In **Saudi Arabia**, approval is required only for transactions in which board members have an interest in, not all RPTs.

[8]In **Singapore**, for the purposes of determining the 5% threshold, transactions entered into with the same related party during the same financial year must be aggregated, while a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

[9] 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.

[10] 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.

[11] In the **United States**, a company's organisational documents, state corporate law and exchange rules set forth the specific types of 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. Not all related-party transactions, however, are required to be submitted to shareholders for their approval regardless of whether such transactions could be considered non-routine.

Table 3.9 Takeover bid rules

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*: (a) 50% or more of voting rights + 1 share; (b) less than 50% of voting rights based on control to establish corporate policy at regular shareholders' meetings or to appoint or revoke the appointment of a majority of directors or members of the supervisory committee	M	a) Highest price the offeror has provided or agreed to provide in the 12 months preceding the bid; b) Average market price of the last 6 months prior to the announcement of takeover.
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:* Sale of control	M	At least 80% of the price paid to the controlling entity.
			V	Same price paid to the controlling entity[1]
Canada (Provinces e.g. Ontario)	OSC, other provincial regulators[2]	*ex-post:* 20% of voting rights	M	All holders of the same class of securities must be offered identical consideration
Chile	CMF	*ex-post:* 67% of voting rights	M	Price not lower than the market price
China	CSRC	*ex-post:* 30% of issued shares	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)
Costa Rica	SUGEVAL	*ex-ante:* 25% of voting rights	M	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

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	
Finland	FIN-FSA	*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	*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 lower than 50% discount to the lesser of the latest market price on the day of announcement and average market price of the last 5 days prior to that day
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	FSA	*ex-post:* 30% of voting rights	M	a) Highest price paid by offeror or related parties within last 6 months and;
				b) At least equal to last price paid on the day before offer or announcement of offer
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

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	
Israel	ISA	*ex-ante:* 25% of voting rights; 45% of voting rights; 90% of voting rights	-	-
Italy	CONSOB	*ex-post:* 25% of voting rights (30% for SMEs); 5% acquisition by SH with 30-50% (within a year)[3]	M	Highest price paid by offeror within last 12 months
Japan	FSA	*ex-ante:* 33% of voting rights; 5% of voting rights from 10 or more SHs (within 61 days)	-	-
Korea	FSC	*ex-ante:* 5% acquisition from 10 or more SHs[4]	-	-
Latvia	FCMC	*ex-post:* 30% of voting rights[5]	M	a) Highest price paid by offeror within last 12 months or
				b) Average market price of last 12 months or
				c) value of a share calculated by dividing the net assets of the target company with the number of issued shares
Lithuania	Bank of Lithuania	*ex-post*: 33% of voting rights	M	a) Highest price paid by offeror within last 12 months and weighted average price of last 6 months;
				b) where the highest price may not be established and the securities concerned have not been traded, – the value established by the asset valuator by not less than two viewpoints
Luxembourg	CSSF	*Ex-post*: 33% or 1/3 voting rights	M	Highest price paid by offeror (or persons acting in concert) within last 12 months
Malaysia	SCM	*Ex-post*: Over 33% of voting rights; acquisition of more than 2% by SH with 33%-50% (within 6 months)	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
Mexico	CNBV	*ex-ante:* 30% of voting rights or control over the company	-[6]	-
Netherlands	AFM	*ex-post:* 30% of voting rights	M	Highest price paid by offeror within last 12 months
New Zealand	Takeovers Panel	No mandatory takeover regime	-	-
Norway	OSE	*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

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	
Russia	CBR	*ex-post:* 30%, 50% or 75% of voting rights	M	a) Weighted average market price of the last 6 months or
				b) Appraiser's report price (if not listed or listed for less than 6 months);
				c) 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 the Offeror, or persons acting in concert, for shares of that class during the Offer period and within 12 months prior to its commencement
Singapore	Securities Industry Council	*ex-post:* 30% of voting rights; acquisition of more than 1% by SH with 30-50% (within 6 months)	M	Highest price paid by offeror or any person acting in concert with the offeror during the offer period and within last 6 months
			V	Highest price paid by offeror or any person acting in concert with the offeror during the offer period and within last 3 months
Slovak Republic				
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% (1/3) (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

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	
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[7]	-	-

Notes:

[1] In **Brazil**, some of the special listing segments of B3 require the new controlling shareholder to offer in the mandatory tender offer the same price per share paid to the previous controlling shareholder. In addition to the mandatory tender offer triggered by the sale of control, the Takeover Panel (Comitê de Aquisições e Fusões - CAF) establishes a Material Ownership Tender Offer triggered by the acquisition of a material stake at the company. Adhesion to CAF is voluntary and the adherent company is entitled to choose the trigger, which may range from 20% to 30% of its voting stock. The minimum bidding price in this tender offer is the highest price paid by the offeror for a voting share within the period of 12 months. Under exceptional circumstances and acting upon request, the Panel may establish a different price.

[2] In **Canada**, take-over bids are subject to applicable provincial securities law, including the rules in National Instrument 62-104 Take-Over Bids and Issuer Bids.

[3] 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.

[4] **Korea** had a traditional mandatory takeover bid requirement based on a 25% threshold that was eliminated in 1998 following a recommendation of the IMF. The current 5% threshold establishes a requirement to make a tender offer bid but does not mandate takeover of the company through the purchase of remaining shares.

[5] **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 between 30% and 50% are grandfathered in to allow them to maintain their shares but must initiate a takeover bid if they increase their shareholdings.

[6] In **Mexico**, compensation should be the same and no premia or surcharges should be paid, according to Art 98, 99 and 100 of the Securities Markets Law.

[7] 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.

Table 3.10 Roles and responsibilities of institutional investors: Exercise of voting rights and management 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[1]	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Argentina	Public: Law No. 24,083 General Resolution CNV 761/2018.	Resolution covers 10 types of funds including mutual funds, other investment funds, insurance, banks, the national pension fund and different types of public funds	-	-	L (specific bans)	L
Australia	Private: FSC Standards Public: Superannuation (Industry) Supervision Act; Corporations Act 2001	FSC members: Investment funds, pension funds, life insurance, etc.	I, L	I, L	I,L	-
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	Investment funds	L	L	L	L
Canada	Public: Provincial Securities Acts; e.g.: British Columbia Securities Act, Ontario Securities Act; Public: Canadian Securities Administrators	Investment funds	L	L	-	-
Chile	Public: Decree Law No. 3.500 of 1980	Pension funds	L	L	L	L
China	Public: Code of Corporate Governance for listed companies of 2018	National social security funds, Pension funds Insurance funds, Public offering funds, etc.	C	C	-	-
	Public: Guidelines for the voting rights of the fund managers	Investment funds	C	I	-	-
Colombia	Public: Decree 2555 of 2010 / CBJ, Part II, Title III, Chapter IV, # 3 and 4	Pension funds	L	L	L	L
Costa Rica	Public: CONASSIF Governance Regulation	Institutional Investors	L	-	L	-
Czech Republic	Public: Act on Management Companies and Investment Funds, No 240/2013 Coll	Investment funds and mutual funds	-	-	-	-
Denmark	Public: Stewardship Code	Institutional Investors	C	C	C	C

Jurisdiction	National framework	Target institutions	Exercise of voting rights		Management of conflicts of interest	
	(Public / private / mixed initiative)		Disclosure of voting policy[1]	Disclosure of actual voting records	Setting of policy	Disclosure of policy
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[2]	Investment funds and asset managers	-	-	-	- (L: Disclosure of conflicts of interest)
	Public: Principles of Responsible Ownership[2]	Investment funds and asset managers	C	-	C	-
Hungary	Public: Act on the Capital Market	Investment funds and asset managers	-	-	L	L
Iceland	Public: Act on pension funds	Pension funds	C	C	C	C
India	Public: Regulations and circulars SEBI/IMD/CIR.No.18/198647/2010 CIR/IMD/DF/05/2014 SEBI/HO/IMD/DF2/CIR/P/2016/68	Mutual funds and asset managers	L	L	(L: Specific bans)	-
	Public: Guidelines on Stewardship Cord for Insurers in India	Insurers	C	C	C	C
	Public: Introduction of a Common Stewardship Code	Pensions funds	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[1]	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Indonesia	Public: OJK Regulation 43/POJK.04/2015	Fund Managers	-	-	L	(L: Disclosure of conflicts of interest)
	Public: OJK Regulation 10/POJK.04/2018	Investment managers	L	C	L	L
	Public: OJK Regulation 2/POJK.05/2014	Insurance companies	L	C	L	L
	Public: OJK Regulation 16/POJK.05/2016	Pension funds	L	C	L	L
	Public: Regulations and Circulars	All institutional investors which are public companies	L	C	L	L
Ireland	Public and Private: Funds Regulation	Investment funds and asset managers	-	-	L	L
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 (including ETFs), 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.C	C
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	Institutional investors	L	- (L if holding equities more than a certain level)	L	-
	Private: Stewardship Code Principle on the Stewardship Responsibilities of Institutional Investors	Institutional investors	C	C	C	C
Latvia	Public: The Law On Private Pension Funds and The Law On Investment management Companies	Pension funds and investment funds	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[1]	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Lithuania	Law on Collective Investment Undertakings Law on Collective Investment Undertakings Intended for Informed Investors Law on Management Companies of Collective Investment Undertakings Intended for Professional Investors Law on the Supplementary Voluntary Accumulation of Pensions Bank of Lithuania regulations	Investment Funds and Asset Managers, Pension Funds	L (to clients)	L (to clients upon request)	L	- (although they are required to disclose sufficient information)
Luxembourg	Private: ALFI Code of Conduct for Luxembourg Investment Funds	ALFI members: Investment funds	C	C	C	-
Malaysia	Private: Malaysian Code for Institutional Investors	Asset owners, asset managers and service providers	C	C	C	C
Mexico	Public: General financial provisions for pension funds systems	Pension funds	L	-	L	-
Netherlands	Public: Act on Financial Supervision Mixed: Dutch corporate governance code chapter 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	Public: Financial Markets Conduct Act 2013	Fund managers	C	-	C	-
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[1]	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Russia	Public: The Federal Law On Investment Funds № 156-FZ of 29.11.2001	Investment funds	L	L	-	-
	The Federal Law On Non-state Pension Funds № 75-FZ of 07.05.1998 The Federal 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	Pension funds	-	-	L	L
Saudi Arabia	-	-	-	-	-	-
Singapore	Private: Singapore Stewardship Principles	Institutional investors, including asset owners and asset managers	I	-	I	C
	IMAS Guidelines on Corporate Governance	IMAS members: Investment funds and asset managers				
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)	-

Jurisdiction	National framework	Target institutions	Exercise of voting rights		Management of conflicts of interest	
	(Public / private / mixed initiative)		Disclosure of voting policy[1]	Disclosure of actual voting records	Setting of policy	Disclosure of policy
Switzerland	Public: Federal Act on Collective Investment Schemes and Swiss Code of Obligations, Ordinance Against Excessive Remuneration at Listed Companies	Institutional investors	C	L (on certain issues: e.g. board election, remuner-ation)	L	- (C: Disclosure of unavoidable conflicts of interest)
	Private: Guidelines for institutional investors					
Turkey	Public: Communiqué on Principles of Investment Funds no. III-52.1.; Communiqué on Portfolio Management Companies and Activities of Such Companies no. III-55.1.	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
	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 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

Notes:

Jurisdictions were asked to include industry, association or institutional investor stewardship codes only if they have official status and their use is endorsed or promoted by the relevant regulator.

[1] 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".

[2] 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. The Principles of Responsible Ownership (Principles) are a set of principles and guidance to assist investors to determine how best to meet their ownership responsibilities. The Principles are non-binding and are voluntary. Investors are encouraged to adopt the Principles by disclosing to their stakeholders that they have done so, and then they either apply the Principles in their entirety and disclose how they have done so, or explain why aspects of the Principles do not, or cannot, apply to them.

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

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	-	-	-	-	-	-
Australia	FSC members, investment funds, pension funds, life insurance, etc.	C,L	C	L	-	-
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	-
Costa Rica	Institutional Investors	-	-	-	-	-
Czech Republic	Institutional investors	-	-	-	-	-
Denmark	Institutional investors	C	C	C	C	C
Estonia	-	-	-	-	-	-
Finland	Investment funds, asset managers and pension funds	L	C	-	-	-
France	Investment funds and asset managers	-	-	-	-	-
Germany	Investment funds and asset managers	C	C	L,C	C	C
Greece	Mutual funds	-	-	-	-	-
Hong Kong, China	Investment funds and asset managers	C	C	-	C	C
Hungary	Investment funds and asset managers	-	-	-	-	-
Iceland	-	-	-	-	-	-
India	Mutual funds and asset managers	-	-	-	L	L *(disclosure of actual voting in resolutions)*
	Insurers	C	C	C	C	C
	Pension funds	L	L	L	L	L

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]		
Indonesia	Fund Managers, Pension Funds and Insurance Companies	L	L	L	L	L
Ireland	-	-	-	-	-	-
Israel	Mutual funds managers	-	-	L	L	L
Italy	Investment funds	L,C	C	C	C	C
Japan	Institutional investors and proxy advisors	C	C	C	C	C
Korea	Institutional investors	C	C	C	C	C
Latvia	Investment funds	L	-	L	L	L
Lithuania	Investment Funds and Asset Managers, Pension Funds, Insurance Companies	L	-	L	L (except insurance companies)	L
Luxembourg	ALFI members: Investment funds	C	-	-	-	-
Malaysia	Asset owners, asset managers and service providers	L	-	-	C	C
Mexico	-	-	-	-	-	-
Netherlands	Institutional investors	C	C	C	-	-
	Eumedion members: Institutional investors	C	C	C	C	C
New Zealand	Fund Managers, Statutory Supervisors, Custodians	L	-	L	-	L
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	L

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]		
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
	Private pension funds	-	-	L	-	-
	Investment advisors (proxy advisors)	L	-	L	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

Notes:

[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 favoured in twice the number of jurisdictions as two-tier boards, 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 22 jurisdictions), while just 11 jurisdictions have exclusively two-tier boards that separate supervisory and management functions. However, a growing number of jurisdictions (13) 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). (Table 4.1). Table 4.2 and Table 4.3 provide more detailed descriptions of how different jurisdictions apply these board structures.

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 10 jurisdictions. Most jurisdictions impose minimum limits on board size of three to five members.

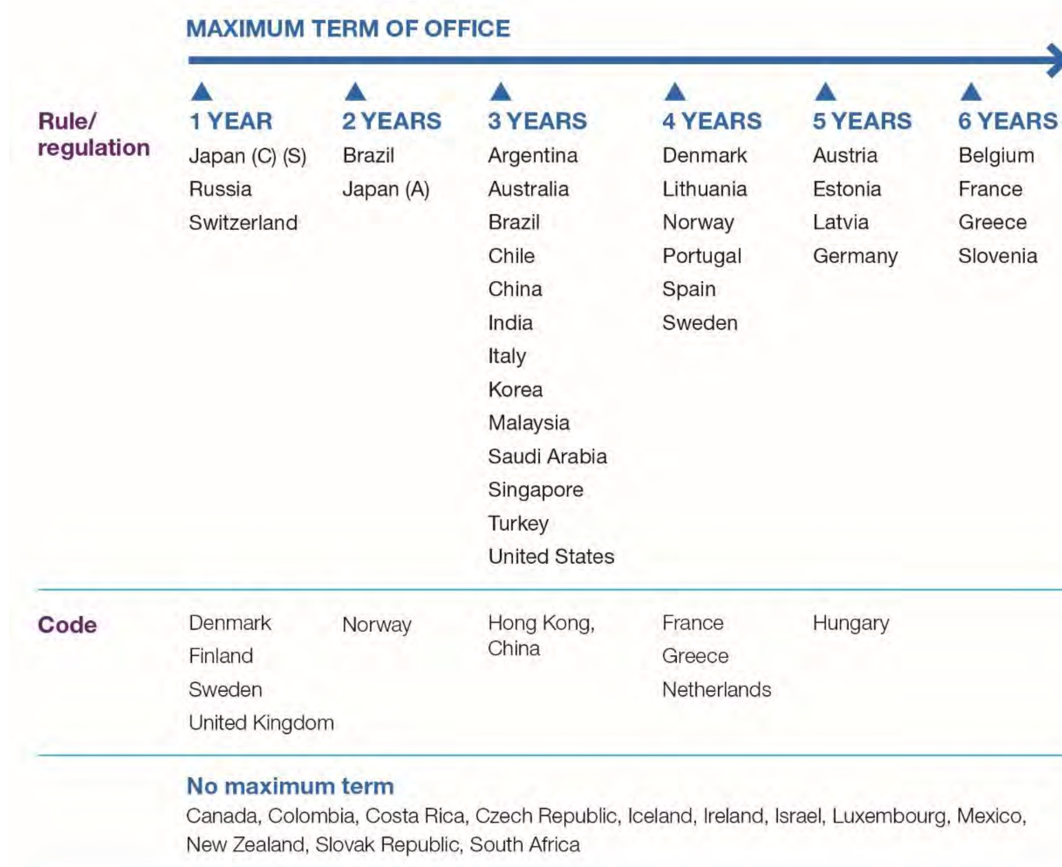
Ten jurisdictions set forth a maximum board size, with eight of those setting the maximum size between 15 to 21 members. **Brazil** has a much lower maximum of five for two-tier supervisory boards, while **Colombia** is the other jurisdiction with a lower maximum of 10. Forty jurisdictions require or recommend a minimum board size, usually either three or five. A few jurisdictions have established minimum board sizes of two, while **Chile** sets the minimum at seven for large companies, and **Norway** has an unusually high minimum of 12 for companies with two-tier boards. For management boards within two-tier systems, only **China** (19) and **France** (7) establish a maximum size requirement, while 15 jurisdictions set a minimum size requirement, usually in the range of one to three members (Table 4.5).

