OECD Corporate Governance Factbook 2021

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Preface

Good corporate governance and well-functioning capital markets are always important, but perhaps even more critical now, both to support the recovery from the COVID-19 crisis and to further strengthen resilience to possible future shocks.

This 2021 edition of the *OECD Corporate Governance Factbook* offers a comprehensive account of how the *G20/OECD Principles of Corporate Governance* are implemented around the world. With comparative information across 50 jurisdictions including all OECD, G20 and Financial Stability Board members, the Factbook supports informed policy-making by providing up-to-date information on the ways in which different countries translate the Principles' recommendations into their national legal and regulatory frameworks.

Access to systematic and comparable information across all jurisdictions that adhere to the *G20/OECD Principles of Corporate Governance* has never been more important. The OECD's Corporate Governance Committee has initiated a process of reviewing and updating these Principles. It is crucial that this review is based on a clear understanding of existing institutional and legal frameworks, and draws on the recent experiences and challenges highlighted by the COVID-19 pandemic, such as risk and crisis management (including health, supply chain and environmental risks) as well as issues related to audit quality, increased ownership concentration and complex company group structures. The Factbook provides information on this changing market context and how regulatory frameworks are adapting to it.

In the context of rebuilding our economies in the wake of the COVID-19 crisis and promoting stronger, cleaner and fairer economic growth, good corporate governance plays an essential role. It fosters an environment of market confidence and business integrity that supports capital market development. The quality of a country's corporate governance framework is decisive for the dynamism and the competitiveness of its business sector and the economy at large. It will also support the corporate sector to manage environmental, social and governance (ESG) risks and better harness the contributions of different stakeholders, be it shareholders, employees, creditors, customers, suppliers, or adjacent communities, to the long-term success of corporations.

This latest edition of the Factbook confirms that regulatory frameworks related to corporate governance have been evolving substantially. For example, since the Principles were last updated in 2015, 90% of the jurisdictions have amended either their company law or securities law, or both. Governments have had to adapt their regulatory frameworks significantly to respond to the circumstances imposed by the COVID-19 pandemic by, for example, accommodating virtual shareholder meetings and remote electronic voting. Stricter requirements for both companies and institutional investors to disclose voting results, and for companies to improve their disclosure of related party transactions, have reinforced accountability of shareholders and companies.

In this unique recovery context for the global economy, where capital markets and corporations continue to evolve and new and evolving challenges arise, the Factbook provides an essential tool for helping policy makers and regulators stay abreast of the changing corporate governance landscape, and for sharing how policies and practices can be adapted to remain effective under new circumstances. The Factbook will play a vital role in informing the ongoing review of the *G20/OECD Principles of Corporate Governance*, taking place at the OECD with the participation of all G20 countries. As the leading international standard in the field of corporate governance they will also continue to inform other instruments, such as those on sustainable finance advanced by the G20 and related fora.

I count on us collectively making the most of this important tool and wish to thank the Corporate Governance Committee and all participating jurisdictions for making this information available in such a timely, succinct and comprehensive fashion.

Mathias Cormann

OECD Secretary-General

Foreword

The *OECD Corporate Governance Factbook* supports the implementation of good corporate governance practices by providing an easily accessible and up-to-date, factual underpinning to help understand countries' institutional, legal and regulatory frameworks. Governments may use the Factbook to compare their own frameworks with those of other countries or to obtain information about policies and practices in specific jurisdictions. It also serves as a useful reference for market participants and analysts seeking to understand how such frameworks vary across different jurisdictions, and how they have been evolving.

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 challenges 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; and risk management. 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.

In addition to updating provisions enacted across all issue areas through to end-2020, this year's edition provides a wealth of new information. A new chapter analyses the global market and corporate ownership landscape, taking account of developments related to the COVID-19 crisis. New or expanded sections cover frameworks for the regulation and supervision of external audit, the regulation of proxy advisors and trends related to the gender composition of boards and senior management.

The Factbook is divided into four main chapters: 1) the global market and corporate ownership landscape; 2) the corporate governance and institutional framework; 3) the rights of shareholders and key ownership functions; and 4) the corporate board of directors. Each chapter offers a narrative overview with figures, which helps to provide an overall picture of main tendencies and variations in approaches taken by different jurisdictions. This is further supported by 63 figures and 42 tables, providing comparative information on all 38 OECD members (now including the most recent new member Costa Rica), and all G20 and Financial Stability Board members including Argentina, Brazil, the People's Republic of China, Hong Kong (China), India, Indonesia, the Russian Federation, Saudi Arabia, Singapore and South Africa. Two additional jurisdictions that actively participate in the OECD Corporate Governance Committee -- Malaysia and Peru -- are also covered in this latest edition.

The Factbook compiles information gathered from 50 jurisdictions participating in the work of the OECD Corporate Governance Committee. It is the collective achievement of the Committee and the individual efforts of the delegates from all jurisdictions, who diligently reviewed and updated the information to ensure accuracy. The Factbook was prepared by Daniel Blume, Emeline Denis and Katrina Baker under the supervision of Serdar Çelik, with additional support from Alejandra Medina and the Corporate Governance and Finance Division team within the OECD Directorate for Financial and Enterprise Affairs.

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Executive summary

The 2021 edition of the *OECD Corporate Governance Factbook* contains comparative data and information across 50 jurisdictions including all G20, OECD and Financial Stability Board members. The information is presented and commented in 63 figures and 42 tables 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* (the "G20/OECD Principles"). Issued every two years, it is actively used by governments, regulators and other stakeholders for information about implementation and latest trends. It is divided into four chapters addressing:

1) the global market and corporate ownership landscape;
2) the corporate governance and institutional framework;
3) the rights of shareholders and key ownership functions; and
4) the corporate board of directors.

This edition provides substantially new material. It contains a new first chapter covering global trends in stock markets and the corporate landscape, including data on the impact of the COVID-19 crisis on the functioning of capital markets. The remaining three chapters have been substantially updated throughout to reflect changes in jurisdictions' institutional, legal and regulatory frameworks since the Factbook was last issued in 2019. In addition, as part of the third chapter, new coverage on requirements for proxy advisors has been added. Within the fourth chapter addressing the responsibilities of the board of directors, this edition also includes a new section covering provisions underpinning auditor independence, accountability and oversight, as well as new data to reflect trends in the gender composition of boards and senior management.

The global market and corporate ownership landscape

Effective design and implementation of corporate governance policies 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 a global overview of developments related to stock markets, including their size, activities and ownership characteristics. It also provides insights into lessons from the COVID-19 crisis and its impact on the functioning of capital markets.

Overall, stock markets play a key role in providing companies with equity capital that gives them the financial resilience to overcome temporary downturns, as evidenced in the aftermath of the 2008 financial crisis whereby publicly listed non-financial companies raised a record USD 511 billion in new equity. This pattern re-emerged during the 2020 COVID-19 pandemic when listed non-financial companies raised a record of USD 626 billion in new equity. While the United States remained the largest market measured by market capitalisation as of end 2020, Asia as a region comprised the highest number of listed companies, with Asian companies having raised 47% of all global IPO proceeds between 2009 and 2020.

The growth of Asian markets is mainly driven by a surge in the number of Chinese IPOs, which has more than tripled between the 1990s and the post-2008 period. Overall, the shift towards Asia has been even more pronounced with respect to IPOs by non-financial companies.

However, despite recent growth in overall global market capitalisation, almost 30 000 companies have delisted from the stock markets globally since 2005, resulting in a net loss of listed companies in the OECD area every single year between 2008 and 2019. In particular, the substantial and structural decline in listings of smaller growth companies in some advanced markets has distanced a large portion of these companies from ready access to public equity financing.

These trends have raised concerns that stock markets increasingly have become a source of funding for fewer and larger companies. While this can be partly explained by the lower cost of debt financing and better access to private capital, other developments have led to structural weaknesses in the capital market ecosystem. These include the shift from retail direct investments to large institutional investors; changes in the business model of stock exchanges since the mid-1990s; high underwriting fees discouraging companies from going public; and systematic acquisitions of smaller growth companies – especially by large technology companies – contributing to drying up the IPO pipeline of smaller independent companies.

The increase in institutional ownership stands as one of the most significant changes in the ownership structure of the world's listed companies. At global aggregate level, institutional investors represent the largest investor category by holding 43% of the world market capitalisation, followed by private corporations holding 11%, the public sector holding 10%, and strategic individuals owning 9%. The relative importance of the different investor categories varies across markets. Institutional investors represent the largest shareholder category in the United States, Europe, Japan and other advanced markets, while they represent the smallest category in China where the public sector accounts for the largest investor category, holding almost 30% of all shares. Asian listed companies also have a significant portion of their shares held by other corporations.

Another less recognised development is the increase in ownership concentration at the company level – which is important not only for the relationship between owners and managers, but also for the relationship between controlling and non-controlling owners. In 28 of 45 surveyed markets, the three largest shareholders hold on average more than 50% of the company's equity capital. Conversely, the markets with the least ownership concentration, measured as the combined holdings of the three largest shareholders, are the United States, Australia, Finland, Canada, Iceland and the United Kingdom, where the three largest shareholders still hold a significant average combined share, ranging between 33% and 36% of the company's capital. Overall, while the degree of ownership concentration at the company level still differs between markets and companies, no jurisdiction systematically features the kind of atomistic dispersed ownership structure that still influences much of the corporate governance debate.

The corporate governance and institutional framework

The quality of the legal and regulatory framework stands as an important foundation for implementing the *G20/OECD Principles*, in line with the rule of law in supporting effective supervision and enforcement. Against this background, Chapter 2 provides information on who serves as the lead regulatory institution for corporate governance of listed companies in each jurisdiction, as well as issues related to their independence. In all surveyed jurisdictions, public regulators have the authority to supervise and enforce the corporate governance practices of listed companies – with securities regulators, financial regulators or a combination of the two playing the key role in 82% of surveyed jurisdictions, and the Central Bank playing the key role in 16%. 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, 21% of the regulatory institutions surveyed are funded by the national budget.

Since 2015 when the *G20/OECD Principles* were last updated, 90% of the 50 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 two-thirds of jurisdictions have revised their national corporate governance codes over the past four years, and 94% of them follow a “comply or explain” approach or a variation of this. A growing percentage of jurisdictions – 62% – now issue national reports on company implementation of corporate governance codes. National authorities serve as custodians of the national corporate governance code in 26% of the 47 jurisdictions that have such codes, while they exercise this role jointly with stock exchanges in another 9%.

The rights 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. Chapter 3 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 covers frameworks for review of related party transactions, triggers and mechanisms related to corporate takeover bids, and the roles and responsibilities of institutional investors and related intermediaries.

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 36% of jurisdictions provide for longer notice periods. More than two-thirds of surveyed jurisdictions require such notices to be sent directly to shareholders, while all but two 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.

All but eight of the surveyed jurisdictions (84%) have established specific 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 (54%) set the ownership threshold for requesting a special shareholder meeting at 5%, while another 34% 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, 92% of jurisdictions require the disclosure of voting decisions on each agenda item, including 64% that require such disclosure immediately or within 5 days, compared to only 39% in 2015. Overall, requirements related to voting in shareholder meetings evolved significantly during 2020 to facilitate remote shareholder participation and voting as part of the response to the COVID-19 pandemic.

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 two of the 50 surveyed jurisdictions allow listed companies to issue shares with limited voting rights, with a growing number of jurisdictions allowing such shares to give 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; nearly three quarters of jurisdictions surveyed require or recommend board approval of certain types of related party transactions. Shareholder approval requirements are applied in 60% of jurisdictions, but are often limited to

large transactions and those that are not carried out on market terms. In addition to requirements to report related party transactions in annual financial statements, a growing and substantial majority of jurisdictions (80%) require immediate 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 49 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. These figures have not shifted substantially since 2015.

Considering the important role played by institutional investors as shareholders of listed companies, all jurisdictions have established regulations which may vary depending on the category of institutional investor concerned (such as pension and investment funds or insurance companies). Provisions to address conflicts of interest are most common, with all jurisdictions imposing at least some requirements. Following the implementation of the EU's Shareholder Rights Directive II, there has been a major increase in the number of jurisdictions requiring or recommending that institutional investors disclose voting policies – from 49% of surveyed jurisdictions in 2015, to 88% in 2020. Although requirements or recommendations to disclose actual voting records have also been increasing from 34% in 2015 to 62% in 2020, they remain less common than voting policy disclosure. Stewardship and industry association codes provide a complementary means to encourage investor engagement.

This edition provides data for the first time on requirements or recommendations for proxy advisors to disclose policies related to voting, management of conflicts of interest and disclosure thereof, and various measures related to investor engagement. While such regulations are increasing, they remain far less common than for institutional investors. The most common reported requirements involve policy-setting and disclosure related to conflicts of interest, required in 15 jurisdictions (30%).

The corporate board of directors

The *G20/OECD Principles* recommend 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 structure is the one-tier board, 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 types.

Despite differences in board structures, nearly all jurisdictions (92%) require or recommend a minimum number or ratio of independent directors. The recommendation for boards to be composed of at least 50% of 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.

Definitions of independent directors have also been evolving in recent years: 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 (in 12 jurisdictions). The share of jurisdictions requiring or recommending the separation of the board chair and the CEO has also risen sharply in recent years to 76%, compared to just 36% reported in 2015.

Nearly all jurisdictions (90%) require an independent audit committee. Nomination and remuneration committees are mandatory in only 24% and 32% of jurisdictions respectively, although an additional 60%

of jurisdictions at least recommend these committees to be established and often to be comprised wholly or largely of independent directors.

Risk management has been one of the most dynamic fields for market regulation in recent years. Provisions for companies to assign a risk management role to board level committees have grown from 62% of jurisdictions in 2015 to 90% by the end of 2020. Provisions for internal control and risk management systems have grown even more sharply since 2015, from 62% to 96%.

A new section of the Factbook on the oversight of audit finds that all jurisdictions require an external auditor to be appointed to perform an audit of the financial statements of listed companies. While the shareholders have the primary responsibility for appointing and/or approving the external auditor in most jurisdictions (86%), almost all jurisdictions (98%) also require or recommend the audit committee to play a role in the selection and appointment or removal process of the auditor. Almost all jurisdictions (96%) also require or recommend listed companies to rotate their external audit providers after a given period.

In the aim of safeguarding the independence of the external auditor of listed companies, 86% of jurisdictions prohibit or restrict the auditor from providing non-audit services to any listed company for which it is the external auditor, while 58% allow it based on the assessment and approval of the audit committee. The public oversight body is in charge of supervising or directly carrying out quality assurance reviews or inspections for audits of all listed entities that prepare financial reports in 78% of jurisdictions, as well as for carrying out investigative and disciplinary procedures for professional accountants in 64% of jurisdictions. On the other hand, many surveyed jurisdictions rely on professional accountancy bodies for the approval and registration of auditors and audit firms (24%) and the adoption of audit standards (30%).

While 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 remuneration levels is required or recommended in 88% of jurisdictions.

Since the last biennium, a growing number of jurisdictions have adopted measures to promote women's participation on corporate boards and in senior management. Three-fifths of jurisdictions have established requirements to disclose gender composition of boards, up from 49% as of the end of 2018. Just 28% of jurisdictions have such disclosure requirements with regards to senior management, a slight increase from 22% in 2018. About one-fourth have adopted mandatory quotas for listed companies requiring a certain percentage of board seats to be filled by women, while a slightly higher and growing share (30%) rely on more flexible mechanisms such as voluntary goals or targets, and 8% have introduced a combination of both. In addition, 12 jurisdictions have established sanctions in case mandatory provisions are not met. In practice, women account for a much higher share of senior management positions than of board members.

1. The global market and corporate ownership landscape

1.1. Introduction

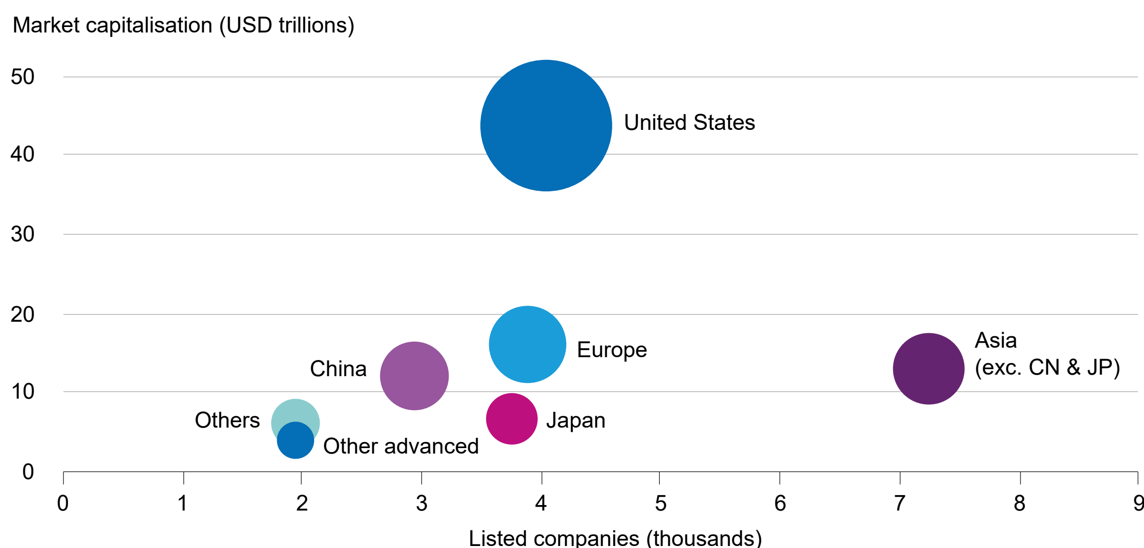
This chapter provides an overview of developments related to stock markets worldwide, including their size, activities and ownership characteristics of their listed companies. It is based substantially upon excerpts of findings from the OECD 2021 publication "*The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis",* as well as from updated data originally reported in "*Owners of the World's Listed Companies"* (De La Cruz, Medina and Tang, 2019). The chapter thus provides context for the information reported by the 50 jurisdictions covered in the Factbook.

1.2. Global trends in stock markets and listed company landscape

Stock markets play a key role in providing companies with equity capital that gives them the financial resilience to overcome temporary downturns, while meeting their obligations to employees, creditors and suppliers. For example, in the wake of the 2008 financial crisis, when bank credit became inaccessible, publicly listed non-financial companies raised a record USD 511 billion in new equity through the stock market. This pattern seemed to repeat itself during the 2020 COVID-19 pandemic, when already listed non-financial companies raised a record of USD 626 billion in new equity.

Figure 1.1 provides a picture of the relative size of the key markets and regions according to the number of listed companies and market capitalisation. The United States remains the largest market measured by market capitalisation, but Asia as a region dominates in the number of listed companies. Table 1.1 provides an overview of the total market capitalisation and number of listed companies across the 50 jurisdictions surveyed for this Factbook, which include all OECD, G20 and Financial Stability Board members plus Malaysia and Peru as additional active participants in the OECD Corporate Governance Committee. Characteristics related to categories of shareholders and extent of ownership concentration across different companies is also presented in Table 1.1 and discussed further below.

Figure 1.1 Universe of listed companies, as of end 2020



Note: The figure shows the market capitalisation and number of listed companies for 25 766 listed companies from 92 markets and the bubble size represents their share in global market capitalisation.
Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

Despite recent growth in overall global market capitalisation from USD 84 trillion in 2017 to USD 105 trillion by the end of 2020, the net number of listed companies continued to decline from approximately 41 000 in 2017 to slightly over 40 000 in 2020. Since 2005, almost 30 000 companies have delisted from the stock markets globally, notably, in the United States and Europe, which host some of the world's largest stock markets. These delistings have not been matched by new listings, and the result has been a net loss of listed companies every single year between 2008 and 2019 in the OECD area. While many companies were able to instantly, and at relatively low cost, tap into equity markets after the 2008 crisis to overcome financial difficulties, this time several thousand fewer companies have been able to do so.

Moreover, the stock market's ability to readily provide listed companies with new equity in times of crisis does not necessarily apply equally to new and smaller companies. In many advanced markets, there has been a substantial and structural decline in listings of smaller growth companies, distancing a larger portion of these companies from ready access to public equity financing.

These trends have raised concerns that the stock markets increasingly have become a source of funding for fewer and larger companies. Part of the explanation is the lower cost of debt financing and better access to private capital. However, other developments have also led to structural weaknesses in the capital market ecosystem. First, the shift from retail direct investments to large institutional investors has created a bias towards large listed companies. As is shown in the OECD report on *The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis*, in all advanced markets, the average share of institutional ownership in large listed companies is significantly higher than their ownership in smaller companies.

Second, stock exchanges have undergone profound structural changes since the mid-1990s. In advanced economies, stock exchanges were traditionally established as member-owned organisations, government institutions or special statutes. Since the mid-1990s, however, most stock exchanges have been

transformed into privately owned for-profit corporations. As may be seen in Table 1.2, today, nearly all major stock exchange operators in advanced economies have their shares listed and traded on their exchanges, while the mutual form based on brokers' membership has almost disappeared. In addition, many of these exchanges have been consolidated into international groups, with the NASDAQ OMX Group now accounting for exchanges across eight jurisdictions, Euronext accounting for five, and the London Stock Exchange Group spanning two jurisdictions, which may have implications for cross-listing practices. A small number of exchanges remain under state ownership or control, including in the People's Republic of China (hereafter, "China"), Poland, Russia, Turkey and Saudi Arabia.

The changes in the ownership structure of stock exchanges, as well as the structural changes that followed from M&A activities have been accompanied by a shift in stock exchanges' revenue structures. As shown in the OECD 2016 report "*Changing business models of stock exchanges and stock market fragmentation*", the share of revenues from listing new companies and issuer services, which consists of new listing fees – including from exchange-traded funds (ETFs) – and fees paid by existing listed companies dropped from 14% in 2004 to 8% in 2014. During the same period, the share of revenues from derivatives trading and over-the-counter (OTC) markets increased by almost half and represented 22% of total revenues in 2014. This makes income from trading (cash, capital markets, derivatives and OTC) the largest source of revenue with a total share of 48% in 2014. This heavy reliance on income from trading and related information/data services encourages a focus on large companies with liquid stocks. As a result, investors' attention has been diverted away from smaller growth companies that in turn have been discouraged from going public. The lack of interest in smaller companies in the stock market is illustrated by the fact that in most markets, also trading volume is highly concentrated in large companies.

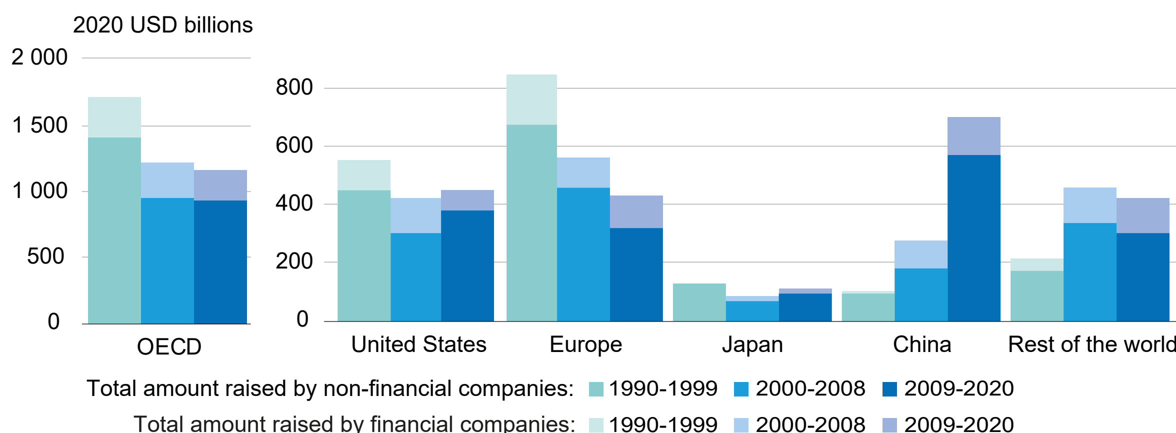
Third, companies have been discouraged from going public by high underwriting fees and stock price discounts that investment banks apply to their valuations before the public offerings. Fourth, it has also been suggested that systematic acquisitions of smaller growth companies – especially by large technology companies – have also contributed to drying up the IPO pipeline of smaller independent companies that may potentially increase competition and challenge the status quo.

1.3. Initial public offerings (IPOs) trends

Since the mid-1990s, the public equity market landscape has undergone some important changes. One important development has been an increased use of public equity markets by Asian companies. In the 1990s, European companies – mainly from the United Kingdom, Germany, France and Italy – dominated the global scene in terms of initial public offerings (IPOs) and accounted for 42% of all capital raised with almost 3 000 listings during the decade. Since then, European IPO activity has declined in both absolute and relative terms. And during the past decade leading up to the COVID-19 crisis, the amount of public equity capital raised by European non-financial companies was below both US and Chinese companies (Figure 1.2).

Between 2009 and 2020, Asian companies raised 47% of all global IPO proceeds. This is a marked increase from 22% during the 1990s. The growth of Asian markets is mainly the result of a surge in Chinese IPOs. The number of Chinese IPOs more than tripled between the 1990s and the post-2008 period, when it represented almost one third of the global proceeds. The Japanese market, which in 2000-2008 experienced a relative decline in the total IPO proceeds with respect to the 1990s, saw a 36% increase during the 2009-2020 period, which also contributed to the increased importance of Asian equity markets during the past decade.

Figure 1.2 Initial public offerings (IPOs), total amount raised

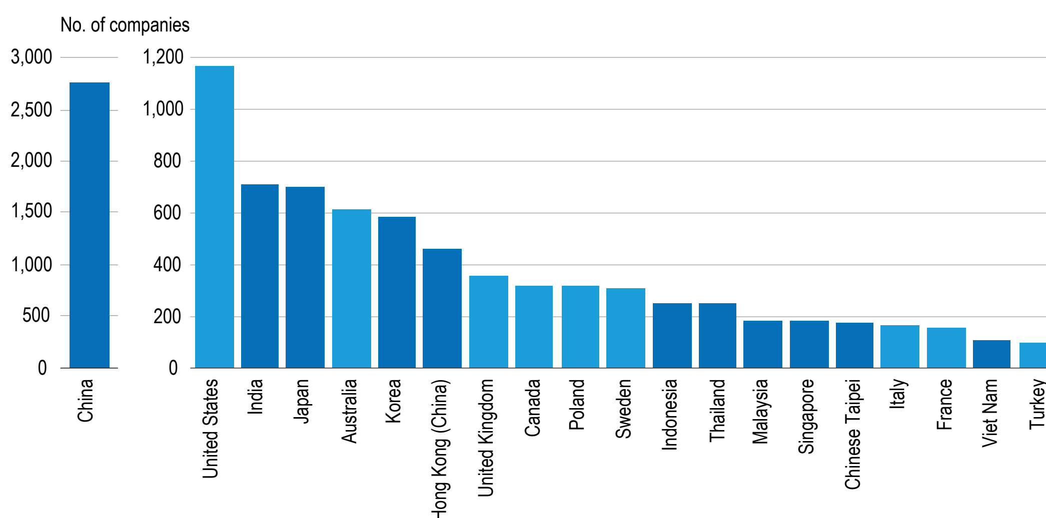


Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

As a result of the surge in IPOs, there has also been an increase in the global share of Asian listed companies. At the beginning of 2021, over half of the world's listed companies were listed on Asian stock exchanges that together represented 32% of the market value of the world's listed companies.

The shift towards Asia has been even more pronounced with respect to the number of IPOs by non-financial companies. As seen in Figure 1.3, Chinese non-financial companies have been the world's most frequent users of IPOs during the past decade, with about two and a half times as many IPOs as the United States. Moreover, other Asian markets – India; Japan; Korea and Hong Kong (China) – also rank among the top 10 IPO markets globally. Importantly, several Asian emerging markets (shown in blue in Figure 1.3), such as Indonesia, Thailand and Malaysia, rank higher in terms of IPOs than most advanced non-Asian economies (shown in light blue). Among the EU member states, there is only one country among the top 10.

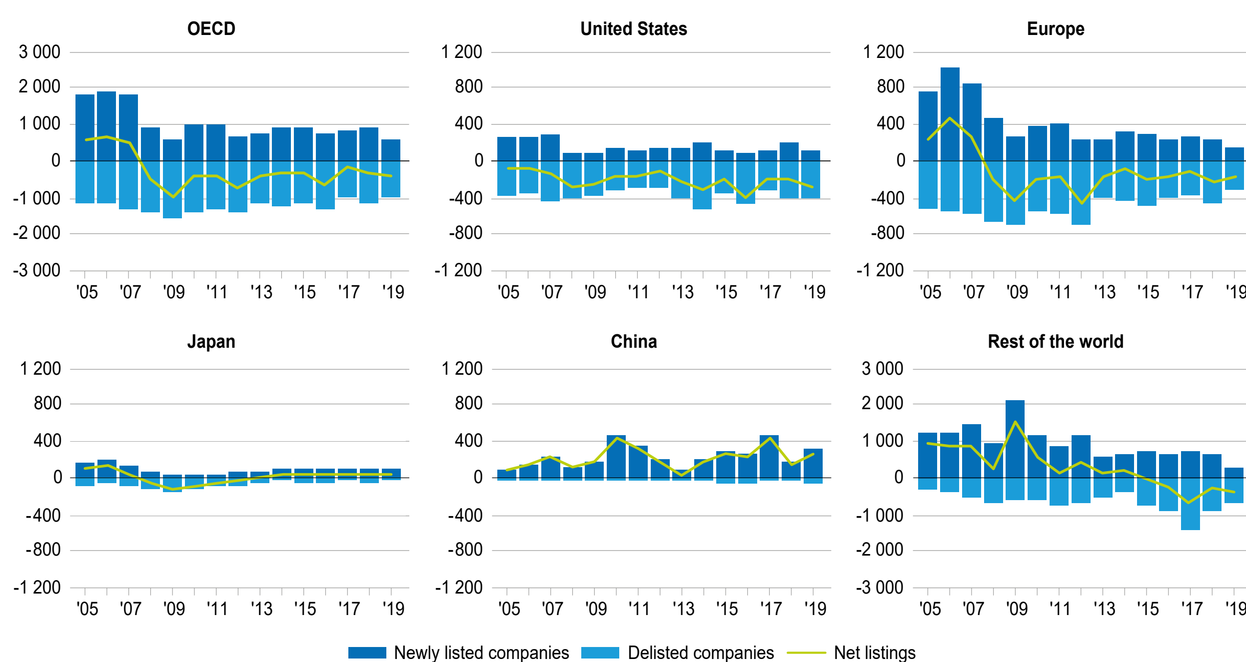
Figure 1.3 Top 20 jurisdictions by number of non-financial company IPOs during last 10 years



Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

The change in the global public equity market landscape has not only been driven by a shift in the number of new listings towards Asian markets. Another contributing factor is an increasing number of companies that have delisted from the stock markets outside of Asia. As noted above, since 2005, over 30 000 companies have delisted from the public stock market globally. In particular, there were almost 8 000 delistings of European companies over the 2005-2019 period, over 5 000 delistings of US companies and around 1 300 Japanese companies. For the United States and Europe, these delistings were larger than the number of new listings, resulting in a net decrease in listed companies every single year between 2008 and 2019 (Figure 1.4). In Japan on the other hand, net listings were positive in nine out of the 15 years shown in Figure 1.4. In China, there were on average less than 30 delistings per year, resulting in a considerable net increase in the total number listed companies.

Figure 1.4 Newly listed and delisted companies



Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

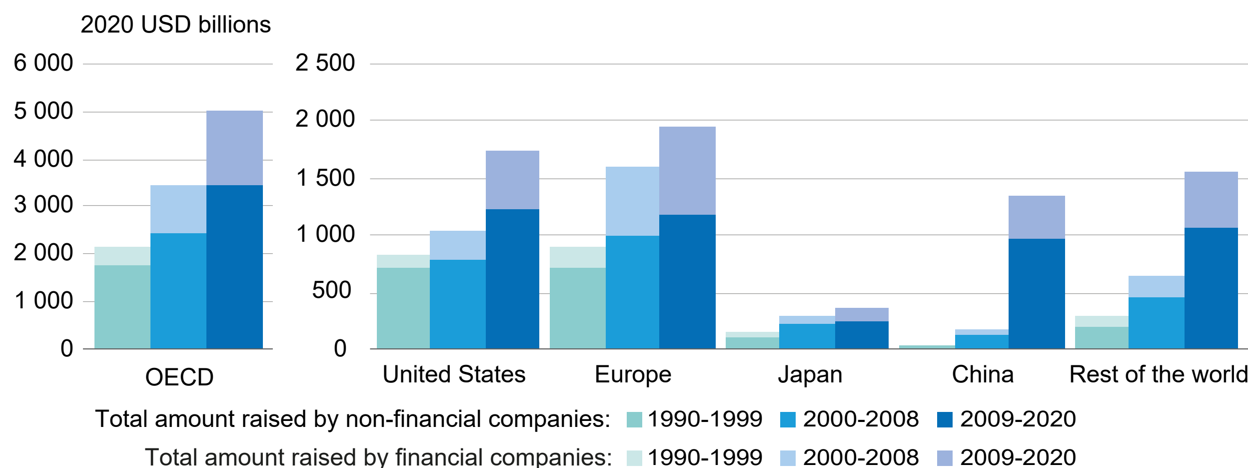
1.4. Increased importance of secondary offerings

Secondary public offerings (SPOs or follow-on offerings) allow companies that are already listed to continue raising equity capital on primary markets after their IPO. The proceeds from the SPO may be used for a variety of purposes and can also help fundamentally sound companies to bridge a temporary downturn in economic activity such as the current crisis caused by the COVID-19 pandemic. In this regard, SPOs played an important role in providing the corporate sector with equity in the wake of the 2008 financial crisis as well as during the COVID-19 crisis.