Three-year terms for board members are 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), while 12 jurisdictions do not establish maximum term lengths. 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 4.1). 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 4.1 Maximum term of office for the (supervisory) board members before re-election



Note: "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 for data.

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. The recommendation for boards to be composed of at least 50% independent directors is the most prevalent voluntary standard, while two to three board members (or at least 30% of the board) are more commonly subjected to legal requirements for independence. Some jurisdictions link the board independence requirement with the ownership structure of a company.

Six jurisdictions have established binding requirements for 50% or more independent board members for at least some companies. By contrast, a much larger group of 19 jurisdictions have established code recommendations for a majority of the board to be independent on a "comply or explain" basis (Figure 4.2). Another 17 jurisdictions have established minimum independence requirements for at least two to three board members and/or at least 30% of the board. Many of these jurisdictions have at least two standards: a legally mandated minimum requirement usually coupled with a more ambitious voluntary recommendation for higher numbers of independent board members.

Figure 4.2 Minimum number or ratio of independent directors on the (supervisory) board

Blue denotes Rule/regulation

Black italic denotes Code

Board type	Board structure	Type	Minimum number: 1 person	Minimum number: 2-3 persons	Minimum ratio: 20-	Minimum ratio: 30-	Minimum ratio: 50%+
One-tier board	CEO≠Board Chair	REQUIRED		Israel	Colombia	*Israel* India	*Israel* *Sweden*
	CEO≠Board Chair	RECOMMENDED		Belgium Costa Rica Hong Kong, China New Zealand Malaysia		Hong Kong, China Malaysia *Singapore* *Turkey*	*Australia* *Ireland* *New Zealand* *Singapore* *United Kingdom*
			Chile	*Turkey* Canada Greece Saudi Arabia Spain	Mexico	Saudi Arabia *Greece* *Turkey*	India Korea United States
One-tier board or two-tier board (supervisory)	CEO≠Board Chair	REQUIRED		Norway	Brazil	Lithuania	*Netherlands* *Norway*
	CEO≠Board Chair	RECOMMENDED				*Brazil*	*Finland* *Switzerland*
						France	Hungary *Denmark* *France* *Slovenia*
Two-tier board (supervisory)			Germany	Russia *Poland*	Russia	Indonesia *China* *Russia*	*Argentina* *Austria* *Estonia* *Iceland* *Latvia* South Africa
Hybrid multiple options			Italy Japan (A)	Japan (C)(S) *Italy* *Japan*			Portugal

No independence requirement/recommendation:

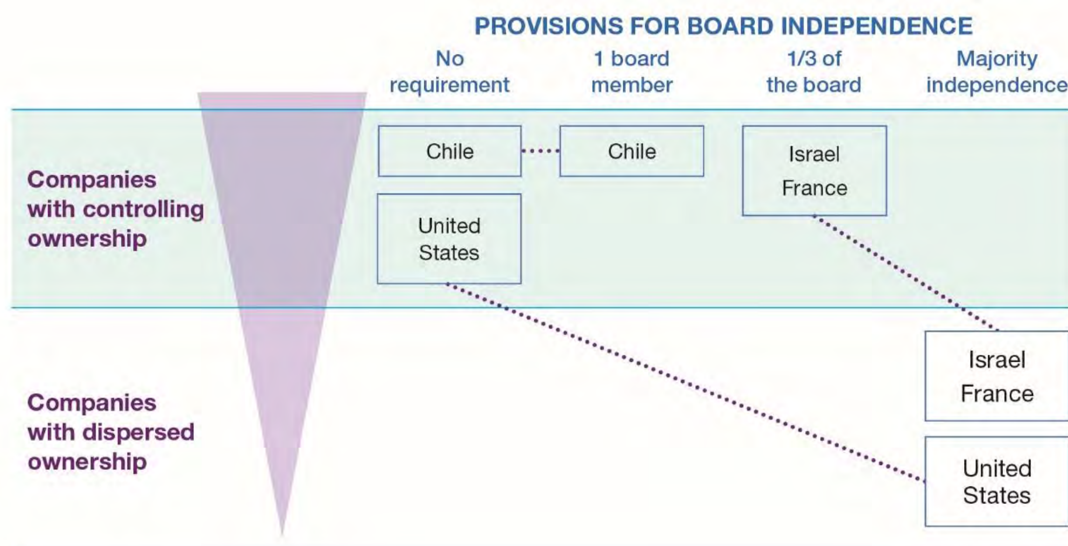
Luxembourg, Slovak Republic

Note: "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. The US requirement applies to listed companies without a controlling majority. See Table 4.6 for data.

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.

Five 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 4.3). 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** is not shown in Figure 4.3 because their provisions are not linked to quantitative thresholds.

Figure 4.3 Board independence requirement or recommendation and ownership structure



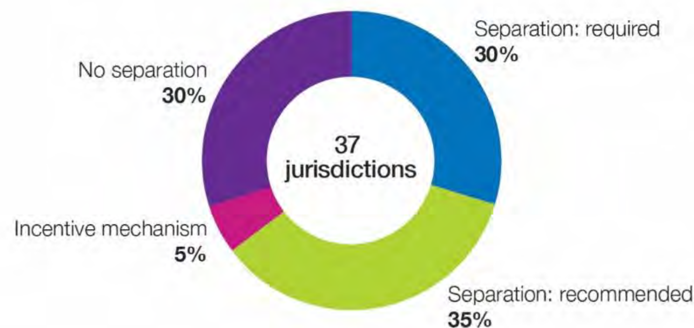
Note: In Israel, the correlation between the board independence requirement and the ownership structure of a company is set in a list of recommended (not binding) rules set forth in the First Addendum to the Companies Law. In Chile, the waiving of a requirement for independent board members occurs in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

The percentage of jurisdictions requiring or encouraging the separation of the board chair and the CEO has risen sharply in recent years to 70%.

While only 30% 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 40% of jurisdictions. Furthermore, it is a sharp increase since 2015, when only 11% of jurisdictions required separation, and just 25% recommended it in codes. Eleven jurisdictions require and 13 jurisdictions recommend the separation of the two posts in "comply or explain"

codes. In addition, **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 (Figure 4.4). 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 percent 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 4.4 Separation of CEO and chair of the board in one-tier board systems



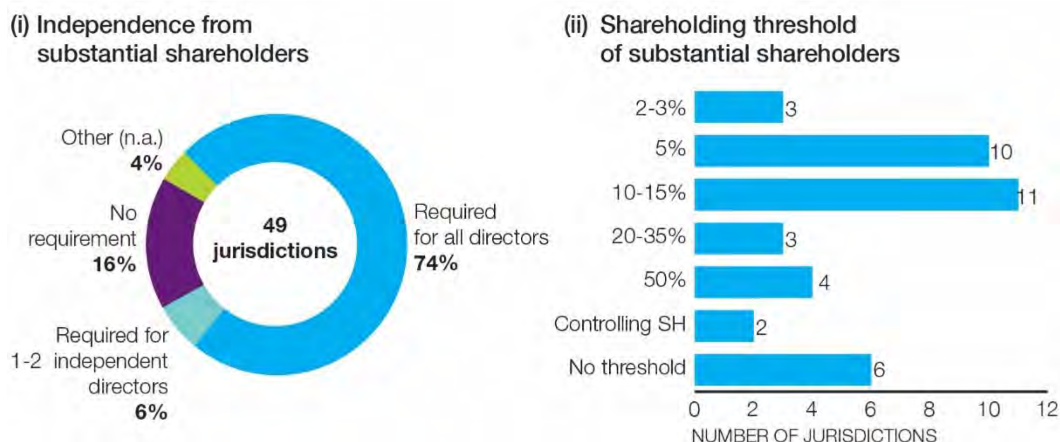
Note: The two jurisdictions denoted as "Incentive mechanism" set forth a higher minimum ratio of independent directors on boards where the chair is also the CEO. See Table 4.6 for data.

National approaches on the definition of independence for independent directors vary considerably, particularly with regard to maximum tenure and independence from a significant shareholder. Many jurisdictions also establish a maximum tenure for board members to be considered independent.

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 the large majority of jurisdictions' definitions of independent directors (80%, an increase from 64% in 2015) 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 4.5).

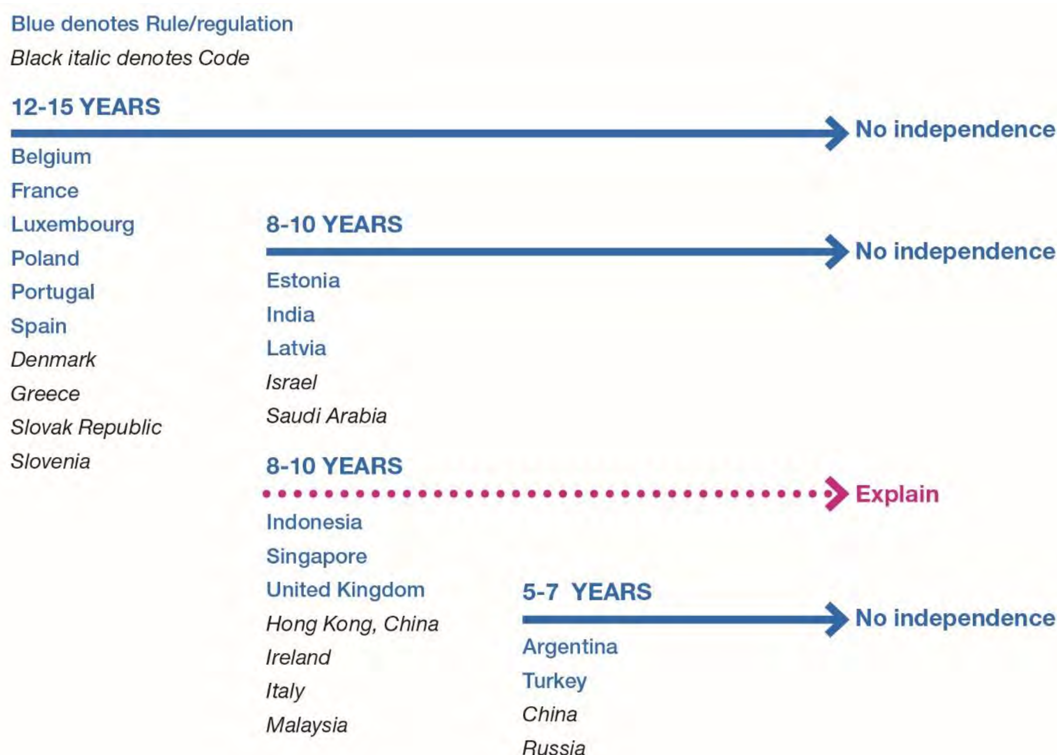
Another significant variation occurs with regard to maximum tenure. Twenty-six jurisdictions set a maximum tenure as an independent director, varying from 5 to 15 years (with the mode at 8-10 years). At the expiration of the tenure, these directors are no longer regarded as independent (in 19 jurisdictions), or need an explanation regarding their independence (in seven jurisdictions) (Figure 4.6). In addition, **Iceland** requires an explanation regarding board independence, but without relation to number of years served.

Figure 4.5 Requirements for the independence of directors and their independence from substantial shareholders



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

Figure 4.6 Definition of independent directors: Maximum tenure



Note: See Table 4.6 for data.

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. In Sweden,

there is no requirement for employee board representation but a statutory right for employees to appoint up to (depending on the size of the company) three representatives. Jurisdictions that require employee board members usually have 2-tier boards or allow for one and two-tier board structures (See Table 4.8).

4.2. Board-level committees

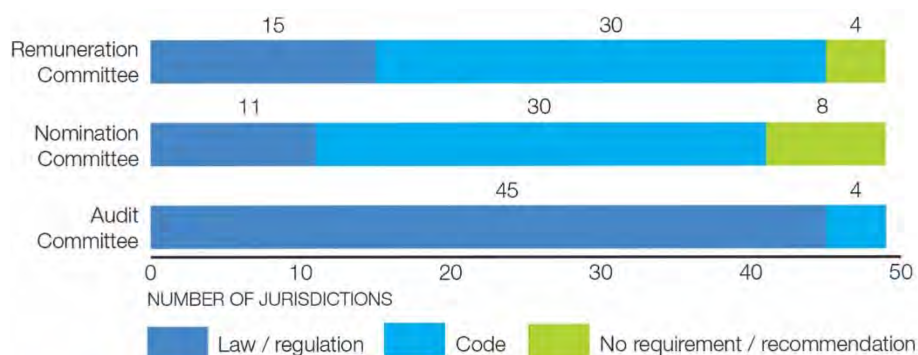
Nearly all jurisdictions require an independent audit committee. Nomination and remuneration committees are not mandatory in most jurisdictions, although more than 80% of jurisdictions at least recommend these committees to be established and often to be comprised wholly or largely of independent directors.

Audit committees have traditionally been a key component of corporate governance regulation, and 92% of jurisdictions now require listed companies to establish an independent audit committee), while the remaining jurisdictions recommend it in corporate governance codes (Figure 4.7, Table 4.9). 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 22% and 31% of jurisdictions have the requirement respectively). However, an additional 61% of jurisdictions have code recommendations to establish these committees on a “comply or explain” basis, often to be comprised by wholly or largely independent directors (Figure 4.7).

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 4.7 Board-level committees by category and jurisdiction

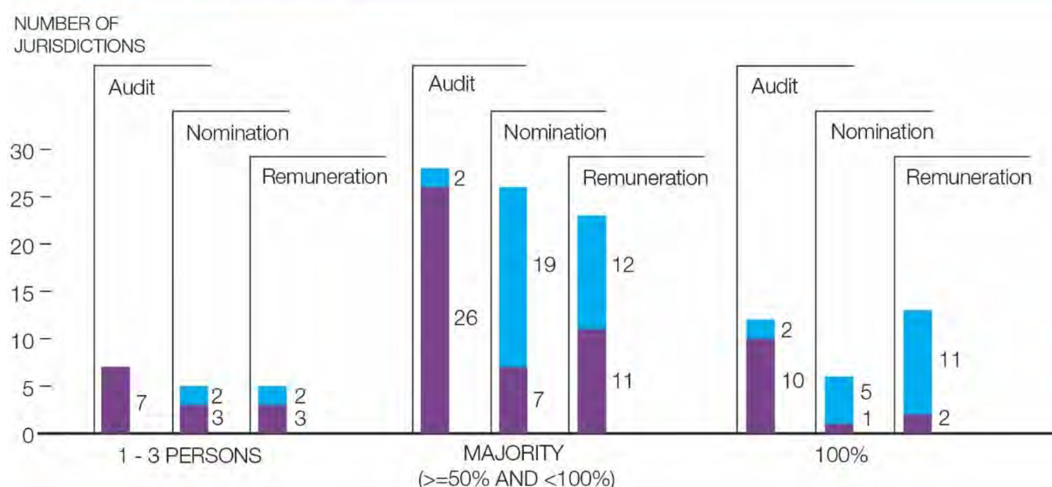


Note: Based on 49 jurisdictions. See Table 4.9 for data.