The use of SPOs as a source of funding has gained momentum over recent decades. In 2020, non-financial companies raised via SPOs a peak of USD 626 billion. The total proceeds raised between 2009 and 2020 worldwide amounted to USD 8 trillion, which is more than three times the amount raised through SPOs during the 1990s. The increase in the use of SPOs is true for all regions, as illustrated in Figure 1.5. In

Europe and the United States – the dominant regions in terms of SPO volume – the proceeds doubled from 1990-1999 to 2009-2020. In Japan the use of SPOs in the post-2008 period was two times higher than in the 1990s and in China, the use of SPOs was marginal during the 1990s. From 2009 to 2020, however, Chinese companies raised USD 1.33 trillion in equity through SPOs, which is equal to 17% of all equity raised in the world through SPOs during that period.

Figure 1.5 Secondary public offerings (SPOs), total amount raised



Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

The steady growth of SPOs worldwide has also shifted the importance of public equity financing from IPOs to SPOs with respect to total funds raised. While in the 1990s, SPOs accounted for half of the proceeds raised in the public equity markets (IPOs and SPOs combined), in the last decade their share reached a historical amount of nearly 80% of the total proceeds. In addition, whereas the United States and Europe saw a decreasing trend in the companies' use of IPOs over time, there is an increasing use of SPOs instead. This together with a decrease in the listings of smaller growth companies discussed above raises an issue as to whether stock markets increasingly have become a source of equity funding for fewer but larger companies and company groups, sometimes using the proceeds from equity and corporate bond markets to acquire smaller growth companies to complement and further expand their operations.

1.5. Changes in the corporate ownership and investor landscape

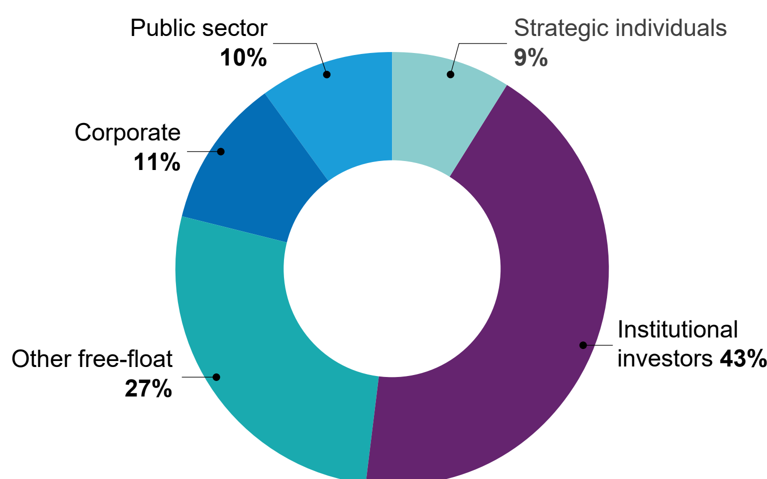
Ongoing changes in the global equity market landscape and the functioning of capital markets have also translated into changes in the ownership structure of the world's listed companies. These developments have important consequences for the premises on which corporate governance regulations are best designed and implemented. One of the most important developments in this respect is the increase in institutional ownership, which was analysed and addressed during the review of the *G20/OECD Principles of Corporate Governance* in 2015. Since then, the use of indexed investment vehicles, for example exchange-traded funds, has further nurtured the discussion about how the different business models and/or political dependence of large institutional investors influence their ability and incentives to exercise their ownership function. Another less recognised development is the increase in ownership concentration at the company level. While this is a global development, there are important country and regional

differences with respect to the different categories of shareholders that make up the largest shareholders at the company level; differences that again have implications for the focus of regulatory considerations and priorities.

This section provides a global overview of how listed companies are owned with respect to both the different categories of investors and the degree of ownership concentration at the company level. Table 1.1 provides a breakdown of these categories among the 50 jurisdictions covered in the Factbook. Findings presented in Figure 1.6 build on firm-level ownership information from more than 25 000 listed companies from 92 different markets as of end 2020. Together, these companies make up 98% of the global stock market value. Using the records of owners for each company, the investors were classified into five categories: private corporations, public sector, strategic individuals, institutional investors and other free-float.

Figure 1.6 shows the distribution of shareholdings among these five different investor categories. At global aggregate level, the largest investor category is institutional investors, which hold 43% of the world market capitalisation, followed by private corporations holding 11% and the public sector holding 10%. Strategic individuals rank fourth owning 9% of the world's listed equity. The remaining 27% free-float is held by shareholders that do not reach the threshold for mandatory disclosure of their ownership records and retail investors that are not required to do so.

Figure 1.6 Investors' public equity holdings, as of end 2020

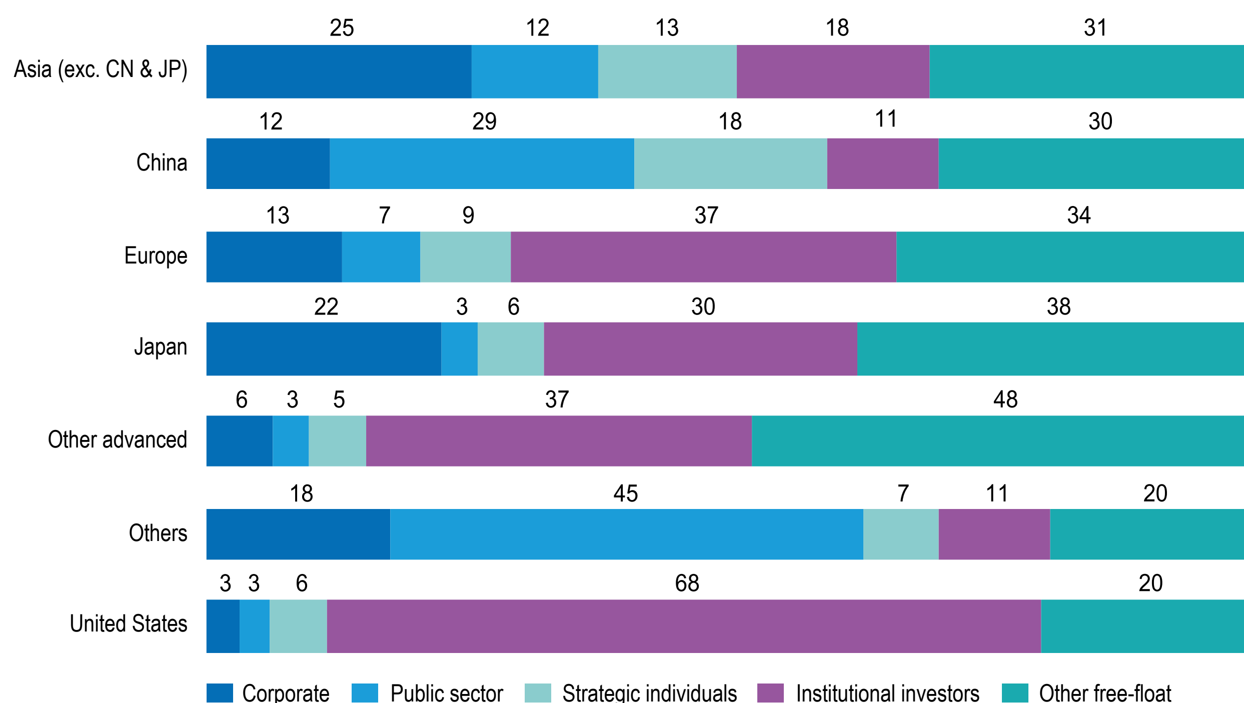


Note: The figure shows the overall ownership share by market value of the categories of owners.
Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

Figure 1.7 shows how the relative importance of the different investor categories varies across markets. Institutional investors is by far the most dominant shareholder category in the United States, holding at least 68% of the equity and with some of the unreported free-float also likely to be held by institutions. Institutional investors is also the single largest category in Europe, Japan and other advanced markets. In China, institutional investors is the smallest category, holding around 11% of market capitalisation. Instead, the largest investor category in China is the public sector, which holds almost 30% of all shares. The public sector is also a significant owner in other Asian markets (excluding China and Japan) with a 12% ownership. Asian listed companies also have a significant portion of their shares held by other corporations.

This is particularly pronounced in Asia (excluding China and Japan) where corporations hold 25%, and in Japan where they hold 22% of the market capitalisation. Together with engagement by strategic individuals, these data confirm the presence of private corporations and holding companies as an important category of owners in listed companies and in many cases also the presence of group structures.

Figure 1.7 Ownership landscape at the regional level, as of end 2020 (% share)



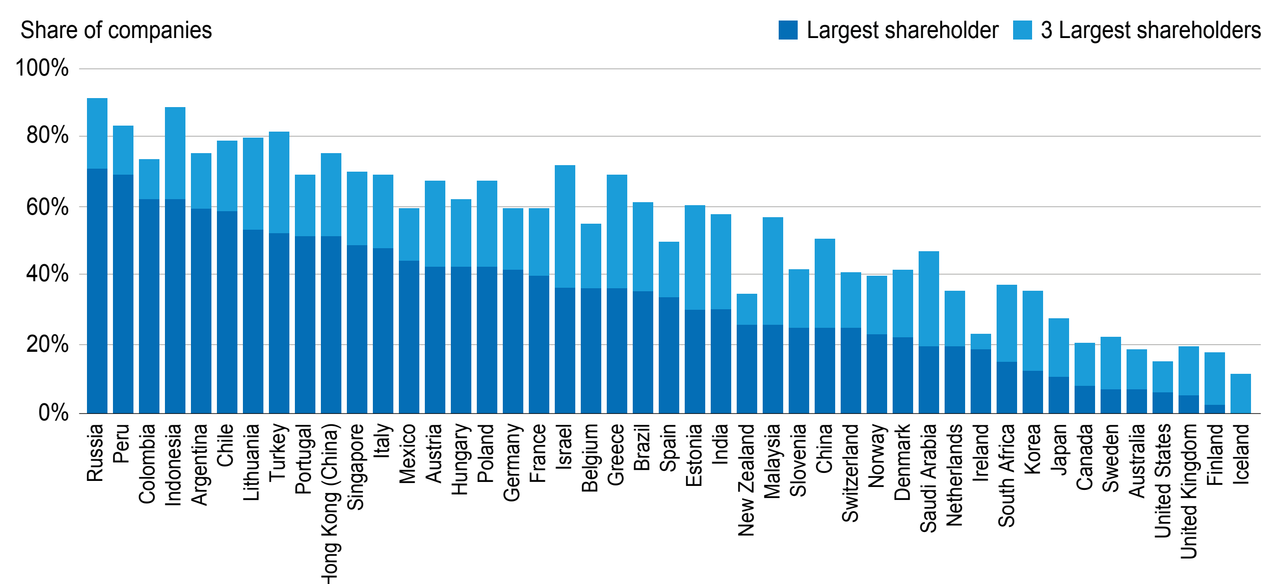
Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

1.6. The prevalence of concentrated ownership

The degree of ownership concentration in an individual company is important not only for the relationship between owners and managers. It may require additional focus on the relationship between controlling owners and non-controlling owners. The ownership structure in most markets is today characterised by a fairly high degree of concentration at the company level. Ownership concentration can be measured in many different ways, and the OECD publication *Owners of the World's Listed Companies* (De La Cruz, Medina and Tang, 2019) provides a detailed look at this issue across investor categories including the percentage of companies in each market held by the largest, three largest and 20 largest shareholders.

Figure 1.8 shows the share of companies in each jurisdiction where the single largest and the three largest shareholder(s) own more than 50% of the company's equity capital. In half of the markets shown in the figure, at least one third of all listed companies have a single owner holding more than 50% of the equity capital. In Russia, Peru, Colombia and Indonesia, more than 60% of the companies have a single shareholder holding more than half of the equity capital.

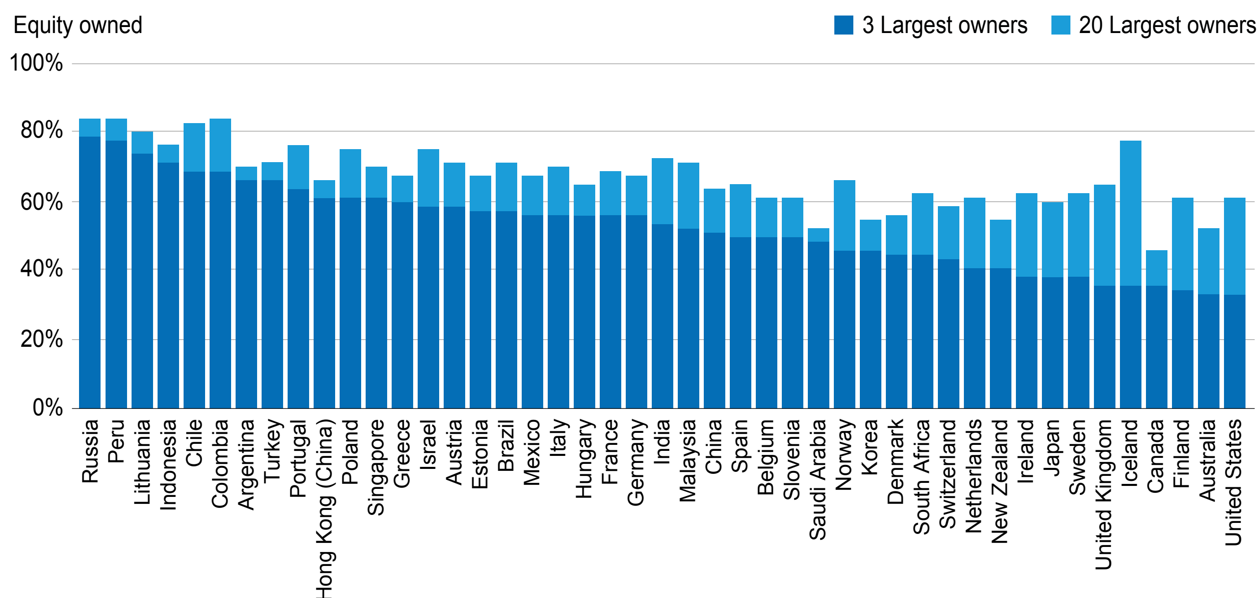
Figure 1.8 Ownership concentration by market, as of end 2020



Note: The figure presents the number of companies where the largest and 3 largest shareholder(s) hold more than 50% of the equity as share of the total number of listed companies in each market across 45 jurisdictions. Jurisdictions with less than 10 companies with ownership information are excluded from the figure: Costa Rica, Czech Republic, Latvia, Luxembourg and Slovak Republic.
Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

Figure 1.9 provides a closer look at ownership concentration at the company level in each market by showing the average combined holdings of the three largest and 20 largest shareholders. A look at the data reveals that in 28 of the 45 jurisdictions, the three largest shareholders hold on average more than 50% of the company's equity capital. The markets with the least ownership concentration, measured as the combined holdings of the three largest shareholders, are the United States, Australia, Finland, Canada, Iceland and the United Kingdom, where the three largest shareholders still hold a significant average combined share, ranging between 33% and 36% of the company's capital. Moreover, in all of these jurisdictions the 20 largest shareholders, on average, hold between 46% and 77% of the company's capital. Consequently, while the degree of ownership concentration at the company level still differs between markets and companies, no jurisdiction systematically features the kind of atomistic dispersed ownership structure that still influences much of the corporate governance debate.

Figure 1.9 Ownership concentration at the company level, as of end 2020



Note: The figure shows ownership concentration at the company level for each market. It shows the average combined holdings of the three and 20 largest owners respectively across 45 jurisdictions. Jurisdictions with less than 10 companies with ownership information are excluded from the figure: Costa Rica, Czech Republic, Latvia, Luxembourg and Slovak Republic.
Source: OECD Capital Market Series dataset, see OECD (2021), "The Future of Corporate Governance in Capital Markets Following the COVID-19 Crisis" for details.

Table 1.1 of the Factbook provides a comparison of ownership concentration across the Factbook's 50 jurisdictions based on the percentage of companies where the three largest shareholders own at least 50% of the shares. The three largest owners hold more than 50% of the equity capital in at least one third of all listed companies across 40 of these jurisdictions. On the other hand, the five least concentrated jurisdictions in the table with fewer than 20% of companies maintaining a level of ownership concentration above 50% of the equity capital among the three largest shareholders include Australia, Finland, Iceland, the United Kingdom and the United States.

1.7. The growing importance of corporate bond financing

While the means and processes differ from those of shareholders, bondholders play an important role in defining the boundaries of corporate actions and the monitoring of corporate performance. This is particularly salient in times of financial distress, which many corporations are facing under the COVID-19 crisis. Like equity, bonds typically provide longer-term financing than ordinary bank loans and serve as a useful source of capital for companies that want to diversify their capital base.

In the aftermath of the 2008 financial crisis, global corporate bond markets saw a significant and lasting increase in issuance. Annual corporate bond issuance doubled from USD 890 billion during the 2000-2007 period to USD 1.87 trillion in the period between 2008 and 2020. In many countries the increased use of corporate bonds has been supported by regulatory initiatives aimed at stimulating the use of corporate bonds as a viable source of long-term funding for non-financial companies. The increase in bond usage has also been consistent with the objectives of the expansionary monetary policy and related unconventional measures by major central banks.

This surge in the use of corporate bond financing has further highlighted the role of corporate bonds in corporate governance. Covenants for example, which are clauses in a bond contract that are designed to protect bondholders against actions that issuers can take at their expense, have a strong influence on the governance of issuer companies. Covenants may range from specifying the conditions for dividend payments to clauses that require issuers to meet certain disclosure requirements.

When the COVID-19 crisis hit, there were already widespread concerns about the declining quality of the outstanding stock of corporate bonds. In each year from 2010 to 2020, with the exception of 2018, more than 20% of the total amount of all bond issues was non-investment grade. In 2019, almost one-quarter of all corporate bond issuances were non-investment grade. This was the longest period in the past 40 years that the non-investment grade ratio has remained this high before a significant increase in default rates. Importantly, over the last four years, the portion of BBB rated bonds – the lowest investment grade rating – accounted for 52% of all investment grade issuance. During the period 2000-2007, the portion was just 39%.

Since the outbreak of the COVID-19 crisis, the bond market has continued to be a significant source of capital for non-financial companies. Despite some initial decrease in the appetite for non-investment grade issuers at the onset of the crisis, especially for those with lower ratings, for 2020 as a whole, a record amount of USD 2.9 trillion of corporate bonds was issued globally by non-financial companies. As a result of this surge in corporate bond issuance, by the end of 2020 the global outstanding stock of non-financial corporate bonds had reached USD 14.8 trillion, up from USD 13.7 trillion at the end of 2019.

Table 1.1 Market and ownership characteristics, 2020

Jurisdiction	Market size		Ownership coverage		Ownership by investor category (%)*					Ownership concentration
	Total market capitalisation [USD-Million]	No. of listed companies	Total market capitalisation (%)	No. of listed companies (%)	IIs	PS	SI	PC	OFF	(% of companies where 3 largest shareholders own >50%)
Argentina	27 033	73	82	51	10	17	17	25	31	76
Australia	1 767 837	1 805	91	46	27	2	6	5	60	19
Austria	123 727	55	100	89	23	23	6	21	27	67
Belgium	347 993	108	96	74	35	3	7	26	29	55
Brazil	954 874	308	100	83	27	10	8	29	27	61
Canada	2 100 898	1 231	97	67	46	4	4	6	40	21
Chile	177 704	175	99	74	12	1	13	54	19	79
China	13 029 553	4 166	94	70	11	29	18	12	30	51
Colombia	103 894	48	98	71	16	35	3	32	15	74
Costa Rica	1579	6	-	-	-	-	-	-	-	-
Czech Republic	26 609	12	98	75	20	36	0	19	24	89
Denmark	616 909	123	100	71	36	10	2	10	42	41
Estonia	3 350	17	96	59	11	17	14	35	23	60
Finland	319 259	123	100	85	31	17	9	5	38	18
France	2 870 369	397	97	84	27	6	14	20	33	60
Germany	2 421 821	801	99	58	30	7	10	15	39	59
Greece	49 138	142	96	41	16	11	14	25	34	69
Hong Kong (China)	4 783 387	2 348	98	71	18	11	19	22	30	75
Hungary	27 073	33	99	64	32	5	6	21	37	62
Iceland	11 932	19	97	95	66	1	7	9	17	11
India	2 573 728	4 309	99	27	22	12	11	33	22	58
Indonesia	493 269	701	99	74	8	17	10	43	22	89
Ireland	94 015	24	100	92	49	8	4	6	33	23
Israel	210 435	398	94	51	31	1	19	19	30	72
Italy	730 529	227	100	87	29	11	11	13	36	69
Japan	6 778 005	3 815	100	99	30	3	6	22	38	27
Korea	2 173 366	2 364	98	77	18	10	10	23	38	36
Latvia	822	18	90	33	13	23	17	38	9	100
Lithuania	5 464	25	96	60	2	43	10	27	17	80
Luxembourg	16 695	10	92	70	24	1	7	44	25	86
Malaysia	436 929	923	96	53	10	35	10	25	20	56
Mexico	385 966	124	95	78	20	2	34	19	26	60
Netherlands	1 110 264	96	99	80	40	3	4	20	32	35
New Zealand	132 058	118	95	69	20	19	5	6	50	35
Norway	325 605	210	99	80	30	29	9	10	21	40
Peru	77 438	80	97	61	7	4	5	75	8	84

Jurisdiction	Market size		Ownership coverage		Ownership by investor category (%)*					Ownership concentration
	Total market capitalisation [USD-Million]	No. of listed companies	Total market capitalisation (%)	No. of listed companies (%)	IIs	PS	SI	PC	OFF	(% of companies where 3 largest shareholders own >50%)
Poland	175 912	400	98	51	35	14	14	17	20	68
Portugal	85 155	38	100	76	22	13	10	37	19	69
Russia	686 884	203	92	66	11	31	17	18	23	91
Saudi Arabia	2 424 647	187	96	71	1	87	2	2	9	47
Singapore	448 603	567	98	49	12	11	11	30	36	71
Slovak Republic	3 169	22	92	18	0	-	4	85	11	100
Slovenia	8 949	32	91	38	8	34	0	14	44	42
South Africa	460 188	241	87	60	31	15	3	20	31	37
Spain	686 833	159	100	80	25	7	16	13	39	50
Sweden	1 053 344	555	99	56	38	6	12	12	32	22
Switzerland	1 933 137	233	98	89	33	6	6	6	49	40
Turkey	230 954	333	97	65	9	25	9	38	19	82
United Kingdom	3 195 019	1 424	98	81	60	6	4	6	25	19
United States	44 509 526	4 407	99	92	68	3	6	3	20	15

***Key:** Ownership by investor category: IIs: Institutional investors; PS: Private sector; SI: Strategic Individual; PC: Private Corporation; OFF: Other free float.

Note: The number of listed companies is based on comparable figures excluding investment funds and real estate investment trusts (REITs) prepared as part of the OECD's work on "Owners of the World's Listed Companies" and updated with 2020 data. Companies that list more than one class of shares are considered as one company and only its primary listing is considered. Only companies listed on the regulated or main segments of the stock exchange are included here.
Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg; see De La Cruz, Medina and Tang (2019) "Owners of the World's Listed Companies" for details.

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	-	State-controlled [2]	No
	SZSE	Shenzhen Stock Exchange	-	State-controlled [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	Wiener Börse	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	(HELEX)
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	Joint stock company	(Holding)
Israel	TASE	Tel Aviv Stock Exchange	-	Joint stock company	Yes
Italy		Borsa Italiana	LSEG[5]	Joint stock company	(LSEG)
Japan	TSE	Tokyo Stock Exchange	JPX	Joint stock company	(JPX)

Jurisdiction	Largest stock exchanges		Group	Legal status	Self-listing
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	Yes
Mexico[6]	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
Peru	BVL	Bolsa de Valores de Lima (BVL)	Domestic (Grupo BVL)	Joint stock company	Yes
Poland	WSE	Warsaw Stock Exchange	GPW Group	State-controlled joint stock company	Yes
Portugal	ELI	Euronext Lisbon	Euronext	Joint stock company	(Holding)
Russia	MOEX	Moscow Exchange	Moscow Exchange	State controlled (Central Bank) joint stock company	Yes
Saudi Arabia	TASI	Saudi Stock Exchange Tadawul	-	State-controlled joint stock company	No
Singapore	SGX	Singapore Exchange	-	Joint stock company	Yes
Slovak Republic	BSSE	Bratislava Stock Exchange	-	Joint stock company	No
Slovenia	LJSE	Ljubljana Stock Exchange		Joint stock company	No
South Africa	JSE	Johannesburg Stock Exchange Limited	JSE Limited	Joint stock company	Yes
Spain	BME	Bolsas y Mercados Espanoles	BME (Six Group Ltd)	Joint stock company	Yes
Sweden		Nasdaq Stockholm	NASDAQ Nordic LTD [3]	Private corporation or association	(NASDAQ)
Switzerland	SIX	SIX Swiss Exchange	SIX Group Ltd	Joint stock company	No
Turkey	BIST	Borsa Istanbul	-	State-controlled joint stock company [7]	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	The Nasdaq Stock Market LLC	NASDAQ	Joint stock company	Yes

Key: SOE = state-owned enterprise, - = information not applicable or not 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 Metropolitan Stock Exchange of India. 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 **Italy**, effective April 2021, Borsa Italiana was acquired by Euronext Group.

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

[7] 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 and institutional framework

2.1. The regulatory framework for corporate governance

Changes to jurisdictions' corporate governance legal frameworks continue to be quite dynamic: 90% of surveyed jurisdictions have amended their company law or securities law or both to incorporate changes since 2015. Nearly two-thirds of jurisdictions have revised their national corporate governance codes in the past four years. The balance between formal regulation and a "comply or explain" approach in the corporate governance framework varies across jurisdictions.

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 surveyed 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, while securities laws set out additional binding requirements for listed companies, contributing to the enforceability of shareholder protection for regulators (Table 2.1).

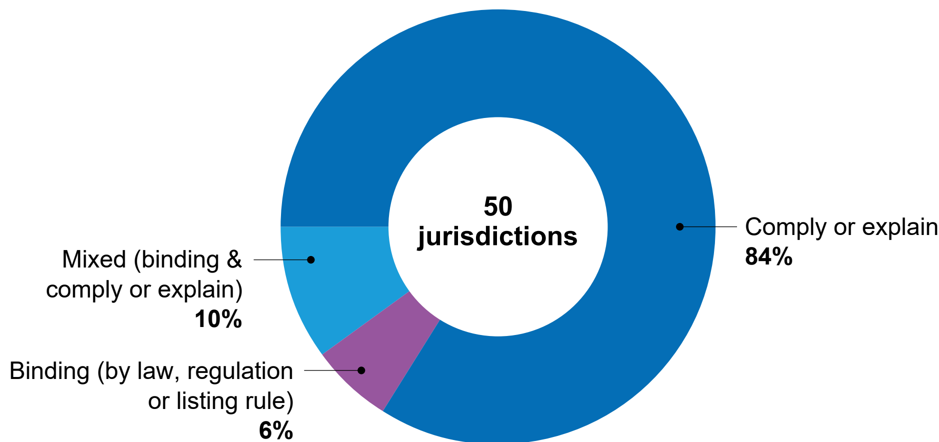
To complement their legal and regulatory frameworks, almost all of the surveyed jurisdictions also have national codes or principles, with 94% following a "comply or explain" approach or some variation of this. Only three of the 50 surveyed jurisdictions do not have such codes, and address these issues mainly through laws, regulations and listing requirements.

While the vast majority of jurisdictions establish corporate governance codes as voluntary recommendations coupled with mandatory disclosure of whether they follow them on a "comply or explain" basis, some have adopted special variants of this practice (See Box 2.1 for examples). Five jurisdictions (10%) report that they have a mixed system with codes that provide some binding and some voluntary measures (**Costa Rica, Israel**, **Mexico**, **Saudi Arabia** and **Turkey**) (Table 2.2 and Figure 2.1).

Only three of the surveyed 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 frequently, with 19 jurisdictions reporting revised codes or equivalent changes in listing requirements or rules (as in **India** and the **United States**) during 2019-20. Nearly two-thirds of jurisdictions revised such provisions over the last four years. Since the *G20/OECD Principles of Corporate Governance* were last revised in 2015, 84% of all surveyed jurisdictions have revised their codes or equivalent provisions at least once. In the majority of jurisdictions, national authorities and/or stock exchanges have taken the lead in setting up or revising the codes. In some jurisdictions, codes are devised and updated by working groups comprising institutions representing different markets segments (**Brazil**), as well as both public and private actors (**Peru**).

Figure 2.1 Implementation mechanisms for corporate governance codes and regulations



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*.

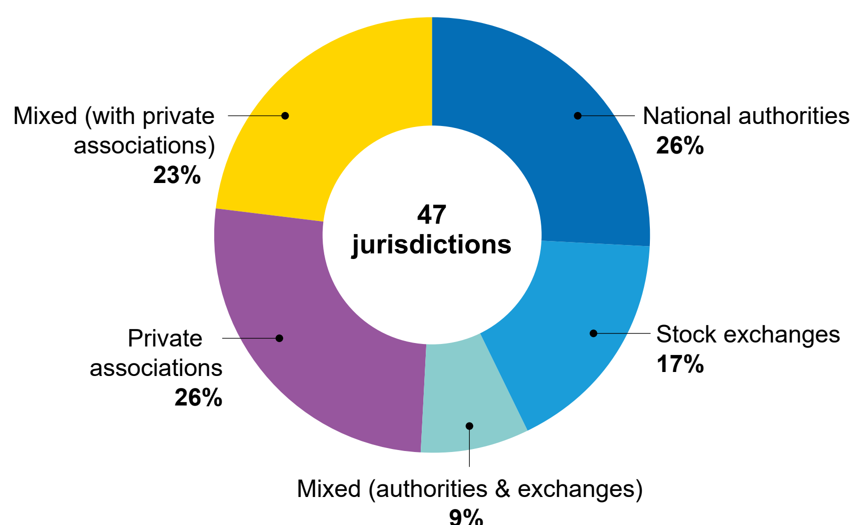
In **Malaysia,** the Malaysian Code on Corporate Governance follows an “apply or explain an alternative” approach, where companies that are not applying the practices prescribed by the Code must provide an explanation for the departure, and disclose an alternative practice that meets the intended outcome 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 laws 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 26% of jurisdictions, while exercising the role jointly with stock exchanges in another 9%. 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 respectively in 17% and 23% of surveyed 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.

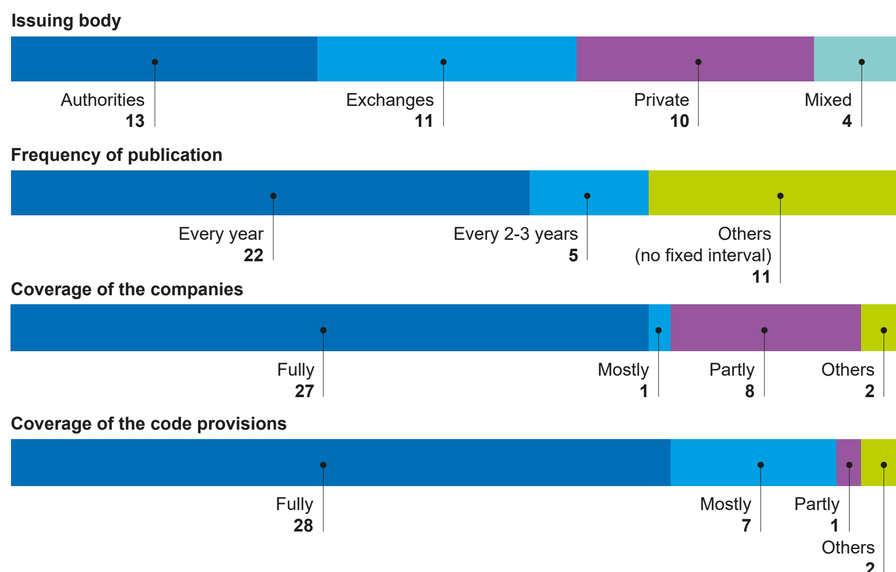
To support effective disclosure and implementation of "comply or explain" codes, a national report is published in most jurisdictions, reviewing adherence to the code by listed companies. Responsibilities for publishing such reports are about evenly split between governmental authorities, stock exchanges,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

Some reviews of comply or explain codes (Keay, 2014; FRC, 2012: 47; Risk Metrics Group et al, 2009) have analysed the extent to which companies' implementation and disclosure of code recommendations are monitored by national authorities and stock exchanges, and the extent to which this function is undertaken by institutional investors, and have found that the quality, depth and coverage of explanations and the role played by different actors vary substantially. In some jurisdictions, institutional investors are expected to place adequate pressure to bear to secure improvements in disclosure and implementation of the codes, while in others where institutional investors may be less active, public institutions may play a greater role. 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 38 institutions (in 31 jurisdictions) issue a national report reviewing adherence to the corporate governance code by listed companies in the domestic market, with more than one institution publishing such reports in six jurisdictions (**Belgium**, **Denmark**, **France**, **Italy**, **Portugal** and **Slovenia**). More than half of these institutions issue such reports annually (58%), which usually cover all listed companies (74%) and all code recommendations (92%). National regulators review and publish such reports in 13

jurisdictions, while stock exchanges review and publish such reports in 11 jurisdictions. Overall, national authorities or stock exchanges are involved 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 38 reporting institutions in 31 jurisdictions. See Table 2.4 for data.