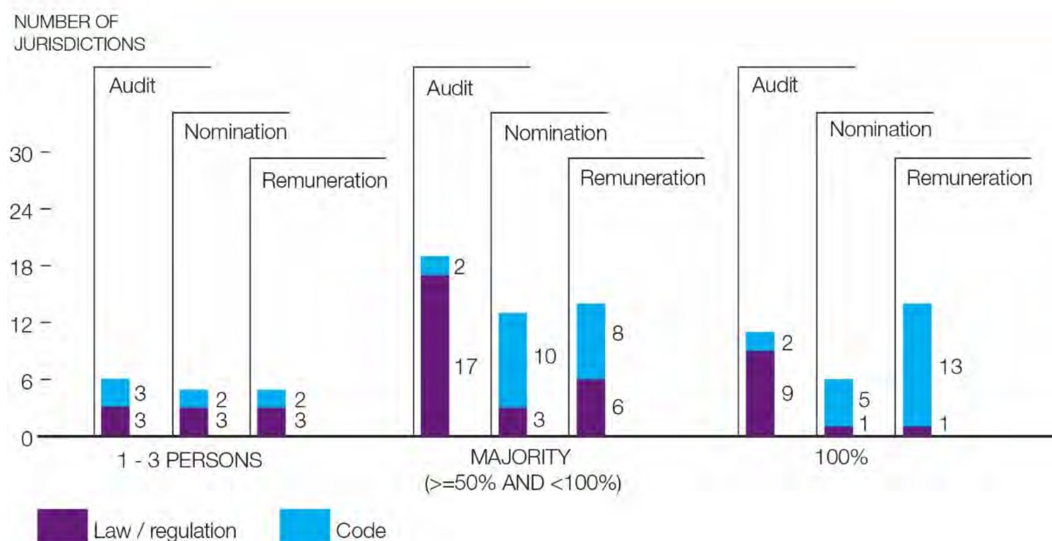
Full or majority independent membership is required or recommended for all three committees in most of the jurisdictions. For example, remuneration committees are required or recommended to have a majority or full independence in more than 70% of jurisdictions, while nomination committees have such provisions in 65% of jurisdictions. For both remuneration and nomination committees, code recommendations are more common than legal requirements concerning committee independence. Only in the case of audit committees, however, do a majority of jurisdictions require the audit committee to be independent (Figure 4.8).

Figure 4.8 Independence of the chair and members of board-level committees

Committee member independence



Chair independence



Note: See Table 4.9 for data.

In the case of committee chairs, again it is audit committees where requirements are most common, whereas in nomination and remuneration committees the independence of the chair is more frequently a code recommendation. The **Swedish** code recommends that the

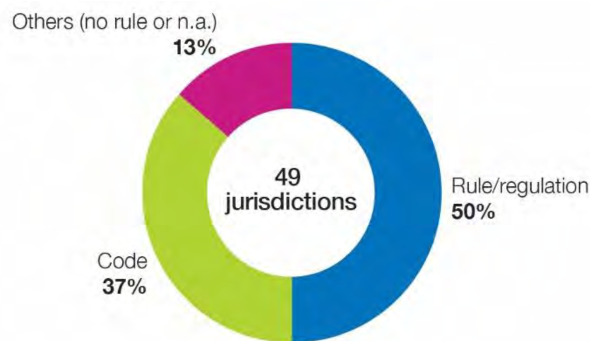
largest shareholders (or their representatives) make up the majority of a nomination committee.

Requirements or recommendations to assign a risk management role to board level committees (87% of jurisdictions) and to implement internal control and risk management systems (90%) have grown sharply in recent years.

Explicit legal requirements or recommendations on risk management have grown significantly since the financial crisis. In particular, 87% of jurisdictions now assign a risk management role to a board-level committee either as a legal requirement or as recommended good practice, well above the 62% of jurisdictions that reported having such requirements or recommendations in the 2015 edition of the Factbook.

Half of the jurisdictions surveyed now have requirements regarding the board's responsibilities with respect to risk management in the law or regulations, while another 37% recommend it in codes (Figure 4.9). 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.

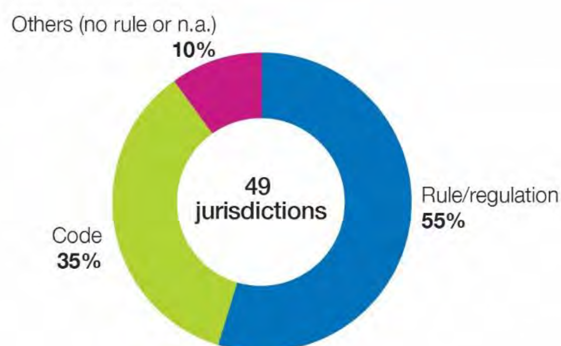
Figure 4.9 Board responsibilities for risk management



Note: Jurisdictions having both legal requirements and codes are counted twice. See Table 4.10 for data.

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 substantially to 90%, well above the 62% reported in the 2015 edition of the Factbook (Figure 4.10).

Figure 4.10 Implementation of the internal control and risk management system



Note: Jurisdictions having both legal requirements and codes are counted twice. See Table 4.10 for data.

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). More than half (57%) 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 36 jurisdictions, while risk committees are required or recommended in 16 jurisdictions (Figure 4.11). While requirements or recommendations to establish separate risk committees remain limited to about one-third of all jurisdictions, this is still double the number reported four years earlier in the 2015 edition of the Factbook, indicating that risk management has been one of the most dynamic fields subject to market regulation in recent years.

Figure 4.11 Board-level committee for risk management

Note: Based on 49 jurisdictions. See Table 4.10 for data

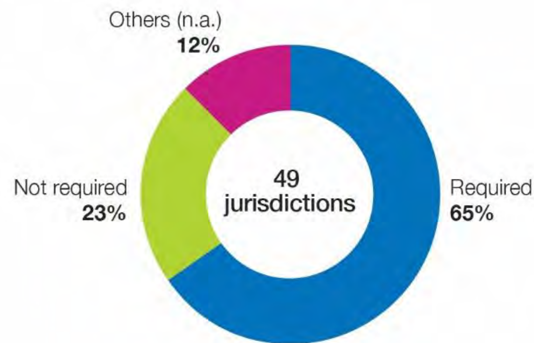
4.3. Board nomination and election

In almost all jurisdictions, shareholders can nominate board members or propose candidates, and there has been a substantial increase in the number of jurisdictions that have established majority voting requirements.

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 elections, a growing number of jurisdictions (65%, up from just 39% who reported such requirements in the 2015 edition of the Factbook) have established majority voting requirements for board elections, usually for individual candidates (i.e. not for slate) (Figure 4.12). In the **United States**, the Delaware Law's default rule is plurality voting, although companies may provide for cumulative voting.

Figure 4.12 Majority voting requirement for board election



Note: See Table 4.11 for data.

About 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 4.13 Cumulative voting

Note: See Table 4.11 for data.

Box 4.1. National provisions to facilitate effective minority shareholder participation in board selection

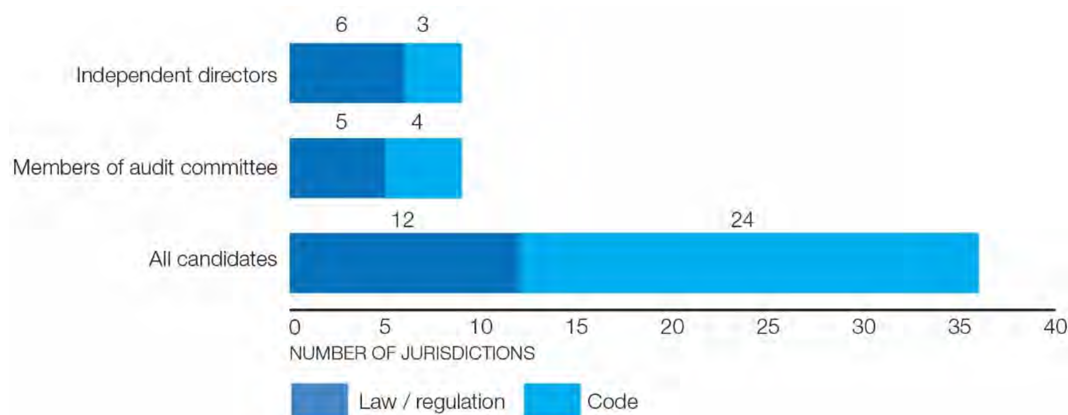
Eight jurisdictions have special voting arrangements to facilitate effective participation by minority shareholders (Table 4.12). In **Italy**, at least one board member must be elected from the slate of candidates presented by shareholders owning a minimum threshold of the company's share capital. In **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. In the **United Kingdom**, the Financial Conduct Authority published a rule in 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. Moreover, initial appointments must be approved by the majority of the minority shareholders. **Brazil, India, Portugal, Spain** and **Turkey** have also established special arrangements to facilitate the influence of minority shareholders in the process of board nomination and election.

Nearly three-fourths 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 qualifications of candidates, 36 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 nine jurisdictions), or members of audit committees (in nine jurisdictions) (Figure 4.14).

At least 26 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 4.14 Qualification requirements for board member candidates



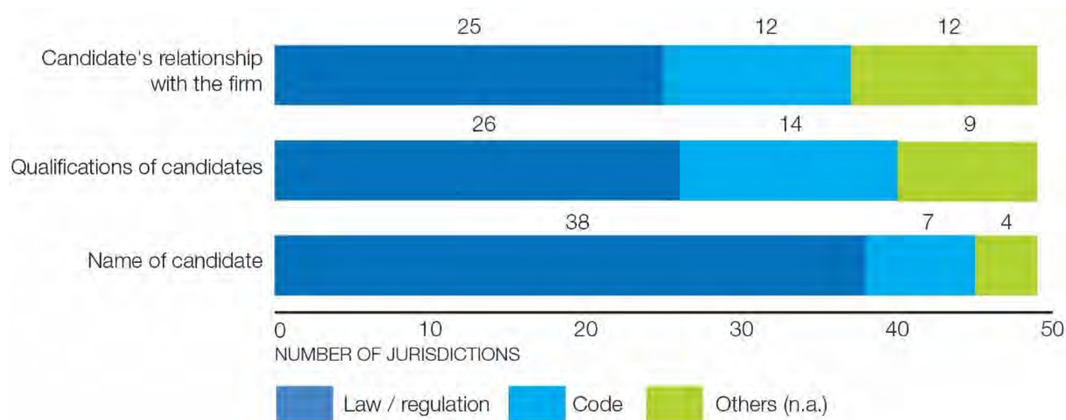
Note: This figure shows the number of jurisdictions in each category. Jurisdictions with several requirements are counted more than once. See Table 4.13 for data.

There has been a significant increase in the number of jurisdictions requiring or at least recommending disclosure of relevant information to shareholders about board candidates.

The number of jurisdictions requiring disclosure of information about candidates' qualifications has grown from 41% of jurisdictions reporting in the 2015 edition of the OECD Corporate Governance Factbook to 53% by end 2018, while an additional 14 jurisdictions (29%) have established code recommendations encouraging such disclosure. The number of jurisdictions requiring disclosure of information on the candidate's relationship with the firm has also grown from 15 (37%) reported in 2015 to 25 (51%) by

the end of 2018. Three-fourths of all jurisdictions now have either a requirement or recommendation for such disclosure. (Figure 4.15). While in 2015 11 jurisdictions indicated that they have no requirements or recommendations to provide even the names of candidates, this number had dropped to just four by the end of 2018.

Figure 4.15 Information provided to shareholders regarding candidates for board membership



Note: Based on 49 jurisdictions. See Table 4.13 for data.

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

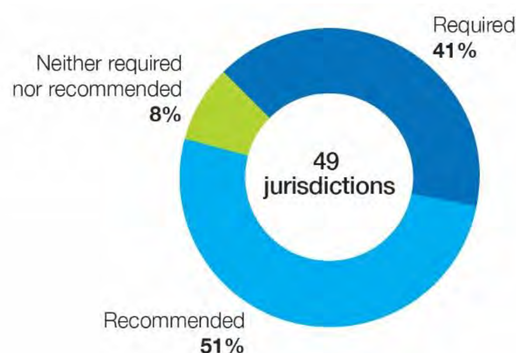
Regarding CEO and executive turnover (i.e. how frequently CEOs and executives move between companies), it is observed that the market for managerial talent has gradually developed in some European countries and the **United States**, while in many other jurisdictions CEOs and executives tend to stay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

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.

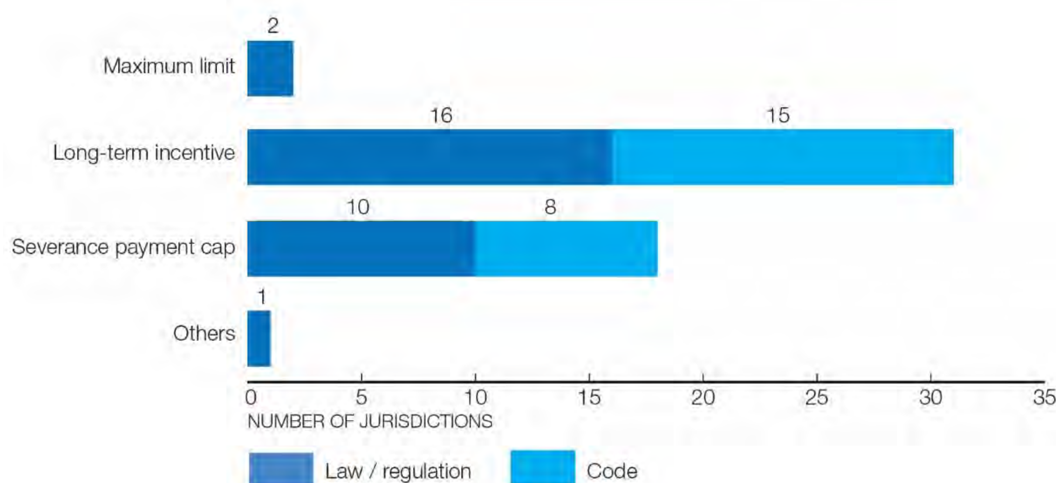
Since the financial crisis, much attention has been paid to the governance of the remuneration of board members and key executives. Besides measures to improve firm governance via promoting an independent board-level committee, 92% of jurisdictions have introduced general criteria on the structure of remuneration, with a majority doing so through the "comply or explain" system (Figure 4.16). 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 independent director remuneration cannot be based on profitability, share options or company performance.

Figure 4.16 Criteria for board and key executive remuneration



Note: See Table 4.15 for data.

Figure 4.17 Specific requirements or recommendations for board and key executive remuneration



Note: Based on 49 jurisdictions; those with several requirements are counted more than once. See Table 4.15 for data.

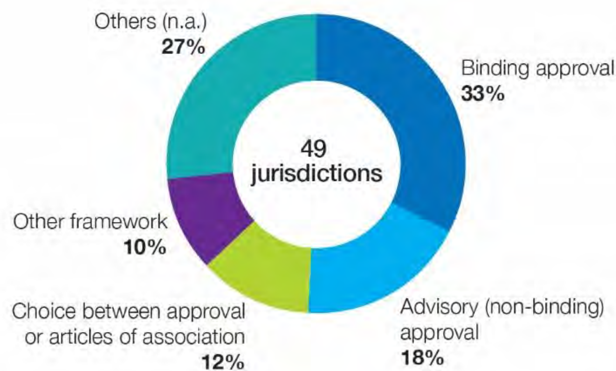
A majority of jurisdictions with general criteria also set forth specific measures in their rules or codes. Long-term incentive mechanisms are most common, required or recommended in 63% of jurisdictions. These may set two-to-three year time horizons and may involve stock options or equity incentives. Provisions to limit or cap severance pay have been required in 10 jurisdictions (20%), and are recommended in an additional eight jurisdictions. Only two jurisdictions, **India** and **Saudi Arabia,** have set maximum limits on remuneration. In the case of India, if the aggregate pay for all directors exceeds 11% of profits or other specific limits in cases where the company does not have profits, then director pay must be approved not only by shareholders but also by the government. Requirements or recommendations for *ex post* risk adjustments (including, provisions on golden parachutes, malus and/or clawback provisions[2]) are rare for non-financial listed companies around the world (Figure 4.17).

[2] 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

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 (39%), with another 22% 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. One-third of jurisdictions set forth a requirement for binding shareholder approval on remuneration policy (Figure 4.18) as well as 37% on the level and/or amount of remuneration (Figure 4.19). In a few additional cases, shareholder votes are limited to remuneration policy for incentive pay, while 18% of jurisdictions have established advisory (non-binding) votes on remuneration policy. 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. While legislative and regulatory debates related to say on pay were quite active a few years ago, there have not been substantial changes among jurisdictions reported during the past two years (Table 4.16).

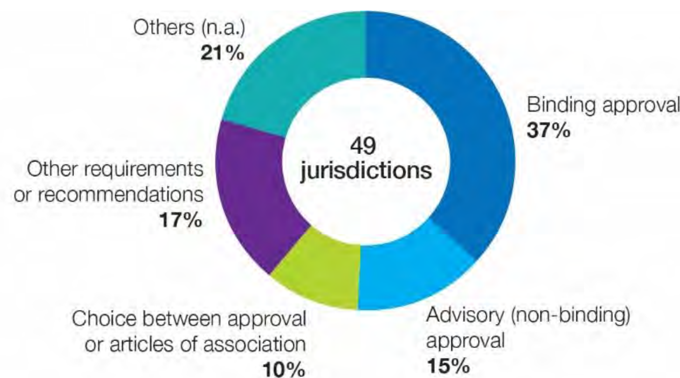
Figure 4.18 Requirement or recommendation for shareholder approval on remuneration policy (%)



Note: See Table 4.16 for data.

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 4.19 Requirement or recommendation for shareholder approval on level/amount of remuneration (%)



Note: See Table 4.16 for data.

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").

The trend toward increased transparency of company remuneration policy and remuneration levels has continued; nearly all jurisdictions surveyed now have a requirement or recommendation for the disclosure of the remuneration policy and the level/ amount of remuneration at least at aggregate levels. Disclosure of individual remuneration levels is now required or recommended in 76% of jurisdictions.

The increasing attention given to remuneration by shareholders has benefited from, and has also contributed to, enhanced disclosure requirements. Nearly all jurisdictions surveyed now have a requirement or recommendation regarding the disclosure of remuneration policy and for at least the aggregate level of remuneration (Figure 4.20). More than two-thirds of jurisdictions (34) now require disclosure of remuneration policy, while a smaller number (11) leave this to voluntary recommendations, meaning that 92% 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 for listed companies in 29 of 49 surveyed jurisdictions (59%), and individual remuneration disclosure is required in one additional jurisdiction. Taking into account code recommendations, individual remuneration disclosure is now required or recommended in 78% of jurisdictions. Most remaining jurisdictions have requirements or recommendations for aggregate reporting on remuneration (only three jurisdictions are reported to have neither requirements nor recommendations in place on remuneration disclosure).

Figure 4.20 Disclosure of the policy and amount of remuneration

Blue denotes Rule/regulation

Black italic denotes Code

		Disclosure of the amount of remuneration			
		No disclosure of amount (or n.a.)	Total amount	Individual	Total amount and individual
Disclosure of remuneration policy	**REQUIRED**	Costa Rica	Czech Republic Estonia Mexico Norway Russia Turkey	Ireland *Russia* *Turkey*	Argentina Australia Belgium Brazil Canada China France Germany Hong Kong, China Indonesia Iceland India Japan Israel Italy Korea Netherlands New Zealand Saudi Arabia Slovenia Spain South Africa Sweden Switzerland United Kingdom United States
	RECOMMENDED		Denmark Lithuania *Portugal* *Slovak Republic*	*Denmark* *Latvia* *Lithuania*	Colombia Malaysia Poland *Austria* *Finland* *Singapore*
	NO DISCLOSURE OF POLICY (OR N.A.)		Greece	Chile	

Note: “Rule/regulation” includes requirements by listing rules. See Table 4.16 for data.

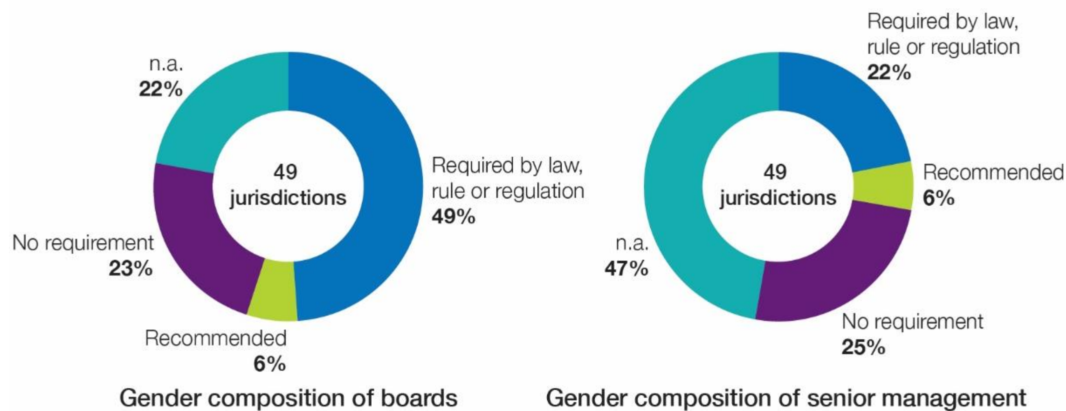
Denmark, Lithuania, Russia and **Turkey** are shown twice due to differing legal requirements and code recommendations.

4.5. Gender composition on boards and in senior management

A growing number of jurisdictions have adopted measures to promote women’s participation on corporate boards and in senior management, most often via disclosure requirements and regulatory measures such as mandated quotas and/or voluntary targets.

The ability of the board to ensure strategic guidance of the company depends in part on its composition, which should include directors with the right mix of background and competencies. The G20/OECD Principles also recognise the importance of bringing a diversity of thought to board discussions, and suggests in this regard, that “countries may wish to consider measures such as voluntary targets, disclosure requirements, boardroom quotas and private initiatives that enhance gender diversity on boards and in senior management” (Principle VI.E.4).

Figure 4.21 Requirement to disclose statistics on gender composition in management and on boards



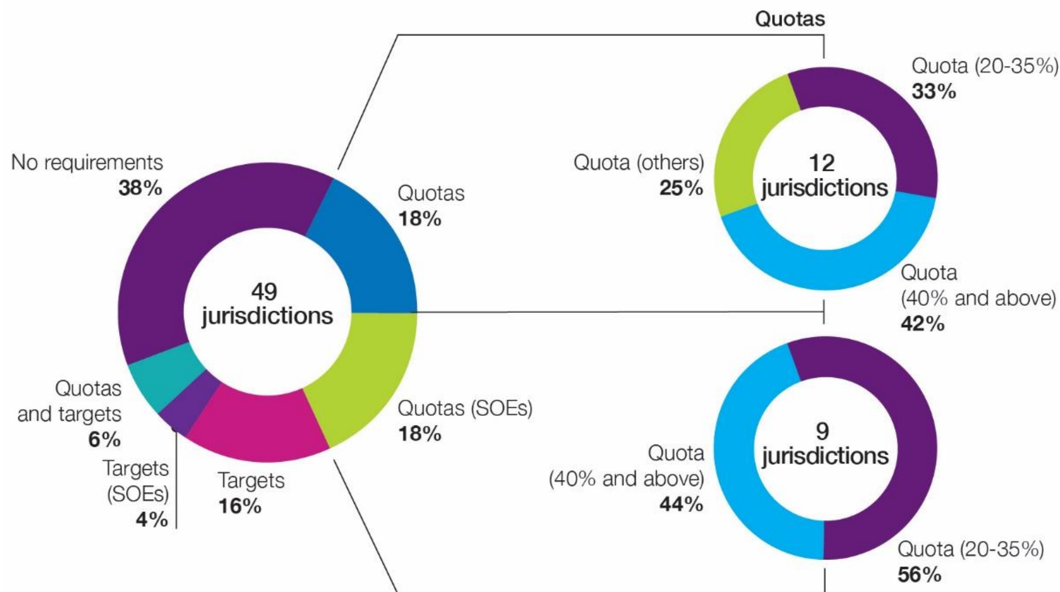
Note: N/A = Information not available. See Table 4.17 for data.

To address this issue, several jurisdictions have adopted measures to promote women's participation on corporate boards and in senior management, most often via disclosure requirements and regulatory measures such as mandated quotas and/or voluntary targets to increase the proportion of women on boards and in executive teams. In terms of disclosure requirements, 49% of the 49 surveyed jurisdictions report having established requirements to disclose gender composition of boards, compared to 22% with regards to senior management. An additional three jurisdictions recommend such disclosure for both boards and senior management (Figure 4.21).

To foster gender diversity, some of the surveyed jurisdictions (18%) have adopted mandatory quotas for listed companies requiring a certain percentage of board seats to be filled by women; 16% rely on more flexible mechanisms such as voluntary goals or targets[3], while 6% resort to a combination of both (Figure 4.22).

[3] Targets can also be mandatory in some jurisdictions, however for the purpose of this survey, targets are defined as being "specific and voluntary measurable objectives with discrete timeframes in which they are to be achieved".

Figure 4.22 Provisions to enhance gender diversity on boards



Note: The 12 jurisdictions under "Quotas" include jurisdictions with quotas for listed companies and those with both quotas and targets. See Table 4.17 for data.

Of the 12 jurisdictions that reported establishing mandatory requirements for listed companies in the form of quotas, five (**Denmark, France, Iceland, Norway** and **Spain)** require at least 40% female participation of women or of the least represented sex on boards, while four set the bar between 20% and 35% . Three jurisdictions require public companies to have "at least one" female director on their boards. Five of these jurisdictions report that they have established sanctions in case such quotas are not achieved. Although **Mexico** has not established a quota or target for board composition, it also imposes sanctions in relation to requirements for companies to disclose board composition. One additional jurisdiction, the **United States,** while not establishing a federal policy, has set requirements at the state level for listed companies based in California to have at least one woman on the board by the end of 2019, and two by 2021, enforceable by sanctions. Several other US states have established non-binding resolutions encouraging listed companies to have women on the board of directors.

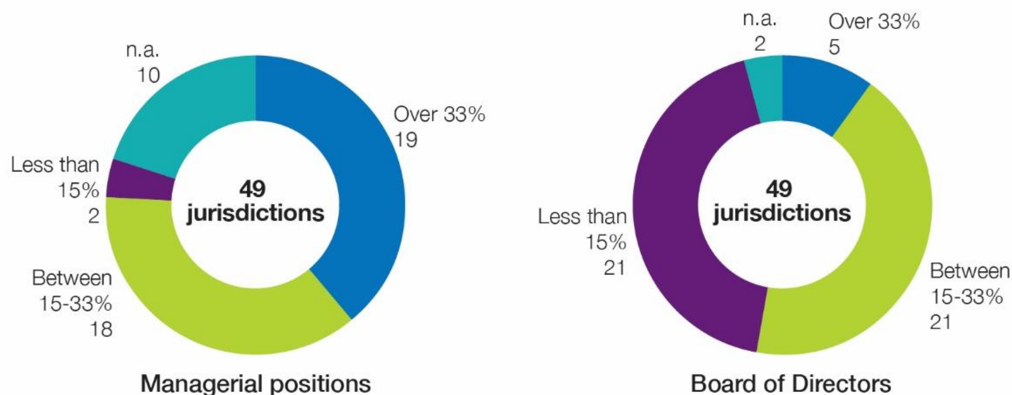
Data on actual percentages of female participation on the boards of listed companies as of end 2017 show actual levels in some cases lag behind prescribed quotas and targets. This suggests that most jurisdictions are still transitioning towards the higher quotas and targets that, in many cases, have been only recently established.

In addition, nine jurisdictions have implemented mandatory quotas solely for their state-owned enterprises (SOEs), and two have established targets. Provisions applicable to SOEs are generally more ambitious than those set for private sector companies, with almost half of the quotas (44%) set at 40% or higher.

In practice, women make up a much higher percentage of senior management positions than of board members. Women comprise at least one-third of management positions in 39% of jurisdictions, whereas just 10% of jurisdictions have women comprising at least one-third of listed company boards. At the other end of the spectrum, only two jurisdictions have fewer than 15% of women in senior management positions, whereas 43% of jurisdictions have fewer than 15% of board positions occupied by women (see Figure 4.23)

While this survey does not seek to analyse the impact of legislated quotas or targets on the actual board composition, a review of average gender composition in the surveyed jurisdictions shows jurisdictions with no quotas or targets in place for gender diversity (35% of total surveyed jurisdictions) report, on average, having fewer women on boards (13.8%) than those that have established mandatory requirements for private sector companies (28.1%), or voluntary targets (18.6%).

Figure 4.23 Women's participation in management and on boards



Note: See Table 4.17 for data.

A number of caveats apply when analysing the statistical data on women in senior management positions and on boards provided in this document. Notably, the data come from a range of different sources, including the International Labour Organisation's database for data on management positions, and national sources in other cases; and for boards, a mix of data from the European Institute for Gender Equality (EIGE), MSCI, and national sources. The definition and coverage of "managerial positions" might therefore differ from that provided by the ILO as well as between countries, which does not allow for full comparability across countries. Furthermore, the sample size of listed companies for which board data is collected may also differ across countries. Despite this, the data provide a useful empirical indication of women's participation in corporate leadership positions. Table 4.17 provides further information and footnotes on methodology and sources for each jurisdiction.

Table 4.1 Basic board structure: Classification of jurisdictions

One-tier system (22)	Two-tier system (11)	Optional for one-tier and two-tier system (13 + EU)	Multiple option with hybrid system (3)
Australia	Argentina[1]	Brazil	Italy
Belgium	Austria	Czech Republic	Japan
Canada	China	Denmark	Portugal
Chile	Estonia	Finland	
Colombia	Germany	France	
Costa Rica	Iceland[2]	Hungary	
Greece	Indonesia	Lithuania	
Hong Kong, China	Latvia	Luxembourg	
India	Poland	Netherlands	
Ireland	Russia	Norway[3]	
Israel	South Africa[4]	Slovenia	
Korea		Slovak Republic	
Malaysia		Switzerland	
Mexico		European Public LLC[5]	
Saudi Arabia			
New Zealand			
Singapore			
Spain			
Sweden			
Turkey			
United Kingdom			

[1] In **Argentina**, companies falling within the scope of public offering regulations are required to have an Audit Committee (Comité de Auditoría) with oversight functions. It is designated and integrated by members of the Board (majority independent). In this sense, the Audit Committee is generally considered a sub-organ of the Board. On the other hand, companies in Argentina have also another body (distinct from the board) with oversight functions, the Statutory Auditors Committee (Comisión Fiscalizadora) and Supervision Council (Consejo de Vigilancia). In that sense, the Capital Market Law foresees that companies making public offering and having established an Audit Committee may dispense with a Statutory Auditors' Committee.

[2] In **Iceland**, the board in its supervisory function is composed of non-executive directors only. In national law, the board appoints and delegates the executive powers to a single person, the CEO (not a member of the supervisory board). The CEO is the chair of the management board, which is composed of executive directors.

[3] 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.

[4] 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.

[5] The **EU** regulation (EC/2157/2001) stipulates that European public limited liability company (Societas Europaea) shall have the choice of a one-tier system (an administrative organ) or a two-tier system (a supervisory organ and a management organ).

Table 4.2 One-tier board structures in the selected jurisdictions

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.
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. Only 5 listed companies have supervisory boards, whereas 126 companies do not have supervisory boards. • The boards of listed companies mainly consist of non-executive directors. In 6 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 due 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, as well as directors and also participating in more than one company within a company group.
New Zealand	• Every board can benefit from having an appropriate balance of executive and non-executive directors. We encourage boards to include directors who meet formal criteria for an ‘independent director’. • We recommend the chair be independent. No director should simultaneously be a chair and chief executive of the entity (or equivalent). Only in exceptional circumstances should the chief executive go on to become the chair. • Boards should have a formal charter setting out their roles and responsibilities, and those of directors, including formal delegations to management.
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 unless otherwise decided by the board of directors in any specific case. • About one-third 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 (blue-chip index) is between 5 and 18. The average number of board members is approximately 9; outsider directors are more common for the management. Most of the chairmen do not hold the CEO position at the same time (only 2 chairmen of those 30 companies also sits in the position of CEO), 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

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. Brazil's Securities Commission (CVM) therefore considers it 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 (executive and non-executive board)** • 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.
China	• In Chinese listed companies, a supervisory board and a board of directors are appointed by the shareholders. • The supervisory board is comprised of shareholder representatives and employee representatives, employee representatives account for at least one-third of the supervisory board. It, is a permanent supervisory body and exercises its supervisory power over the board of directors, management and the whole company independently. Independent directors and the supervisory board both act as a company's internal supervision mechanisms. • The board of directors is comprised of directors and independent directors, and independent directors shall account for more than one-third of the board in a listed company. A listed company must also set up an audit committee which is comprised of directors and majority is independent directors. Manager teams are selected by the board of directors and responsible for the daily operating of the company.
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.

Jurisdiction	Description of board structure
	• 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. • 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.
Russia	**Supervisory body** • Listed companies from 1 and 2 listing tiers are required to have a supervisory board, which should include independent directors. • The supervisory board may not include more than ¼ of the Management board members. • The CEO may not be the Chair of the Supervisory board. **Management body** • Public joint stock companies are required to have collective management body of not less than 5 members. • Management body is accountable to the Supervisory board and the general meeting of shareholders.