2.2. The main public regulators of corporate governance

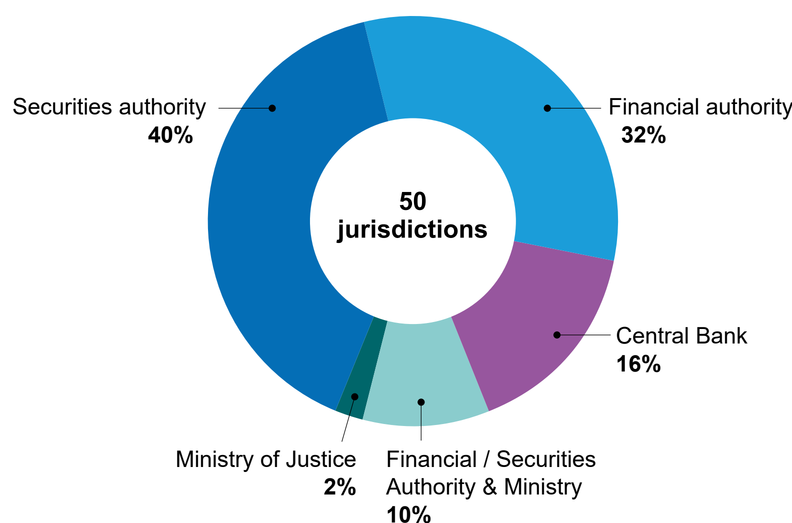
In all surveyed jurisdictions, public regulators have the authority to supervise and enforce the corporate governance practices of listed companies. Securities or financial regulators generally play the key role in most jurisdictions.

Public regulators have the authority to supervise and enforce corporate governance practices of listed companies in all surveyed jurisdictions. Securities regulators, financial regulators or a combination of the two play the lead or at least a shared role in 82% of all jurisdictions (Table 2.7 and Figure 2.4). The Central Bank plays the key role in an additional eight jurisdictions (16%). 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.

In some jurisdictions, the division of responsibilities for regulatory and supervisory functions involve multiple layers. For example, 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?

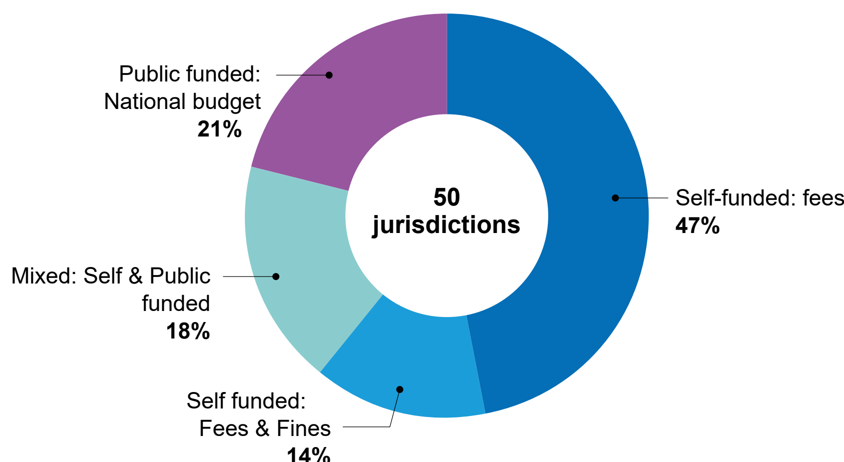


Note: See Table 2.5.

Nearly four-fifths of regulators are funded fully or partly by fees from regulated entities, while 21% of regulators are fully financed by the government budget.

Most regulators (35 institutions) are fully funded by fees (in some cases supplemented by fines), or receive partial funding from fees from regulated entities (10 institutions), while 12 institutions are fully financed by the government budget (Figure 2.5). OECD (2014c) 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". 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". Self-funding from fees has increased from 35% in 2015 to 47% in 2020, 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?



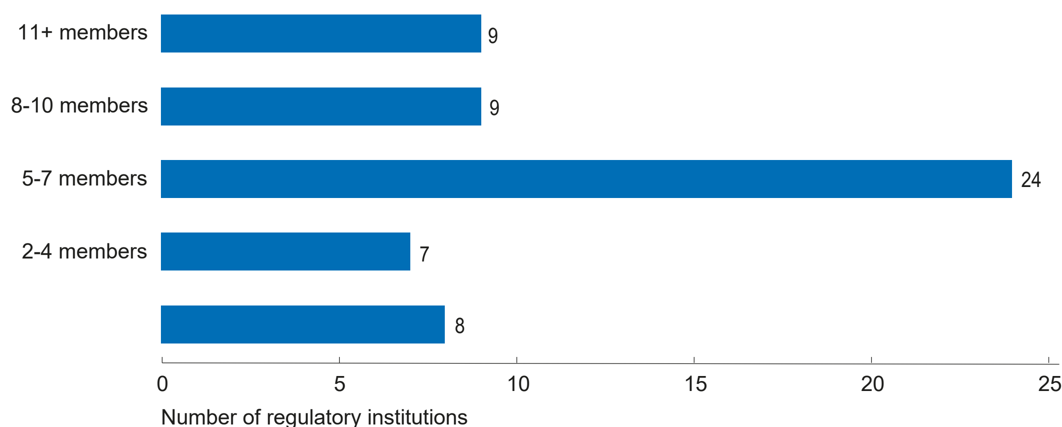
Note: Based on 57 regulatory institutions across 50 jurisdictions. Jurisdictions with more than one main regulator are counted twice. See Table 2.6 for data.

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

The issue of the independence of surveyed regulators is commonly addressed (among 86% of regulatory institutions) through the creation of a formal governing body (e.g. a board, council or commission) (Figure 2.6). Seats are sometimes reserved for representatives from specific institutions, such as central banks (in 20 jurisdictions) and other public or private institutions (in 14 and 13 jurisdictions, respectively) (Table 2.7).

However, eight regulators have no governing board. **Chile** is the most recent surveyed country to establish a governing board, establishing its Financial Markets Commission in 2017 with five members. 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.

Figure 2.6 What size are boards of regulators?

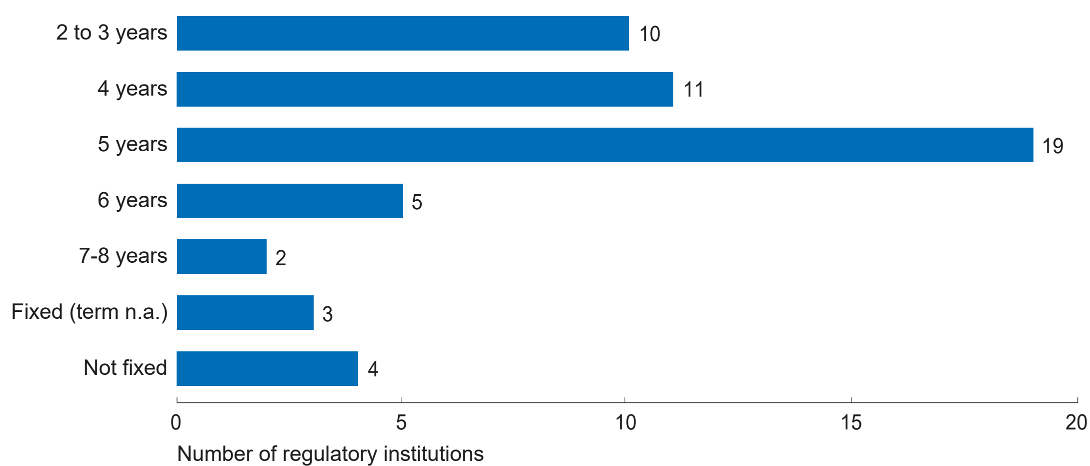


Note: Based on 57 regulatory institutions in 50 jurisdictions. Jurisdictions with more than one main regulator are counted more than once. See Table 2.7 for data.

Members of a governing body of the national regulators are usually given fixed terms of appointment ranging from two to eight years, with all but four regulatory institutions prohibiting their re-appointment.

Members of a governing body or regulatory head such as a commissioner or superintendent are given fixed terms of appointment in 50 out of 54 institutions that reported data (three additional jurisdictions did not provide information in this category). Of the 54 institutions surveyed, four do not establish fixed terms for their appointments. Terms when specified range from two to eight years and most commonly are set at four to five years (for 11 and 19 institutions, respectively) (Table 2.8, Figure 2.7). The re-appointment of members is allowed in all jurisdictions that establish fixed terms, with the exception of **Brazil**, **Italy**, **Peru** 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**, **Ireland**, **Saudi Arabia**, and **Spain**) or twice in two jurisdictions (the **Netherlands** and **Switzerland**).

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



Note: Based on 54 regulatory institutions reporting data in 50 jurisdictions. Jurisdictions with more than one main regulator are counted more than once. 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		2020				Listing rules
Austria[1]	Commercial Code	2019		Stock Corporation Act	2019		
Belgium[1]	Code of Companies and Associations	2019		Law of 2 August 2002	2019	2013	
Brazil	Corporation Act	2020	2001	Securities Act	2017		Rules, Instructions, Resolutions (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	2020		Securities Market Law	2020		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	2019	-	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	2020	2012	Capital Market Undertakings Act	2020	2020	
Denmark	Company Act	2019	2009	Capital Markets Act	2020	-	Listing rules by Nasdaq Copenhagen: Rules for issuers of shares
	Financial Statements Act	2019	2009				
Estonia	Commercial Code	2020	2020	Securities Market Act	2019	2019	Listing rules of Nasdaq Baltic Tallinn

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
Finland	Limited Liability Companies Act	2019	2011	Securities Markets Act	2020	2013	Listing rules by Nasdaq Helsinki Nordic Main Market Rulebook for Issuers of Shares Corporate Governance Code
France	Code de Commerce	2020	2013	Code monétaire et financier	2020	2010	
Germany[1]	Commercial Code	2020	2016	Securities Trading Act	2020	2018	-
	Stock Corporation Act	2020	2017				
Greece	Law 4548/2018	2018		Law 4706/2020	2020	2020	HCMC Decision 1A/890/18.09.2020 on sanctions imposed under Article 24 of Law 4706/2020. HCMC Decision 1/891/30.09 2020 on the evaluation of the Internal Control System (ICS) and provisions on Corporate Governance of law 4706/2020.
				Law 4449/2017	2017		
				Law 3016/2002	2002	2002	
Hong Kong (China)[1]	Companies Ordinance	2019	2019	Securities and Futures Ordinance	2018	2018	Main Board and GEM Listing Rules
	Companies (Winding Up and Miscellaneous Provisions) Ordinance	2017	2017				
Hungary	Civil Code	2020	2020	Act on the Capital Market	2020	2020	Corporate Governance Recommend-ations of BSE
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) Nasdaq Iceland Rules for Issuers
	Act on Public Limited Companies	2017	2010				

Jurisdiction	Company Law	Latest update		Securities Law	Latest update		Other relevant regulations on corporate governance
		Original language	*English*		*Original language*	*English*	
India	Companies Act 2013		2020	Securities and Exchange Board of India Act	1992	2020	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
				Securities Contract (Regulation) Act	1956	2020	
Indonesia	Company Law	2007	2007	Capital Market Law	1995	1995	OJK Regulations IDX Listing Rules
Ireland	Companies Act	2014	2020	Securities Markets Regulations		2019	Listing Rules and the statutory Corporate Governance Codes for Central Bank regulatees
				Funds Regulation		2019	
Israel	Companies Law	2018	2011	Securities Law	2018	2017	Securities Regulations, Companies Regulations (ISA)
Italy	Civil Code	2020	-	Consolidated Law on Finance	2020	2020	Regulations (Consob)
Japan	The Companies Act	2014	2015	Financial Instruments and Exchange Act	2020	2020	Regulations (FSA) Securities Listing Regulations (TSE)
Korea	Company Act	2020	2016	Financial investment Services and Capital Markets Act	2020	2017	Act on Corporate Governance of Financial Companies
Latvia	Company Law	2020	2020	Financial Instrument Market Law	2020	2017	Group of Companies Law, Listing rules
Lithuania	Law on Companies	2020	2014 (related changes 2017)	Law on Securities	2019	2015	Law on Markets in Financial Instruments
Luxembourg	Companies Act	2017	-	Law on markets in financial instruments	2019[2]	-	

Jurisdiction	Company Law			Securities Law			Other relevant regulations on corporate governance
		Latest update			Latest update		
		Original language	*English*		*Original language*	*English*	
Malaysia	Companies Act	2016	2016	Securities Commission Act	2017	2017	Bursa Malaysia Listing Requirements
							Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries (released in 2020) [3]
				Capital Markets and Services Act	2015	2015	
				Securities Industry Act (Amendment)	2004	2004	
Mexico	General Law of Mercantile Corporations	2018		Securities Market Law	2019		Rules applicable to Issuers (CNBV) Stock Exchanges Internal Rules & Regulations
Netherlands	Netherlands Civil Code	2013		Act on Financial Supervision	2020		
				Act on the Supervision of Financial Reporting	2019		
New Zealand	Companies Act 1993		2014	Financial Markets Conduct Act 2013		2020	Financial Markets Conduct Regulations
Norway	Public Limited Liability Companies Act	2017	2014	Securities Trading Act	2014	2014	Listing Rules
Peru	General Corporation Law	2020	-	Securities Market Law	2017	2017	Qualification on Independent Directors Guidelines
Poland	Code of Commercial Companies	2020		Act on Trading in Financial Instruments Act on Public Offer of Financial Instruments	2020		

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	2019	--	Act on Securities	2019	-	Act on Accounting
				Act on Stock Exchange	2018		
Slovenia[1]	Companies Act	2019	2019	Market in Financial Instruments Act	2019	2019	
South Africa	Companies Act	2008	2011	Financial Markets Act	2012	2012	
Spain	Capital Company Act	2018		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)	2020	2020	Financial Market Infrastructure Act	2020	2020	Laws, Ordinances, Circulars, Self-regulation (FINMA)
				Regulations of the Swiss Stock Exchange	2020	2020	
Turkey	Turkish Commercial Code no. 6102 (TCC)	2020	-	Capital Market Law no. 6362	2020	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	NYSE Listed Company Manual Nasdaq Rulebook
				Securities Exchange Act of 1934		2018	

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

Notes:

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

[2] For **Luxembourg**, while the table only covers updates through the end of 2020, it should be noted that a new update to the law was published on 22 January 2021.

[3] The Securities Commission **Malaysia** issued the Guidelines on 30 July 2020 to promote the discharge of directors' fiduciary duties on boards of listed corporations and their subsidiaries. The Guidelines set out guidance on duties and responsibilities of boards in company group structures and requirements for the establishment of a group-wide framework to enable, among others, oversight of group performance and the implementation of corporate governance policies.

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	Apply or not, explain[1]	Required	Securities regulator
Australia	Corporate Governance Principles and Recommendations	Listing rule	Comply or explain	Required	Stock exchange
Austria	Austrian Code of Corporate Governance	Law or regulation	Comply or explain	Required	
Belgium	The 2020 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 & stock exchange
Canada	Corporate Governance: Guide to Good Disclosure	Law or regulation	Comply or explain	Required	
Chile	Practices for Corporate Governance Rule N˚385	Law or regulation	Comply or explain[2]	Other	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	Required	Securities regulator
Costa Rica	CONASSIF Corporate Governance Regulation	Law or regulation	Binding & Comply or explain[4]	Required	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
Estonia	Corporate Governance Recommendations	Law or regulation	Comply or explain	Required	Securities regulator, Stock exchange & Private
Finland	Finnish Corporate Governance Code	Law or regulation, Listing rule	Comply or explain	Required	Stock exchange & Securities regulator

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Basis for framework	Approach	Disclosure in annual company report	Surveillance
France	AFEP MEDEF Corporate Governance Code of Listed Corporations and Middlenext corporate governance code designed for listed small and medium listed companies (VaMPs)	Law or regulation	Comply or explain	Required	Private & Securities regulator
Germany	German Corporate Governance Code	Law or regulation	Comply or explain	Required	Different stakeholders appointed by Government (not including the securities regulator and the stock exchange)
Greece	Hellenic Corporate Governance Code For Listed Companies	Law or regulation	Comply or explain	Required	Securities Regulator[5]
Hong Kong (China)	Corporate Governance Code (Appendix 14 of the Main Board Listing Rules / Appendix 15 of the GEM Listing Rules)	Listing rule	Comply or explain	Required	Stock exchange
Hungary	Corporate Governance Recommendations	Law or regulation	Comply or explain	Required	Corporate Governance Committee & Stock Exchange
Iceland	Corporate Governance Guidelines	Listing rule	Comply or explain	Required	Stock exchange
India	SEBI (listing Obligations and Disclosure Requirement) Regulations, 2015	Law or regulation	Binding	Required	Securities regulator & Stock exchange
Indonesia	Indonesia Good Corporate Governance Code	Voluntary	Comply or explain	Not Required	-
	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[6]	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

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Basis for framework	Approach	Disclosure in annual company report	Surveillance
Luxembourg	Ten Principles of Corporate Governance	Listing rule	Comply or explain	Required	Stock exchange
Malaysia	Malaysian Code on Corporate Governance	Listing rule	Other[7]	Required	Securities regulator & Stock exchange
Mexico	Code of Principles and Best Practices in Corporate Governance	Law or regulation, Listing rule[8]	Other	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
Norway	Norwegian Code of Practice for Corporate Governance	Listing rule	Comply or explain	Required	
Peru	Corporate Governance Code for Peruvian Companies	Law or regulation[9]	Comply or explain	Required[8]	Securities regulator
Poland	Code of Best Practice of WSE Listed Companies	Voluntary	Comply or explain	Required	Stock exchange
Portugal	The Corporate Governance Code of IPCG	Law or regulation	Comply or explain	Required[10]	Privation institution
Russia	Corporate Governance Code	Law or regulation, Listing rule[11]	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, Listing rule	Comply or explain	Required	Stock Exchange, Private institution (Slovak Corporate Governance Association)
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 for Listed Companies	Law or regulation	Comply or explain	Required	Securities regulator
Sweden	Swedish Corporate Governance Code	Listing rule	Comply or explain	Required but can be a separate document	Stock exchange
Switzerland	Swiss Code of Best Practice for Corporate Governance	Voluntary	Comply or explain[12]	-	-
	Directive on Information Relating to Corporate Governance	Listing rule	Comply or explain	Required	Stock exchange

Jurisdiction	Key national corporate governance codes and principles	Implementation mechanism			
		Basis for framework	Approach	Disclosure in annual company report	Surveillance
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 Rulebook	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 **Argentina,** a company may decide not to apply a recommendation and still be in compliance with good practices. This approach looks to recognise heterogeneity among industries and companies and to provide broader means to comply with best practices. Thus, companies' explanations may be useful for regulators and stakeholders to understand why a certain practice is not suitable to attain a certain goal, aligned with good corporate governance principles.

[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. This requirement obliges listed companies to perform an annual self-assessment with regard to the adoption of good practices of corporate governance proposed by the CMF, and report to the CMF on a "comply or explain" basis. Although it is not required to include this information in the Annual Report, it is made available to the public through the Regulator´s and listed companies' web sites.

[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 to 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. It is classified as "binding and comply or explain" due to some flexibility provided in implementing some measures according to proportionality considerations (See Box on country examples for more details).

[5] In **Greece**, according to article 17 of law 4706/2020, listed companies adopt and apply a corporate governance code that has been issued by an acknowledged body.

[6] **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.

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

[8] **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).

[9] In **Peru**, although the code is of voluntary application, the report on compliance with the code is required by regulation for all issuers with securities registered in the Securities Market Public Registry, including those issuers that list their securities on the Lima Stock Exchange.

[10] 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 end, 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.

[11] 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.

[12] 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	2019
Australia	ASX Corporate Governance Council	Mixed	2003	4	2019
Austria	Austrian Working Group for Corporate Governance	Private	2002	9	2020[1]
	Federal Ministry of Finance	Public			
Belgium	Corporate Governance Committee	Mixed	2004	3	2020
Brazil	Brazilian Institue of Corporate Governance (IBGC)[2]	Private	2016	-	2016
Canada	Provincial stock exchanges, e.g. Toronto Stock Exchange (TMX)	Exchange			2014
Chile	Financial Market Commission (CMF)	Public	2012	1	2015
China	China Securities Regulatory Commission	Public	2002	-	2018
Colombia	Financial Superintendence of Colombia (SFC)	Public	2007	1	2014
Costa Rica	National Council of Supervision of the Financial System (CONASSIF)	Public	2017	-	2017
Czech Republic	Czech Institute of Directors	Private	2001	2	2018
Denmark	Danish Committee on Corporate Governance	Public	2001	10	2020
Estonia	Estonian Financial Supervision Authority (EFSA)	Public	2005		2006
	NASDAQ OMX Tallinn Stock Exchange	Exchange			
Finland	Securities Market Association	Private	1997	5	2020
France	Association Française des Entreprises Privées (AFEP)	Private	2003		2020
	Mouvement des Entreprises de France (MEDEF)				
	Middlenext		2016		2016
Germany	Commission of the German Corporate Governance Code	Mixed	2002		2020
Greece	Hellenic Corporate Governance Council	Private			2013[3]
Hong Kong (China)	The Stock Exchange of Hong Kong Limited (SEHK)	Exchange	2005	5	2019
Hungary	Corporate Governance Committee (Established by the Budapest Stock Exchange Company Limited[4]	Exchange	2004		2020
Iceland	Iceland Chamber of Commerce	Public	2004	5	2015
	SA Confederation of Icelandic Employers	Private			
India	Securities and Exchange Board of India (SEBI)	Public	2000	18	2020
	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		2018

Jurisdiction	Custodians		First code	Update	
	(Public/private/stock exchange/mixed initiative)			No.	Latest
Israel	Ministry of Justice (MOJ) Israel Securities Authority (ISA)	Public	1999		2018
Italy	Corporate Governance Committee	Mixed	1999	7	2020
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	2	2019
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	-	2020
	Financial Markets Authority	Public	2004	-	2018
Norway	Norwegian Corporate Governance Board	Private	2005	9	2018
Peru	Superintendence of Securities Market (SMV)[5]	Mixed	2002	1	2013
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[6]	1	2014
Saudi Arabia	Capital Market Authority	Public	2006	3	2019[7]
	Saudi Central Bank (SAMA)				
	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) Singapore Exchange (SGX)	Public Exchange	2001	3	2018
Slovak Republic	Slovak Association of Corporate Governance	Mixed	2002	2	2016

Jurisdiction	Custodians		First code	Update	
	(Public/private/stock exchange/mixed initiative)			No.	Latest
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			
South Africa	Institute of Directors	Private	1994	4	2016
Spain	National Securities Market Commission (CNMV)	Public	1998	5	2020
Sweden	Swedish Corporate Governance Board	Private	2005	6	2020
Switzerland	economiesuisse	Private	2002	2	2014
	SIX Exchange Regulation (SER)	Private	2002		2018
Turkey	Capital Markets Board of Turkey (CMB)	Public	2003	5	2020
United Kingdom	Financial Reporting Council (FRC)	Mixed	2003		2018
United States	Nasdaq	Exchange	2003		2020
	New York Stock Exchange (NYSE)	Exchange	2003		2020

Notes:

[1] **Austria** again updated its code in January 2021 for the 10th time, but this table only covers provisions enacted through end of 2020 to ensure comparability across jurisdictions.

[2] In **Brazil**, the Corporate Governance Code was developed by a working group (the Interagents Working Group) coordinated by the IBGC and comprised of 11 institutions representing different market segments.

[3] In **Greece**, the Hellenic Corporate Governance Code for Listed Companies is currently under review. The new code will be issued in 2021.

[4] In **Hungary**, the Corporate Governance Committee is an advisory committee of the stock exchange. Members of the Committee include representatives of Issuers, regulatory authorities and BSE, as well as independent market experts and lawyers, who are appointed by the Board of Directors.

[5] In **Peru**, in February 2012, at the behest of SMV, an "Updating Committee" was established bringing together 14 leading public and private institutions. The Committee ended its work in November 2013 and published an updated "Corporate Governance Code for Peruvian companies".

[6] 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.

[7] In **Saudi Arabia**, the Corporate Governance Regulations were updated again in early 2021.

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							
Austria	P	Austrian Working Group for Corporate Governance	1	2021	Yes	Fully	Fully
Belgium	R	FSMA	1	2019	Yes	Fully	Partly
	P	GUBERNA and FEB	1	2017	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							
Denmark[1]	M	NASDAQ Copenhagen A/S and Committee on Corporate Governance	1	2020	Yes	Fully	Fully
	S	NASDAQ Copenhagen A/S	Occasional[2]	2018	Yes	Fully	Fully
Estonia	R	EFSA	Occasional	2017	Yes	Yes	Yes
Finland	M	Chamber of Commerce	1	2020	Yes	Fully	Fully
France	R	AMF	1	2019	Yes	Partly (60)	Fully
	P	AFEP and MEDEF (via a High Committee on Corporate Governance, HCGE)	1	2019	Yes	SBF 120	Fully
Germany	P	Berlin Center of CG	1	2018	Yes	Fully	Fully
Greece							
Hong Kong (China)	S	SEHK	2	2020	Yes	Partly (400 companies)	Fully

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
Hungary	S	Budapest Stock Exchange	1	2019	Yes	Fully	Fully
Iceland	-	-	-	-	-	-	-
India							
Indonesia	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-
Israel							
Italy	R	Consob	1	2020	Yes	-	-
	S	Corporate Governance Committee	1	2020	Yes	Fully	Fully
	P	Assonime	1	2020	Yes	Fully	Fully
Japan	S	TSE	2	2019	Yes	Fully	Fully
Korea	S	KRX	-	2020	Yes	Fully; partly for KOSPI listed companies	Fully
Latvia	S	Nasdaq Riga	-	2015	Yes	Fully	Mostly
Lithuania	S	Nasdaq Vilnius	Occasional	2020	Yes	Fully	Mostly
Luxembourg	S	Bourse de Luxembourg	1	2018	Yes	Fully	Fully
Malaysia	R	Securities Commission Malaysia	1	2020[3]	Yes	Fully	Fully
Mexico	P	PwC México Deloitte	2-3	2018	Yes	Mostly	Mostly
Netherlands	M	Monitoring Committee	1		Yes	Fully	Fully
New Zealand							
Norway							
Peru	R	SMV	1	2020[4]	Yes	Fully	Fully
Poland							
Portugal	R	CMVM	1	2014	Yes	Fully	Fully
	P	AEM/CL-SBE	1	2014	Yes	Fully	Fully
Russia	R	CBR	1	2019	Yes	Fully	Mostly
Saudi Arabia	R	CMA	1	2017	-	Fully	Mostly
Singapore	S	SGX	-	2016	Yes	Mainboard companies	Fully
Slovak Republic	P	SACG			-	Fully	Fully

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
Slovenia	P	Slovenian Directors' Association (SDA)	-	2017	-	Fully	Fully
	S	Ljubljana Stock Exchange (LJSE)	-	2015	Yes	Fully	Fully
South Africa							
Spain	R	CNMV	1	2018	Yes	Fully	Fully
Sweden	P	Swedish Corporate Governance Board	1	2019	Yes	Fully	Fully
Switzerland							
Turkey	R	CMB	-	2020[5]	Yes	Partly[6]	Mostly
United Kingdom	R	FRC	1	2018	Yes	FTSE 350 & small	Fully
United States							

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

Notes:

[1] In **Denmark**, the joint report conducted by Nasdaq and the Committee on Corporate Governance is more comprehensive than the Nasdaq report, as it collects additional data and includes some focus areas that differ from year to year.

[2] In **Denmark**, the report is published every year, but has included information regarding corporate governance only three times in the last 10 years.

[3] In **Malaysia**, the Corporate Governance Monitor is an annual publication issued by the Securities Commission Malaysia that presents data and observations on the adoption of best practices in the Malaysian Code on Corporate Governance and analysis of thematic corporate governance issues.

[4] In **Peru**, the SMV publishes annually the Report "Consolidated Information on the Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies". In September 2020, the latest report was published, with information corresponding to fiscal year 2019. Additionally, since 2019, the SMV has published on its web portal a tool that systematises and allows reviewing the answers to the "YES-NO" questions of the "Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies" submitted by each issuer, without the need to enter the annual reports.

[5] In **Turkey**, the Monitoring Report has analysed the compliance status and the quality of the explanations provided by the BIST 100 companies for non-mandatory Corporate Governance Principles annexed to the Communiqué on Corporate Governance (II-17.1), which were disclosed under CRF (Compliance Report Format).

[6] In **Turkey**, the companies whose shares are traded in BIST Star Market and BIST Main Market are required to disclose their compliance status and explanations for non-mandatory principles in line with the comply or explain approach. However, for the Report, the companies traded on BIST 100 indices were designated as the sample group.

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]	Financial Market Commission (CMF)
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 Financial Supervisory Authority
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	CBI	The Financial Supervisory Authority of the Central bank of 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

Jurisdiction	Main public regulators	
Luxembourg	CSSF[4]	Financial Sector Supervisory Commission
Malaysia	SCM	Securities Commission Malaysia
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
Peru	SMV	Superintendence of Securities Market (SMV)
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	Central Bank
Singapore	MAS[2]	Monetary Authority of Singapore
	ACRA[2]	Accounting and Corporate Regulatory Authority
Slovak Republic	NBS	Bank of Slovakia (Central Bank)
Slovenia	ATVP	Securities Market Agency
South Africa	CIPC[5]	Companies and Intellectual Property Commission
	FSCA	Financial Sector Conduct Authority
Spain	CNMV	National Securities Market Commission
Sweden	FI/SFSA[2]	Swedish Financial Supervisory Authority (Financial Reporting)
Switzerland	SER	SIX 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 (CMF) replaced the Superintendence of Securities and Insurance as of 14 December 2017. As such, since 1 June 2019, the CMF assume the role of supervision and oversight of the banking sector, as the legal successor of the Superintendence of Banks and Financial Institutions.

[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 company 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 **Luxembourg**, the CSSF is a public regulator concerned with matters in relation to securities law and sectorial laws on the financial sector while in principle civil rules on corporate governance are generally supervised and enforced privately.

[5] 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.

[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	•	-	-	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[2]	•	-	•	Not required	Not required
Czech Republic	CNB	Self	-	-	•	Not required	Not required
Denmark	DFSA	Public & Self	•	-	•		Required
Estonia	EFSA	Self	-	-	•	Not required	Not required
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	- -	- -	• •	Required Not required	Required Not required
Hungary	CBH	Self	-	-	•	Not required	Not required
India	SEBI	Self	-	(to NB)	•	Not required	Not required
	MCA	Public	•	-	-		
Indonesia	IFSA (OJK)	Self	-	•	•	Not required	Required
Iceland	CBI	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	LB	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	CSSF	Self	-	●	●	Not required	Not required
Malaysia	SCM	Self			●	Not required	Not required
Mexico	CNBV	Public	●	-	-	Required	Required
Netherlands	AFM	Self	-	●	●	Required	
New Zealand	FMA	Public & Self	●	-	●	Required	Not required
Norway	NFSA	Public	●	-	-	Required	
Peru	SMV	Self[3]	-	-	●	Required	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[4]	-	●	●	Not required	N/A
	MCI	Public	●	-	-	Required	N/A
	SAMA	Public & Self	-	●	●	Not required	N/A
Singapore	MAS	Self	-	-	●		
	ACRA	Self	-	-	●		
Slovak Republic	NBS	Self[5]	-	-	●		
Slovenia	ATVP	Self	-	●	●	Required	Not required
South Africa	CIPC	Public & Self	●	●	●	Required	Required
	FSCA	Self	-		●	Required	Required
Spain	CNMV	Self	-	-	●	Required	Required
Sweden	FI/SFSA	Public & Self	●	-	●	Required	Not required
Switzerland	SER	Self	-	-	●	Not required	Not required
Turkey	CMB	Self	-[6]	(50% to NB)	●	Required	Required
United Kingdom	FCA	Self	-	-	●	Not required	Not required
United States	SEC	Public[7]	●	-	●	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 **Costa Rica**, SUGEVAL's budget is 80% funded by the Central Bank and 20% funded by compulsory contributions of regulated entities. However, an amendment to the Law Regulating the Securities Market and other related laws, achieved by Law 9746 (adopted in October 2019), changed the financing to a 50% - 50% split. Starting in 2024, compulsory contributions of regulated entities will increase by 7,5% annually until the 50% is achieved in 2027.

[3] In **Peru**, SMV´s Organic Law includes the possibility of obtaining funding resources from the Central Government and fines from wrongdoers; nevertheless, the main source of resources of the SMV is the income from the contributions of issuers and supervised entities.

[4] In **Saudi Arabia**, the Capital Market Law (CML) states that government funds may be used as a source of financial resources for the CMA. However this has not been the case in practice and the CMA remains fully self-funded from fees for services and commissions charged by the authority and fines and financial penalties imposed on violators.

[5] In the **Slovak Republic**, the budget of the NBS is separate from the state budget, and the annual profit or loss of the NBS is not included in the general government budget. The central bank's profit or loss is determined mainly by its monetary policy operations (such as the issuance of currency and lending activities) and its investment activities. Other sources of income include the fees paid by entities that are subject to NBS supervision and the central bank's claims on the ECB.

[6] In **Turkey**, in case the income from CMB funds is insufficient to meet the expenditures, under the Capital Market Law the deficit can be financed by the budget of the Treasury, although no deficit has been reported since 1992.

[7] 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/head of the main public regulator of corporate governance

Jurisdiction	Key regulators	Governing body/head	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 (6)	-	-	-	-
Austria	FMA	Executive Board	2				
Belgium	FSMA	Management Committee	4	-	-	-	-
Brazil	CVM	Board of Commissioners	5				
Canada (Provinces e.g. Ontario)	OSC	Commission	9-16 (12)				
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	8	-	●	●	●
Estonia	EFSA	Management Board	3-5 (4)				
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	CBI	Financial Supervision Committee	5-7	●	●	-	-
India	SEBI	The Board	9	●	●	●	-
	MCA	The Minister	-	-	-	-	-
Indonesia	IFSA (OJK)	Board of Commissioners	9	●	●	●	-
Ireland	CBI	Commission	10	●	●	-	-
Israel	ISA	Commissioners	12 (9)	●	●	●	●
Italy	CONSOB	Commission	5	-	-	-	-

Jurisdiction	Key regulators	Governing body/head	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	3	-	-	-	-
Lithuania	LB	Board	5	-	•[1]	-	-
Luxembourg	CSSF	Board and Executive Board	12				
Malaysia	SCM	Board of Commission	6	•			•
Mexico	CNBV	Governing Board	13	•	•	•	-
Netherlands	AFM	Executive Board	3-5 (3)	-	-	-	-
New Zealand	FMA	Board	5-9				
Norway	NFSA	Board	5				
Peru	SMV	Board of Directors[2]	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	10	•	•	•	•
	ACRA	Board	14	•	•	•	•
Slovak Republic	NBS	Board	-	-	-	-	-
Slovenia	ATVP	Director	-	-	-	-	-
South Africa	CIPC	Commissioner	-	•	-	-	-
	FSCA	Commissioner	-	•	-	-	-
Spain	CNMV	Board	8	•	•		
Sweden	FI/SFSA	Board	8	-	-	•	•
Switzerland	SER	Regulatory Board	17	-	-	-	•
Turkey	CMB	Board	7	-	-	-	-
United Kingdom	FCA	Board	10	•	-	-	-
United States	SEC	Commission	5[3]	-	-	-	-

Notes:

[1] In **Lithuania**, the Law on Bank of Lithuania does not provide any specific requirements on composition (having representatives from specific bodies) of the regulators' board. The Chairperson of the Board of the Bank of Lithuania (LB) shall be appointed and dismissed by the Parliament on the recommendation of the President of the Republic. Deputy Chairpersons and Members of the Board of the Bank of Lithuania shall be appointed and dismissed by the President of the Republic on the recommendation of the Chairperson of the Board of the LB.