Table 4.4 Examples of a hybrid board structure

Jurisdiction	Structure		
Italy[1]	[T] The "**traditional**" model	- Board of directors - Board of statutory auditors	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.
	[2] The "**two-tier**" model (*dualistico*)	- Supervisory board - Management 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.
	[1] The "**one-tier**" model (*monistico*)	- Board of directors - Management control committee	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.
Japan	**[A]** "**Company with statutory auditors**" model	- Board of directors - Statutory auditors	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.
	[C] "**Company with three committees**" model	- Board of directors - Three committees	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.
	[S] "**Company with an audit and supervisory committee**" model	- Board of directors - Audit and supervisory committee	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.
Portugal[2]	[2C] The "**Classic**" model	- Board of directors - Supervisory board (*conselho fiscal*)	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.
	[2A] The "**Anglo-Saxon**" model	- Board of directors - Supervisory board (*comissão de auditoria*)	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.
	[2G] The "**German**" model	- Executive board of directors - Supervisory board (*conselho geral e de supervisão*)	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.

Notes:

[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 one-tier and two-tier systems is very limited among listed companies (4 companies at the end of 2017, according to Consob).

[2] In **Portugal**, all three models comprise two boards (a board of directors and a supervisory board), and a statutory auditor although subject to different rules.

Table 4.5 Board size and director tenure for listed companies

Jurisdiction	Tier(s)	Board of directors (Supervisory board for 2-tier board)			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	3	-	3 to 5	GSM
Australia	1	3	-	[3]				
Austria	2	-		5	-			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	2	3		3	5	19	3	GSM
Colombia	1	5	10	-				
Costa Rica	1	3	-	-				
Czech Republic	1+2	-		-	-		-	GSM, SB
Denmark	1+2	-		4 (1)	-		(1)	SB
Estonia	2	-		5	1	-		SB
Finland	1+2	-		(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][1]	-	(3)				
Hungary	1+2	(3)	-	(5)	3	-	-	GSM
Iceland	2	3	-	-	-	-	-	SB
India	1	3/6[2]	15[2]	3[2]				
Indonesia	2	2	-	5	2	-	5	GSM
Ireland	1	2		-				
Israel	1	4[3]	-	-				
Italy	T+1	-		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
Lithuania	1+2	3	15	4	3	-	4	SB/GSM[4]
Luxembourg	1+2	-		-				
Malaysia	1	2	-	3				
Mexico	1	(3)	21 (15)	-				
Netherlands	1+2	-		(4)	-		(4)	GSM
New Zealand	1	-		-				

Jurisdiction	Tier(s)	Board of directors (Supervisory board for 2-tier board)			Management board (two-tier system)			
		Size		Appointment	Size		Appointment	
		Minimum	*Maximum*	*Maximum term year*	*Minimum*	*Maximum*	*Maximum term year*	*By*
Norway	1	3	-	4 (2)				
	2	12	-	4 (2)	5	-	-	SB
Poland	2	5	-	5	1	-	5	SB
Portugal	2C+2A+2G	-[5]		4	-		4	SB/GSM[6]
Russia	2	5 (7,9)[7]	-	1	5		-	GSM[7]
Saudi Arabia	1	3	11	3				
Singapore	1	3	-	3				
Slovak Republic	1+2	-		-	-		-	
Slovenia	1+2	3	-	6	1	-	6	SB
South Africa	2	3	-	-	-	-	3	GSM
Spain	1	3	-	4				
Sweden	1	3	-	4 (1)				
Switzerland	1+2	-		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; SB = Supervisory board; GSM = General Shareholder Meeting

Notes:

[1] 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.

[2] In **India**, while the minimum number of directors on the Board of a listed entity is three, the board of directors of the top 1000 listed entities (with effect from April 1, 2019) and the top 2000 listed entities (with effect from April 1, 2020) are required to comprise not less than six directors. Furthermore, the maximum number of directors (15) may be increased 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.

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

[4] In **Lithuania**, the board shall be elected by the supervisory board. If the supervisory board is not formed, the board shall be elected by the general meeting of shareholders.

[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 (management) 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 supervisory board may not include less than 5 members. For companies having more than 1 000 voting shareholders the minimum is 7 directors; for companies having more than 10 000 voting shareholders the minimum limit is 9 directors. The management board will be appointed by the supervisory board if provided in the charter.

[8] In **Turkey**, directors may be re-appointed unless otherwise stated in the company's articles of association. Independent directors may also be re-appointed. However, independence criteria set forth under the Corporate Governance Principles requires the independent director not to have served as a board member for 6 years in the company within the previous 10 years. Therefore, it would be possible to re-appoint an independent director successively for a second term only.

[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

Jurisdiction	Tier(s)	Board independence requirements		Key factors in the definition of independence			
		Separation of the CEO and Chair of the board (as applicable to 1-tier boards)	*Minimum number or ratio of independent directors*	Term *Maximum term of office & effect at the expiration of term*		Independence from "substantial shareholders"	
						Requirement	*Shareholding threshold of "substantial shareholders" for assessing independence*
Argentina	2	-	(66%)	10	No independence	Yes	5%
Australia	1	Recommended	(>50%)	-	-	(Yes)	5%
Austria	2	-	(50%)	-	-	No	-
Belgium	1	Recommended	3	12	No independence	Yes	10%
Brazil	1	Required[1]	20% (33%)[2]	-	-	(Yes)	(50%)
Canada	1	-	2	-	-		
Chile	1	Required	-[3]	-	-	Yes	10%
China	2		(33%)	(6)	No independence	Yes	(5%); rank in top 5 shareholders
Colombia	1	Required	25%	-	-	Yes	50%+1
Costa Rica	1	Recommended	2	-	-	Yes	-
Czech Republic	1+2	-	-	-	-	No	-
Denmark	1+2	-	(50%)	(12)	(No independence)	Yes	50%
Estonia	2	-	(50%)[4]	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	-	-[5]	-	-	(Yes)[6]	
Greece	1	-	2 (33%)	(12)	(No independence)	No	-
Hong Kong, China	1	Recommended	3 and 33%	(9)	(Explain)	Yes	5%
Hungary	1+2	-	50%	-	-	Yes	30%
Iceland	2		(50%)	-	(Explain)	Yes for 2	10%

Jurisdiction	Tier(s)	Board independence requirements		Key factors in the definition of independence			
		Separation of the CEO and Chair of the board (as applicable to 1-tier boards)	*Minimum number or ratio of independent directors*	Term *Maximum term of office & effect at the expiration of term*		Independence from "substantial shareholders"	
						Requirement	*Shareholding threshold of "substantial shareholders" for assessing independence*
India	1	Required[6]	[33%][7]	10[8]	No independence for 3 years	Yes	2%
		-	[50%][7]				
Indonesia	2	-	30%	10[9]	Explain	Yes	20%
Ireland	1	Recommended	(50%)	(9)	(Explain)	No	-
Israel	1	Required[9]	2 (50% or 33%)[10]	9	(No independence)	Yes	5%
Italy	T+1+2	-[11]	1 (or 2 if the board>7 members)[12]	(9)	(Explain)	Yes	-
Japan[13]	A	-	1 and (2)	-	-	Yes	50%
	C, S	-	Majority of each committee and (2)				
Korea	1	-	>50% and at least 3[14]	-	-	Yes	Largest or all >10%
Latvia	2		(50%)	10	(No independence)	No	-
Lithuania	1+2	Required	33%	-	-	Yes	-
Luxembourg	1+2	-	-	12	No independence	Yes	10%
Malaysia	1	Recommended	1/3 or 2	(9)	Explain[15]	Yes	10% or more of total number of voting shares in the corp.; or 5% or more of number of voting shares where such person is largest sh of corp.
Mexico	1	-	25%	-	-	Yes	20%
Netherlands	1+2	Required	(>50%)	-	-	Yes	10%
New Zealand	1	Recommended	2 required, majority recommended	-	-	(Yes)	5%
Norway	1+2	Required	2 (>50%)	-	-	Yes	10%
Poland	2		(2)	12	No independence	Yes	5%

Jurisdiction	Tier(s)	Board independence requirements		Key factors in the definition of independence			
		Separation of the CEO and Chair of the board (as applicable to 1-tier boards)	*Minimum number or ratio of independent directors*	Term *Maximum term of office & effect at the expiration of term*		Independence from "substantial shareholders"	
						Requirement	*Shareholding threshold of "substantial shareholders" for assessing independence*
Portugal	BoD	-	(Adequate proportion)	(12)	(No independence)	(Yes)	(Controlling SH or company in group relationship)
	SB	-	(>50% including the Chair)	2 re-elections, up to a max. of 4 years each (total of 12 years)	No independence	Yes	2%
Russia	2		20% and 3 (33%)[16]	(7)	(No independence)	(Yes)	(5%)[16]
Saudi Arabia	1	Required	33% or 2	(9)	No independence	Yes	5%
Singapore	1	Recommended	(Majority)[17]	[9]	Explain[18]	(Yes)	5%
		Recommended	[1/3]				
Slovak Republic	1+2	(Recommended)		(15)	(No independence)	No	-
Slovenia	1+2	Required	(50%)	12	(No independence)-	Yes	(Controlling SH)[19]
South Africa	2		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[20]	(>50%)	-	-	No	-
Turkey	1	Recommended[21]	(33% and 2) [21]	6	No independence	Yes	Controlling SH[21]
United Kingdom	1	Recommended	(50%)	9	Explain	No	-
United States	1	-	[>50%][22]	-	-		

Key: [ ] = requirement by the listing rule; ( ) = recommendation by the codes or principles; "-" = absence of a specific requirement or recommendation. For 2-tier boards, separation of the Chair from the CEO is assumed to be required as part of the usual supervisory board/management board structure unless stated otherwise.

Notes:

[1] In **Brazil**, the separation of the CEO and Chair of the board is required for companies that adhere to B3 governance special segment listing rules ("Novo Mercado", Level 1 and Level 2). The Brazilian Corporate Governance Code recommends the separation for all listed companies.

[2] 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 33% independent directors is recommended by Brazil`s new comply-or-explain code.

[3] As a special case, **Chile** makes the minimum threshold of independent board members dependent upon the company's ownership structure. A mandatory independent board member is required for a listed company, only if it has listed equity above 1.500.00 inflation linked units (approx. USD 67.5 million) 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.

[4] In **Estonia**, if there is an uneven number of board members, there may be one independent director less than dependents to comply with the code recommendation.

[5] 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.

[6] 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.

[7] 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. This requirement applies to public companies, whether listed or not, having a share capital of Rs.100 crore or more and annual turnover of Rs.1000 crore or more. Further, where the chairperson of the board is a non-executive director, at least one-third of the board is required to be comprised of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board must be comprised of independent directors. However, where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of the board or at one level below the board, at least half of the board of the listed entity must consist of independent directors.

[8] 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.

[9] 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.

[10] 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.

[11] 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.

[12] 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).

[13] 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 other board structures (C) and (S) see Table 4.4.

[14] In **Korea**, the requirement for more than 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.

[15] In **Malaysia**, the Corporate Governance Code recommends that the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as non-independent. If the board continues to retain the independent director after the 12th year, the board should seek annual shareholders' approval through a two tier voting process.

[16] 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' boards 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 owning more than 1% of shares with voting rights or if the market value of shares owned exceeds 20 times the annual fixed fee due to a director.

[17] In **Singapore**, majority independent directors is recommended for companies if the Chair is not independent.

[18] In **Singapore**, with effect from 1 January 2022, the SGX Listing Rules require the appointment of independent directors who have served beyond nine years to be subject to a two-tier vote requiring approval by the majority of (i) all shareholders; and (ii) all shareholders excluding shareholders who also serve as directors or the CEO (and their associates).

[19] 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.

[20] In **Switzerland**, the separation of the CEO and the chair of the board is required for banks and insurers. The code recommends that the Audit Committee and a majority of the Compensation Committee consist of non-executive, preferably independent members of the Board; respectively non-executive and independent members (Art. 19 Swiss Code of Best Practice for Corporate Governance (economiesuisse) 2014).

[21] In **Turkey**, corporate governance principles recommend public companies to separate the powers of CEO and chair of the board and to state this separation explicitly in the articles of association. In case the same person is appointed as the CEO and the chair of the board, this shall be disclosed to the public along with its justification. On the other hand, the CEO and the chair of the board cannot be the same person for banks and insurers.

In line with the CMB Communiqué no. II-17.1. on Corporate Governance, public companies are categorised into three groups in terms of their market capitalisation and value of their shares in free float. Accordingly, the number of independent directors shall not be less than 1/3 of the total director number. However, third group companies (which are respectively smaller compared to the first and second group companies), shall have a minimum of two independent directors.

A shareholder is considered to be a controlling shareholder if it holds the majority of voting rights or if it is able to appoint or nominate majority of directors in line with the CMB Communiqué II-26.1. Also, the independent director cannot hold more than 5% of capital in the company or its controlling shareholder.

[22] In the **United States**, controlled companies are not subject to this independence requirement.

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

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**:*	- **The code recommends that 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).	
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.	

Notes:

[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

Jurisdiction	Tier	Min number of employees	Minimum requirement	Maximum allowance
Argentina	2	-	-	-
Australia	1	-	-	-
Austria	2	300-	33%	-
Belgium	1	-	-	-
Brazil	1	-	-	-
Canada	1	-	-	-
Chile	1	-	-	-
China	2	-	33%	-
Colombia	1	-	-	-
Costa Rica	1	-	-	-
Czech Republic	1+2	500	33%	50%
Denmark	1+2	35-	2	50%
Estonia	2	-	-	-
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	2001-	50%[4]	50%[4]
		501-2000	33%	-
Greece	1	-	-	-
Hong Kong, China	1	-	-	-
Hungary	1+2	200-	33%	-
Iceland	2	-	-	-
India	1	-	-	-
Indonesia	2	-	-	-
Ireland	1	-	-	-
Israel	1	-	-	-
Italy	T+1+2	-	-	-
Japan	C+A+S	-	-	-
Korea	1	-	-	-
Latvia	2	-	-	-
Lithuania	1+2	-	-	-
Luxembourg	1+2	1000-	33%	33%
		-1000	-	33%
Malaysia	1	-	-	-
Mexico	1	-	-	-
Netherlands	1+2	100-	-	33%[5]
New Zealand	1	-	-	-
Norway	1	21-, 51- and 201-	1 for lowest category; 33% min. 2 for middle category , and 33% min. 3 for largest category	-
Poland	2	-	-	-
Portugal	2C+2A+2G	-	-	-
Russia	2	-	-	-
Saudi Arabia	1	-	-	-
Singapore	1	-	-	-

Jurisdiction	Tier	Min number of employees	Minimum requirement	Maximum allowance
Slovak Republic	1+2	50-	33%	-
Slovenia	1+2	-	33%	50%
South Africa	1+2	-	-	-
Spain	1	-	-	-
Sweden	1	1000-	3[6]	50%
		25-999	2[6]	50%
Switzerland	1+2	-	-	-
Turkey	1	-	-	-
United Kingdom	1	-	-	-
United States	1	-	-	-

Key: Min. number of employees: Refers to the minimum company size threshold under which a requirement for employee board members applies; Minimum requirement: refers to the min. requirement (number or percentage) of employees on the board; Maximum allowance: Refers to the max. limit (number or percentage) of employees on the board.

Notes:

[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 a) supervisory board, b) board of directors, or c) similar bodies that together cover the profit units of the company. In practise, companies choose option c) (less than 5 companies have employee representation on board level).

[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 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.

[6] In **Sweden**, there is no requirement for employee board representation but a statutory right for employees to appoint up to (depending on the size of the company) three representatives.

Table 4.9 Board-level committees

Jurisdiction	Audit committee			Nomination committee			Remuneration committee		
	Establish-ment	Chair indepen-dence	Minimum number or ratio of indepen-dent members	Establish-ment	Chair indepen-dence	Minimum number or ratio of indepen-dent members	Establish-ment	Chair indepen-dence	Minimum number or ratio of independent members
Argentina	L	-	66%	C	C	(66%)	C	C	(66%)
Australia	R	C/R[1]	(>50%)[1]	C	C	(>50%)	C/R[1]	C	(>50%)
Austria	L	L	1 or 2	C	-	-	C	-	(50%)
Belgium	L	-	1	C	-	(>50%)	L	-	>50%
Brazil	C[2] R	C	(>50%)[3]	-	-	-	C	C	(100%)
Canada	L	L	100%	C	C	(100%)	C	C	(100%)
Chile	L	L	50%	-	-	-	L[4]	L	50%
China	L	L	(>50%)	C	C	(>50%)	C	C	(>50%)
Colombia	L	L	2	C	C	(100%)	C	C	(1)
Costa Rica	L	L	1	C	C	(1)	C	C	(1)
Czech Republic	L	-	(100%)	C	C/L (SOEs)	(100%)	C	C	(100%)
Denmark	L	L	50%	C	-	(50%)	C	-	(50%)
Estonia	L	-	-	-	-	-	-	-	-
Finland	L	C	(>50%)[5]	C	-	(>50%)[5]	C	-	(>50%)[5]
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[6]	R	R	>50%	C	C	(>50%)	R	R	>50%
Hungary	L	L	100%	C	-	(50%)	C	-	(50%)
Iceland	L	-	(>50%)	C	Not member of BOD	(>50%)	C	-	(>50%)
India	L	L	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 indepen-dent Chairman)
Japan	L[7]	-	>50%[7]	L[7]	-	>50%[7]	L[7]	-	>50%[7]

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
Korea	L[8]	L	>50%	L[8]	C	>50%	C[8] (L for financial institutions, with few exceptions)	C	(100%)
Latvia	L	L	>50%	-	-	-	-	-	-
Lithuania	L	L	>50%	C	-	-	C	-	-
Luxembourg	C	-	(50%)	C	-	-	C	-	-
Malaysia	R	R	>50%	R	-	>50%	C; L (financial institutions)	-	>50%
Mexico	L	L	100%	-	-	-	C[9]	L, C	(>50%)
Netherlands	L	L	>50%	C	C	(>50%)	C	C	(>50%)
New Zealand	R		51%	C	-	(50%)	C	-	-
Norway	L	-	50%	C	-	(50%)	C	C	(100%)
Poland	L	L	>50%	-	-	-	-	-	-
Portugal	L	L	>50%	C	-	(>50%)	C	C	(100%)
Russia[10]	L/R/C	R/C	>50% (100%)	L/R/C	C	>50% (>50%)	L/R/C	C	>50% (100%)
Saudi Arabia	L	C	1[11]	L	L	1	L	L	1
Singapore	L	L	50%	R[12]	C	(>50%)	R[12]	C	(>50%)
Slovak Republic	L	-	50%	C	-	-	C	C	(100%)
Slovenia	L	L	100%	C	C	(100%)[5]	C	C	(100%)[5]
South Africa	L	L	100%	-	-	(1)	R[13]	C	(>50% non-exec)
Spain	L	L	>50%	L	L	(2)	L	L	(2)
Sweden	L[14]	-		C	C[14]	(>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
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 law or regulations; R = requirement by the listing rule; C = recommendation by the codes or principles; ( ) = recommended by the codes or principles; "-" = absence of a specific requirement or recommendation

Notes:

[1] In **Australia**, the ASX Corporate Governance Principles and Recommendations recommend that the chair of the Audit Committee is independent. For the top 300 listed companies, this recommendation becomes a requirement under the Listing Rules. Similarly, the ASX Corporate Governance Principles and Recommendations recommend that listed entities have a Remuneration Committee. For the top 300 listed companies, this recommendation becomes a requirement under the Listing Rules. See Listing Rule 12.

[2] In **Brazil**, the Audit Committee is optional, but, when in place, and in accordance with CVM regulation, it enables firms to rotate independent auditors every 10 years instead of every 5 years.

[3] In **Brazil**, the CVM regulation and the Corporate Governance Code for Listed Companies require the Audit Committee to be comprised of a majority of independent members. The Novo Mercado listing rules provide that independent members must represent at least 33% of this committee.

[4] 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 review 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.

[5] 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.

[6] In **Hong Kong, China**, an issuer with a WVR structure must establish a Corporate Governance Committee which must be comprised entirely of independent non-executive directors, one of whom must act as the chairman (Main Board Listing Rules 8A.30 and 8A.31).

[7] In **Japan** the establishment of a board-level audit committee is mandatory for a company with the three committees model (C) and for a company with an audit and supervisory committee model (S), 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 organisational 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".

[8] In **Korea**, the establishment of a board-level audit committee and nomination committee is mandatory for listed companies with total assets valued at two trillion Won or more as the end of the latest business year. Every financial company shall establish a board-level audit committee, nomination committee, risk management committee, and a remuneration committee. However, the remuneration committee need not be established for a financial company if the audit committee deliberates on matters related to remunerations, amongst other aspects.

[9] In **Mexico**, there is no legal requirement to establish a Remuneration Committee, but the Corporate Practices Committee is mandated by law to review information regarding remuneration for executives (Securities Market Law, art. 25; art. 43, I, c).

[10] In **Russia**, starting July 1, 2020 the audit committee will be mandatory for all public joint stock companies. Nomination and remuneration committees are required for listed companies. 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. The Corporate Governance Code recommends the formation of board of directors committees according to the same rules applied for 1st tier listing to all public companies.

[11] In **Saudi Arabia**, members of the audit committee shall be composed of shareholders or others, including at least one independent director. Executive Directors are not allowed to be members of the audit committee.

[12] In **Singapore**, where a listed company adopts a dual class share structure, the majority of each of the committees, including the respective chairmen, must be independent. The requirement by the listing rules to establish a remuneration committee will take effect from 1 January 2019.

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

[14] 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. Neither the company chair nor any other member of the board may chair the nomination committee.

Table 4.10 Governance of internal control and risk management

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

Jurisdiction	Board responsibilities for risk management	Implementation of the internal control and risk management system	Board-level committee		Chief risk officers[2]
			Risk management role of audit committee[1]	Establishment of separate risk committee	
Slovenia	C	C	L	-[10]	-
South Africa	C	C	C	C	C
Spain	L	L/C	L/C	-	-
Sweden	C	C	L	-	-
Switzerland	L	C	C	-	-
Turkey	L	L	-	L	-
United Kingdom	C	C	C[11]	-	-
United States	R[12]	L/R	L/R[12]	-	-

Key: L = requirement by law or regulations; R = requirement by the listing rule; C = recommendation by the codes or principles; "-" = absence of a specific requirement or recommendation; N/A = not applicable

Notes:

[1] Risk management role of audit committee: Indicates that risk management is explicitly included in the role of audit committee.

[2] Chief risk officers: "" In the column of chief risk officers indicates that internal auditors are in charge of risk management.

[3] In **Australia** entities that provide financial services under an Australian financial services licence are required under legislation to have in place adequate risk management systems.

[4] 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.

[5] In **Colombia**, establishment of a risk committee is mandatory for financial issuers, but for non-financial issuers it is voluntary. If the company has a complex and diverse structure for business and transactions, the Colombian national code recommends the establishment of a CRO. In the case of company groups or control configurations, it is recommended that the CRO has faculties over the conglomerate at large.

[6] In **India**, the requirements specified above apply to listed entities. Further, the establishment of a separate risk management committee is mandatory for the top 500 listed entities (w.e.f April 1, 2019; earlier mandatory for top 100 listed entities) by market capitalisation, and is voluntary for other listed entities under the Listing Regulations. A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company is required to be disclosed in the Annual report for all companies (listed/unlisted) under the Companies Act, 2013. Further, there are other norms specified for unlisted companies with respect to risk management in the Companies Act, 2013.

[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 **Korea**, every financial company shall establish a risk management board, however where a financial holding company has formulated risk management standards for its subsidiaries, subsidiaries do not need to formulate risk management standards.

[9] 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.

[10] 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.

[11] In the **United Kingdom**, although the Code recommends that audit committees cover risk management, it allows for the use of risk committees and for splitting the function across separate audit and risk committees.

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

Table 4.11 Voting practices for board election

Jurisdiction	Majority requirement for board election	Voting for: Individual candidate/list of candidates	Cumulative voting
Argentina	-	Individual candidate	Allowed
Australia	Required	Individual candidate	-
Austria			
Belgium	-	-	Allowed
Brazil	-	-	Allowed
Canada	Required[1]	Individual candidates	Allowed
Chile	-	Individual candidate	Allowed
China	Required	Individual candidate	(Required if one SH and person acting in concert have > 30% of the voting shares)
Colombia	Required	List	-
Costa Rica	Required	Individual candidate	Allowed
Czech Republic	Required	Individual candidate	Allowed
Denmark	Required	Individual candidate	Allowed
Estonia		Individual candidate	Allowed
Finland	Required[2]	Individual candidate	Allowed
France	Required	Individual candidate	-
Germany	Required	(Individual candidate)	Allowed
Greece		-	
Hong Kong, China	Required	Individual candidate	-
Hungary	Required	(Individual candidate)	-
Iceland	Required	Individual candidate	-
India	Required	Individual candidate	Allowed
Indonesia	Required	Individual candidate	-
Ireland	Required	Individual candidate	-
Israel	Required	Individual candidate	-
Italy	-[3]	List	-
Japan	Required	Individual candidate	Allowed but limited
Korea	Required	-	Allowed but limited
Latvia	-	Individual candidate	Allowed
Lithuania	Required	Individual candidate	-
Luxembourg			
Malaysia	Required	Individual candidate	-
Mexico	-	Individual candidate	Allowed (1 board member for each 10%)
Netherlands	-	-	Allowed but limited
New Zealand	Required	-	Allowed
Norway	-	(Individual candidate)	Allowed
Poland	Required	Individual candidate	Allowed
Portugal		List of candidates	-
Russia	Required	Individual candidate	Required
Saudi Arabia	Required	Individual candidate	Required
Singapore	Required	Individual candidate	-
Slovak Republic			
Slovenia	Required	Individual candidate	Allowed

Jurisdiction	Majority requirement for board election	Voting for: Individual candidate/list of candidates	Cumulative voting
South Africa	Required	Individual candidate	-
Spain	Required	Individual candidate	-
Sweden	-	Individual candidate	-
Switzerland	-	Individual candidate	Allowed
Turkey	Required	Individual candidate	-
United Kingdom	Required		-
United States	-	Individual candidate	Allowed

Key: Required = specifically required by law or regulation. Otherwise use “optional” or “recommended”; ( ) = recommendation; “-” = not required or not allowed

Notes:

[1] In **Canada**, the majority requirement applies with respect to publicly-traded companies in uncontested elections, through the operation of federal legislation (once 2018 amendments have entered into force) as well as provincial securities exchange rules.

[2] In **Finland**, in an election, the person receiving the most votes shall be elected. In practice, General Meeting decides before the election if a majority of votes is required for the election.

[3] Under **Italy’s** use of a list voting system, all board seats except those reserved to minority shareholders are elected from the list receiving the most votes (an absolute majority is not required).

Table 4.12 Board representation of minority shareholders

Jurisdiction	Requirement / recommendation	
	Required for re-election	
Brazil	Allowed	**One or two** members of the board may be elected separately by minority shareholders, pursuant to the following rules: - Minority shareholders holding voting shares that represent 15% or more of the voting capital are entitled to appoint one member for the board; and - Minority shareholders holding non-voting preferred shares or preferred shares with limited voting rights that represents 10% or more of the total capital stock are entitled to appoint one member to the board - if neither the holders of shares with voting rights nor the holders of preferred shares without voting rights or with restricted voting rights achieve the percentages mentioned above, they are allowed to aggregate their shares in order to jointly elect a member for the board of directors, as long as their shares represent at least 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 nomination 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	The articles of association of public listed companies must provide that: i.) a **maximum of one-third** of board members are appointed within candidates proposed by a group of shareholders holding between 10 and 20% shareholding; or ii) that minority shareholders representing at least 10% of the share capital appoint **at least one** director.
Spain	Allowed	Shares that are voluntarily grouped to constitute share capital amounting to or exceeding the sum resulting from dividing the capital by the number of members of the board of directors, shall be entitled to designate the number of members deduced from the proportion of share capital so grouped, rounding any fractions. In other words, depending on the number of directors, shareholders can pool their shares in order to appoint a number of directors to the board in proportion to the share capital they hold in accordance with the proportional representation system For instance, if minority shareholders possess 100 shares and the board has 12 members, they may pool the 100 shares divided by 12 in order to designate a member of the board.
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

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	L	C	C	C	C: NED
Belgium	L		-	C	C
Brazil	L	L	L	L	-
Canada	L	L	L	-	-
Chile	L	C	C	L: ID, C	L: ID
China	L	L	L	C	C
Colombia	L	C	C	L, C	C
Costa Rica	L	C	C	C	C
Czech Republic	L	C	-	C	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[1]	R	R	R	R:ID, AC	C
Hungary	C	C	L, C	L, C: AC	-
Iceland	L	L	L	L	-
India	L	L	-	L	L
Indonesia	L	L	L[2]	L	L
Ireland	L	-	-	C	C
Israel	L	L	L	L	
Italy	L	L	L	C	C[3]
Japan	L	L	L	C: ID; L: Outside directors	-
Korea	L	L	L	-	-
Latvia	C	C	C	-	-
Lithuania	C	C	C	L, C	
Luxembourg				-	-
Malaysia	R	R	R	R	C
Mexico	-	-	-	L: ID; C: ID, AC	-

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)
Netherlands	L, C	L, C	L, C	-	-
New Zealand	R	R	R	C	C
Norway	C	C	C	L: AC, C	-
Poland	L	-	-	-	-
Portugal	L	L	L	C	C
Russia	L	C	C	C	C
Saudi Arabia	L	L	L	L	-
Singapore	R	R[4]	R[4]	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	L	C	C	R; L:AC	C
Switzerland	L	C	C	C: AC	-
Turkey	L	L	L	L: ID, AC C: AC	L: ID[5]
United Kingdom	C	-	L	C	C
United States	L	L	L	L/R: AC, R: Members of remuneration and nomination committees	R

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

Notes:

[1] In **Hong Kong, China**, the Listing Rules require that where a new director, supervisor or chief executive is appointed or the resignation, re-designation, retirement or removal of a director, supervisor or chief executive takes effect, the issuer must announce the change as soon as practicable.

[2] In **Indonesia**, the information on the relationship of the candidate with the firm is required for independent supervisory board members (called commissioners in Indonesia).

[3] 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.

[4] 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.

[5] In **Turkey**, Corporate Governance Principles require the independent director candidates to be first evaluated by the nomination committee and afterwards reported to the board. For a certain group of companies (relatively higher market capitalisation and shares in free float), the short list of candidates shall be notified to the Capital Markets Board 60 days prior to the general assembly meeting. In case the CMB has an opposition, this shall be notified to the company within 30 days.

Table 4.14 CEO and executive turnover

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 payouts to a dismissed CEO do not exceed two year's salary in practice. Board directors were subject to a 21 % turnover in 2017; 35 % of new appointments were women. The CEO turnover was 13 % in 2017. Of all CEOs (2017), 19 % had been appointed within companies.
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 with a few exceptions as to foreign board members (most of them representing a qualified foreign shareholder). Traditionally, CEOs stay in the company through several mandates.. Despite some degree of mobility within companies of the same group, there is no significant mobility from one group to another. 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.

Table 4.15 Requirements or recommendations for board and key executives 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	(●)	LTIM; (equity incentive, employee stock option plans etc). The articles about severance payments should be fair and without prejudice to the legitimate rights of listed companies
Colombia	(●)	-
Costa Rica	(●)	-
Czech Republic	(●)	LTIM, SPC
Denmark	●	LTIM (3 years); SPC (2 years)
Estonia	(●)	-
Finland	(●)	-
France	●	LTIM
Germany	●	LTIM, SPC (2 years)
Greece	●	LTIM
Hong Kong, China	●	-
Hungary	(●)	LTIM (credit institutions, investment firms, UCITs, AIF fund managers and insurance companies)
Iceland	●	LTIM (credit institutions, investment firms, UCITs, AIF fund managers and insurance companies)
India[1]	●	-
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)
Lithuania	(●)	LTIM, SPC
Luxembourg	(●)	-
Malaysia	-	-

Jurisdiction	General criteria	Specific requirement or recommendation *e.g. Long term incentive mechanism for variable remuneration **(LTIM); Severance payment cap (SPC)***
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
Saudi Arabia	●	LTIM, Maximum limit: 500 000 Saudi Riyal (for board members)
Singapore	(●)	LTIM
Slovak Republic	●	LTIM (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	(●)	Independent director remuneration cannot be based on profitability, share options or company performance
United Kingdom	(●)	LTIM
United States	-	-

Key: "●" = requirement; "(●)"= recommendation by codes or principles; "-" = absence of a specific requirement or recommendation

Note:

[1] In **India**, the Companies Act requires that the remuneration of all directors taken together should not exceed 11% of net profits of the company (if the company does not have profits, there are absolute rupee limits specified under the Companies Act). If the remuneration exceeds the limits specified, the same will require shareholder and central government approval. There are also other specific restrictions with respect to remuneration of directors under the Companies Act 2013, such as a cap on the remuneration of a single executive/non-executive director, independent directors not to be issued stock options, etc.