[2] In **Peru**, the SMV´s Board of Directors is comprised of the Superintendent of Securities Market acting as the Chair, and four directors appointed by the Government through Supreme Decree signed by the Minister of Economy and Finance. One candidate is proposed by the Ministry of Economy and Finance, one by the Central Bank of Peru and one by the Superintendence of Banks, Insurance and Private Pension Fund Management Companies (SBS). In addition, for the remaining seat to be filled by an independent director, the SMV submits a shortlist of candidates to the Ministry of Economy and Finance, which after assessment, sends a proposal to the Presidency of the Republic to appoint for the appointment (Article 2 of Resolución SMV N° 002-2011).

[3] 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 governing body/head 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	Management Committee	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 with Senate's ratification (except for Chair)	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	4	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 independently appoints one or more members, in some cases after consulting with private bodies)	Not required
Germany	BaFin	Executive Board	8	Allowed	Ministry of Finance	
	BfJ				President	
Greece	HCMC	Board of Directors	5	Allowed	Minister of Economy and Finance	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
Hong Kong (China)	SFC SEHK	Board of Directors Board	Fixed Not fixed	Allowed Allowed	Chief Executive of the HKSAR or the Financial Secretary under delegated authority HKEX (as the SEHK's sole member)	Not required Not required
Hungary	CBH	Financial Stability Board			Governor	Not required
Iceland	CBI	Financial Supervisory Committee	5	Allowed	Minister of Economic Affairs (3 members) Central Bank of Iceland (2 members)	Not required
India	SEBI	The Board	3-5	Allowed	Central Government	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	5	Allowed	Chair is nominated by the Government. Other members are appointed by the Chair in cooperation with the Minister of Finance and the Council of the Central Bank.	Required
Lithuania	LB	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	CSSF	Executive Board	5	Allowed	Grand Duke on the basis of a proposal from the Government in Council	
Malaysia	SCM	Board of Commission	2	Allowed	Minister of Finance	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
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 (Chair) 4 (Other members)		King in Council	
					Minister of Finance	
Peru	SMV	Board of Directors	6	Not allowed	Government	Not required
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 the President and appointed by the State Duma of the Federal Assembly of the Russian Federation	Required
					Members of BoD: Nominated by the Chair with the agreement of the 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	
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	NBS	Board				

Jurisdiction	Key regulators	Ruling body in charge of corporate governance	Term of members (in years)	Re-appointment	Nomination or Appointment by:	Approval by Legislature
Slovenia	ATVP	Director	6	Allowed	Government	Required
South Africa	CIPC	Commission	5	Allowed	Minister	Not required
	FSCA	Commissioner	5	Allowed	Minister	Not required
Spain	CNMV	Board	4	Only once	Government	Not required
					Ministry of Economic Affairs and Digital Transformation	
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	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 to staggered terms by the President and ratified by the Senate, holding office for 6 years and replaced in pairs every three years, as applicable.

[2] In **Turkey**, the Capital Markets Law has been amended in 2018 and the provision stipulating the term of office for Board members in article 120 has been abolished. Presidential Decree no. 3, published 10 July 2018 sets the term of office for the chair and members of the Board at 4 years. Members may also be re-elected. In addition, the Law has been revised to move the appointment authority from the Council of Ministers to the 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 surveyed jurisdictions require companies to provide advance notice of general shareholder meetings, with a majority (54%) establishing a minimum notice period of between 15 and 21 days, while another 36% of jurisdictions provide for longer notice periods.

More than two-thirds of surveyed jurisdictions (34) require notices of general shareholder meetings to be sent directly to shareholders, while all but two jurisdictions require multiple methods of notification which in addition to direct notification may also 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. The first EU Shareholders' Rights Directive (Directive 2007/36/EC) requires a period of at least 21 days for general shareholder meetings, unless the company has electronic voting and a shorter notice period was approved at the previous general meeting by two-thirds of the voting shareholders, in which case a company may call a general meeting – other than its annual general meeting – with at least 14 days' notice.

Eighteen of the surveyed jurisdictions have established mandatory notice requirements of greater than 21 days, while only five have notice periods of less than 15 days (**Iceland**, **Japan**, **Korea**, **New Zealand** and **Singapore**) (Table 3.1, Figure 3.1). In addition, some jurisdictions have voluntary code recommendations supporting longer notice periods. For instance, **Colombia**'s code recommends a notice period of 30 days, twice as long as the statutory 15-day notice period, while **Hong Kong (China)** provides in its code for 20 business days (at least four weeks) instead of the statutory three-week minimum. Conversely, in **India**, shareholders may approve a shorter notice period in some cases. Further, in **Italy**, the minimum period in advance may vary in relation to the item on the agenda, whereby 40 days are required in case of board renewal, and 21 days in specific cases such as the reduction of share capital.

Proxy materials are typically 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 of the surveyed 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 (68% as of end 2020, representing a 13% increase since 2016).

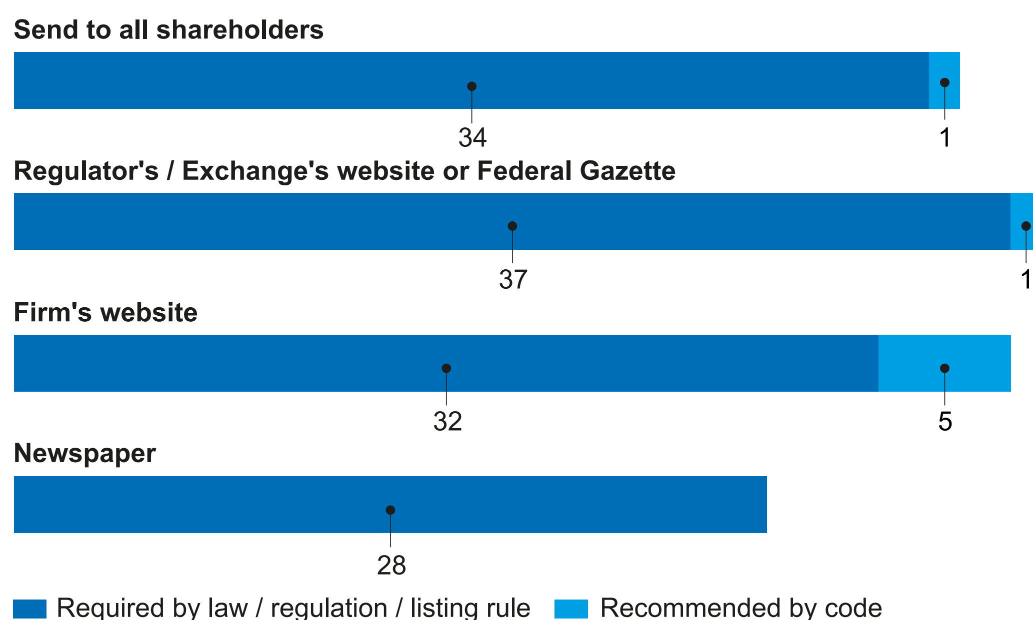
Publishing notifications of general shareholder meetings on a common electronic platform such as the regulator's or stock exchange's website or in the Federal Gazette are also increasingly common, required in 74% of surveyed jurisdictions, accounting for a 28% increase since 2015. In light of the COVID-19 outbreak and related adjustments of corporate governance frameworks to allow virtual general shareholder meetings, the trend toward electronic notifications of meetings is expected to increase even further (Denis and Blume, 2021). Requiring publication on the company's web site is almost as common (64%) as publishing in the Federal Gazette, with another 10% recommended to do so by national corporate governance codes. Publication in newspapers is also required in a slight majority of jurisdictions (56%).

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

	> 28 DAYS	22-28 DAYS	15-21 DAYS		10-14 DAYS
Required to send to all shareholders (34)	Canada*	Australia	Chile	Lithuania	Iceland
	Czech Republic	Indonesia	China	Luxembourg	Japan
	Hungary	Peru	Colombia	Malaysia	Korea
	Italy		Denmark	Norway	New Zealand
	Netherlands		Estonia	Poland	Singapore
	United States*		Finland	Portugal	
			France	Russia	
			India	Saudi Arabia	
			Ireland	South Africa	
			Israel	United Kingdom	
	> 28 DAYS	**22-28 DAYS**	**15-21 DAYS**		
Not required to send to all shareholders (16)	Argentina	Austria	Brazil		
	Belgium	Sweden	Costa Rica		
	Germany		Greece		
	Latvia		Hong Kong (China)		
	Slovak Republic		Mexico		
	Slovenia		Portugal		
	Spain		Turkey		

Note: Based on 50 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 survey results from 50 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

All but eight of the surveyed jurisdictions (84%) have specific deadlines for convening special meetings at the request of shareholders, subject to specific ownership thresholds. Compared to the threshold for requesting a shareholder meeting, many jurisdictions set lower thresholds for placing items on the agenda of the general meeting.

As part of their fundamental rights, shareholders are able to request that a meeting be convened and to place items on the agenda of the general meeting. Regarding the shareholder's right to request a shareholder meeting, 84% of jurisdictions have set forth a requirement that the meeting take place within a specific time period after the shareholder's request (Table 3.2, Figure 3.3), an increase from 73% in 2015. The most common minimum time period specified before the meeting must be held is between 31 and 60 days, established in 20 jurisdictions. Three jurisdictions allow for longer periods (40 to 75 days in **Russia**, 21 days to three months in **Finland** and three months in **Latvia**), while on the other end of the spectrum, six jurisdictions have established strict time limits of 15 days or less. Eight of the surveyed jurisdictions do not have specific deadlines for requesting a shareholders meeting (although in **Korea,** a non-specific requirement for "prompt" notification is established). While **Switzerland** also has not established a specific deadline, 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 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

MINIMUM PERIOD OF TIME BEFORE THE SPECIAL SHAREHOLDER MEETING

	31-90 DAYS		16-30 DAYS		15 DAYS OR LESS
Deadline	Argentina	Portugal	Belgium	Hungary	Austria
	Australia	Russia	Brazil	India	China
	Czech Republic	Saudi Arabia	Chile	Italy	Ireland
	France	Singapore	Costa Rica	Lithuania	Peru
	Greece	Slovak Republic	Denmark	Luxembourg	Poland
	Hong Kong (China)	Slovenia	Estonia	Malaysia	
	Indonesia	Spain	Finland	Mexico	
	Israel	Sweden	Germany	Norway	
	Japan	Turkey			
	Latvia	United Kingdom			
	Netherlands				

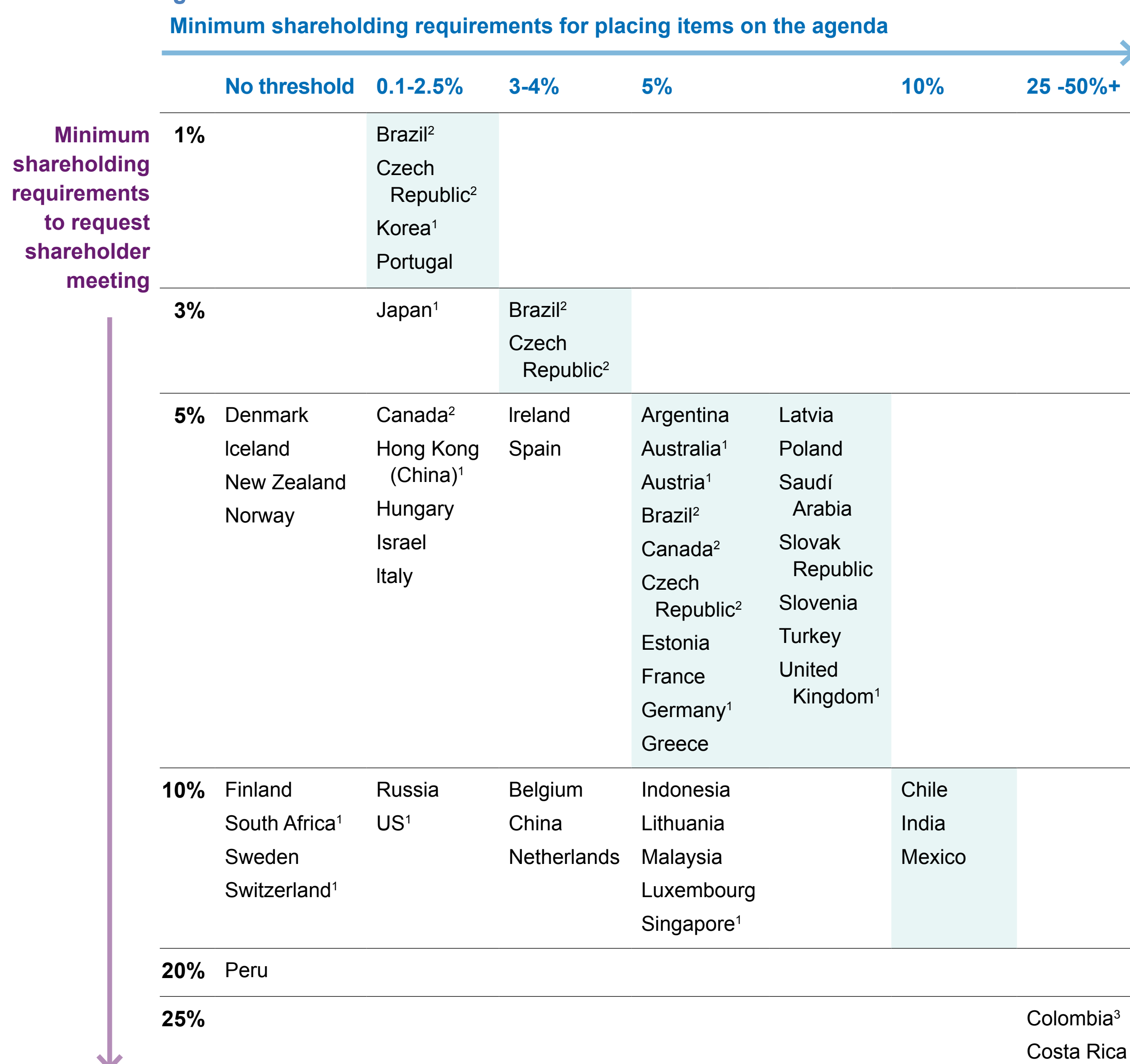
No specific deadline (or n.a.)
Canada, Colombia, Iceland, Korea, New Zealand, South Africa, Switzerland, United States

Note: Based on 50 jurisdictions. When jurisdictions have specified a range of minimum and maximum times, they have been categorized based on the minimum time stipulated to hold the meeting. Italy's requirement that the meeting to be called "without delay" has been interpreted by courts as within 30 days. See Table 3.2 for data.

All of the surveyed 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 54% of surveyed jurisdictions, while another 34% of jurisdictions set the threshold at 10%. A handful of jurisdictions (**Brazil** and **Czech Republic** under certain conditions, as well as **Japan, Korea** and **Portugal**) set lower thresholds to make it easier for shareholders to call shareholder meetings. A few jurisdictions (**Colombia**, **Costa Rica** and **Peru**) have set much higher thresholds of 20 to 25% (Figure 3.4).

Thresholds enabling shareholders to place items on the agenda in many cases are lower than for requesting a meeting (Figure 3.4). Nearly half of all surveyed 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 with at least 1% of shares or those holding shares with market value of at least USD 2 000 for at least one year to propose an item for inclusion on the agenda. **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 22 jurisdictions. Only a few jurisdictions set minimum thresholds above 5%, with **Colombia** setting 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. For instance, in **Canada**, shareholders are not permitted to make a proposal if it is regarded as a personal claim for the purpose of self-advertisement.

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



Minimum shareholding requirements for placing items on the agenda (columns) / Minimum shareholding requirements to request shareholder meeting (rows)

	No threshold	0.1-2.5%	3-4%	5%	10%	25 -50%+
1%		Brazil[2] Czech Republic[2] Korea[1] Portugal				
3%		Japan[1]	Brazil[2] Czech Republic[2]			
5%	Denmark Iceland New Zealand Norway	Canada[2] Hong Kong (China)[1] Hungary Israel Italy	Ireland Spain	Argentina Australia[1] Austria[1] Brazil[2] Canada[2] Czech Republic[2] Estonia France Germany[1] Greece Latvia Poland Saudí Arabia Slovak Republic Slovenia Turkey United Kingdom[1]		
10%	Finland South Africa[1] Sweden Switzerland[1]	Russia US[1]	Belgium China Netherlands	Indonesia Lithuania Malaysia Luxembourg Singapore[1]	Chile India Mexico	
20%	Peru					
25%						Colombia[3] Costa Rica

Shaded: Same thresholds for placing items on the agenda and requesting special meetings

Note: "1" denotes a jurisdiction with additional requirement other than percentage of shareholdings (e.g. minimum holding period, minimum number of shareholders, minimum value).

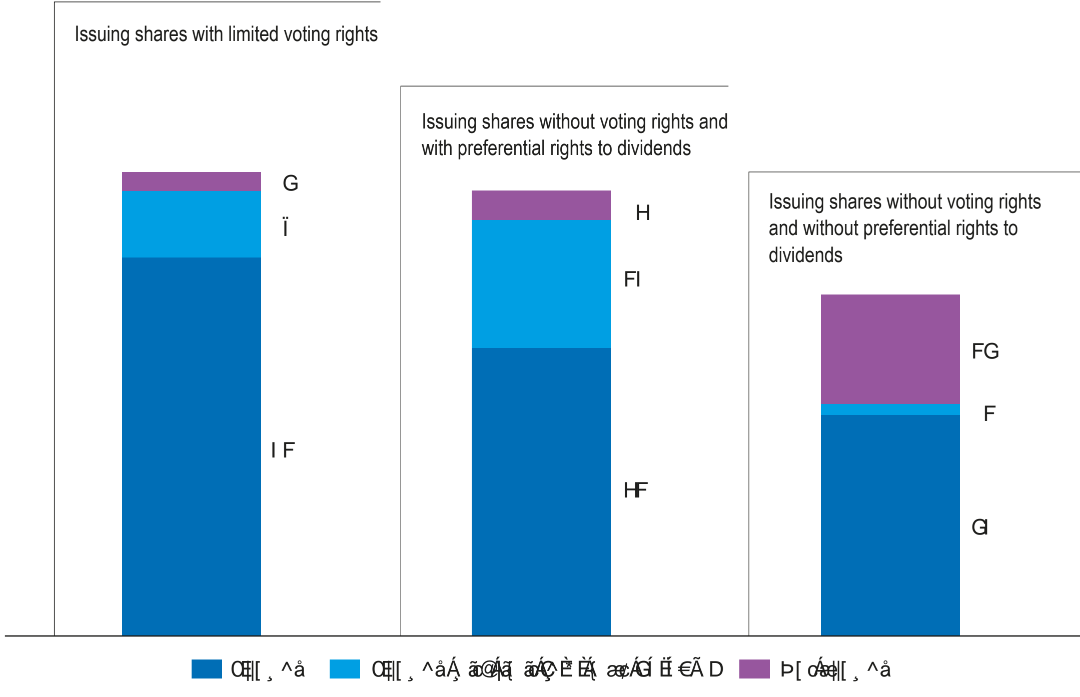
"2" denotes a jurisdiction with more than one requirement.

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

3.3. Shareholder voting

Almost all jurisdictions allow companies to issue shares with limited voting rights, with a growing number of jurisdictions allowing such shares to give preference with respect to the receipt of the firm's profits.

Figure 3.5 Issuance of shares with limited or no voting rights



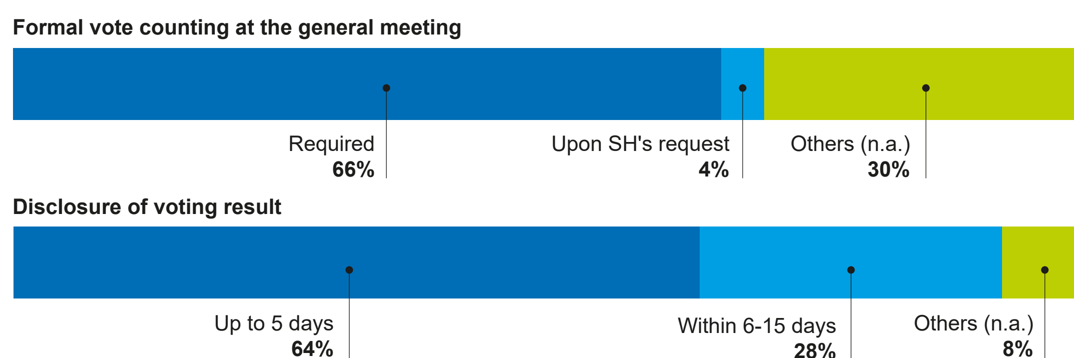
Note: Based on 50 jurisdictions. See Table 3.3 for data.

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. Overall, requirements related to voting in shareholder meetings evolved significantly during 2020 to facilitate remote shareholder participation and voting as part of the response to the COVID-19 pandemic.

All but four jurisdictions require the disclosure of voting decisions on each agenda item, including 64% that require such disclosure immediately or within 5 days. 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 (66%) also prescribe a formal procedure of vote counting (up from 49% in 2015). 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. The **EU's** Shareholder Rights Directive II (SRD II) also imposes new requirements on companies in EU Member States to guarantee that shareholders or their nominated third parties be able to obtain confirmation that their votes have been validly recorded and counted by the company. SRD II also requires that when votes are cast electronically, an electronic confirmation of receipt of the votes must be sent to the persons that casts them.

Requirements related to voting in shareholder meetings also evolved significantly to facilitate remote shareholder participation and voting during 2020 as part of the response to the COVID-19 pandemic. As many jurisdictions issued stay-at-home orders during 2020 general shareholder meeting season, in turn forcing companies to issue corporate travel restrictions, companies turned to virtual channels for hosting their general shareholder meetings. As such, the outbreak of the COVID-19 pandemic provided authorities with an opportunity to clarify or advance their regulatory frameworks with regards to allowing virtual meetings. Based on an analysis of measures adopted in 37 jurisdictions, a gradation of adjustments of corporate governance frameworks with respect to allowing the execution of virtual general shareholder meetings was observed during 2020 – ranging from "permitted only if unavoidable", to "permitted under certain conditions", to "encouraged", to "mandatory". In some cases however, uncertainty remains as to whether regulatory changes enacted during 2020 will become permanent (Denis and Blume, 2021).

Figure 3.6 Formal vote counting and disclosure of the voting results



Note: Based on 50 jurisdictions. Jurisdictions with requirements for "prompt" or "immediate" disclosure are included within the category of up to 5 days. See Table 3.4 for data.

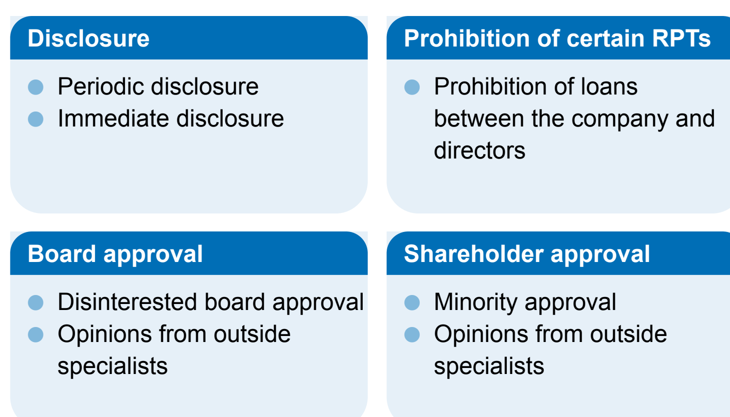
3.4. Related party transactions

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 uncommon and its coverage is typically limited (Figure 3.7). A minority of jurisdictions prohibit certain related party transactions, focusing mainly on loans between a company and its directors (e.g. **Brazil, Estonia, France, Hungary, India, Korea, Portugal, Turkey** and the **United States**). Some jurisdictions have prohibited a wide range of material related party transactions, but this prohibition can be waived by the approval of minority shareholders or regulators (e.g. **New Zealand**).

Almost all jurisdictions locate their reference definition of related parties in company law, securities law or securities regulation, while a few jurisdictions also reference their accounting laws or standards as relevant (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 4.5 Board and key executive remuneration).

Figure 3.7 Regulatory frameworks for related party transactions



Regarding the disclosure of related party transactions, a substantial and growing majority of jurisdictions now require immediate disclosure of material related party transactions in addition to their inclusion in annual financial statements, spurred in part by new requirements for European countries set out in the EU's Shareholder Rights Directive II (SRD II).

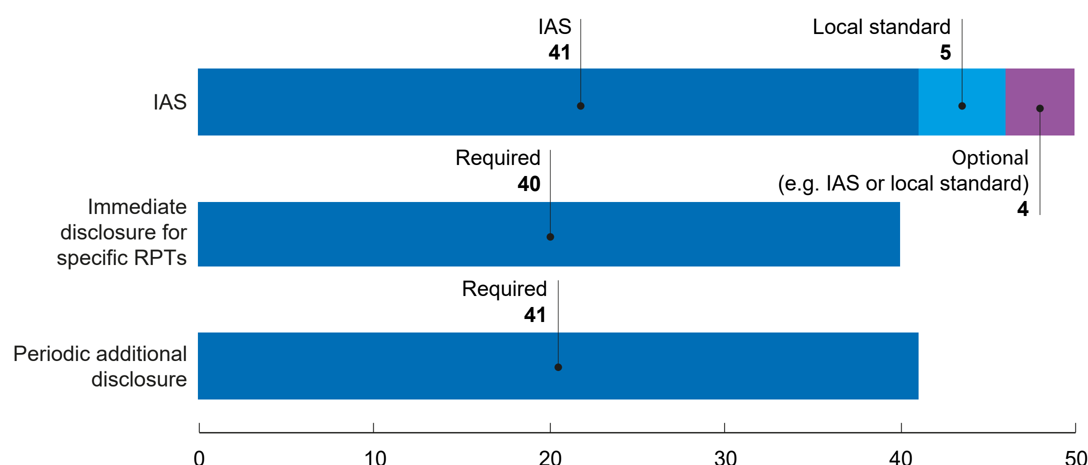
In addition to requirements to report related party transactions in annual financial statements, a growing and substantial majority of jurisdictions (80%) require immediate disclosure for specific related party transactions soon after their terms and conditions have been settled (Table 3.6). This is a significant increase from the 53% of jurisdictions that indicated they require such immediate disclosure in 2018. A driving force for this increase has been the implementation of the **EU's Shareholder Rights Directive II** in national regulations during 2019 and 2020. SRD II mandates that EU Member States implement requirements for companies to disclose material RPTs and certain information related to them when the

transaction is concluded. The Directive provides some flexibility for companies to set criteria for the materiality of such transactions, while requiring that these criteria include one or more quantitative ratios based on the impact of the transaction on the financial position, revenues, assets, capitalisation or turnover of the company, or that it takes into account the nature of the transaction and the position of the related party.

Globally, most jurisdictions outside of the EU also require such disclosure for material transactions, including in some cases setting specific percentage thresholds above which such transactions must be disclosed. Such disclosure usually contains the information necessary for shareholders to decide whether to approve the transaction at a general meeting. For example, in **Brazil**, companies must report material related party transactions within seven business days. Material RPTs are defined as those exceeding (i) BRL 50 million or (ii) 1% of the issuer's total assets. CVM regulation also establishes specific disclosure requirements regarding loans granted by the issuer to a related party. In certain cases, for example for **Canada, India** and **Israel,** the requirements for the immediate disclosure of a material RPT are explicitly related to the submission of such transactions for the approval of shareholders.

All jurisdictions require reporting of related party transactions involving directors, senior executives, controlling shareholders or other large shareholders in annual financial statements, with all jurisdictions following either International Accounting Standards (IAS24) or a local standard similar to IAS24 (Figure 3.8). The percentage of jurisdictions adopting IAS24 increased from 71% in 2015 to 82% as of the end of 2018, and has remained at that level since then.

Figure 3.8 Disclosure of related party transactions in financial statements



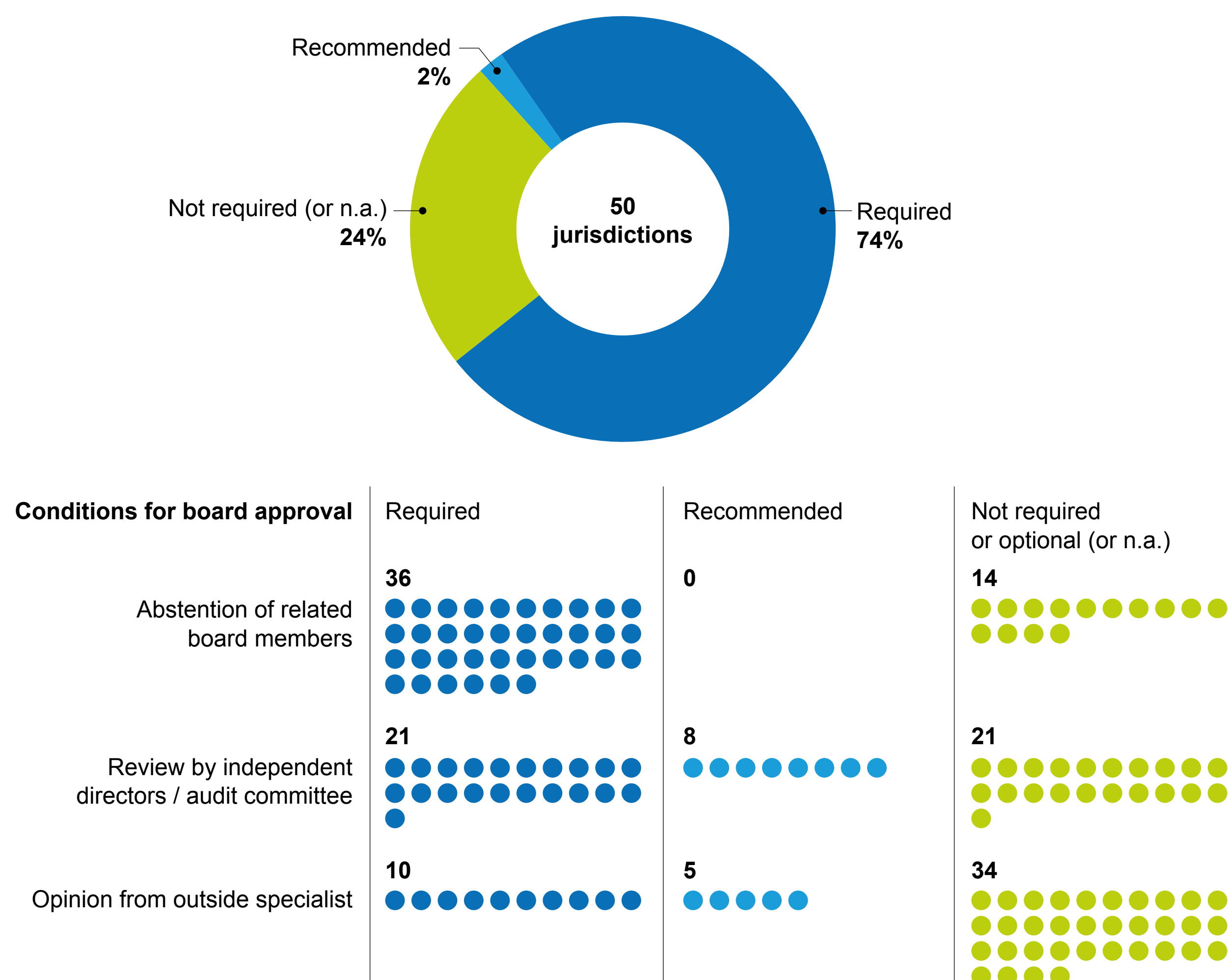
Note: Based on reporting across 50 jurisdictions. See Table 3.6 for data.

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

In a large majority of 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 (37) require explicit board approval of certain types of related party transactions, while it is recommended in one additional jurisdiction (Figure 3.9). 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 36 jurisdictions (72%), a substantial increase since 2018 when just 28 jurisdictions indicated such a requirement. Again, these substantial increases can be traced to new SRD II requirements for EU Member States that either the board or shareholders approve all material related party transactions without the participation of related parties in such votes. Overall, independent board members play a key role in RPT approvals in 29 jurisdictions, where they are required or recommended to review the terms and conditions of related party transactions, often as a member of the audit committee. An independent external opinion or valuation is required or recommended in 15 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.