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

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	L (Advisory)
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[1]	L	All directors	C
Costa Rica	L	C	-	-	-
Czech Republic	C	C (Binding)	L	-	L (Binding)
Denmark	C	C (Advisory*)	L	C	L
Estonia	L	-	L	-	-
Finland	C	C (Binding*)	C	CEO and key executives	L
France	L	L (Advisory)	L	L	L (Binding)
Germany	L	C (Advisory)	L	L	L (Advisory)
Greece	-	L (Binding)	L	-	L (Binding)
Hong Kong, China[2]	R	-	R	All directors by name and senior management by band[2]	-
Hungary		L (Binding)			-
Iceland	L	L (Binding)	L	L (CEO and key management)	L (Binding)
India	L	-	L[3]	L[3]	L (Binding)
Indonesia	L	L(Binding)	L	L	L(Binding)
Ireland	R	-		R	-
Israel	L	L (Binding)[4]	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	Directors above KRW 500 million and 5 employees above KRW 500 million [7]	L (Total)
Latvia	C	L (Binding)	-	C	L (Binding) for directors
Lithuania	C	C	L	C	C
Luxembourg		SoP/AA			SoP/AA
Malaysia	C	-	R	All directors	L
Mexico	L	-	L	-	L

Jurisdiction	Remuneration policy		Level / amount of remuneration		
	Disclosure	Approval by shareholders	Disclosure		Approval by shareholders
			Total	*Individual*	
Netherlands	L, C	L (**Binding**)	L	L	L (or AA)
New Zealand	C	-	C	All directors and employees above NZD 100 000	L
Norway	L	L (Binding*)	L	-	L (Binding)
Poland	C	-	L	-	-
Portugal	L	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	L	All directors and top 5 key executives	-
Singapore	C	R (Binding) for directors	C	All directors, CEO, top 5 key executives, employees who are substantial shareholders (defined as 5% and above shareholdings) or immediate family members of a director, CEO or substantial shareholder and whose remuneration exceeds S$100 000 during the year.	-
Slovak Republic	C	-	C	-	C
Slovenia	L	SoP/AA	L	L	-
South Africa	L	C (Advisory)	L	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 for directors)
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 law or regulations; R = requirement by the listing rule; C = recommendation by the codes or principles; "-" = absence of a specific requirement or recommendation; N/A = not applicable

SOP/AA = choice between shareholder approvals or articles of association

Advisory* = Advisory approval only required if company uses incentive pay

Binding* = binding approval only required if a company uses incentive pay

Notes:

[1] In **Colombia**, the recommendation is that the remuneration policy for the board should always be approved by shareholders. For key executives, the remuneration policy should always be approved by the board of directors.

[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 of every director is subject to shareholders' approval. Accordingly, companies disclose remuneration to the public as part of the process of obtaining shareholders' approval. Further, there are caps specified with respect to overall remuneration of directors and remuneration of every director under the Companies Act, 2013.

[4] In **Israel**, binding approval for the level and amount of remuneration is required if it is not within the remuneration policy and for the CEO (in any case). The remuneration policy is subject to the shareholders' approval and the remuneration committee and board of directors has an overruling power that can be used under certain circumstances that need to be disclosed and is subject to fiduciary duties and duty of care (in practice, the overruling power is rarely used).

[5] In **Italy**, the shareholders 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.

[7] In **Korea**, according to the Article 159 (Submission of Business Report, etc.) of Financial Investment Services and Capital Markets Act, a corporation subject to business reporting shall state in its business report remuneration of each executive officer and detailed standards for and methods of calculation thereof (limited to where the remuneration of an executive officer is not less than the amount prescribed by Presidential Decree, which shall not exceed 500 million won).

Table 4.17 Gender composition of boards and senior management

Jurisdiction	Requirement to disclose statistics on gender composition[1]		Provisions to achieve gender diversity on boards[2]		Sanctions for non-compliance with mandatory provisions[3]	Women's participation (% as of 2017)	
	Of boards	*Of senior management*	*Quota (mandatory)*	*Target (voluntary)*		*in managerial positions*[4]	*on board of directors in publicly listed companies* [5]
Argentina	L	L	-	-			10.4[6]
Australia[7]	C	C	-			30.9	28.7
Austria	L	L	35% for SOEs			31.8	19.2
Belgium	-	-	33%		Yes	33.6	30.7
Brazil			-	-		39.9	8.4
Canada	R, L[8]	R, L[8]	-				25.8
Chile	L	L	40% for SOEs	-		26.5	8.2
China	-	-	-	-			9.7
Colombia			30% for SOEs	-			15.1
Costa Rica	-	-	50% for SOEs[9]	-	-	36.8	12.5
Czech Republic	-	-	-			24.6	14.5
Denmark	L	-	40% /60% of either gender for SOEs	-	Yes	-	-
Estonia	-	-	-			38.5	7.4
Finland	L		At least one / 40% for SOEs	L		31.3	33[11]
France	L		40%		Yes	33.5	43.4
Germany	L	L	30%	L	Yes	29.2	31.9
Greece	L	L	33% for SOEs			29.8	11.3
Hong Kong, China	-[10]				-	29	12.2
Hungary	-		-			39.4	14.5
Iceland	L	-	40% /60% of either gender for SOEs	-	-	32.4	43.0
India	L		At least one		Yes		17[12]
Indonesia			-				3.3
Ireland	L		40% for SOEs			35.9	17.6

Jurisdiction	Requirement to disclose statistics on gender composition[1]		Provisions to achieve gender diversity on boards[2]		Sanctions for non-compliance with mandatory provisions[3]	Women's participation (% as of 2017)	
	Of boards	*Of senior management*	*Quota (mandatory)*	*Target (voluntary)*		*in managerial positions[4]*	*on board of directors in publicly listed companies [5]*
Israel			At least one	50% for SOEs[13]	Yes[13]	34.5	23.1
Italy	L	-	33%	33%	Yes	27.5	33.6[14]
Japan	C		-	30% of leadership positions by 2020		13.2	5.3
Korea				-			2.1
Latvia	-	-	-	-	-	46.3	28.1[15]
Lithuania			-			39.3	11[16]
Luxembourg	-			40% by 2019		18.8	12.0
Malaysia	R	R	-	30%	-	28%[17]	13.3% (19.2% for top 100)
Mexico	L	L	-	-	Yes	36.7	7.5
Netherlands	L			30%		26.6	29.5
New Zealand	C	C		50% of public sector boards and committees by 2021		22.0	20.0
Norway	L		40%		Yes	38.3	42.1
Poland			-			41.3	20.1
Portugal	L	L	20% since 2018 and 30.3% after 2020		Yes	34.3	12
Russia						41.3	8.1[18]
Saudi Arabia	-	-	-	-	-	-	-
Singapore	L			20% by 2020			12.9
Slovak Republic						32.8	15.1
Slovenia	L	-	40% for SOEs		No	41.2	22.6
South Africa			30% for SOEs			32.1	21.4
Spain			40%	30% by 2020	No	14.8[18]	18.9[19]
Sweden	L	L		40% by 2020		38.9	36.3
Switzerland	-	-	30% for SOEs		-	33.9	21.3

Jurisdiction	Requirement to disclose statistics on gender composition[1]		Provisions to achieve gender diversity on boards[2]		Sanctions for non-compliance with mandatory provisions[3]	Women's participation (% as of 2017)	
	Of boards	*Of senior management*	*Quota (mandatory)*	*Target (voluntary)*		*in managerial positions*[4]	*on board of directors in publicly listed companies* [5]
Turkey	L	L	-	Min. 25%	-	15	13.4
United Kingdom	R	C		33% by 2020		24.6[19]	24.5[20]
United States	L		-[21]	-[22]	-[21]	40.5	21.7

Key: L = requirement by law or regulations R = requirement by the listing rule; C and ( ) = recommendation by the codes or principles; "-" = absence of a specific requirement, recommendation, quota or target; N/A = not applicable

Definitions:

Quota: Mandatory requirement setting a minimum number or percentage of women in boards.

Target: Specific (and voluntary) measurable objectives with discrete timeframes in which they are to be achieved.

Women's participation in managerial positions: Data on the female share of employment in managerial positions conveys the number of women in management as a percentage of employment in management.

Women's participation on boards of directors: 'Board members' refers to all members of the highest decision-making body in the given company, such as the board of directors for a company in a unitary system, or the supervisory board in the case of a company in a two-tier system.

Notes:

[1] Source: National authority documents and codes, Catalyst Regulatory Board Diversity Compendium 2017, Australian Government International Gender Reporting Schemes Report 2018, OECD 8 March Background Report 2016.

[2] Source: National authorities and MSCI Progress Report 2017, Women on Boards; Deloitte, Women in the boardroom: A global perspective.

[3] World Bank, Women, Business and the Law dataset (2018).

[4] Source: International Labour Organization, ILOSTAT database except for data from national sources for Hong Kong, China; Malaysia; New Zealand; Spain; and United Kingdom. Employment in management is defined based on the International Standard Classification of Occupations. The measure presented here refers to total management (category 1 of ISCO-08 or ISCO-88).This indicator is calculated based on data on employment by sex and occupation. For further information, see the SDG Indicators Metadata Repository or ILOSTAT's indicator description.

[5] Source: Except for national data sources noted in subsequent footnotes, data on gender representation from boards was obtained for EU countries, Iceland, Norway and Turkey: European Institute for Gender Equality (EIGE) Gender Statistics Database (https://eige.europa.eu/gender-statistics/dgs) for the for the largest 50 members of the primary blue-chip index in the country concerned (including only those companies that are registered in the given country); for other countries: MSCI (2017) Women on Boards: Progress Report 2017, referring to the proportion of seats held by women on boards for companies covered by the MSCI ACWI index — an index of around 2 400 large- and mid-cap firms from developed and emerging economies.

[6] Data for **Argentina** is for all listed companies. Source: CNV.

[7] In **Australia** the Workplace Gender Equality Act applies to non-public sector employers with 100 or more employees in Australia. The Act requires such employers to make annual filings with the Workplace Gender Equality Agency disclosing their "Gender Equality Indicators". These reports are filed annually covering the 12-month period ending 31 March.[8] In Canada, this requirement was added to federal legislation by a 2018 amendment that will only come into force with the passage of regulations.

[9] In **Costa Rica**, Constitutional Court jurisprudence has interpreted national law and international commitments on the matter as is summarized in Vote 13885-2015 (in Spanish only) from September 5th, 2015 "(…) opportunities for men and women shall be equal, therefore, the right to non-discrimination, sheltered by Article 33 of the Constitution, imposes upon the Administration the duty of appointing as equal as possible a number of women to public positions, which obviously includes politically appointed positions." As SOE boards have an average of 7 members, the 50% is not always achievable, and in practice, the aim has been to procure a difference of no more than one male appointment over female appointments.

[10] In **Hong Kong, China**, Listing Rules require the nomination committee (or the board) of a listed company to have a policy concerning diversity of board members, and disclose the policy on diversity or a summary of the policy in the corporate governance report in the annual report.

[11] Figures for **Finland** are based on a report by the Finland Chamber of Commerce. The number includes only companies that are registered in Finland and are listed on the Helsinki Stock Exchange. It does not include companies registered in other countries and have dual-listed in Helsinki, nor does it include companies listed on the First North – market. The data has been collected in spring 2017 and includes 123 companies.

[12] In **India**, all listed companies and companies having a paid up capital of at least Rs.100 crore/ turnover of Rs.300 crore are required to have a woman director. In addition, under the Listing Regulations, the board of directors of the top 500 listed entities are required to have at least one independent woman director by April 1, 2019 and the board of the top 1000 listed entities are required to have at least one independent woman director by April 1, 2020. The requirement to disclose the gender composition of the board is a part of the disclosure of the gender of each director to be disclosed by listed entities quarterly to the stock exchanges. With respect to the percentage of women on boards in publicly listed companies, only the data of the companies listed on the Bombay Stock Exchange (BSE) has been included since BSE has the highest number of listed entities.

[13] In **Israel**, for SOEs, the government Companies Law sets a target of appropriate representation for both genders on the board of directors. Until this goal is reached, the law provides that preference shall be given to directors of the other gender that is not yet suitably represented, to the extent possible under the circumstances. The law is interpreted as targeting to a 50% representation except in cases where there is a sound reason why such representation cannot be achieved. The regulator has the power to impose monetary fines on regulated persons and entities in certain circumstances, including when a company fails to nominate directors of both genders.

[14] **Italy's** data on boards of directors in publicly listed companies is from the market regulator, CONSOB.

[15] Source: Nasdaq Riga for all **Latvian** listed companies.

[16] Data on boards from **Lithuania** is from NASDAQ Vilnius based on a survey of information on Lithuania's 30 listed companies including supervisory board members and CEOs.

[17] Source for **Malaysia** is CG Monitor 2019.

[18] Source: The Spencer Stuart Russia Board Index 2017, based on a sample of companies from the Russia Trading System (RTS) index.

[19] Data for Spain have been extracted from the Annual Report 2017 of the CNMV.

[20] Source for **UK** data (2017) is for FTSE350 companies from the Hampton-Alexander Review 2017. Data for women in management positions is based on a narrower selection of management than the ILO definition comprising members of the companies' executive committee and among their direct reports to the committee (excluding admin and support staff).

[21] In the **United States**, although there are no federal quotas or voluntary targets, in 2018, California enacted a law that requires any corporation with its principal executive offices in California that has shares listed on a major U.S. stock exchange, to have a minimum of one woman on its board of directors by December 31, 2019. In addition, by December 31, 2021, corporations must have at least two women board members on any board of directors with five directors and at least three women board members on any board of directors with six or more directors. This law applies to publicly-held domestic or foreign corporations whose principal executive offices are in California, as disclosed in the corporation's annual report on Form 10-K. Failure to comply with the law could lead to the imposition of fines by the California Secretary of State. Each director seat required but not held by a woman during a portion of the calendar year is a separate violation of the law. The first violation is subject to a fine of USD 100 000 while a second or subsequent violation is subject to a fine of USD 300 000.

[22] In recent years, other **U.S.** states, such as Colorado, Illinois, Massachusetts, and Pennsylvania, have passed non-binding resolutions encouraging public companies to have women on the board of directors.

5. Flexibility and proportionality in corporate governance

5.1. Introduction

Policy makers have a responsibility to establish a regulatory framework that is flexible enough to meet the needs of corporations that operate under widely differing circumstances. Only then do governments provide market participants with the right incentives to exploit new business opportunities that create value and ensure the most efficient use of capital and other corporate resources. This is why the OECD Corporate Governance Committee has devoted increased attention to assessing how flexibility and proportionality arrangements are applied in different regulatory and jurisdictional contexts in recent years.

Importantly and in order to support a dynamic business sector, regulations must also be able to accommodate new and innovative business practices. The G20/OECD Principles of Corporate Governance state that when new experiences accrue and business circumstances change, the different provisions of the corporate governance framework should be reviewed and, when necessary, adjusted.

This chapter summarises the main findings of a recent peer review on *Flexibility and Proportionality in Corporate Governance* (OECD, 2018b). The review examines how and to what extent jurisdictions apply flexibility and proportionality measures when implementing key areas of corporate governance regulation. Covering 39 jurisdictions, the review collects and consolidates data related to seven distinct areas of corporate governance regulation: 1) board composition, board committees and board qualifications; 2) remuneration; 3) related party transactions; 4) disclosure of periodic financial information and ad-hoc information; 5) disclosure of major shareholdings; 6) takeovers; and 7) pre-emptive rights.

Country case studies provide a more detailed picture of how flexibility has been used in practice across the first six areas of regulation (see Boxes 1.1 to 1.6). The limited total number of criteria for flexibility and proportionality reported with respect to pre-emptive rights resulted in a decision not to undertake any country case study with respect to pre-emptive rights.

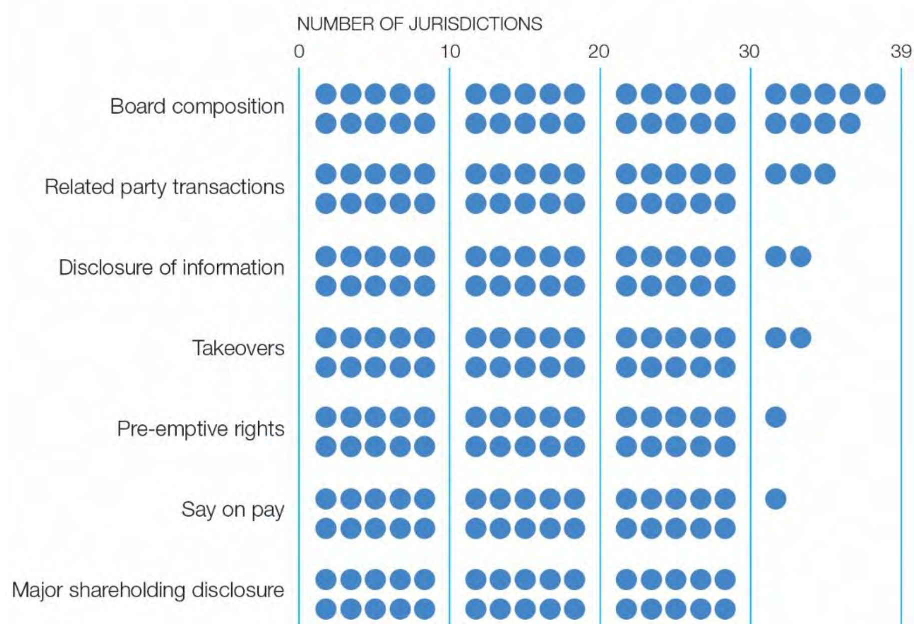
To some extent, the regulatory areas covered by this review of flexibility and proportionality overlap with topics covered elsewhere in this Factbook. While further insights and details on how different jurisdictions address regulation of these issues can be found in other chapters of the Factbook, this chapter describes the types of proportionality and flexibility measures and criteria that are applied, and the extent to which they are used by different jurisdictions in different regulatory policy areas.

5.2. Main findings

A vast majority of jurisdictions have criteria that allow for flexibility and proportionality at company level in all seven areas of regulation reviewed. Figure 5.1 shows that when it comes to rules about board composition, board committees and board qualifications, all 39 jurisdictions included in the survey have criteria that allow for flexibility and proportionality. In the other six areas of regulation reviewed, between 75% and 85% of the jurisdictions have scope for flexibility or proportionality in their implementation at company level.

The review further concluded that flexibility and proportionality is not about less demanding rules or the acceptance of sub-standard practices. On the contrary, a functional and outcome-oriented approach to corporate governance should allow regulation to evolve in a way that facilitates implementation and makes enforcement more effective. It will not only improve the ability of entrepreneurs and investors to find arrangements that best fit their needs. It will also meet the recommendations of the G20/OECD Principles that policy measures should be designed with a view to avoid over-regulation, unenforceable laws and unintended consequences that may impede or distort business dynamics.

Figure 5.1 Number of jurisdictions with *at least one* criterion that allows for flexibility and proportionality in the seven areas of corporate governance regulation surveyed



Source: OECD Survey of Flexibility and Proportionality.

Table 5.1 Jurisdictions with *at least one* flexibility mechanism in the seven areas of corporate governance regulation surveyed

	Board composition	Disclosure of information	Major shareholding disclosure	Pre-emptive rights	Related party transactions	Say on pay	Takeovers
Argentina	●	●	●	●	●	●	●
Australia	●	●	●	●	●	●	●
Austria	●	○	○	○	○	●	●
Belgium	●	●	●	●	●	●	●
Brazil	●	●	○	●	●	●	●
Chile	●	●	●	○	●	○	●
Colombia	●	○	○	●	○	○	●
Czech Republic	●	○	●	●	○	●	●
Denmark	●	●	○	●	●	●	●
Egypt	●	○	○	●	○	○	○
Finland	●	●	●	●	●	●	●
France	●	●	●	●	●	●	●
Germany	●	●	●	●	●	●	●
Hong Kong, China	●	○	○	●	●	○	○
Hungary	●	●	○	●	●	○	●
Ireland	●	●	●	●	●	●	●
Israel	●	●	●	○	●	●	●
Italy	●	●	●	○	●	●	●
Japan	●	●	●	●	●	●	●
Korea	●	●	●	●	●	●	○
Latvia	●	●	●	●	●	●	●
Lithuania	●	●	●	●	●	●	●
Malaysia	●	●	●	●	●	●	○
Mexico	●	●	●	○	●	●	○
Netherlands	●	○	●	●	●	○	●
Norway	●	○	○	●	○	●	○
Poland	●	●	○	○	○	○	○
Portugal	●	●	●	●	●	●	●
Russia	●	●	●	●	●	○	●
Saudi Arabia	●	●	●	●	●	●	●
Singapore	●	●	●	●	●	●	●
Slovenia	●	●	●	●	●	●	●
South Africa	●	●	●	●	●	●	●
Spain	●	●	●	○	●	●	●
Sweden	●	●	●	○	●	●	●
Switzerland	●	●	●	●	●	●	●
Turkey	●	●	●	●	●	●	●
United Kingdom	●	●	●	●	●	●	●
United States	●	●	●	●	●	●	●
TOTAL	**39**	**32**	**30**	**31**	**33**	**31**	**32**

Source: OECD Survey of proportionality and flexibility covering 7 areas of corporate governance regulation.

Policy makers and regulators should also note that flexibility and proportionality must be backed by a solid judicial and supervisory foundation. Institutions must be in place that protect the rights of the different stakeholders and give them access to effective redress if these rights are violated. It also requires effective means of supervision and sanctions that result from public as well as private enforcement. The implementation of these and other core recommendations of the G20/OECD Principles will provide a sound basis on which it is possible to reap the benefits of a flexible and proportionate regulatory framework that remains focused on the ultimate economic outcomes.

The findings resonate well with a general ambition to take a functional and outcome-oriented approach that simplifies effective compliance and strikes a rational balance between the costs and benefits of regulation. It is important to note, however, that the statistical picture does not, by itself, tell us very much about the quality of the regulation in a specific country. Neither can it be used to rank countries with respect to the quality of their regulatory frameworks. Extensive use of flexibility in a jurisdiction may in principle reflect dysfunctional default rules or regulatory overlap, while the lack of specific flexibility provisions in another jurisdiction may reflect the ability of default rules to accommodate the variety of purposes.

Half of the jurisdictions have room for flexibility and proportionality in all seven areas of regulation surveyed (Table 5.1). This includes jurisdictions with a common law tradition, such as the **United States** and the **United Kingdom**, as well as jurisdictions with a civil law tradition, such as **Germany** and **France**.

Overall, company *size* and *the listing status* of a firm are the most common reasons for allowing flexibility and proportionality (Table 5.2). A majority of jurisdictions report that *listing status* provides scope for flexibility and proportionality across all the examined areas of regulation, except pre-emptive rights and takeovers. Most frequently the criteria *size and listing status* allows for flexibility and proportionality with respect to regulations on board composition and disclosure of information. Other criteria that frequently provide room for flexibility and proportionality are the company's legal form and its ownership/control structure. Most often these two criteria provide the possibility for flexibility and proportionality with respect to board composition, related party transactions and takeovers.

Table 5.2 The use of flexibility mechanisms and their application by jurisdiction

Flexibility mechanisms	Board composition	Disclosure of information	Major shareholding disclosure	Pre-emptive rights	Related party transactions	Say on pay	Takeovers
Accounting standards	0	4	0	0	4	1	0
Maturity of firm	4	2	0	1	3	3	1
Ownership/ control structure	12	4	6	7	10	2	14
Legal form	16	7	5	9	6	9	6
Size	29	17	9	3	11	11	9
Listing/publicly traded	28	27	24	7	21	25	16

Source: OECD Survey of proportionality and flexibility covering 7 areas of corporate governance regulation.

5.3. The composition, committees and qualifications of the board of directors

The composition, committees and qualifications of the board of directors is an area where a great variety of practices exist, both across and within jurisdictions. Examples include requirements with respect to the size of the board; the terms of office for directors; the establishment of specialised committees and independent directors. These differences may not come as a surprise, since the composition and work of the board of directors has to reflect the specific needs of the company they serve and the context in which they operate in several ways. In many countries, the statutory requirements with respect to the board's composition, committees and qualifications are therefore quite limited.

Box 5.1. Case study on the flexible framework for boards in the United Kingdom

A flexible and proportional approach to the composition, committees and qualifications of the board is well illustrated by the case study of the United Kingdom where the Companies Act provides companies with a large degree of freedom to compose their boards in a manner that fits their business model. As a consequence, it does not contain any substantive provisions regarding the qualifications and composition of the board. Neither does the legislation address definitional issues, such as the distinction between executive and non-executive directors. Instead, the main guidance relating to the composition, workings and qualifications of the board is found in the UK Corporate Governance Code, which is a legislative requirement for companies with Premium listing of equity shares. The Code is considered to allow for both flexibility and proportionality as it expects companies to either comply with its recommendations or explain why they have chosen a different arrangement. With respect to the appointment of independent non-executive directors, the Code also has a special exemption with respect to company size, providing less extensive recommendations for smaller companies that are subject to the Code.

Companies with a Standard listing on the London Stock Exchange benefit from wider flexibility. The requirement is limited to producing a Corporate Governance Statement in the Annual Report and disclose whether and to which extent they comply with a specific code. Companies listed on the Alternative Investment Market (AIM) are also required to apply a recognised corporate governance code but are allowed the flexibility to choose between the UK Corporate Governance Code and the Quoted Companies Alliance (QCA) Corporate Governance Code.

5.4. Say on pay and disclosure of remuneration

Regulations with respect to say on pay and disclosure of remuneration do not usually target the setting of remuneration, including the absolute level of remuneration and severance payments caps. Instead, they focus on giving shareholders an opportunity to assess the cost of the remuneration package and the extent to which it is aligned with the longer term interests of the company. For this purpose, jurisdictions increasingly provide shareholders with an opportunity to exercise either binding or advisory votes on executive pay. These may include voting only on the remuneration policy (its overall objectives and structure) or may be extended to include the amount/level of remuneration.

Box 5.2. Case study on the flexible and functional approach to say on pay in Sweden

Sweden provides an example of how flexibility and proportionality is introduced with respect to say on pay in companies that are listed in a regulated market. The rules include a mix of statutory requirements, comply or explain code and ad-hoc rulings by the self-regulatory body, the Securities Council. The statutory provisions are mainly concerned with the decision making process, giving shareholders control of the cost. In the interest of flexibility the board may still deviate from the remuneration guidelines agreed by the shareholder's meeting if there are particular reasons to do so. The Swedish comply or explain code expands beyond the cost and recommends an explanation of the link to performance criteria and the alignment with shareholder's interests. But again, these provisions include flexibility in terms of comply or explain. The Securities Council has also established rulings with respect to the use of synthetic options, board participation in equity schemes and information requirements to the general meeting. When formulating these rulings, the Securities Council applies a flexible and functional approach that allows criteria such as company size, international expanse and competition to be taken into account.

5.5. Related party transactions

In the area of related party transactions, the main flexibility mechanisms relate to the approval procedures intended to protect the interest of the company and its shareholders, while allowing companies to engage in economically beneficial transactions with related parties. In recent years, countries have typically tried to achieve these objectives by strengthening shareholder rights and empowering shareholder meetings. In most jurisdictions, independent directors are also given a key role in the review and approval processes of material related party transactions. In many cases where there is a requirement for shareholder or board approval, various quantitative criteria—such as thresholds based on market capitalisation, annual turnover and total assets—allow for proportionality.

Box 5.3. Case study on flexibility and proportionality mechanisms for related party transactions in Italy

The flexibility and proportionality mechanisms in the Italian regulatory framework for related party transactions are embedded in the design of a three-layer system: the Civil Code provides the legal framework and the general objectives, the Securities Regulator (Consob) establishes the principles for achieving the objectives of the Code and the companies define their own steps to be followed when dealing with related parties. The disclosure requirements, for example, in the Consob principles are proportionate with respect to the materiality of the transactions in the sense that only transactions that exceed certain thresholds must be disclosed. With respect to approval procedures, a primary role has been given to independent directors. At the same time, the Italian regulatory framework provides a proportionate approach by also defining stricter rules with respect to, for example, the company's structure, such as different materiality thresholds for pyramidal group companies (2.5% instead of the general 5% rule).

5.6. Disclosure of periodic financial information and ad hoc information

A common rationale for flexibility and proportionality with respect to disclosure of periodic information and ad hoc information is striking a reasonable balance between the overall cost and the key objective of providing market participants with information that is of material importance to their investment decisions. One way to achieve this goal is to use flexibility and

proportionality mechanisms in a way that scales disclosure requirements for certain types of companies, in particular for smaller companies, while maintaining appropriate investor protection. When scaling disclosure requirements, policy makers typically choose either to exempt companies from disclosure itself, to reduce the frequency of reporting, or to exempt companies from disclosing certain items or documents. Strengthening disclosure requirements for certain types of companies, such as large companies and group companies, is also used as a flexibility and proportionality tool.

Box 5.4. Case study on flexible and proportional disclosure in the United States

In the United States, flexible and proportional disclosure is illustrated by the scaled disclosure provisions that facilitate access to the public capital market for emerging growth companies, with total annual gross revenues of less than USD 1.07 billion. The scaled requirements apply both to disclosure at the time of the initial public offering and for a defined period after the company's listing. The U.S. Securities and Exchange Commission (SEC) has also adopted scaled disclosure requirements for smaller reporting companies, that generally are companies that are below certain threshold with respect to the amount of public equity float or total annual revenues. The scaled disclosure requirements permit smaller reporting companies to include, for example, less extensive narrative disclosure than required of other publicly listed companies, particularly in the description of executive compensation. The US federal securities laws also provide a certain degree of flexibility and proportionality as they relate to certain foreign private issuers and companies that offer and sell securities based on exemptions from registration. As already mentioned, it is important to recall that these requirements are complemented by both public and private enforcement actions and the SEC staff's selective review of certain types of company filings.

5.7. Disclosure of major share ownership

Disclosure of major share ownership is typically motivated by the fact that the composition of shareholders may influence the valuation of the company, impact the free float and the strategic direction of the company. In virtually all jurisdictions, this has resulted in reporting requirements with respect to shareholdings above a certain thresholds and of significant changes in the size of existing shareholdings. Some scope for flexibility and proportionality still exist, for example with respect to the size and the purpose of the shareholdings. The rationale for such flexibility can be linked to the administrative burden for certain types of shareholders and to maintain incentives for shareholders to identify and build a portfolio of what they may consider being an undervalued stock.

Box 5.5. Case study on the disclosure of major share ownership in Japan

Japan provides a number of examples of flexibility and proportionality with respect to share ownership. The most important criterion for exception relates to changes in ownership by certain financial institutions for which the rules are relaxed in terms of the frequency of reporting and the deadlines for filings. The rationale is that strict adherence to the default rules would result in excess paperwork and impede smooth transactions of listed stocks. There are two important qualifications for using this exemption; the institution is not allowed to use its ownership to influence the company's business in any important way and the ownership cannot exceed 10% of the company shares. Other exemptions from the general reporting requirements include the disclosure of treasury shares held by listed companies, since they do not carry any voting rights.

5.8. Takeovers

Takeovers and the market for corporate control play an important role for business sector dynamics. Therefore, it is important that proper rules and procedures are in place. One important aim of such rules is to define the rights and the duties of the bidder, the target company board etc. during the process. Another objective is to address the fairness of the offer. Some jurisdictions, notably the **United States**, leave it to the bidder's discretion how to approach the takeover process and do not require a mandatory bid regime. A majority of jurisdictions assess the fairness of the offer. A majority of jurisdictions have also established a mandatory bid regime. However, 32 of 39 jurisdictions also have criteria that allow for flexibility and proportionality in applying such requirements.

Box 5.6. Case study on flexible and proportional provisions for takeovers in Portugal

As the case study of Portugal illustrates, even within a national statutory framework, several provisions for flexibility and proportionality are typically applied. Some of them are of principal interest. First is the fact that the Portuguese Securities Commission (CMVM) has discretionary power to make an independent assessment of whether a change in control actually has occurred when an owner reaches the formal threshold for a mandatory bid, which is one-third of the voting rights. Circumstances that may influence the judgment on actual control include the specific shareholder structure (including the presence of shareholder agreements) and the target company's free float. Other examples include instances where someone gains control as a consequence of a voluntary bid, a merger or as the result of a financial recovery plan.

5.9. Pre-emptive rights

In the area of pre-emptive rights, 31 out of the 39 jurisdictions have criteria that allow for flexibility and proportionality. Some jurisdictions have more than one criterion. The most frequent criteria are the *ownership/control structure* and the *listing/publicly trading* and *legal form* (75% of jurisdictions). *Ownership/control structure* is a criterion in about half of the OECD countries and in none of the non-OECD jurisdictions, where instead *listing/publicly trading* is the most frequent criterion.

Jurisdictions also use nine criteria (or dimensions of certain criteria) other than those provided as options in the survey questionnaire. Examples include, the United Kingdom where the articles of association of a company or shareholders' agreements may adopt specific pre-emptive regimes for a company. In Germany, the application of the rules may depend on the price of the newly issued shares. In Hong Kong, China, a general or specific mandate needs to be obtained from shareholders pursuant to listing rules, while in Ireland those listing rules allow for exceptions with respect to certain rights issues. In Portugal, a flexible treatment may be conditional on the type of share capital increase while in the Netherlands it may depend on the share class.

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The OECD Corporate Governance Factbook provides easily accessible and up-to-date information about the institutional, legal and regulatory frameworks for corporate governance across 49 jurisdictions worldwide. The *Factbook* complements the *G20/OECD Principles of Corporate Governance* and can be used by governments, regulators and the private sector to compare their own frameworks with those of other countries and also get information on practices in specific jurisdictions.

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