Although less commonly required than board approval, three-fifths of jurisdictions require shareholder approval under certain conditions. Such requirements often apply only to large transactions (for example, for transactions involving at least 10% of total assets), while in some jurisdictions, the threshold is much

lower (for example, 1% of a company's market capitalisation in **Sweden**) (Figure 3.10). In some jurisdictions (e.g. **Argentina, Chile** and **Italy**), shareholder approval is required based on an opinion of the audit committee. In the case of **Turkey**, shareholder approval is required if the RPT is not approved by a majority of independent directors, while in the case of **Colombia, Greece, Latvia, Peru,** the **Netherlands** and **Saudi Arabia**, shareholder approval is required for cases involving board member conflicts of interest. In the **United Kingdom**, *ex ante* shareholder approval is mandated for non-routine related party transactions of premium listed companies. Most of the 30 jurisdictions that require shareholder approval require some form of approval by non-interested shareholders, including 17 that require minority approval at least in certain cases, an additional jurisdiction (**Chile**) that requires two-thirds majority approval, and three (**Australia, Latvia** and the **Slovak Republic)** that, while requiring a simple majority, preclude shareholders that are related parties from participating in the vote. Obtaining an opinion or evaluation from external auditors is imposed as a precondition for shareholder approval in seven jurisdictions, while 16 jurisdictions require an opinion of an outside specialist (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 allow for some flexibility. For example **Switzerland's** law calls for a mandatory take-over bid to be triggered above a 33 and 1/3% threshold of voting rights, but also allows individual companies to repeal the requirement or increase the threshold up to 49%. The **United States** is 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 49 jurisdictions that have introduced a mandatory takeover provision, 40 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). The remaining 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 have not shifted substantially since 2015.

Figure 3.11 Takeover bid rules

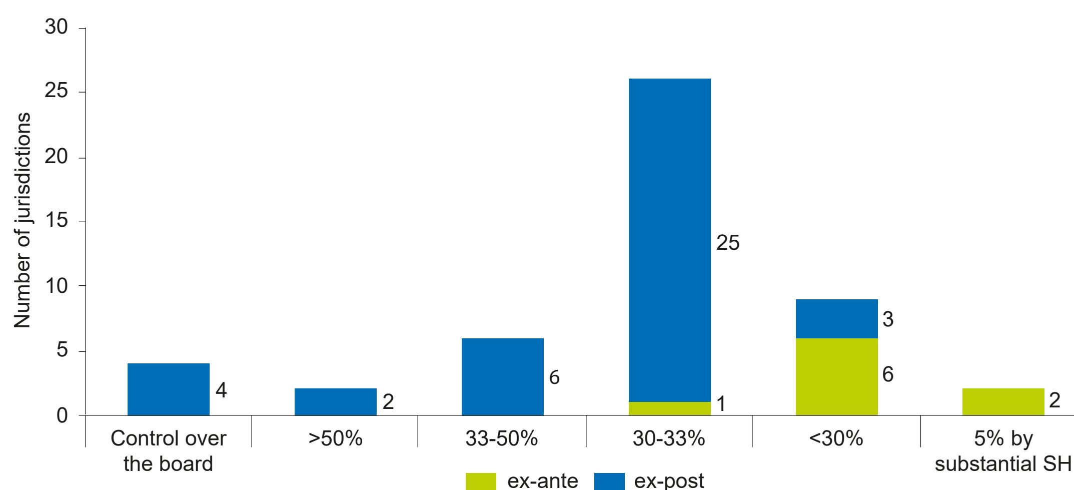
Note: See Table 3.9 for data.

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, which indicates that a majority of jurisdictions (26) have established minimum thresholds of between 30-33%, where the calculation regularly includes all affiliated parties in the sum. Many of these jurisdictions have strict additional triggers for small increments above the minimum threshold. The smallest such increments range from 0.05% in **Ireland** to slightly larger increments in **Singapore** (1%), **Hong Kong (China)** (2%), and **Greece** (3%), while **Colombia** and **India** impose such triggers for every 5% increase above the minimum.

Among the least restrictive triggers are a two-thirds threshold in the case of **Chile;** and **New Zealand**, which only imposes a trigger for a mandatory bid at 90%. Several jurisdictions have established triggers at 50% or higher, but in several cases (**Argentina, Estonia** and **Indonesia)**, these jurisdictions also impose a trigger if the shareholder or associated shareholders are able to control the appointment of a majority of the board, which typically can be achieved at a percentage below 50%. At the other extreme, 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 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 of 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 50 jurisdictions. Jurisdictions with several thresholds are counted at their lowest threshold level. Jurisdictions with dual criteria of control of the board and thresholds of 50% or higher are counted control of the board as the stricter criterion. 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 offeror (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, book value 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 figures show the number of jurisdictions in each category. Jurisdictions with several criteria are counted more than once . See Table 3.9 for data.

3.6. The roles and responsibilities of institutional investors and related intermediaries

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.

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 over the last decade. According to OECD research covering 25 000 listed companies across 92 jurisdictions worldwide, institutional investors held 43% of global market capitalisation at the end of 2020 (OECD, 2021). 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 G20/OECD 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. 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 *G20/OECD 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. 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. For example, the **United Kingdom** issued a new version of its stewardship code in 2020, which requires asset managers and service providers who are signatories to report annually on their practices to the Financial Reporting Council. 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 issued, for example, in **Ireland** 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 and investment 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).

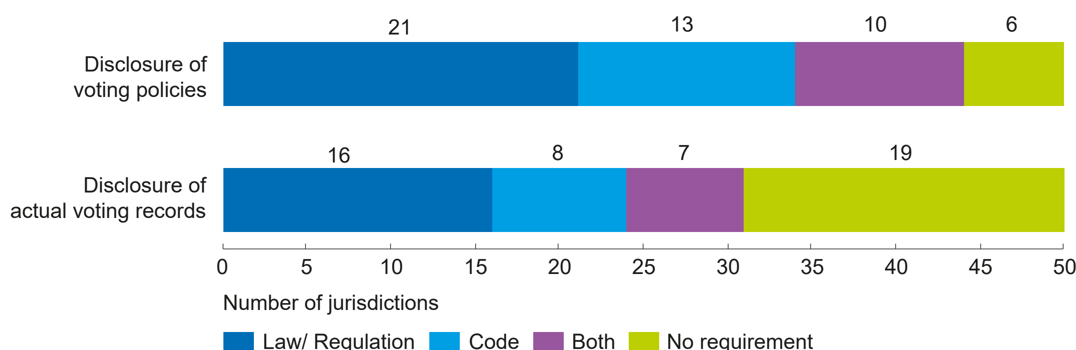
There has been a major increase in the number of jurisdictions requiring or recommending that institutional investors disclose voting policies and voting records, following the implementation of the EU's Shareholder Rights Directive II.

All but six out of 50 surveyed jurisdictions require or recommend that certain institutional investors disclose their voting policies – a major increase from the 49% of jurisdictions that reported such requirements or recommendations in the 2015 Factbook. Figure 3.14 shows that 31 jurisdictions either have a legal requirement or a combination of legal requirements and code recommendations related to disclosure of voting policy, while an additional 13 jurisdictions rely solely upon code recommendations.

Although requirements or recommendations to disclose actual voting records have also been increasing from 34% in the 2015 edition of the Factbook to 62% in this edition, they remain less common than voting policy disclosure. Legal requirements for such disclosure are in place in 23 jurisdictions including seven that have both legal requirements and relevant code recommendations. While an additional eight jurisdictions recommend such disclosure in voluntary codes, 38% of jurisdictions reported neither code recommendations nor legal requirements to disclose their votes.

The EU's SRD II requires institutional investors and asset managers to develop a policy on shareholder engagement, make the policy available on their web site, and to disclose how they have implemented the policy and to report annually on how they have voted at general meetings.

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

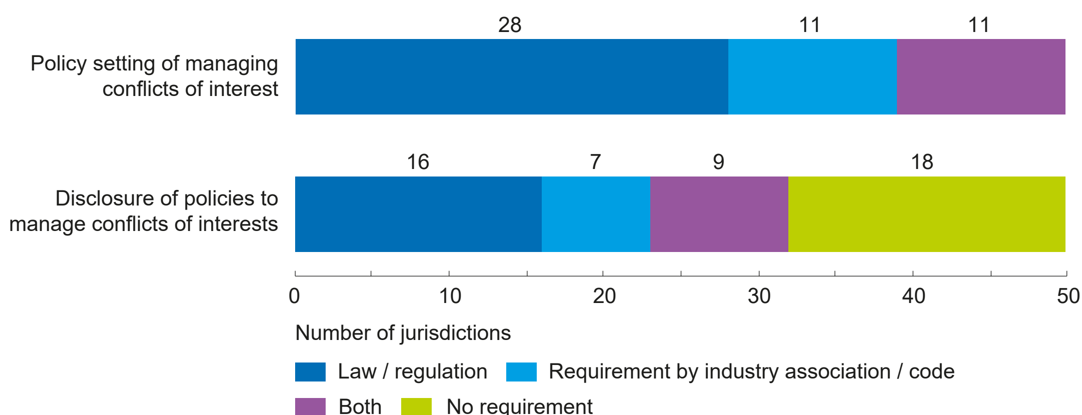


Note: Based on 50 jurisdictions. See Table 3.10 for data.

All 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 64% of jurisdictions. Nonetheless, this is double the level reported in the 2015 Factbook, 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. All surveyed jurisdictions now require or recommend at least one sector of institutional investors to have policies to manage conflicts of interest or prohibit specific acts. Half of all surveyed jurisdictions now have legal requirements for disclosure, (including nine with both legal requirements and code recommendations), while seven additional jurisdictions rely upon code recommendations alone (Figure 3.15).

Figure 3.15 Existence and disclosure of conflicts of interest policies by institutional investors

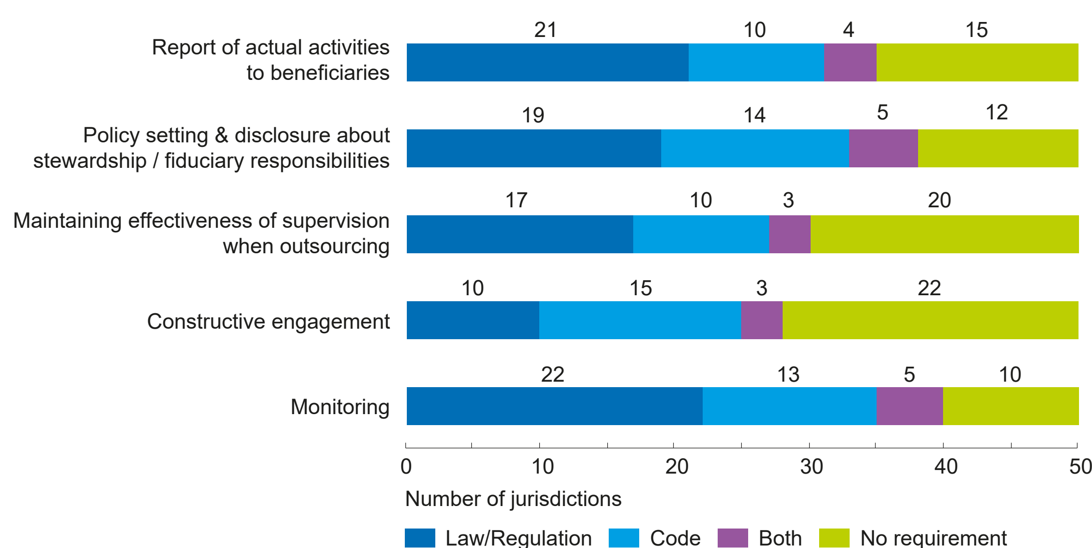


Note: Based on 50 jurisdictions. See Table 3.10 for data.

A growing number of 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. This tendency has been bolstered by the new requirements set out in the EU's SRD II mentioned above. Requirements or recommendations that institutional investors monitor investee companies are most common (40 jurisdictions). Constructive engagement, generally involving direct dialogue with the board or management, is now required in 13 jurisdictions (sharply up from only 4 reported in the 2019 edition of the Factbook), while another 15 jurisdictions rely upon code recommendations. In 30 jurisdictions, it is required or recommended that institutional investors maintain the effectiveness of monitoring when outsourcing the exercise of voting rights to proxy advisors or other service providers (Figure 3.16). While such requirements or recommendations applying directly to institutional investors do not appear to have changed significantly since 2019, many jurisdictions have reported specific requirements with respect to the proxy advisors themselves which are discussed further below.

Figure 3.16 Stewardship and fiduciary responsibilities of institutional investors



Note: Based on 50 jurisdictions. This figure shows the number of jurisdictions in each category. See Table 3.11 for data.

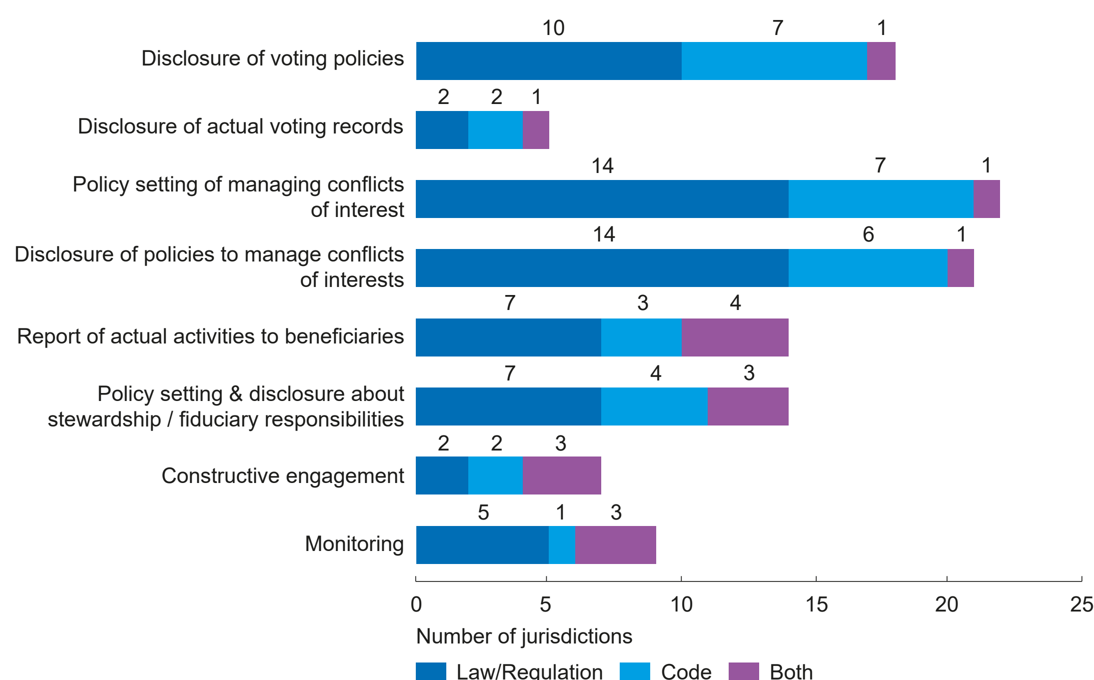
In preparing the 2021 edition of the Factbook, the 50 participating jurisdictions were asked for the first time to explicitly indicate whether their jurisdictions had established requirements or recommendations for proxy advisors to disclose policies related to voting, management of conflicts of interest and disclosure thereof, and various measures related to investor engagement. Regulatory requirements related to proxy advisors have become increasingly common in recent years. The relevance of such requirements was underlined in the *G20/OECD Principles of Corporate Governance* when last revised in 2015. The Principles added a new recommendation relevant to the role of proxy advisors (Principle III.D), recommending that they (and other service providers that provide analysis and advice relevant to investor decisions) "disclose and minimise conflicts of interest that might compromise

the integrity of their analysis or advice." In line with the G20/OECD recommendation, SRD II required EU Member States to require proxy advisors to disclose any code of conduct they comply with, to explain any derogations from that code, or explain why they do not comply with a code. They also must publish annually on their website information related to the preparation of their research, advice and voting recommendations, and must identify and disclose to their clients any actual or potential conflicts of interest that may influence the preparation of those recommendations, along with the actions taken to eliminate, mitigate or manage those conflicts.

While jurisdictions were asked to report on requirements and recommendations for proxy advisors or other service providers across the same subject headings as those applied to institutional investors to allow for some comparability across the two categories, it must be noted that the nature of such requirements may differ significantly. For example, institutional investors have a different type of fiduciary duty to the beneficiaries of their funds in comparison to proxy advisors, who serve in a capacity as advisors to institutional investors rather than to the beneficiaries of such funds. Nevertheless, there are also relevant similarities in terms of the types of recommendations that apply to each group, for example, with respect to policies dealing with conflicts of interest, disclosure of such policies, as well as activities related to investor engagement that proxy advisors may engage in on behalf of their institutional investor clients.

The results of this first OECD survey of regulatory frameworks for proxy or other advisory services shows that while such regulations are increasing, they remain far less common than for institutional investors (Figure 3.17**). The most common reported requirements involve policy-setting and disclosure related to conflicts of interest**, required in 15 jurisdictions (30%). Eight jurisdictions have codes recommending that proxy advisors set conflicts of interest policies (including one with both a legal requirement and a code recommendation), while seven maintain code recommendations for disclosure (again with one involving both types of provisions). A third common provision for proxy advisors (required or recommended in 18 jurisdictions) is to disclose their policies related to voting. Requirements or recommendations for proxy advisors to undertake constructive engagement or monitoring of companies are rare, and typically would be undertaken on behalf of the institutional investors that they are representing.

Figure 3.17 Requirements and recommendations for proxy advisors



Note: Based on information reported from 50 jurisdictions. This figure shows the number of jurisdictions in each category. See Table 3.11 for data.

Jurisdictions have taken varying approaches to regulation of proxy advisors, with just 48% overall reporting national requirements or recommendations applying to proxy advisors on the above-mentioned topics. A number of jurisdictions have established stand-alone laws or regulations specifically applicable to proxy advisors, in some cases supplemented by additional guidance. For example, the **United States**' Investment Advisers Act of 1940 and regulation on Proxy Voting by Investment Advisors is supplemented by SEC guidance regarding the proxy voting responsibilities of investment advisers exercising proxy voting authority with respect to client securities, including examples to help investment advisers' compliance with their obligations in connection with proxy voting. On the other hand, **India** notes that its proxy advisors generally do not vote on behalf of their clients, but are nevertheless required to formulate and disclose their voting recommendation policies to their clients. Some European jurisdictions such as **Finland** reported that while they have not enacted specific national implementing regulations with respect to SRD II proxy advisor provisions, they nevertheless consider such requirements to establish policies with respect to conflicts of interest to apply in their jurisdiction. Other jurisdictions have taken a soft law approach that provides an indication that regulation in this area is still in a period of transition (e.g., both **Austria** and **Germany** reported that a code of conduct will be developed by the proxy advisors themselves to guide their behaviour).

Some jurisdictions have established more integrated frameworks involving both institutional investors and their service providers including proxy advisors in the same regulation or code. For example, the **Malaysian** Code for Institutional Investors recommends that institutional investors encourage their service providers (which include proxy advisors) to apply the principles of the Code where relevant and to conduct their investment activities in line with the institutional investors' own approach to stewardship. Accordingly, service providers are also encouraged to be signatories of the Code. **Japan** takes a similar approach, recommending in its stewardship code that service providers "contribute to the institutional investors' effective execution of stewardship activities."

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	L
Brazil	15 days	-	L	L	L
Canada	21-60 days	L			L
Chile	20 days[1]	L	L	-	-
China	20 days	L	L	-	L
Colombia	15 days (30 days)	L/C	L	C	L
Costa Rica[2]	15 days	-	L	-	L
Czech Republic	30 days	L	-	L	-
Denmark	3 weeks	-	-	L/R	-
Estonia	3 weeks	L	L	L	R
Finland	3 weeks	L	-	L	L
France	15 days	L	L	-	L
Germany	30 days		L	L	L
Greece	20 days	-	-	L	L
Hong Kong (China)[3]	21 days (20 business days)	-	-	L,R	L,R
Hungary	30 days	L	-	L	R
Iceland	14 days	L	-	L	R
India[4]	21 days	L	L	L	L
Indonesia	22 days	L	L	L	L
Ireland	21 days	L	L	L	-
Israel	21 days	L	L	L	L
Italy[5]	30 days	L	L	L	-
Japan	2 weeks	L		C	C
Korea	2 weeks	L	L	C	L
Latvia	30 days	-[6]	-	L	L
Lithuania	21 days	L	L	L	L
Luxembourg	16 days	L	L		L
Malaysia	21 days	L ; R	R	R	R

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
Mexico[7]	15 days	-	-	-	L[5]
Netherlands	42 days	L	-	L	-
New Zealand	10 working days	L	-	-	-
Norway	21 days	L		R	
Peru	25 days[8]	L	L	C	L,R
Poland	21 days	L	-	L	-
Portugal	21 days	-	-	L	L
Russia	21 days (minimum period of 30 days) 30 and 50 days for special resolutions.	L[9]	L	L	-
Saudi Arabia	21 days	L	L	L	L
Singapore	14 days (21 days for special resolutions)	L, R	-	-	R
Slovak Republic	30 days	L	L	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[10]	-	-	L
Turkey	21 days	-	-	L	L[11]
United Kingdom	21 days	L		L	
United States	10-60 days[12]	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 **Chile**, the 20-day notice period shown in the table reflects the situation as of the end of 2020. However, the minimum notification period in advance for notifying shareholders of any kind of meeting – including the annual general meeting – was recently amended by Law N°21.314 published on 13 April 2021, reducing the minimum period for the first notification to shareholders to 10 days.

[2] 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.

[3] 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.

[4] In **India**, shareholders may approve a shorter notice in some cases, as per the Companies Act, 2013.

[5] 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).

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

[7] 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.

[8] In **Peru**, for publicly held listed corporations, the minimum period in advance is 25 days (according to Article 25 of General Corporation Law), while for corporations (Sociedad Anónima) the minimum period in advance is 10 days (according to Article 258 of the General Corporation Law).

[9] 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.

[10] 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.

[11] 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.

[12] 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 the 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	10%	3 weeks	3%	22 days	15 days
Brazil	1% / 2% / 3% / 4% / 5% depending on share capital	23 days	1% / 2% / 3% / 4% / 5% depending on share capital	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	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	50 days	1% / 3% / 5% depending on share capital	17 days	12 days
Denmark	5%	Minimum 3 weeks and maximum 7 weeks	-	6 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%	45 days	5%	15 days	13 days for listed companies
Hong Kong (China)[3]	5%	49 days	2.5% or 50 SHs	6 weeks	Promptly

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 the meeting/ [ ]:after notice)*	*Accept and publish the request (before meeting)*
Hungary	Í Ã Á	H€Áåæ^• Á	FÃ Á	Ì Áåæ^• Á	Ú¦[{]d^Í
Iceland	Í Ã Á	ÆÆ	ÆÆ	ÁF€Áåæ^• Á	HÁåæ^• Á
India	F€Ã ÁÇ-Á]æãåÁ] Á •@æ^Á&æ]ãæ†Á &[¦¦^•][}åã *Á[Á ç[cã *Á[¸^¦DÁ	GFÁåæ^• Á	F€Ã ÁÇ-Á]æãåÁ] Á@æ^Á &æ]ãæ†Á&[¦¦^•][}åã *Á[Á ç[cã *Á[¸^¦DÁ	GFËÍ Áåæ^•	GFÁåæ^• Á¦[{ Á c@ Áåæ^Á[-Á ¦^&^ã cÁ[-Á ¦^˘ ^• cÁ}Á
Indonesia	F€Ã Á	Í FÁåæ^• Á	Í Ã Á	Gì Áåæ^• Á	GFÁåæ^• Á
Ireland	Í Ã Á	FI Á[¦ÁGFÁåæ^• Á	HÃ Á	I GÁåæ^• Á	GFÁåæ^• Á
Israel	Í Ã Á	Í Î Áåæ^• Á	FÃ Á	ŽGì Á[¦ÁHGÁåæ^• áÁ	GFÁ[¦ÁGì Áåæ^• Á
Italy	Í Ã Á	Y ãc@˘ cÁå^|æ Í	GËÃ Á	ŽF€Áåæ^• áÁ	FÍ Áåæ^• Á
Japan	HÃ Á¸ãc@Á[¸ }^¦•@ Á @|åã *•Á	Ì Á¸^^\• Á	FÃ Á[¦ÁH€€Áç[cã *Áã @•Á¸ãc@Á ÎÁ[}^¦•@ Á@|åã *•Á	Ì Á¸^^\• Á	ÆÆ
Korea	FËÃ Á¸ãc@Á[¸ }^¦•@ Á @|åã *•Á	Ú¦[{]d^Á	€ËÃ Á¸ãc@Á[¸ }^¦•@ Á @|åã *•Î	Î Á¸^^\• Á	ÆÆ
Latvia	Í Ã Á	HÁ[}c@Á	Í Ã Á	ŽÏ Áåæ^• áÁ	FI Áåæ^• Á
Lithuania	F€Ã Á	H€Áåæ^• Á	Í Ã Á	FI Áåæ^• Á	F€Áåæ^• Á
Luxembourg	F€Ã Á	FÁ[}c@Á	Í Ã Á	GGÁåæ^• Á	ÆÆ
Malaysia	F€Ã Á	GFÁåæ^• Á	GËÃ ÁÁ Ç[¦Á€€Á@æ^@|å^¦•DÁ	Gì Áåæ^• Á	
Mexico	F€Ã Á	H€Áåæ^• Á	F€Ã Á	ÆÆ	FÍ Áåæ^• Á
Netherlands	F€Ã Á	Î Á¸^^\• Á	HÃ Á	Î €Áåæ^• Á	I GÁåæ^• Á
New Zealand	Í Ã Á	ÆÆ	ŒÁ^æ•cÁFÁ@æ^Á	G€Á	FÍ Á
Norway	Í Ã Á	FÁ[}c@Á	ÆÆ	ï ÆÁGFÁåæ^•Ï	ÁGFÁåæ^• Á
Peru	ŽG€Ã áÁ	ŽFÍ Áåæ^• áÁ	ËÌ	ÆÆ	ÆÆ
Poland	Í Ã Á	GÁ¸^^\• Á	Í Ã Á	GÁ¸^^\• Á	HÁ¸^^\• Á
Portugal	GÃ Á	Î €Áåæ^• Á	GÃ Á	ŽÏ Áåæ^• áÁ	Í Áåæ^• ÁåÁˆ Á |^œ^¦LÁF€Áåæ^• Á àˆ Á˘ à|ã&æã }Á
Russia	F€Ã Á [-Á ç[cã *Á •@æ^• Á	I €ËÍ Áåæ^•	GÃ Á[-Áç[cã *Á@æ^• Á	H€ËÍ Áåæ^•	Í Áåæ^• Áæe^¦Á ¦^˘ ^•cÙ
Saudi Arabia	Í Ã Á	HÎ Áåæ^• ÁÇFÍ Á[¦Á ã çãææã }ÆÁ GFÁ[¦ÁÁ@|åã *ÁæÁ { ^^cã *DF€	Í Ã Á	Ë	ÆÆ

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 the meeting/ [ ]:after notice)*	*Accept and publish the request (before meeting)*
Singapore	10%	As soon as practicable, and no later than 2 months	5% (or 100 members with average paid-up capital of SGD 500)	6 weeks	14 days
Slovak Republic	5%	40 days	5%	20 days	10 days
Slovenia	5%	2 months	5%	[7 days]	14 days
South Africa	10%	-	Any 2 SHs	-	-
Spain	5%	2 months	3%	5 days	15 days
Sweden	10%	About 2 months	-	7 weeks	Required
Switzerland	10%	-[11]	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 USD 2 000 market value held for at least one year (revised for annual meetings to be held on or after 1 January 2022[12])	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 it gives notice of the meeting, or as soon as reasonably practicable after. 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 **Hungary**, the invitation for the general meeting shall be published on the company's website at least 30 days prior to the first day of the general meeting (Civil Code Art. 3:272 Para (1)). If shareholders holding jointly at least 1% of the votes propose certain additions to or draft resolutions regarding certain items on or to be put on the agenda, the item proposed shall be deemed to have been put on the agenda if the proposal is communicated to the board of directors within eight days from the date of the publication of the notice convening the general meeting. The board of directors shall, after receiving the proposal, publish a notice on the supplemented agenda or the draft resolutions presented by the shareholders. (Civil Code Art. 3:259 Para (2)). Public companies limited by shares shall publish on their website, at least 21 days before the general meeting the proposals submitted to the items on the agenda (Civil Code Art. 3:272 Para (3) Point b).

[5] 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.

[6] In **Korea**, more than six months shareholding is required for a shareholder of listed companies to qualify. The 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.

[7] 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.

[8] In **Peru,** according to Principle 11 "Proposals for agenda items" of the Corporate Governance Code, companies should include mechanisms in their General Shareholders' Meeting Rule that allow shareholders to exercise the right to formulate proposals for agenda items to be discussed at the General Shareholders' Meeting. The procedures for accepting or denying such proposals should be established and delimited in the General Shareholders' Meeting Rule. The proposals made by the shareholders must be clear and precise so that they can be evaluated. In the event that said proposals are denied, the shareholders who proposed them should be informed of the support for such refusal.

[9] In **Russia** the Board of Directors considers the proposed items on the agenda and approves or rejects them not later than five 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.

[10] In **Saudi Arabia**, if the board doesn't issue the invitation for the general assembly within 15 days from the date of a shareholders' request, a number of shareholders representing 2% of the capital can request the competent authority to invite the general assembly, and the competent authority should issue the invitation for the General Assembly within 30 days from receiving the request.

[11] 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.

[12] In the **United States**, the Securities and Exchange Commission adopted a rule effective on 4 January 2021 that changes the ownership threshold to three alternative thresholds that will require a shareholder to demonstrate continuous ownership of at least: USD 2 000 of the company's securities for at least three years; USD 15 000 of the company's securities for at least two years; or USD 25 000 of the company's securities for at least one year. The new rule applies to any proposal submitted for an annual or special meeting to be held on or after 1 January 2022.

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	Not allowed	Not allowed	Not allowed
Belgium	Allowed	Allowed	Allowed	Allowed[4]	Allowed
Brazil	Allowed: Max 50%	Allowed: Max 50%	Allowed[5]	Not allowed	Allowed
Canada[6]	Allowed			Allowed	Allowed
Chile	Allowed	Allowed	Allowed	Not allowed	Allowed
China	Allowed	Allowed	Not allowed	Not allowed[7]	Not allowed
Colombia	Allowed	Allowed: Max 50%	Not allowed	Not allowed	Not allowed
Costa Rica	Allowed	Allowed[8]	Allowed	Not allowed	Allowed
Czech Republic	Allowed	Allowed: Max 90%	Allowed	Allowed	Allowed
Denmark	Allowed	Allowed	Allowed	Allowed	Allowed
Estonia	Allowed	Allowed	-	-	
Finland	Allowed	Allowed	Allowed	Allowed	Allowed
France	Allowed	Allowed: Max 25%	-	Allowed (Double voting shares with more than 2 years holding)[9]	Allowed
Germany	Allowed	Allowed: Max 50%	Not allowed	Not allowed	Not allowed
Greece	Allowed	Allowed	Allowed	Not allowed	-
Hong Kong (China)	Allowed	Allowed	Allowed	Allowed[10]	-
Hungary	Allowed	Allowed	Allowed	Allowed	
Iceland	Allowed	Allowed	Allowed	-	-
India[11]	Allowed	Allowed	Not allowed	Allowed with condition	Allowed
Indonesia	Not allowed	Allowed	Allowed	Not Allowed	-
Ireland	Allowed	Allowed	Allowed	Allowed	Allowed
Israel	Not allowed[12]		-	Not allowed	Not 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		
Italy	Allowed: Max 50% (cumulated for limited and non-voting shares)	Allowed: Max 50% (cumulated for limited and non-voting shares)		Allowed[13]	Allowed
Japan	Allowed: Max 50%	Allowed: Max 50%	Allowed	Not allowed	Not allowed
Korea	Allowed: Max 25% (cumulated for limited and non-voting shares)	Allowed: Max 25% (cumulated for limited and non-voting shares)	Allowed	Not allowed	Not allowed
Latvia	Allowed	Allowed	Allowed	Not allowed	Not allowed
Lithuania	Allowed	Allowed	-	-	-
Luxembourg	Allowed	Allowed: Max 50%			
Malaysia	Allowed	Allowed	-	No	No
Mexico	Allowed with approval: Max 25%[14]	Allowed with approval: Max 25%	Not Allowed	Allowed	Not allowed
Netherlands	Allowed	Not allowed	-	-[15]	Allowed
New Zealand	Allowed	Allowed	Allowed	Allowed	Allowed
Norway	Allowed[16]	Allowed		Allowed	Allowed
Peru[17]	Allowed	Allowed	Allowed	-	-
Poland	Allowed	Allowed	Not allowed	Allowed	-
Portugal	Allowed	Allowed: Max 50%	Allowed	Not Allowed	Allowed[18]
Russia	Allowed: Max 25% (accumulated for limited and non-voting shares) of total share capital	Allowed: Max 25% (accumulated for limited and non-voting shares) of total share capital	Allowed: Max 25% (accumulated for limited and non-voting shares) of total share capital	-	-
Saudi Arabia	Allowed	Allowed	Not allowed	Not allowed	
Singapore[19]	Allowed	Allowed	-	[Allowed]	[Not allowed]
Slovak Republic	Allowed	Allowed[20]	-	-	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[21]	Allowed	Allowed	Allowed	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		
Turkey[22]	-	-	-	Allowed	Allowed
United Kingdom	Allowed	Allowed	Allowed	Allowed[23]	Allowed
United States[24]	Allowed	Allowed	Allowed	Allowed	Allowed

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 with limited voting rights 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 waive 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 **Belgium**, multiple voting rights are limited to double voting rights in the case of listed companies.

[5] 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).

[6] 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.

Furthermore, 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 **China**, the Company Law does not permit shares with multiple voting rights or caps on such shares for listed companies. However, an exception has been granted for companies listed on the Science Technology Innovation Board of SSE or on the ChiNext Market of SZSE which may have multiple voting rights or caps in place under certain conditions: as a threshold, a shareholder with special voting stocks must own more than 10 percent of all issued voting stocks of the company. The number of voting rights for each special voting stock shall be the same and shall not exceed 10 times that of voting rights for each ordinary stock. However, if the company does not have multiple voting rights in place prior to its IPO and listing, it may not be allowed to have such arrangement thereafter in any way. Upon the listing of its stocks on SSE, a listed company shall not issue any special voting stocks in and outside the Chinese mainland, nor increase the percentage of special voting rights, (unless in connection with a proportionate allotment of shares or capitalisation of a capital reserve (e.g. issuance of special dividends or stock splits) through rights issues that are proportional to the previously held share structure.

[8] 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.

[9] 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, unless the issuer decides otherwise by a two-thirds majority shareholder vote.

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

[11] 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. SEBI has recently issued a framework for issuance of superior voting rights shares (SR shares) by listed entities wherein it has been specified that the total voting rights of SR shareholders (including ordinary shares), post listing, shall not exceed 74%.Voting caps are allowed only with respect to banking companies.

[12] 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).

[13] In **Italy**, multiple voting rights are allowed for shareholders with more than two 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).

[14] 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.

[15] In the **Netherlands**, while there is no explicit regulatory provision prohibiting or allowing multiple voting rights, a few companies have shares with such rights.

[16] In **Norway**, the Public Limited Liability Companies Act permits companies to have different classes of shares. However, the Ministry has to approve shares with no or limited voting rights if the combined nominal value of the shares in the company shall make up more than half of the share capital in the company, while the Code recommends that the company should only have one class of shares.

[17] In **Peru**, while different classes of shares with limited or no voting rights are legally permitted, according to Principle 1: Equal treatment of the Corporate Governance Code, the company should not promote the existence of classes of shares without voting rights. When there are shares with equity rights other than ordinary shares, the company should promote and execute a policy of redemption or voluntary exchange of such shares for ordinary shares.

[18] 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.

[19] 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)). Under section 64A of the Companies Act, shares in public companies may confer special, limited, or conditional voting rights. Such shares may also confer no voting rights.

[20] In the **Slovak Republic**, voting rights to these shares might be recovered in special cases, such as resulting from a decision of the General Meeting that the dividend will not be paid until the General Meeting decides on the payment of such dividend.

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

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

[23] 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.

[24] 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 business day	Required	Required for each resolution
Australia	Required	Immediately	Required	Required for each resolution
Austria	Required	Promptly	Required	Required
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	10 days	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	-	2 weeks	Required	-
Estonia	-	7 days	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	Required	5 days	Required	Required
Hong Kong (China)	Required	Promptly[2]	-	Required
Hungary	Required	Immediately (max. 1 working day)	Required	Required
Iceland	Required	15 days	Required	-
India	Required	Promptly[3]	Required	Required
Indonesia	Required	2 business 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)

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*
Latvia	Required	Promptly	Required	Required upon shareholder’s request
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	Upon shareholder’s request	-	-	-
Norway	-	-	-	-
Peru	Required	Immediately (if the act is approved in the General Meeting) / 10 days (otherwise)	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	Required	15 days	Required	Required for each resolution
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 **Hong Kong (China)**, according to the Listing Rules (LR 13.39(5)), the poll results of general meetings must be announced as soon as possible, but in any event at least 30 minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day after the meeting.

[3] In **India**, listed entities are required to disclose the voting results, within 48 hours of conclusion of general meeting pursuant to submission of a report by the scrutinizer. For unlisted entities, as per Companies Act, the voting results are disclosed within 3 days of conclusion of general meeting, after submission of report by the scrutiniser.

Table 3.5 Sources of definition of related parties

Jurisdiction	Provision
Argentina	Law 26831, Section 72 and 73 National Securities Commission Rules Nº 622/13 (Ordered Text 2013):, Section IV, Chapter III, Title II.
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), § 238 Abs. 1 Z 12 Stock Corporation Act (AktG), § 95a Abs. 3
Belgium	Art. 7:97, §1 Code of Companies and Associations
Brazil	CVM Deliberation 642/2010 (IAS 24)
Canada	*Canada Business Corporations Act*, s. 2(2)-(5) ; 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 Administrative Measure for the Disclosure of Information of Listed Companies Article 71 Rules Governing the Listing of Stocks on Shanghai Stock Exchange (Revised in 2019)Article 10.1.2-10.1.6 Rules Governing the Listing of Shares on Shenzhen Stock Exchange (2019 Revision)Article 10.1.2-10.1.6 Rules Governing the Listing of Shares on the ChiNext Market of SZSE（2020 Revision）Article 7.2.2-7.2.6 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 2.39.3.1.2
Costa Rica	Code of Commerce CONASSIF Corporate Governance Regulation
Czech Republic	Business Corporations Act No. 90/2012, Part 9, Articles 71-91 Capital Market Undertakings Act No. 256/2004, Part 9, Articles 121s-121v
Denmark	Danish Company Act, article 139 d (8)
Estonia	Securities Market Act, §-s 168
Finland	Accountancy Decree 1339/1997 Chapter 2, section 7 b. Limited Liability Companies Act, Chapter 1, Section 12 Securities Market Act, Chapter 12, Section 5 and Chapter 8, Section 1a Finnish Corporate Governance Code, Rec. 27 (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, 111a-111c, 115, 291-318
Greece	Capital Market Commission Circular No 45/2011 Law 4308/2014 on Greek Accounting Standards
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) Act LXVII of 2019 on long-term shareholder engagement Art. 2, Point 4
Iceland	Public Limited Liability Companies Act No 2/1995, article 95 a

Jurisdiction	Provision
India	Companies Act, 2013, section 2(76) Indian Accounting Standard 24 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 2 (1) (zb)
Indonesia	OJK Regulation Number 42/POJK.04/2020
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, (making reference to IAS-IFRS)
Japan	Ordinance on Company Accounting (Enforcement of the Company Act), article 112(4)
Korea	Commercial Act article 398, article 542-9
Latvia	Article 184.1 and 184.2 of the Company Law Article 1 (4) and Article 59.1 of the Financial Instrument 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[2]) Law on Financial Reporting by Undertakings (Subparagraph 5 of the Paragraph 1 of the Article 23[1])
Luxembourg	Companies Law, articles 49bis(3), 309, 344 with latest update here
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 167, Civil Code, Book 2, article 381
New Zealand	Companies Act 1993, section 2(3) NZX listing rules Part A
Norway	Public Limited Company Act, article 3-12, amended in 2019.. https://lovdata.no/pro/#document/NL/lov/1997-06-13-45/%C2%A73-12 and https://lovdata.no/pro/#document/NL/lov/1998-07-17-56/%C2%A77-30b
Peru	Securities Market Law. Title III, chapter I, article 51 Resolution SMV N° 029-2018-SMV/01 - Guidelines for the application of literal c) of article 51 of Securities Market Law.
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[2]
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 and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 Fourth Schedule – Definition of "interested person" for prospectus disclosure

Jurisdiction	Provision
Slovak Republic	Commercial Code, Section 59a and Section 196a for all Joint Stock companies and Section 220ga for publicly listed Joint Stock companies (Section 220ga is implemented on the basis of the EU Directive 2017/828)
Slovenia	Companies Act, Articles: 38a 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 and Chapter 16a; 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)
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 Rules 1-02(u) and 4-08(k) of Regulation S-X State Law: For example, Section 203 of the Delaware General Corporation Law

Notes:

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

[2] For **Russia**, the link to the English translation is provided but does not include amendments made since 2017.

Table 3.6. Disclosure of related party transactions

Jurisdiction	Periodic 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	Required	Required
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]	Required
Denmark	IAS 24		Required
Estonia	IAS 24	Required	Required
Finland	IAS 24	Required[5]	Required
France	IAS 24	Required	Required
Germany	IAS 24	Required (intra-group) [1]	Required
Greece	IAS 24	Required	Required
Hong Kong (China)	IAS24 or Local standard	Required	Required[6]
Hungary	IAS 24	Required (intra-group) [1]	Required[7]
Iceland	IAS 24	Required	-
India[8]	Local standard	Required	Required
Indonesia	Local standard (PSAK)	Required	Required[9]
Ireland	IAS 24	Required	Required
Israel	IAS 24	Required	Required for SHs approval
Italy	IAS 24	Required	Required[10]
Japan	Local standard	Required	Required[11]
Korea	IAS 24	Required[12]	-
Latvia	IAS24 and Local standard	-	Required
Lithuania[13]	IAS 24	Required	Required
Luxembourg	IAS 24	-	-
Malaysia	IAS 24	Required	-

Jurisdiction	Periodic disclosure		Immediate disclosure for specific RPTs
	[illegible]	[illegible]	
Mexico	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]
Peru	[illegible]	[illegible]	[illegible]
Poland	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]
Russia	[illegible]	[illegible]	[illegible]
Saudi Arabia	[illegible]	[illegible]	[illegible]
Singapore	[illegible]	[illegible]	[illegible]
Slovak Republic	[illegible]	[illegible]	[illegible]
Slovenia	[illegible]	[illegible]	[illegible]
South Africa	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]
Turkey	[illegible]	[illegible]	[illegible]
United Kingdom	[illegible]		[illegible]
United States	[illegible]	[illegible]	[illegible]

Notes:

[illegible] **Brazil, the Czech Republic, Germany, Hungary, Portugal** [illegible] **Slovenia** [illegible]

[illegible] **Brazil** [illegible]

[illegible] **Chile** [illegible]

[4] In **China**, a listed company should issue a prompt announcement of material connected transactions that exceed certain de minimis thresholds. Apart from disclosing such matters promptly, a listed company is required, in the cases where it makes significant transactions meeting certain requirements, to 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 define the principles for the monitoring and evaluation of related party transactions. The company must report these principles once a year in the Corporate Governance Statement and maintain a list of its related parties.

[6] In **Hong Kong (China)**, the 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 **Hungary,** the companies publicly announce material transactions with related parties on their website at the latest at the time of the conclusion of the transaction. The announcement shall contain at least: information on the nature of the relationship, the name of the related party, the date and the value of the transaction and other information necessary to assess whether or not the transaction is fair and reasonable from the perspective of the company and of the shareholders who are not a related party, including minority shareholders. (Art 23 (1) of Act LXVII of 2019 on long-term shareholder engagement).

[8] In **India**, listed entities are required to disclose related party transactions on a half-yearly and annual basis, in the format specified in the relevant accounting standards. Further, material related party transactions, i.e. transactions which exceed a certain minimum threshold require shareholder approval. In such cases, the notice to the shareholder agenda includes relevant disclosures of such transactions. Disclosure on approval of such transactions by the shareholders is also required. Related party transactions that are material events e.g. amalgamation, etc. need immediate disclosure. Unlisted entities are required to disclose related party transactions in the annual report, in the format specified in the relevant accounting standards.

[9] In **Indonesia**, the requirement for immediate disclosure of affiliated-party transactions and transactions involving conflicts of interest is provided in OJK Regulation Number 42/POJK.04/2020.

[10] **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.

[11] 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.

[12] In **Korea**, under Article 11-4 of the Monopoly Regulation And Fair Trade Act, when a member company included in a business group subject to disclosure (the Fair Trade Commission designates a business group with combined total assets equal to or more than five trillion won presented on the balance sheet as of the end of the previous business year) has total assets of 10 billion or more for the immediately preceding business year, it shall regularly disclose the status of transactions with affiliated persons.

[13] In **Lithuania**, in addition to the requirements on additional and immediate disclosure of RPTs provided by legislation, the Corporate Governance Code also provides that the company should disclose information on all material corporate issues, including the company's transactions with related parties. Information should be disclosed in such manner that no shareholders or investors are discriminated against in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.

[14] In **Norway**, the board of directors shall ensure that a report regarding RPTs is prepared as per the Public Limited Liability Companies Act, article 3-14 first paragraph. The report is attached to the notice of the general meeting, and shall without delay be sent to the Register of Business Enterprises for disclosure. A notice about the transaction shall be published without delay on the company's webpage.

[15] 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 SGD 100 000, or to certain types of transactions.

[16] In the **Slovak Republic**, the immediate disclosure for specific RPTs is required, as per the transposition of EU Directive 2017/828 into national law.

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
Australia	Required	Required	-	-
Austria	Required	Required		
Belgium	Required	Required	Required	Optional
Brazil	-[2]	Required	-	-
Canada	Required	Required	Recommended[3]	Required
Chile	Required	Required	Required	Recommended[4]
China	Required[5]	Required	Required	-
Colombia	Required	Required[6]	Recommended	-
Costa Rica	Required	Required[7]	-	-
Czech Republic	-[8]	-	-	-
Denmark	Required	Required	-	-
Estonia	Required	-	Recommended	-
Finland	Required	Required	Required[9]	Optional
France	Required	Required	-	Required
Germany	Required[8]	Required	Optional	Optional
Greece	Required	Required	Required	Required
Hong Kong (China)	Required	Required	Required	-
Hungary	Required[8]	-	-	-
Iceland	Required	Required	-	-
India	Required[10]	Required	Required	Optional
Indonesia	-	-	-	Required
Ireland	Required	-	-	Required
Israel	Required	Required	Required	-
Italy[8, 11]	Required	Required (in addition, veto power by a committee of independent directors)	Required	Required if requested by independent directors
Japan	Required	Required	Recommended	-
Korea	Required[12]	Required	-	-
Latvia	Required	Required	Required	Optional
Lithuania	Required	Required	Required	-
Luxembourg	Required	Required	-	-

Jurisdiction	Board approval for non-routine RPTs	Abstention of related board members	Review by independent directors / audit committee	Opinion from outside specialist
Malaysia	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]
Peru	[illegible]	[illegible]	[illegible]	[illegible]
Poland	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]
Russia	[illegible]	[illegible]	[illegible]	[illegible]
Saudi Arabia	[illegible]	[illegible]	[illegible]	[illegible]
Singapore	[illegible]	[illegible]	[illegible]	[illegible]
Slovak Republic	[illegible]	[illegible]	[illegible]	[illegible]
Slovenia	[illegible]	[illegible]	[illegible]	[illegible]
South Africa	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]
Turkey[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom	[illegible]	[illegible]	[illegible]	[illegible]
United States	[illegible]	[illegible]	[illegible]	[illegible]

Notes:

[illegible] **Argentina** [illegible]

[illegible] **Brazil** [illegible] **Netherlands** [illegible] **Switzerland** [illegible]

[illegible] **Canada** [illegible]

[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 **China**, certain material related party transactions shall be approved by the board of directors within the scope of the mandate granted by the general meeting or prescribed by the articles of association of a company. But any guarantee provided to a listed company's related party shall be subject to board approval and shareholder approval at a general meeting, irrespective of the amount thereof.

[6] In **Colombia**, managers and board members have to refrain from participating, personally or through intermediaries, in their own interest or those 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.

[7] 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.

[8] In some jurisdictions which follow the "German model" with respect to company groups (**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).

[9] In **Finland**: according to the Companies Act, the audit committee (or, in absence of audit committee, the board of directors) must monitor and assess how agreements and other legal acts between the company and its related parties meet the requirements of ordinary activities and arm's-length terms.

[10] In **India**, in the case of listed entities, all related party transactions require prior approval of the audit committee, as per regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, Companies Act, 2013 specifies certain related party transactions which require approval of the board of directors, as per section 188 of the Companies Act, 2013.

[11] 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).

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

[13] In **Malaysia**, related party transactions are subject to shareholders' approval based on Section 228(1)(A) of Companies Act 2016. Where any of the percentage ratios of the related party transaction is 5% or more of equity value or total assets (depending on the transaction as defined under Chapter 10 of the Bursa Malaysia Main Market Listing Requirements), a listed issuer must appoint an independent advisor who is a corporate finance advisor within the meaning of the Securities Commission Malaysia Principal Adviser Guidelines before the terms of the transaction are agreed upon.

[14] 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).

[15] In **Norway**, as per the Public Limited Liability Companies Act, article 3-14 first paragraph, the report shall be prepared by one or more independent experts. As independent expert, an auditor shall be engaged.

[16] In **Peru**, the execution of each act or agreement that involves at least five percent of the assets of the issuing corporation with natural legal persons related to their directors, managers or shareholders that directly or indirectly represent more than ten percent of the corporation's capital, requires the previous approval of the board of directors, excluding the related director(s). When calculating the five percent, the last relevant financial statements shall be taken into account.

In the transactions wherein the issuing company's controlling shareholder also exercises the control of the legal person participating as the counterparty in the corresponding act or agreement subject to the board of directors' previous approval, it is additionally required to submit the terms of such transaction to a review by an entity external to the issuing company. An external entity is the audit firm or other legal persons determined by SMV through a general provision.

[17] In **Portugal** an opinion is not required as the general rule, but an opinion to shareholders from an independent auditor is required for certain purchases of goods before, simultaneously or within 2 years of incorporation or share capital increase.

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

[19] In **Singapore**, the Companies Act requires a director to declare his interest in a transaction or proposed transaction with the company as soon as practicable at a meeting of directors of the company. The Listing Manual requires the issuer's Board, in deciding on any sale of property projects to an issuer's interested persons or a relative of a director, CEO or controlling shareholder, to be satisfied that the sale is not prejudicial to the interests of the issuer and minority shareholders. The Listing Manual also requires that the interested person must abstain from voting on all resolutions to approve the sales or approved sales, and that an issuer's articles must contain a provision that a director shall not vote in regard to any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest.

[20] In **Singapore,** the Listing Manual requires the Audit Committee to announce whether it is of the view that the interested person transaction is on normal commercial terms, and is not prejudicial to the interests of the issuer and its minority shareholders or if it would obtain an opinion from an independent financial adviser before forming its view.

[21] 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.

[22] In **Switzerland**, an opinion from an outside specialist (auditor) is recommended for verification of the compensation report, according to Article 17 of the Swiss Code of Best Practice for Corporate Governance.

[23] 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 meeting, 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 may request valuation for any RPT if deemed necessary.

[24] 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		Type of shareholder voting requirement
	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 Listing Rule 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 not approved by the majority of the board members with no conflict of interest. If disinterested board members are less than the majority they must approve unanimously.	-	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, accounting for more than 5% of total value of the latest audited net assets)	Required (when more than CNY 30 million, accounting for more than 5% of total value of the latest audited net assets)	Minority approval
Colombia	Yes	When a board member has conflicts of interest	-	-	-
Costa Rica	No	-	-	-	-
Czech Republic	Yes	RPTs exceeding 10% of the company assets in the last accounting period and not on arm's length terms (with some exceptions).	-	-	Simple majority
Denmark	No	-	-	-	-
Estonia	No	-	-	-	-
Finland	No[2]	-	-	-	-
France	No[3]	-	Required	-	-
Germany	No	-	-	-	Optional
Greece	Yes	In case of conflict of interests or following a request by the minority shareholders	Required	Required	Minority approval
Hong Kong (China)	Yes	>5% ratios (except profit ratio)	-	Required	Minority approval

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Type of shareholder voting requirement
	[illegible]	[illegible]	[illegible]	[illegible]	
Hungary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Iceland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
India	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Israel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Korea	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Latvia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lithuania	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Type of shareholder voting requirement
	Requirement	RPTs for shareholder approval	Auditors	Outside specialists	
New Zealand	Yes[1,7]	>10% of market cap	-	Required	Minority approval
Norway	Yes	For transactions that represent > 2,5% of the balance sum at the last approved annual financial statement.	-	-	
Peru[8]	Yes	For contracts/acts with natural persons or legal entities related to the directors, managers, or shareholders of the issuer. For contracts/acts in which the issuer´s controlling shareholder is also the controlling shareholder of the legal entity that participates as counterpart.	-	Required	-
Poland	No	-	-	-	-
Portugal	Yes	Certain purchases of goods to shareholders before, simultaneously or within 2 years of incorporation or share capital increase	Required	-	Minority approval
Russia	Yes	≥10% of book value assets and some other RPTs[9]	-	-	Minority approval
Saudi Arabia	Yes	For transactions in which board members have an interest	Required	Required	
Singapore	Yes	≥5% of latest audited consolidated net tangible assets[10]	-	Required	Minority approval
Slovak Republic	Yes	For all material transactions (above 10% of the share capital)[11]			Simple majority with related parties precluded from taking part as well as voting in General Meetings
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[12]	Simple majority
Spain	Yes	10% of company's assets	Required	-	Minority approval
Sweden	Yes	Material transactions (1% of market cap)	-	Required	Simple majority (shareholder may not vote if related party)
Switzerland	No	-	-	-	-
Turkey	Yes	If disapproved by majority of independent directors	-	Required	Minority approval

Jurisdiction	Shareholder approval for individual RPT		Opinion from		Type of shareholder voting requirement
	Requirement	RPTs for shareholder approval	Auditors	Outside specialists	
United Kingdom	Yes[13]	Non-routine transactions	-	-	Minority approval
United States	Yes[14]	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 **Finland**, according to the Companies Act, the Board of Directors may submit a matter within the general competence of the Board of Directors or the Managing Director to be decided by the General Meeting. In such cases, a shareholder who is a related party of a listed company may not take part in a vote on a contract or another transaction to which he or she or a person in a related-party relationship to him or her is a party and the transaction is outside the ordinary course of business of the company or it is not concluded on normal market terms.

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

[4] In **India**, for listed entities, while the threshold for determining materiality of a related party transaction is 10% of the annual consolidated turnover of the listed entity; however, for transactions involving payments made to a related party with respect to brand usage or royalty, the materiality threshold is 5% of the annual consolidated turnover of the listed entity. Further, in the case of listed entities, all entities falling under the definition of related parties shall not vote to approve the relevant transaction, irrespective of whether the entity is a party to the particular transaction or not**.**

[5] 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 %.

[6] 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).

[7] In **New Zealand**, a listed issuer must not enter into a material transaction if a related party is, or is likely to become a direct party to the material transaction unless that transaction is approved by ordinary resolution of the shareholders. The issuer can avoid the requirement to obtain the approval of the ordinary resolution provided that either the person is not a related party at the time of the transaction, or the transaction is not material. Under the Companies Act 1993, if a transaction in which a company is interested in is entered into, it can be avoided by the company at any time before the expiration of 3 months after the transaction is disclosed to all shareholders, however a transaction cannot be avoided under the Companies Act 1993 if the company receives fair value under it.

[8] In **Peru**, if it is not possible that the Board of Directors decides on the act or contract due to conflicts of interest; and, in case there is interest in entering into such act or contract, it must be submitted for consideration of the General Shareholders' Meeting for the corresponding approval, according to Articles 105 and 133 of the General Corporation Law and other related articles.

Furthermore, according to the provisions contained in article 51 c) of the Securities Market Law, for contracts/acts in which the issuer´s controlling shareholder is also the controlling shareholder of the legal entity that participates as counterpart, a fairness opinion by an external entity is required prior to the transaction.

[9] In **Russia,** related party transactions involving ≥10% of the book value of assets 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. For RPTs amounting to less than 10% in case of abovementioned request, approval may be granted by the BoD except in the following cases (in which the shareholders' approval is necessary): if the number of directors who are not interested in the execution of related party transactions involving <10% of the book value of assets becomes less than two (unless more is required by the company charter); if related party transaction involves the sale of ordinary/preferred shares amounting to more than 2% of ordinary/preferred shares previously placed by the company and ordinary shares into which previously placed securities convertible into shares may be converted.

[10] 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.

[11] In the **Slovak Republic**, "material transaction" is defined as a performance or provision of a security under a contract if provided by a public joint stock company in favour of a person related to the public joint stock company and the value of the performance or security exceeds 10% of the share capital of the public joint stock company. This 10% threshold also applies to the aggregated value of such performances or securities provided in an accounting period or during 12 months in favour of one related party.

[12] 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.

[13] 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.

[14] 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, Takeovers 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:* two-thirds 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, V	a) Highest price paid by offeror within last 6 months;
			M	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 3 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 6 months)	M	a) Highest price paid by offeror within last 12 months;
				b) Weighted average market price of last 6 months
				c) Valuation[3]
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	CBI	*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
				(e) where the shares are not frequently traded, the price determined by the acquirer and the manager to the open offer taking into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary

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	
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 0.05%[4] consolidating control	M	Highest price paid by offeror within last 12 months
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)[5]	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[6]	-	-
Latvia	FCMC	*ex-post:* 30% of voting rights[7]	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	LB	*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	-[8]	-
Netherlands	AFM	*ex-post:* 30% of voting rights	M	Highest price paid by offeror within last 12 months
New Zealand	Takeovers Panel	*ex-post:* 90%	-	-
Norway	OSE	*ex-post:* 33%, 40% or 50% of voting rights	M	Highest price paid by offeror within last 6 months
Peru	SMV	*ex-post:* 25%,50%,60% of social capital of the company (only if its shares are listed in the stock exchange)	M	Calculated by a specialised entity

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	
Poland	KNF	*ex-post:* 33% or 66% of voting rights	M	Average market price of last 6 months
Portugal	CMVM	*ex-post:* 33% or 50% of voting rights	M	a) Highest price paid by offeror within last 6 months;
				b) Weighted average market price of last 6 months
Russia	CBR	*ex-post:* 30%, 50% or 75% of voting rights	M	a) Weighted average market price of the last 6 months or
				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	NBS	*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
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 up to 49% or can be repealed completely 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[9]	-	-

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.

[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 **Greece**, the valuation is required under certain conditions.

[4] In **Ireland**, until 2001, shareholders within the 30%-50% ownership range were allowed to purchase up to 1% annually following a similar rule in the UK's Takeover Code. Although the 1% limit was removed in the United Kingdom in 1998, this was not possible in the Irish Takeover Rules due to a provision in the Irish Takeover Panel Act 1997 which requires the Irish Takeover Panel to regulate controllers of a relevant company who increase the proportion of securities held in a specified period "by a specified percentage". To reduce the purchasing freedom for controllers within this range as far as possible, the limit was reduced to 0.05%. Persons increasing their stake beyond this level are required to make a mandatory bid. No mandatory bid obligation applies for a person who already controls more than 50% of the securities.

[5] 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.

[6] **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.

[7] **Latvia** enacted a 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.

[8] 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.

[9] 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 and related intermediaries: 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	I,L
Austria	Public: Investment Funds Act 2011	Investment funds	-	-	L	-
	Austrian Stock Exchange Act 2018	Institutional investors, asset managers, proxy advisors	L	-	L	L
	Private: Code of conduct to be drawn up by the proxy advisors themselves (comply or explain)	Proxy advisors	C	-	C	C
Belgium	Private: BEAMA Code of Conduct	Asset managers	C	-	C	C
	Public: Law of 28 April 2020	Institutional investors, asset managers and proxy advisors	L	L	L	L
Brazil	Public: CVM Instruction 555/2014	Investment funds	L	L	L	L
	Public: CVM Resolution 21/2021 Private: ANBIMA's Self-regulation Code for Portfolio Administration Additional Rules and Procedures of ANBIMA's Self-regulation Code for Portfolio Administration	Asset managers	I	I	L, I	L, I

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
Canada	Public: Provincial Securities Acts and associated rules; e.g.: British Columbia Securities Act, Ontario Securities Act; NI 81-106 Investment Fund Continuous Disclosure; NI 81-107 Independent Review Committee for Investment Funds	Investment funds	L	L	L	-
	National Policy 25-201 Guidance for Proxy Advisory Firms	Proxy advisors			C	C
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[2]	Investment funds	C	-	I	I
Colombia	Public: Decree 2555 of 2010 / CBJ, Part II, Title III, Chapter IV, # 3	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 Public: Capital Market Undertakings Act, No 256/2004 Coll.	Investment funds, mutual funds; institutional investors and asset managers	L	L	L	L
	Public: Capital Market Undertakings Act, No 256/2004 Coll.	Proxy advisors	L	-	L	L
Denmark	Public: Law No. 369 of 2019	Institutional Investors	L	L	L	L
Estonia	Public: Securities Market Act Ch 22	Investment funds, asset managers, insurers, pension funds	L	L (excluding insignificant votes)	L	L
		Proxy advisors	L[3]	-	L	L
Finland	Public: Organisation and code of conduct of investment funds and asset managers	Investment funds and asset managers	-[4]	-	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
France	Public: Code monétaire et financier	Investment funds and asset managers	L	L	L	-
	Public : Code monétaire et financier	Proxy advisors	-	-	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	-
	Private: Code of conduct to be drawn up by the proxy advisors themselves (comply or explain)	Proxy advisors	L	-	-	-
Greece	Public: HCMC rule 15/633/2012	Mutual funds	-	-	L	-
Hong Kong (China)	Public: Code of Conduct for Persons Licensed by or Registered with the SFC[5]	Investment funds and asset managers	-	-	-	- (L: Disclosure of conflicts of interest)
	Public: Principles of Responsible Ownership[5]	Investment funds and asset managers	C	-	C	-
Hungary	Public: Act on the Capital Market; Act XVI of 2014 on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations; Act LXVII of 2019 on long-term shareholder engagement	Investment funds and asset managers	L	L	L	L
	Public: Act LXVII of 2019 on long-term shareholder engagement	Proxy advisors	-[6]	-	L	L
Iceland	Public: Act on pension funds	Pension funds	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
India	Public: Circulars SEBI/IMD/CIR.No.18/198647/2010 CIR/IMD/DF/05/2014 SEBI/HO/IMD/DF2/CIR/P/2016/68 CIR/CFD/CMD1/168/2019	Mutual funds Alternative Investment Funds	L	L	(L: Specific bans)	L
	Public: Guidelines on Stewardship Code for Insurers in India	Insurers	L	L	L	L
	Public: Common Stewardship Code	Pensions funds	L	L	L	L
	Public: SEBI (Research Analysts) Regulations, 2014 Circular - SEBI/HO/IMD/DF1/CIR/P/2020/147	Proxy advisors	L[7]	-	L	L
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
	Shareholders Rights Directive Regulations	Institutional investors, asset managers and proxy advisors	C[8]	-	C	C
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

Jurisdiction	National framework	Target institutions	Exercise of voting rights		Management of conflicts of interest	
	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Korea	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Latvia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lithuania	[illegible] [illegible] [illegible] [illegible] [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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
Mexico	General financial provisions for pension funds systems Securities Markets Law Investment Fund Law	Pension funds, institutional investors, asset managers, fund managers	L	-	L	-
Netherlands	Public: Act on Financial Supervision Mixed: Dutch corporate governance code chapter 4	Institutional investors (pension funds, life insurance companies), asset managers and proxy advisors	L,C	L,C	L	L
	Private: Eumedion Dutch Stewardship Code	Institutional investors (pension funds, life insurance companies), asset managers	C	C	C	C
New Zealand	Public: Financial Markets Conduct Act 2013	Fund managers (including proxy advisors)	C	-	C	-
Norway	Private: VFF recommendation on exercising ownership rights	VFF members: Investment funds and asset managers	C	C to clients upon request	C	-
Peru	Public: Regulation of the Pension Fund System Law; Law N° 861 Securities Market Law; Law N° 862 Investment Fund Law; Regulation of Insurance Companies	Pension funds; Mutual Funds; Investment Funds; Insurance Companies	L[11]	L	L	L
Poland	Private: Code of Good Practices of Institutional Investors	IZFiA members: Institutional investors	C	-	C	-
	Polish Code of Commercial Companies[12]	Proxy advisors in joint stock companies			L	L
Portugal	Public: Decree Laws, General Framework for Collective Investment Undertakings, ASF Regulatory Norms and CMVM regulations / recommendations / Commercial Company Act / Portuguese Securities Code / Law n.º 50/2020 of 25 August	Institutional investors and asset managers	L/C	- (L: Applicable to collective investment undertakings in case of divergence from voting policy)	- (L: Specific bans)	L
		Proxy advisors	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
Russia	Public: The Federal Law On Investment Funds № 156-FZ of 29.11.2001	Investment funds	L	L	L[13]	-
	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
	Public: Principles of Responsible Investment[14]	Institutional investors	C	C	C	C
Saudi Arabia	Public: Companies law Corporate governance regulations Capital market law Investment Funds Regulation	Investment Funds-	-	-	L	L
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 (including proxy advisors)	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

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
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 quantitat-ively significant and "temporar-ily 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)	-
		Proxy advisors	L	-	L	L
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, remuneration)	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 Principles for Securities Investment Companies no. III-48-5; Regulation on Principles Regarding Establishment and Activities of Pension Funds Communiqué on Portfolio Management Companies and Activities of Such Companies no. III-55.1.	Institutional investors and asset management companies	-	-	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
United Kingdom	Public: The UK Stewardship Code 2020	Asset managers, asset owners and service providers	C	C	C	C
	Public: Financial Conduct Authority (FCA) Conduct of Business Sourcebook and Senior Management Arrangements, Systems and Controls	Asset managers and insurers	L	L	L	L
	Public: The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019	Pension Funds	L	L	L	L
	FCA Handbook Proxy Adviser Regulations 2019	Proxy Advisers	L		L	L
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	-	-	-	-
	Public: Investment Advisers Act of 1940; Proxy Voting by Investment Advisers	Registered investment advisers[15]	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 codes or principles; "- "= absence of a specific requirement or recommendation

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. Targeted institutions shown in the table may include different types of institutional investors as well as advisory services/proxy advisors. Where requirements or recommendations concerning proxy advisors differ significantly from those of other institutional investors, they are specified in a separate line with footnote if necessary.

Notes:

[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 **China**, a fund management company shall set up the standard, principles, procedures and supervision mechanism to manage the conflicts of interest when exercising voting rights under the provisions of the “Guidelines for Fund Management Companies in Exercising Voting Rights on behalf of Funds (2012)” developed by Asset Management Association of China.

[3] In **Estonia**, according to the Securities Market Act, proxy advisors are required to disclose the essential features of the policy they apply for each market.

[4] In **Finland,** although proxy advisers are not required to disclose their conflict of interest policies to the public, they are required under the EU Shareholder Rights Directive to take all appropriate measures to identify and prevent conflicts of interest and, in the event of such conflicts, treat the client in accordance with good practice. If a conflict of interest cannot be avoided, the proxy adviser shall clearly inform the client in sufficient detail of the nature of the conflict of interest and its causes and of the measures taken to reduce the risk to the client's interests before giving advice or recommendation on the exercise of voting rights.

[5] 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 such person acts in the capacity of a management company in relation to the discretionary management of collective investment schemes, such person is subject to the Fund Manager Code of Conduct.

In **Hong Kong (China)**, the Principles of Responsible Ownership (Principles) offer 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.

[6] In **Hungary**, Section 15 of the Act LXVII of 2019 on long-term shareholder engagement requires proxy advisors to disclose certain key information relating to the preparation of their research, advice and voting recommendations and any actual or potential conflicts of interests that may influence the preparation of the research, advice and voting recommendations.

[7] In **India**, proxy advisors give voting recommendations to their clients (institutional investors) and generally do not vote on behalf of their clients. Proxy Advisors in India are required to formulate and disclose the voting recommendation policies to their clients.

[8] In **Ireland**, the new regulations implementing the EU’s Shareholders Rights Directive II require institutional shareholders and asset managers to disclose an engagement policy and an explanation of the most significant votes taken but all on a comply or explain basis. Similarly, proxy advisors are required to have such policies but on a comply or explain basis as well.

[9] In **Japan's** Stewardship Code, “service providers for institutional investors" are defined as "Parties such as proxy advisors and investment consultants for pensions which provide services at the request of institutional investors, etc. to contribute to the institutional investors’ effective execution of stewardship activities".

[10] The term service providers in **Malaysia’s** Code for Institutional Investors (Code) include proxy advisors. Institutional investors are expected to encourage their service providers to apply the principles of the Code where relevant and to conduct their investment activities in line with the institutional investors’ own approach to stewardship. Accordingly, service providers are also encouraged to be signatories of the Code.

[11] In **Peru**, in the case of Pension Funds, the companies must appoint representatives that protect the rights and obligations related to Funds’ investments. In consequence, the representatives must pronounce on the matters that are submitted for discussion, record their vote in the respective documents, and inform to the pension fund company the results of their management. The companies must keep those reports for any request of the Superintendence of Banking, Insurance and Pension Funds Management Companies.

[12] In **Poland**, proxy advisor firms in joint stock companies are regulated in the Polish Code of Commercial Companies (law). The Code requires such advisor to immediately inform its clients about any conflicts of interest and to publish its conflict of interest policy every year.

[13] In **Russia**, requirements for investment funds to set up a policy of management of conflicts of interest have been adopted and came into force on 1 April 2021.

[14] In **Russia**, the Principles of Responsible Investment are recommended to institutional investors for implementation by the Bank of Russia (information letter no. ИН-06-28/111 dated 15.07.2020).

[15] In the **United States**, the Securities and Exchange Commission has issued guidance regarding the proxy voting responsibilities of investment advisers exercising proxy voting authority with respect to client securities, including examples to help investment advisers’ compliance with their obligations in connection with proxy voting. See Commission Guidance Regarding Proxy Voting Responsibilities of Investment Advisers; Supplement to Commission Guidance Regarding Proxy Voting Responsibilities of Investment Advisers.

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

Jurisdiction	Target groups	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.	I, L	I	L	I	L
Austria	Investment funds	L	-	L	-	-
	Institutional investors, asset managers	L	L	L	L	L
	Proxy advisors	L,C	L,C	L,C	L,C	L,C
Belgium	Institutional investors	L	L	L	L	-
	Asset managers	L	L	L	L	L
	Proxy advisors	-	-	-	L	-
Brazil	Investment funds and asset managers	L	C	L	L	-
Canada	Investment funds	-	-	-	L	L
	Pension funds, investment funds, asset managers, etc.	C	C	C	C	-
	Proxy advisors				C	C
Chile	Pension funds	L	L	L	L	L
China	Institutional investors	-	-	-	I	-
Colombia	Pension funds	L	L	L	L	-
Costa Rica	Institutional Investors	-	-	-	-	-
Czech Republic	Institutional investors, asset managers and proxy advisors	-	-	-	L	-
Denmark	Investment funds, asset managers, insurers and pensions funds[3]	L	L	-	L	L
Estonia	Investment funds, asset managers, insurers, pension funds	L	-	L	L	L
Finland	Investment funds, asset managers and pension funds	L	C	-	L	L
France	Investment funds and asset managers	L	L	-	L	L
	Proxy advisors	-	-	-	-	L
Germany	Investment funds and asset managers	C	C	L,C	C	C

Jurisdiction	Target groups	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]		
Greece	Mutual funds	-	-	-	-	-
Hong Kong (China)	Investment funds and asset managers	C	C	-	C	C
Hungary	Investment funds and asset managers	L	-	L	L	L
Iceland	-	C	C	C	C	C
India	Mutual funds and Alternative Investment Funds	L	L	L	L	L
	Insurers	L	L	L	L	L
	Pension funds	L	L	L	L	L
	Proxy advisors[4]	-	L	-	L	-
Indonesia	Fund Managers, Pension Funds and Insurance Companies	L	L	L	L	L
Ireland	Institutional investors and asset managers	C	C	-	C	C
Israel	Mutual funds managers	-	-	L	L	L
	Insurance companies, provident and pension funds	L	L	L	L	L
Italy	Investment funds	L,C	C	C	C	L
	Proxy advisors	-	-	C	C	L, C
Japan	Institutional investors and service providers including proxy advisors[5]	C	C	C	C	C
Korea	Institutional investors	C	C	C	C	C
Latvia	Investment funds and asset managers, pension plans and pension funds, insurance companies	L	-	L	L	L
	Proxy advisors	-	-	-	-	L
Lithuania	Investment Funds and Asset Managers, Pension Funds, Insurance Companies	L	-	L	L (except insurance companies)	L
	Proxy advisors	L	-	-	L	L
Luxembourg	ALFI members: Investment funds	C	-	-	-	-
Malaysia	Asset owners, asset managers and service providers	L	C	-	C	C
Mexico	Institutional investors, asset managers, fund managers	L	-	-	-	-

Jurisdiction	Target groups	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]		
Netherlands	Institutional investors (pension funds, life insurance companies) and asset managers	L	L	L	L	L
	Proxy advisors[6]	L	L	L	L	L
	Eumedion Code: Institutional investors and asset manager	C	C	C	C	C
New Zealand	Fund Managers, Statutory Supervisors, Custodians and proxy advisors	L	-	L	-	L
Norway	VFF members: Investment funds and asset managers	C	-	C	C	-
Peru	Pension funds; Mutual Funds; Investment Funds; Insurance Companies	L	L	L	-	L
Poland	IZFiA members: Institutional investors	-	-	C	-	-
Portugal	Institutional investors, asset managers and proxy advisors	L/C	L/C	-	L/C	L/C
Russia	Investment funds	-	-	-	L	L
	Institutional investors	C	C	C	C	C
Saudi Arabia[7]	-	-	-	-	-	-
Singapore	IMAS members: Investment funds and asset managers	I	I	-	I	I
Slovak Republic	Mutual funds and asset managers	-	-	-	-	-
	Institutional investors	-	-	-	-	-
	Proxy advisors	-	-	-	L	L
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
Sweden	Public pension funds (AP1, AP2, AP3, AP4 and AP7)	-	-	-	-	-
Switzerland	Institutional investors	C	-	C	C	C
Turkey	Institutional investors and asset managers	L	-	-	-	-
United Kingdom	Institutional investors and proxy advisors	C,L	C,L	C,L	C,L	C,L

Jurisdiction	Target groups	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]		
United States	Registered Management Investment Companies	L	-	L	L	L
	Private pension funds	-	-	L	L	-
	Registered investment advisors (proxy advisors)	L	-	L	L	L

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

This table shows information on institutional investors with significant shares in the domestic market based on either legal requirements, industry association requirements or code recommendations. Advisory services/proxy advisors may be included among the target groups as applicable but are shown on a separate line if the requirements or recommendations differ significantly from those of other institutional investors.

Notes:

[1] "Constructive engagement" in the top row means purposeful dialogues with investee companies on 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).

[3] In **Denmark**, the investment fund, asset manager, insurer or pension fund may choose not to comply with the requirements of the legislation if they publish a clear and reasoned explanation of why they have chosen not to comply.

[4] In **India**, proxy advisors are required to have a stated process to communicate with their clients and the company. They are also required to share their report with their clients and the company at the same time.

Furthermore, proxy advisors are required to formulate and disclose the voting recommendation policies to their clients. The policies should be reviewed at least once annually. The voting recommendation policies shall also disclose the circumstances when not to provide a voting recommendation.

[5] In **Japan's** Stewardship Code, "service providers for institutional investors" are defined as "Parties such as proxy advisors and investment consultants for pensions which provide services at the request of institutional investors, etc. to contribute to the institutional investors' effective execution of stewardship activities".

[6] In the **Netherlands**, a statutory obligation requires proxy advisors to make publicly available the procedures put in place to ensure quality of the research, advice and voting recommendations and qualifications of the staff involved. Furthermore, a statutory obligation requires proxy advisors to report whether purposeful dialogues with investee companies take place.

[7] In **Saudi Arabia**, there are no regulations setting specific legal requirements for institutional investors in particular. However regulations do mention and guarantee investor rights in voting. Moreover, there aren't any specific regulations that regulate the institutional investors in the matter of conflicts of interest, unless they are board members or representatives.

4. The corporate board of directors

4.1. Basic board structure and independence

One-tier board systems are favoured in twice the number of surveyed jurisdictions as two-tier boards, although a growing number of jurisdictions allow both one and two-tier structures.

[illegible]

[illegible] **Italy**, **Japan** [illegible] **Portugal** [illegible] **Italy** [illegible] **Portugal** [illegible] **Japan** [illegible]

While limits on the maximum size for boards are rare, existing in only 10 jurisdictions, most surveyed jurisdictions impose minimum limits on board size, usually ranging from three to five members.

[illegible] **Brazil** [illegible] **Colombia** [illegible] **Saudi Arabia** [illegible]

[illegible] **India** [illegible] **Chile** [illegible] **Russia** [illegible]

while the supervisory board may not include less than five members, for companies having more than 1 000 voting shareholders, the minimum is seven directors, and for those having more than 10 000 voting shareholders, the minimum is nine directors. **Norway** has an unusually high minimum of 12 members for companies with two-tier boards. Four jurisdictions have established minimum board sizes of two members (**Indonesia**, **Ireland**, **Malaysia** and the **United Kingdom**), while **Switzerland** is the only surveyed jurisdiction setting the minimum board size at one member.

For management boards within two-tier systems, only **China** (19) and **France** (7) establish a maximum size requirement, while 18 jurisdictions set a minimum size requirement, usually in the range of one to three members. In **Portugal**'s hybrid system, 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 (Table 4.5).

Figure 4.1 Maximum term of office for board members before re-election

MAXIMUM TERM OF OFFICE	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	6 YEARS
Rule/ regulation	Canada Japan (C) (S) Russia Switzerland	Japan (A)	Argentina Australia Brazil Chile China India Italy Korea Malaysia Peru Saudí Arabia Singapore Turkey United States	Denmark Lithuania Norway Portugal Spain Sweden	Austria Estonia Germany Indonesia Latvia Poland Slovak Republic	Belgium France Greece Luxembourg Slovenia
Code	Finland Sweden United Kingdom	Norway	Hong Kong (China)	France Netherlands	Hungary	

No maximum term
Colombia, Costa Rica, Czech Republic, Iceland, Ireland, Israel, Mexico, New Zealand, South Africa

Note: Refers to both 1-tier and 2-tier boards, with requirements for 2-tier boards applying to the supervisory board. "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.

All but nine of the surveyed jurisdictions have established maximum terms of office for board members before re-election, with three-year terms being the most common practice, and annual re-election for all board members being required or recommended in seven jurisdictions.

The maximum term of office for board members before re-election varies from one to six years, with the majority of jurisdictions (14) requiring or recommending that it be set at three years. While there are no compulsory limits on the number of re-elections of board members in any jurisdiction, some jurisdictions

provide requirements underpinning the re-election of board members to promote their independence. For example, in **Indonesia**, supervisory board members can be appointed for more than two term periods as long as they explain why they consider themselves independent at the general shareholder meeting.

Annual re-election for all board members is required or recommended in seven jurisdictions (**Canada**, **Finland**, **Japan**, **Russia**, **Sweden**, **Switzerland** and the **United Kingdom**) (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. For instance, in the **United States**, 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 be staggered. In **Hong Kong (China)**, one-third of the directors are required to retire from office by rotation at each annual shareholder meeting.

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.

All but four of the surveyed jurisdictions (**Czech Republic, Germany, Luxembourg** and **Slovak Republic**) require or recommend a minimum number or ratio of independent directors. Five jurisdictions have established binding requirements for 50% or more independent board members for at least some companies (**Hungary**, **India**, **Korea**, **South Africa** and **United States**). By contrast, a much larger group of 20 jurisdictions have established code recommendations for a majority of the board to be independent on a “comply or explain” basis, including seven jurisdictions with one-tier boards, five jurisdictions with two-tier boards, seven offering both systems, and Portugal as a hybrid model (Figure 4.2). Another 21 jurisdictions have established minimum independence requirements for at least two to three board members and/or at least 30% of the board. Many 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 (including **Brazil**, **Greece**, **Israel**, **Italy**, **Japan**, **New Zealand**, and **Norway**).

In some jurisdictions, provisions vary depending on companies’ board structures and market capitalisation. For instance, in **Korea**, while the minimum ratio of more than 50% and at least 3 independent directors applies to the largest listed companies, public companies with equity capital valued at less than 2 trillion won are required to elect at least 25% independent directors. In **Russia**, while it is recommended that independent directors comprise one third of the board, one-tier boards of listed companies are required to have at least 20% (but no less than 3) independent directors, and two-tier boards are required to have no less than 2 independent directors. In the case of **India**, while the separation of Chair and CEO is voluntary, two thresholds are shown with a lower threshold applying when the CEO and Chair are separated.

Japan amended the Companies Act in 2014 and introduced a more demanding 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. However, the Companies Act was amended again in 2019 to require those companies to appoint at least one outside director, meaning that they can no longer avoid appointing an outside director by explaining the reason. Moreover, **Japan’s** Corporate Governance Code recommends that companies appoint at least two independent directors on a “comply or explain” basis.

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

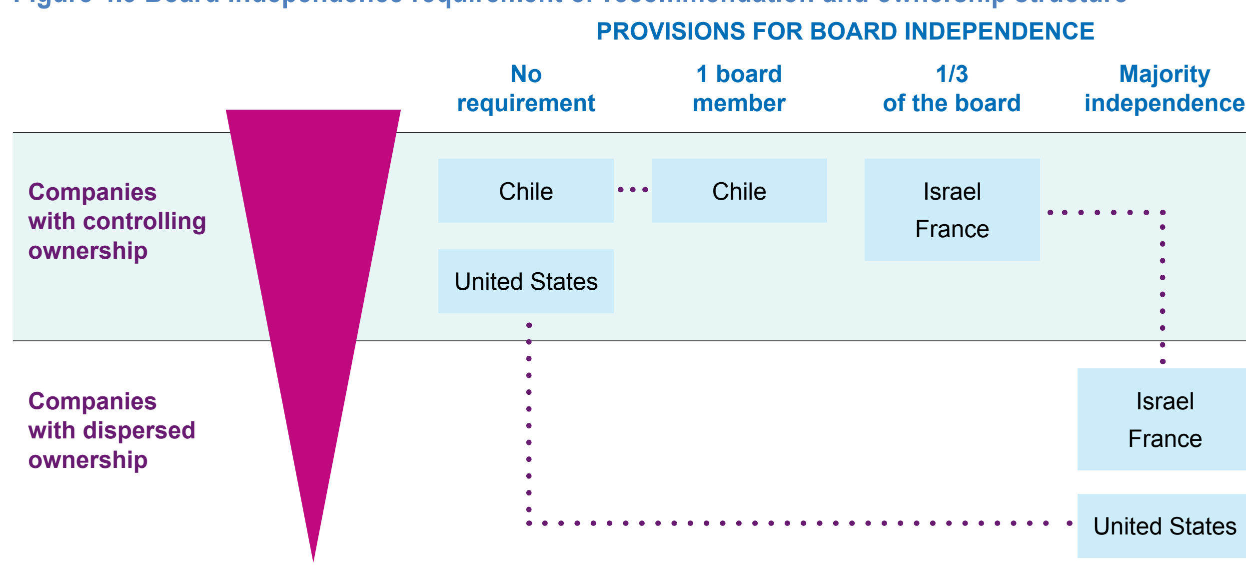
Blue denotes Rule/regulation
Black italic denotes Code

Board type	CEO ≠ Board Chair		No threshold	Minimum number: 1 person	Minimum number: 2-3 persons	Minimum ratio: 20-25%	Minimum ratio: 30-49%	Minimum ratio: 50%+
One-tier board	CEO ≠ Board Chair	REQUIRED			Israel Greece	Colombia	*Israel* *Greece*	*Israel* *Sweden*
	CEO ≠ Board Chair	RECOMMENDED			Belgium Costa Rica Hong Kong (China) New Zealand Malaysia		Hong Kong (China) Malaysia *Peru* Singapore *Turkey*	*Australia* *Ireland* *New Zealand* *Singapore* *United Kingdom*
				Chile	*Turkey* Canada Greece Saudi Arabia Spaln	Mexico	Saudi Arabia India *Turkey*	India Korea United States
One-tier board or two-tier board (supervisory)	CEO ≠ Board Chair	REQUIRED			Norway	Brazil	Lithuanla	*Denmark* *Netherlands* *Norway*
	CEO ≠ Board Chair	RECOMMENDED	Slovak Republic				*Brazil*	*Finland* *Switzerland*
			Czech Republic Luxembourg				France	Hungary *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*

Note: Jurisdictions displayed in sections with blue background signify those with requirements or recommendations on split between CEO/Board chair applying to one-tier boards; jurisdictions in the white background areas have no provisions on CEO/Chair split. Jurisdictions in blue text signify provisions by "Rule/regulation" including requirements by listing rule. Jurisdictions in black italics signify code recommendations. Japan (A), (C) and (S) denote 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.

Five of the surveyed jurisdictions link board independence requirements or recommendations with the ownership structure of a company. In four of these jurisdictions (**Chile**, **France, Israel** and the **United States)**, 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



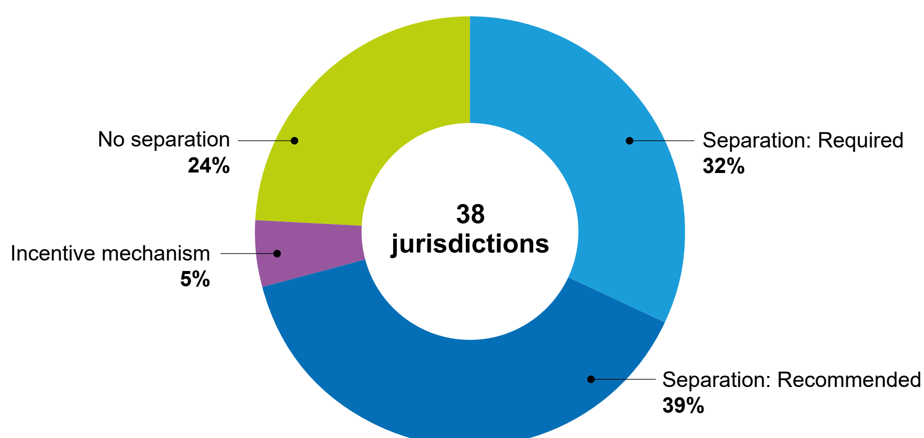
Note: In Israel, the correlation between the board independence requirement and the ownership structure of a company is set in a list of recommended (not binding) rules set forth in the First Addendum to the Companies Law. In Chile, the waiving of a requirement for independent board members occurs in 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 76%, compared to just 36% reported in 2015.

While only 32% 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 44% of jurisdictions. Overall, this growth reflects a continuing trend, with a sharp increase since 2015, when only 11% of surveyed jurisdictions with one-tier boards required separation, and just 25% recommended it in codes. Twelve jurisdictions require and 15 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 approval by a majority of disinterested shareholders, or if no more than two percent of all shareholders object to such nomination.

Overall, for two-tier board systems, the separation of the Chair of the board of directors from the CEO is assumed to be required as part of the usual supervisory board/management board structure. However, in **Russia**, executive directors are allowed to serve on the supervisory board but cannot serve as Chair.

Figure 4.4 Separation of CEO and chair of the board in one-tier board systems



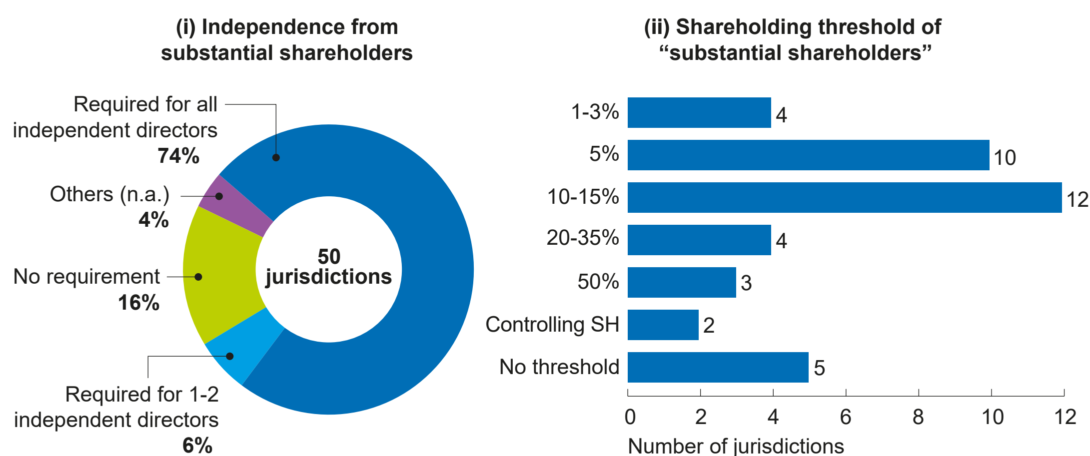
Note: The two jurisdictions denoted as "Incentive mechanism" set forth a higher minimum ratio of independent directors on boards where the chair is also the CEO. See Table 4.6 for data.

National approaches to defining 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 include requirements or recommendations that they be independent of substantial shareholders (80%, an increase from 64% in 2015), the shareholding threshold of substantial shareholders ranges from 2% to 50%, with 10% to 15% the most common (in 12 jurisdictions), followed closely by the adoption of a 5% threshold (in 10 jurisdictions) (Figure 4.5). In **Russia**, while it is recommended that the director not be considered independent if owning more than 1% of shares with voting rights, the code also recommends that a director not be considered independent if the market value of shares owned exceeds 20 times the annual fixed fee due to this director.

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.

Another significant variation occurs with regard to maximum tenure. Twenty-eight of the surveyed jurisdictions set a maximum tenure as an independent director, varying from 5 to 15 years (with 8-10 years most common). At the expiration of the tenure, these directors are required or recommended to no longer be regarded as independent (in 21 jurisdictions), or need an explanation regarding their independence (in seven jurisdictions) (Figure 4.6). In the case of **Israel,** following the maximum 9-year tenure of an independent board member, the director is not only no longer considered independent but also must end his or her term on the board. Also of note, **Iceland** requires an explanation regarding board independence, but without relation to number of years served. In addition, some jurisdictions have introduced exceptions and special provisions. For instance, in **Singapore**, effective from 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). In **India**, independent directors can be appointed for a term up to a period of five years and are eligible for re-appointment for another five-year term upon the passing of a special resolution by the company. After a cooling off period of three years, they can present themselves for re-appointment as independent directors.

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 and **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 addition, **Brazil** has a unique provision requiring at least one employee representative to the board applying only to state-owned enterprises (including listed SOEs). In **Germany,** companies with more than 2 000 employees must have employees and union representatives comprise 50% of the supervisory board, with the Chair providing the deciding vote. In **Sweden**, there is no requirement for employee board representation but there is a statutory right for employees to appoint up to three representatives (not to exceed 50% of the board), depending on the size of the company. 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 (90%) require an independent audit committee. Nomination and remuneration committees are not mandatory in most jurisdictions, although a similar proportion of jurisdictions at least recommend these committees to be established and often to be comprised wholly or largely of independent directors.

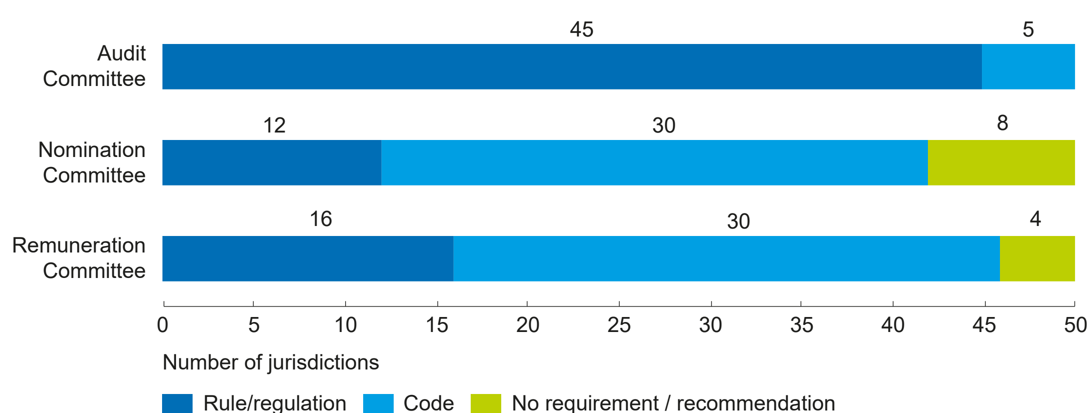
Audit committees have traditionally been a key component of corporate governance regulation, and 90% of jurisdictions now require listed companies to establish an independent audit committee, while the remaining jurisdictions recommend it in corporate governance codes (Figure 4.7, Table 4.9). The key 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. Amendments to the Directive that took effect in 2016 also establish a list of permitted non-audit services requiring audit committee approval, and require audit committees to issue guidelines regarding the provision of tax and valuation services if an EU Member State exercises its option to permit the auditor to provide such non-audit services. In the **United States**, the Sarbanes-Oxley Act of 2002 requires 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. While some jurisdictions (**Sweden** and **Finland)** allow some flexibility to enable the audit committee's legally required tasks to be carried out by the full board, they have nevertheless been counted among jurisdictions that require audit committees, since their tasks are required.

Nomination and remuneration committees are not mandatory in most jurisdictions as only 24% and 32% of jurisdictions have the requirement respectively. However, an additional 60% 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 nomination and remuneration committee.

Figure 4.7 Board-level committees by category and jurisdiction

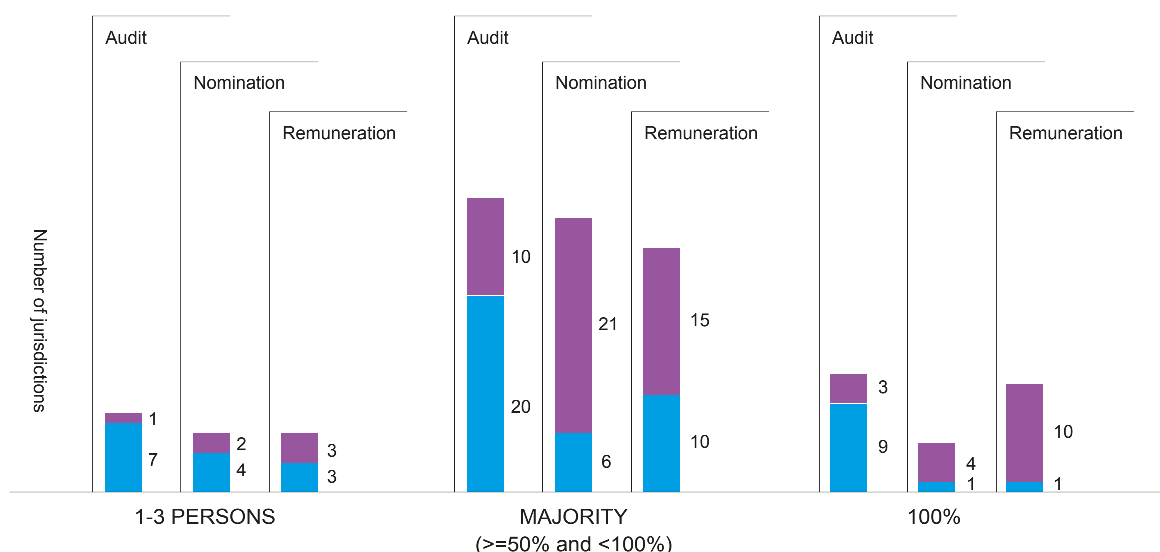


Note: Based on 50 jurisdictions. See Table 4.9 for data.

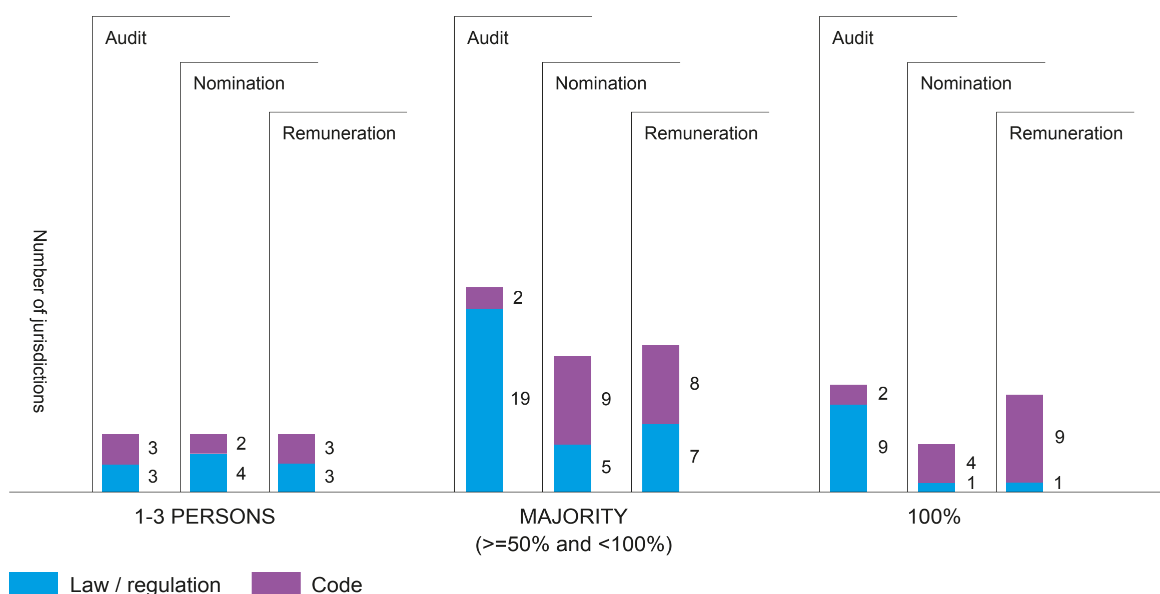
Full or majority independent membership is required or recommended for all three committees in most of the jurisdictions. For example, remuneration committees are required or recommended to have a majority or full independence in 72% of jurisdictions, while nomination committees have such provisions in 64% of jurisdictions. For both remuneration and nomination committees, code recommendations are far more common than legal requirements concerning committee independence. Only in the case of audit committees, however, do a substantial majority of jurisdictions (58%) require the audit committee to have at least a majority of independent directors, while 26% recommend such independence in their codes. (Figure 4.8).

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

Committee members independence



Committee Chair independence



Note: The upper figure shows the number of jurisdictions overall and the specific provisions for independence for the members of the audit, nomination and remuneration committees. The lower figure shows the number of jurisdictions that require or recommend committee chair independence, differentiated by their overall requirements or recommendations for independence among members of the three types of committees. Based on 50 jurisdictions. Jurisdictions with multiple requirements or recommendations counted more than once. See Table 4.9 for data.

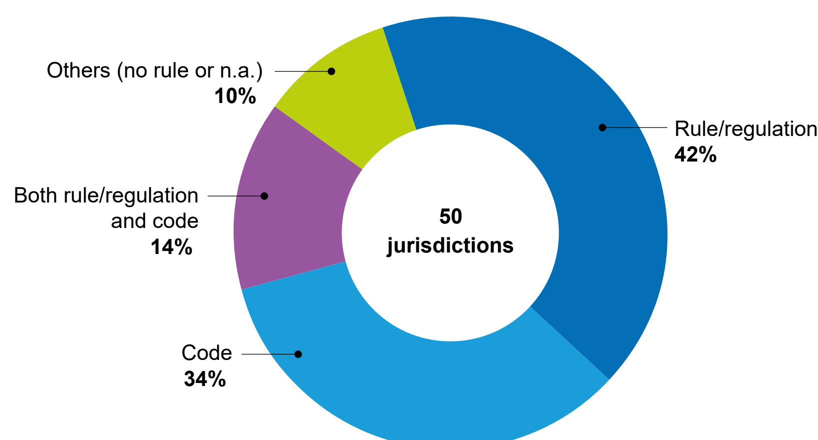
In the case of committee chairs, again it is audit committees where requirements are most common (in 62% of jurisdictions), whereas the independence of the chair is more frequently a code recommendation in nomination and remuneration committees. The **Swedish** code recommends that the largest shareholders (or their representatives) make up the majority of a nomination committee.

Risk management has been one of the most dynamic fields for market regulation in recent years. Provisions for companies to assign a risk management role to board level committees have grown from 62% of jurisdictions in 2015 to 90% by the end of 2020. Provisions for internal control and risk management systems have grown even more sharply since 2015, from 62% to 96%.

Explicit legal requirements or recommendations on risk management have grown significantly since the 2008 financial crisis. In particular, 90% 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.

A majority of jurisdictions surveyed (56%) also now have requirements regarding the board's responsibilities with respect to risk management in the law or regulations (including 14% that have both rule and code provisions), while another 34% recommend it solely 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.

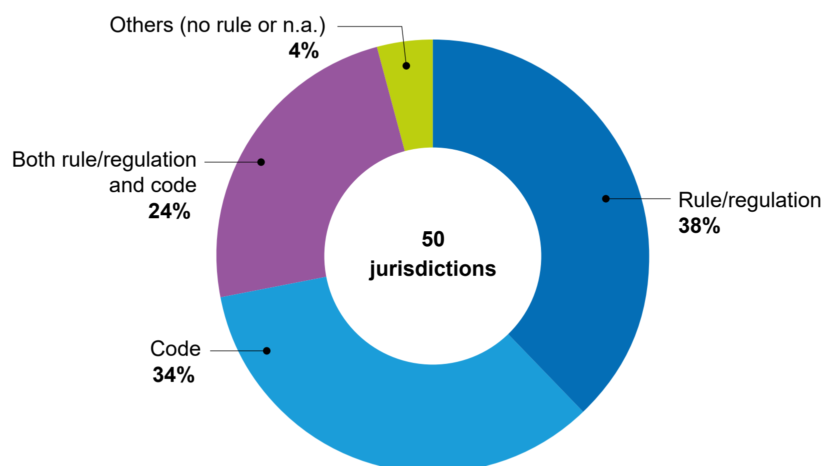
Figure 4.9 Board responsibilities for risk management



Note: Based on 50 jurisdictions. See Table 4.10 for data.

Implementing an enterprise-wide internal control and risk management system (beyond ensuring the integrity of financial reporting) is now almost universally required or recommended in 96% of surveyed jurisdictions, well above the 62% reported in the 2015 edition of the Factbook (Figure 4.10). This includes 62% with a legal requirement (including 24% who have rules supplemented by code recommendations), and an additional 34% that only recommend such practices in their codes.

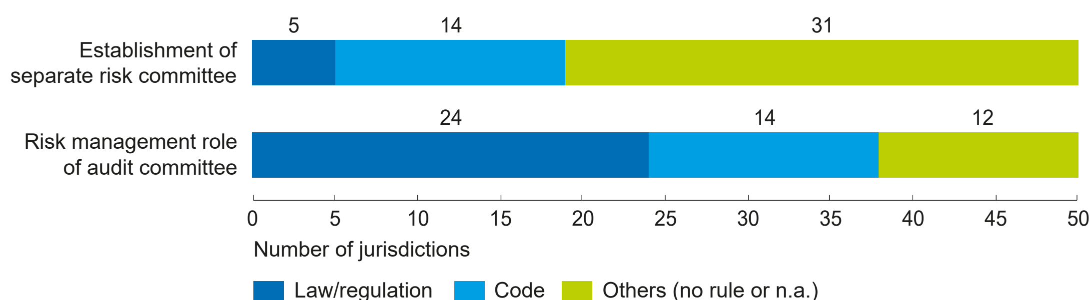
Figure 4.10 Implementation of the internal control and risk management system



Note: Based on 50 jurisdictions. 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, 2014b). More than half of jurisdictions now mandate the audit committee or a separate risk committee to address risk management. Taking into account code recommendations, the audit committee remains the preferred choice in 38 jurisdictions, while risk committees are required or recommended in 19 jurisdictions (Figure 4.11). While requirements or recommendations to establish separate risk committees remain limited to 38% of all jurisdictions, this is still more than double the percentage reported 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. It is also worth noting that 13 jurisdictions have requirements or recommendations pertaining to both the audit committee's risk management role and establishment of a separate risk committee, presumably permitting either model or a combination of the two. The **United Kingdom** takes such an approach with its Code recommendation that audit committees cover risk management, while also allowing for the use of risk committees and for splitting the function across separate audit and risk committees.

Figure 4.11 Board-level committee for risk management



Note: Based on total number of provisions across 50 jurisdictions. Jurisdictions with requirements or recommendations related to both committees are counted twice. See Table 4.10 for data

4.3. Auditor independence, accountability and oversight

The *G20/OECD Principles of Corporate Governance* recognise that the quality of a company's financial reporting, supported by an independent external audit, serve as key elements of a company's corporate governance framework necessary to ensure market confidence, accountability and good corporate governance. In particular, Principle V.C outlines that annual audits should be conducted by an independent, competent and qualified, auditor in accordance with high-quality auditing standards in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.

All surveyed jurisdictions require that an external auditor be appointed to perform an audit of the financial statements of publicly listed companies, including assessing compliance with applicable federal/state or industry-specific regulations, laws, and standards. In 86% of the surveyed jurisdictions, the shareholders have the primary responsibility for appointing and/or approving the external auditor (Figure 4.12). Several of these jurisdictions referred to a divided responsibility for appointing the external auditor based on a proposal by the board that must be approved by the shareholders (**Argentina**, **Colombia**, **Ireland**, **Saudi Arabia**, **South Africa**, **Singapore** and **Switzerland**).

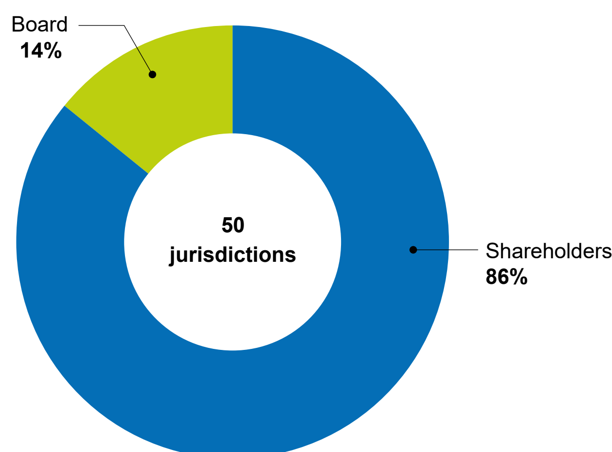
Some jurisdictions also provide for the board to appoint the auditor if the shareholders fail to do so, or if the position remains vacant within a certain period of a company's registration (**Australia**, **Canada**, and the **Netherlands**). In some jurisdictions, while the shareholders have the primary responsibility to appoint the external auditor, the board may appoint the first external auditor at any time before the first annual general meeting (**Israel**, **Malaysia**, and **Singapore**). While in some jurisdictions, such as **Finland**, the board can never appoint the auditor and has to inform the registrar of companies to nominate an auditor if the shareholders have not otherwise done so, in other jurisdictions, such as **Indonesia** and **Peru**, the board can appoint the external auditor if shareholders delegate their authority.

In **Japan**, although external auditors are appointed by resolutions of shareholder meetings, statutory auditors (Kansayaku) determine candidates for appointment as external auditors. Statutory auditors are appointed by shareholder meetings and are different from external auditors, as they include both internal and external statutory auditors, and their principal role is to audit activities of directors from a legal viewpoint. Japan's Companies Act requires certain large companies to have committees of statutory auditors comprised of at least half of external auditors.

In **Germany**, the external auditor is appointed/approved by shareholders, except for insurance undertakings, where it is appointed/approved by the board. Likewise, in **Luxembourg**, the general rule is that shareholders appoint the external auditors, except in the case of banks and credit institutions, where the auditor is appointed by the board.

In seven of the 50 surveyed jurisdictions, the board has the primary responsibility for appointing the external auditor (**Brazil**, **Costa Rica**, **Korea**, **Mexico**, **New Zealand**, **Poland**, and **the United States**). Some jurisdictions noted that companies may adopt complementary practices. For example, in the **United States**, many companies seek shareholder ratification of the appointment of the auditor. In **Brazil**, the appointment and destitution of external auditors by the board of directors is subject to veto, duly substantiated, by directors elected by minority shareholders.

Figure 4.12 Responsibility for appointing/approving an external auditor



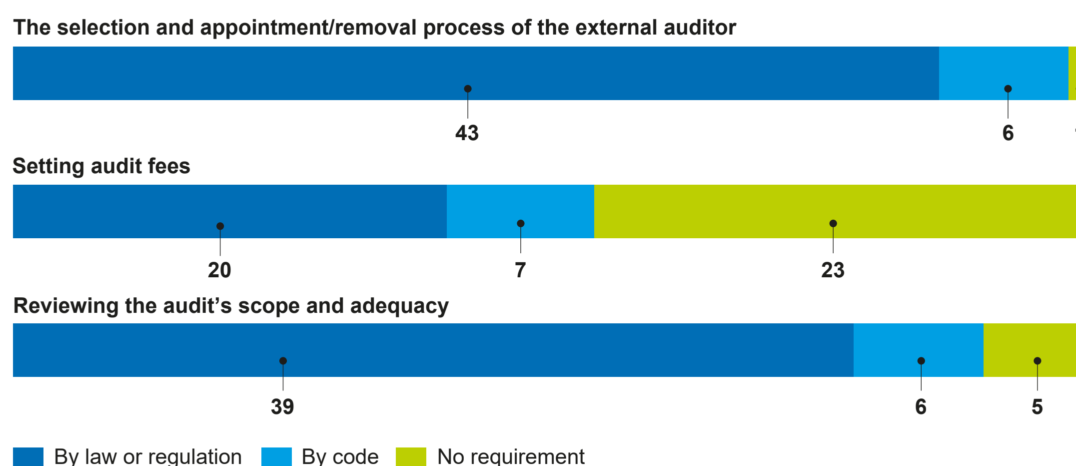
Note: Based on 50 jurisdictions. See Table 4.11 for data.

The Principles state that it is good practice that external auditors be recommended by an audit committee independent of the board. The 2014 European Audit Directive and Regulation, which introduced expanded responsibilities of the audit committees of public interest entities, also requires the audit committee to monitor the audit process and to recommend at least two audit firms to the board, with a justified case for one.

In 49 out of the 50 surveyed jurisdictions, the audit committee is required or recommended to play a role in the selection and appointment or removal process of the external auditor of listed companies (Figure 4.13). The type of role that the audit committees' recommendations to the board plays in the selection or removal process of the auditor varies across jurisdictions. In the **United Kingdom**, legislation requires all companies with securities traded on regulated markets, as well as all deposit holders and insurers, to have an audit committee to select the auditor for the board to recommend to the shareholders. For the largest public companies, the board must accept the audit committee's recommendation, and for others, the shareholders must be informed of any departure by the board from the recommendation. In **Sweden**, the audit committee makes its recommendation regarding auditor appointment directly to the nomination committee composed of shareholder representatives, which then submits its proposal to shareholders for approval

In 90% of the surveyed jurisdictions, the audit committee also plays a role in reviewing the audit's scope and adequacy. While this function of the audit committee is required by law or regulation in a majority of jurisdictions (39), including four where the legal requirement is complemented by additional code recommendations (**Latvia**, the **Netherlands**, **Portugal**, and **Russia**), it is solely recommended by code in six jurisdictions. **The audit committee is involved in setting the audit fees in more than half (54%) of the surveyed jurisdictions**. In some jurisdictions, the audit committee's recommendations to the board regarding audit fees are binding. For instance, in the **United Kingdom**, for the largest public companies, the board is bound by the audit committee's recommendation of the auditor's fees and decision as to the scope of the audit, although for all companies, the fees must be recommended to the shareholders for approval.

Figure 4.13 Role of the audit committee in relation to the external audit



Note: Based on 50 jurisdictions. Jurisdictions with both requirements and recommendations regarding the role of the audit committee in the selection/removal process of the external auditor, and in reviewing the audit's scope and adequacy are only counted once under the category of "by law or regulation". See Table 4.11 for data.

In order to promote the independence and accountability of external auditors for publicly listed companies, jurisdictions have adopted such provisions as mandating auditor rotation, and prohibiting or restricting non-audit services procured by external auditors for their audit clients, such as tax services.

Almost all jurisdictions have requirements or recommendations for listed companies to rotate their external audit providers after a given period, with only two jurisdictions having no such provisions (**Argentina** and **Canada**). While this survey of jurisdiction practices requested information on provisions applicable to audit firm rotation (adopted in 32 jurisdictions) rather than individual auditor rotation, many jurisdictions provided additional information indicating that they have adopted provisions for both audit firms and partner or lead auditors (in 11 jurisdictions), and for individual auditors when rotation is not applied to audit firms as a whole (in 15 jurisdictions).

In terms of provisions applicable to audit firms and their auditors in particular, the maximum term years before rotation is required range between five and 24 years, with a majority of jurisdictions falling in the 10 and 10+ years categories (28% and 41%, respectively) (Figure 4.14). This is in line with the rules introduced by the 2014 European Audit Regulation, which requires public interest entities to rotate their audit providers at least every 10 years, with a possibility to extend this period to a maximum of 20 years where a public tender is held after 10 years, or 24 years for joint audits. Overall, many jurisdictions subject to the European Audit Regulation have set the initial duration of engagement period at 10 years, and are using the option to allow extensions of the term. Among jurisdictions outside of the EU, the most common approach to rotation of audit firms is to have shorter limits, in the 5 to 10-year range.

More than four-fifth of surveyed jurisdictions (82%) provide for a cooling off period before re-appointment of the same auditor after mandatory rotation, including 22% with provisions applicable to lead or partner auditors. Of these, a few jurisdictions report differing cooling off periods depending on the role of the auditor. For instance, in **New Zealand** and **Russia**, engagement partners are subject to five-year cooling off periods, while auditors responsible for the engagement quality control review are subject to three-year periods, and other key audit partners are subject to two-year periods. Of the 30

jurisdictions providing for cooling off periods applicable to audit firms only, a majority of jurisdictions (17) provide for a minimum period of four years, in line with provisions of the 2014 European Audit Regulation.

Figure 4.14 Maximum term years before mandatory audit firm rotation

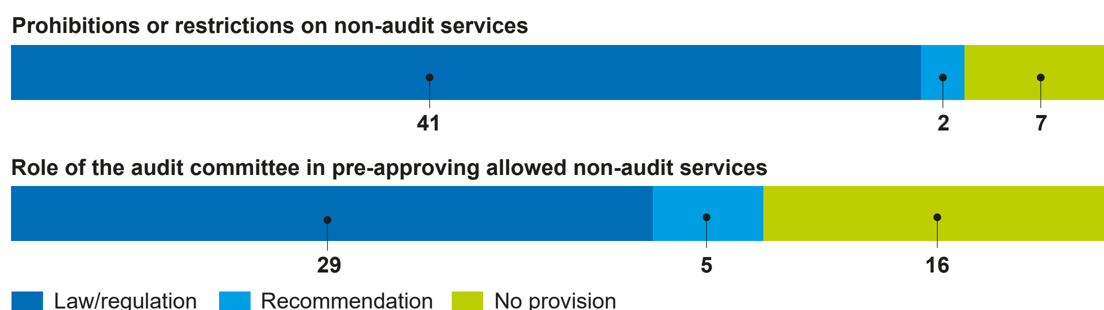
Note: Based on 32 jurisdictions with requirements or recommendations for audit firm rotation. See Table 4.12 for data.

All but seven jurisdictions have introduced provisions prohibiting or restricting the auditor from providing non-audit services to any listed company for which it is the external auditor, in the aim of safeguarding the independence of the external auditor of listed companies (Figure 4.15). The Principles state that the procurement of non-audit services by external auditors to their audit clients can significantly impair their independence and might involve them auditing their own work. To deal with the skewed incentives which may arise, some jurisdictions also require the disclosure of payments to external auditors for non-audit services. For instance, in **Singapore**, while the Listing Manual does not prohibit or restrict the use of non-audit services, the aggregate amount of fees paid to auditors, broken down into audit and non-audit services, must be disclosed in the annual report of listed companies.

In 58% of surveyed jurisdictions, external auditors can provide any non-audit service to the audited listed company that is not explicitly prohibited, if approved by the audit committee following an assessment of the threats to independence and the safeguards in place to mitigate those threats. Five additional jurisdictions have code recommendations that the audit committee review and approve such services. For instance, in **Singapore**, the audit committee must also confirm that it has undertaken a review of all non-audit services provided by the auditors and that they would not, in the audit committee's opinion, affect the independence of the auditors.

The 2014 European Audit Regulation limits non-audit services provided by the external auditor to public interest entities. Although European member states can take the option to permit certain services upon the approval of the audit committee, permitted services are subject to a cap of 70% of the average of the fees paid in the last three consecutive financial years for the external audits of the audited entity. Overall, a 2017 European Commission report finds that the new audit rules have boosted the role and powers of the audit committees (European Commission, 2017).

Figure 4.15 Provisions on non-audit services



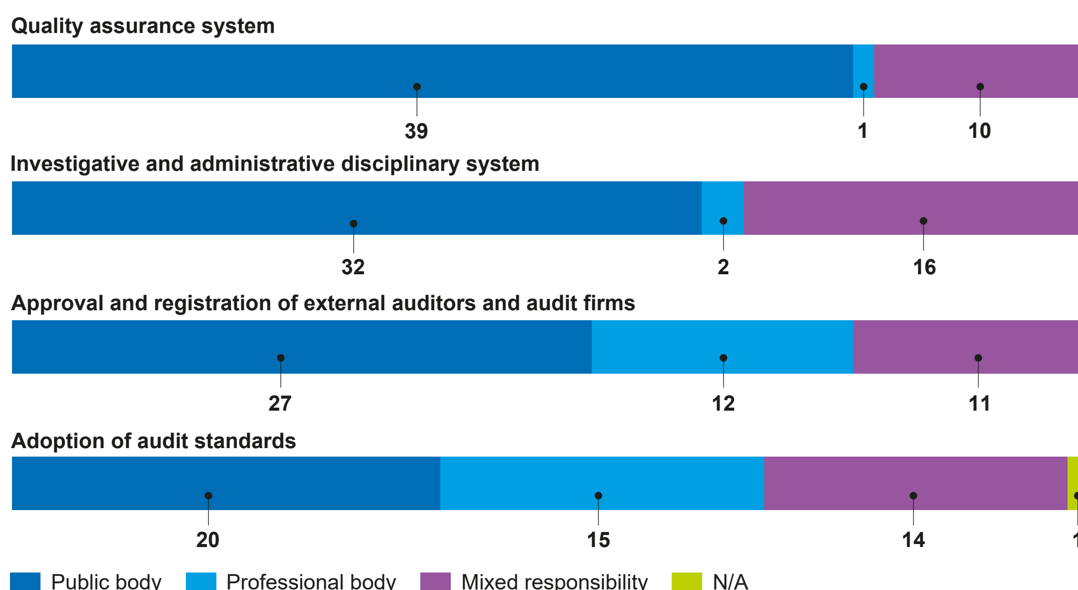
Note: Based on 50 jurisdictions. See Table 4.12 for data.

The G20/OECD Principles also outline that the designation of an audit regulator, independent from the profession, and in a form consistent with the Core Principles of the International Forum of Independent Audit Regulators (IFIAR) is an important factor in improving audit quality.

While all surveyed jurisdictions have public oversight bodies responsible for supervising the audit profession and monitoring compliance with requirements for auditors' independence and conduct, all but three jurisdictions also have professional auditor/accountancy bodies providing regulation and oversight over individuals and firms operating in the accountancy industry.

In most jurisdictions (78%), the public oversight body is in charge of supervising or directly carrying out quality assurance reviews or inspections for audits of all listed entities that prepare financial reports, while these responsibilities are split between the professional and public body in 20% of surveyed jurisdictions. The public oversight body is also responsible for carrying out investigative and disciplinary procedures for professional accountants in a majority of jurisdictions (64%), while responsibilities are split in 32% of surveyed jurisdictions. On the other hand, many surveyed jurisdictions rely to a greater degree on delegation to professional accountancy bodies for the approval and registration of auditors and audit firms (24%) and the adoption of audit standards (30%), while these tasks are carried out by both the professional and public oversight body in 22% and 28% of jurisdictions, respectively (Figure 4.16). Public oversight bodies for audit most frequently obtain their financing via fees assessed on the audit profession or audited entities (in 21 jurisdictions), while public oversight bodies in an additional 13 jurisdictions rely on both fees and government funding. Just 13 jurisdictions rely exclusively on the government budget to fund their operations (Table 4.13).

Figure 4.16 Audit oversight



Note: Based on 50 jurisdictions. See Table 4.13 for data.

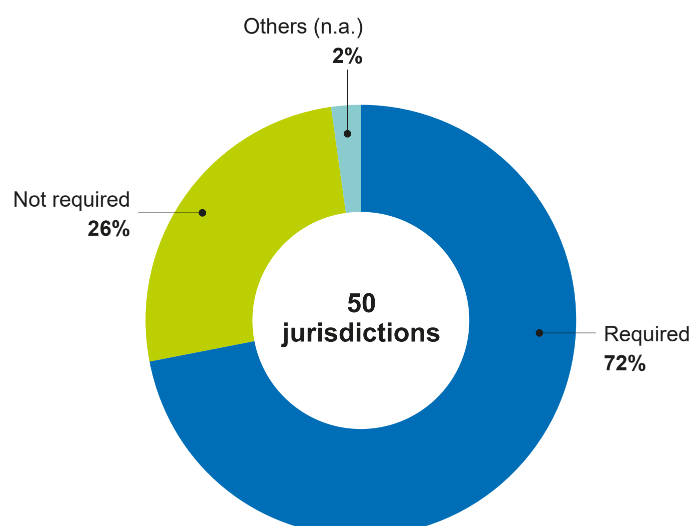
4.4. Board nomination and election

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 substantial majority of jurisdictions have established majority voting requirements for board elections (72%, up from just 39% who reported such requirements in the 2015 Factbook edition), usually for individual candidates (i.e. not for a slate) (Figure 4.17). In the **United States**, the Delaware Law's default rule is plurality voting, although companies may provide for cumulative voting.

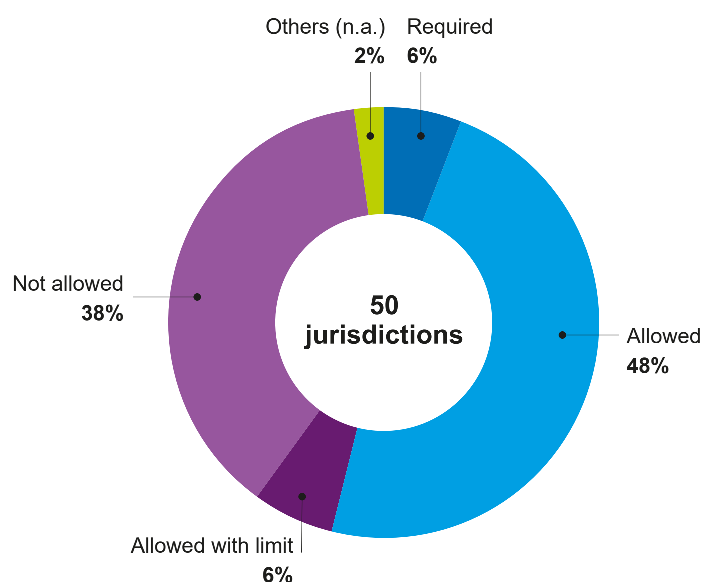
Figure 4.17 Majority voting requirement for board election



Note: Based on 50 jurisdictions. See Table 4.14 for data.

Most jurisdictions allow cumulative voting for electing members of the board, but only a few jurisdictions require it (**China**, when the controlling shareholder(s) have at least 30% of the voting shares, as well as **Russia** and **Saudi Arabia**). While 48% of jurisdictions allow cumulative voting and another 6% allow it with some limits, it has not been widely used by companies in jurisdictions where it is optional.

Figure 4.18 Cumulative voting



Note: See Table 4.14 for data.

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

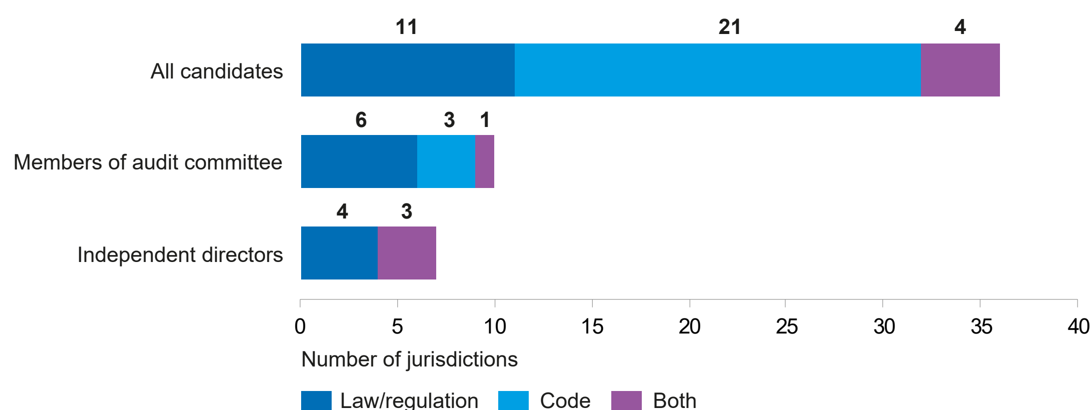
Nine jurisdictions have special voting arrangements to facilitate effective participation by minority shareholders (Table 4.15). In **Italy**, at least one board member must be elected from the slate of candidates presented by shareholders owning a minimum threshold of the company's share capital. However, the bylaws may reserve a higher number of board seats to minority shareholders. In **Israel**, appointment of all outside directors by a majority of minority shareholders is recommended for initial appointment and required for re-election. 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, Peru, Portugal, Spain** and **Turkey** have also established special arrangements to facilitate the influence of minority shareholders in the process of board nomination and election.

All but six jurisdictions have established requirements or recommendations for qualifications of at least some board appointees (either for independent directors, audit committee members or most commonly general criteria for all board members). While nearly three-quarters of all jurisdictions have established general requirements or recommendations for the qualifications of all board candidates, some jurisdictions give more emphasis to the balance of skills, experience and knowledge on the board, rather than to the qualifications of individual board members.

Regarding qualifications of candidates, 36 jurisdictions (72%) 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 seven jurisdictions), or members of audit committees (in 10 jurisdictions) (Figure 4.19; Table 4.16).

At least 28 jurisdictions require or recommend that some of the candidates go through a formal screening process, such as approval by the nomination committee (Table 4.16). In most cases, such screening processes are recommended as good practice in national codes. For example, 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. A much smaller number of jurisdictions have established legal or listing requirements for screening processes, including in several Asian jurisdictions (**China, India, Indonesia** and **Malaysia)**. Other jurisdictions with such requirements include **Chile**, where the Corporations Law requires that candidates for an independent director provide an affidavit stipulating their compliance with the legal requirements in the same article; and **Turkey**, where 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. **China** has established a listing requirement for the stock exchange to review independent board member candidates' qualifications. If the exchange raises an objection to a candidate, the board of directors of the listed company shall not propose that person as an independent director candidate for vote at the shareholders' general meeting.

Figure 4.19 Qualification requirements for board member candidates

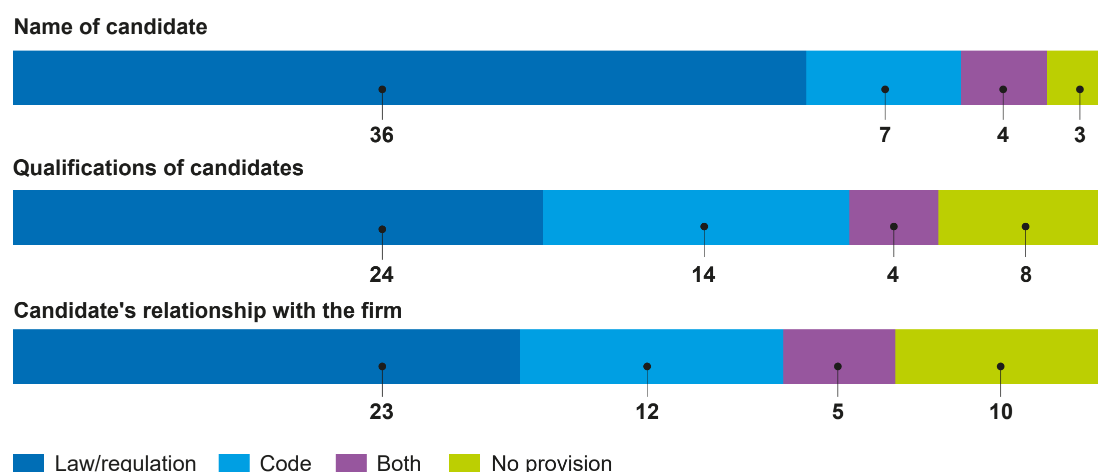


Note: This figure shows the number of jurisdictions in each category. Jurisdictions with several requirements are counted more than once. See Table 4.16 for data.

The number of jurisdictions requiring or at least recommending disclosure of relevant information to shareholders about board candidates has increased sharply.

The number of jurisdictions requiring disclosure of information about candidates' qualifications has grown from 41% of jurisdictions reporting in the 2015 edition of the Factbook to 56% by end 2020, while an additional 14 jurisdictions (28%) have solely established code recommendations encouraging such disclosure. More significantly, the number of jurisdictions requiring disclosure of information on the candidate's relationship with the firm has nearly doubled from 15 (37%) reported in 2015 to 28 (56%) by the end of 2020. Four-fifths of all jurisdictions now have either a requirement or recommendation for such disclosure. (Figure 4.20). 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 three by the end of 2020.

Figure 4.20 Information provided to shareholders regarding candidates for board membership



Note: Based on 49 jurisdictions. See Table 4.14 for data.

The market for managerial talent has developed with highly variable rates of CEO and executive turnover.

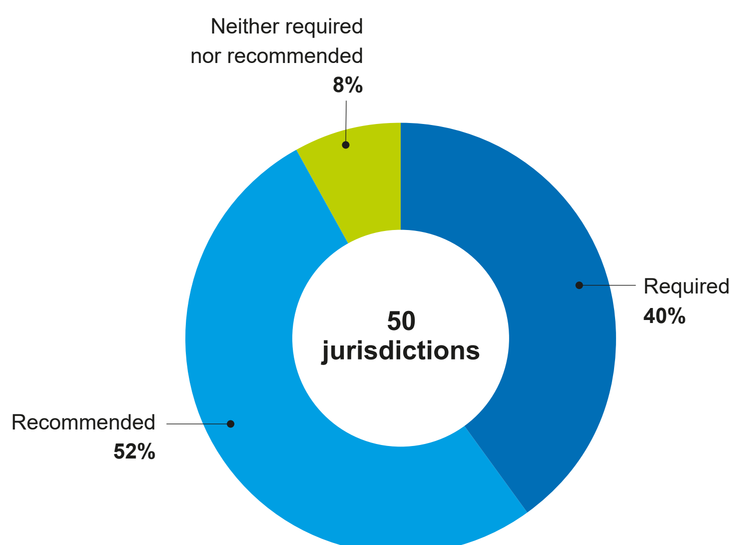
Regarding CEO and executive turnover (i.e. how frequently CEOs and executives move between companies), the market for managerial talent has been quite variable across OECD and G20 countries. While some smaller countries such as **Estonia, Korea** and **Portugal** report having stable internal markets with only relatively infrequent changes in CEOs and senior executives, some other countries have reported increasing turnover and mobility (such as **Germany** and **Sweden** (Table 4.17). A 2019 survey of the world's 2,500 largest publicly listed companies by PwC's Strategy& found highest CEO turnover rates during 2018 in **Australia, Chile** and **Poland** at 21.9%, followed closely by **Brazil, Russia** and **India** (21.6%) (PwC, 2011). Large listed companies in Western Europe were reported to have the next highest turnover rate (19.8%), while North American listed companies were reported to have the lowest turnover of any region in the study (14.7%)

4.5. Board and key executive remuneration

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

Since the 2008 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 independent board-level committees, 92% of jurisdictions have introduced general criteria on the structure of remuneration. Provisions tend to provide companies with substantial flexibility, with a majority (52%) establishing recommendations through the "comply or explain" system, and requirements often providing broad guidance (Figure 4.21).

Figure 4.21 Criteria for board and key executive remuneration



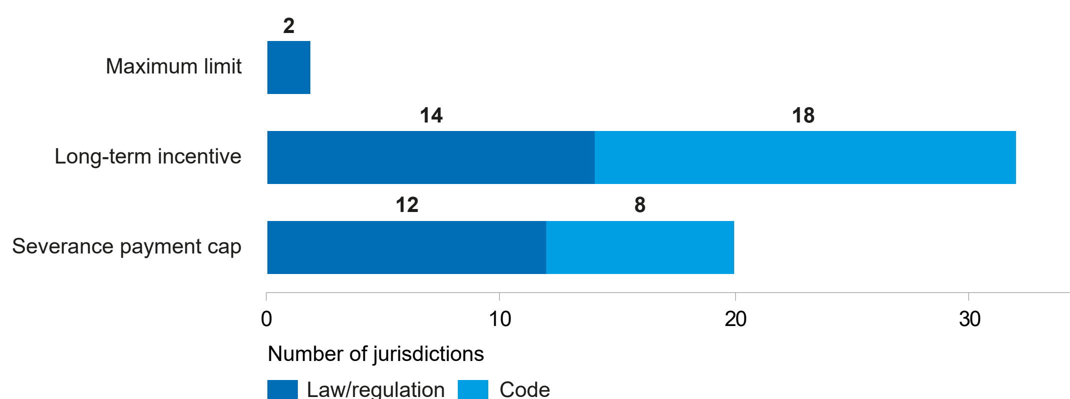
Note: See Table 4.18 for data.

For example, **China's** code recommends the use of long-term incentive mechanisms such as equity incentives, employee stock option plans, etc., while articles related to severance of payments "should be

fair and without prejudice to the legitimate rights of listed companies." **Italy** requires that variable remuneration, if awarded, be based on clear, comprehensive and varied performance criteria, taking into account, where relevant, corporate and social responsibility. The **Norwegian** Code recommends that the company should not grant share options to board members, and that their remuneration not be linked to the company's performance. **Turkey's** code recommends that independent director remuneration should not be based on profitability, share options or company performance.

A majority of jurisdictions with general criteria also set forth some more specific measures in their rules or codes. Long-term incentive mechanisms are most common, required or recommended in 64% 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 12 jurisdictions (24%), and are recommended in an additional eight jurisdictions. Only two jurisdictions have set maximum limits on remuneration (Figure 4.22). **Saudi Arabia** establishes a 500 000 Saudi Riyal (USD 133 000) upper limit for board member 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 the 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[1]) are rare for non-financial listed companies around the world.

Figure 4.22 Specific requirements or recommendations for board and key executive remuneration



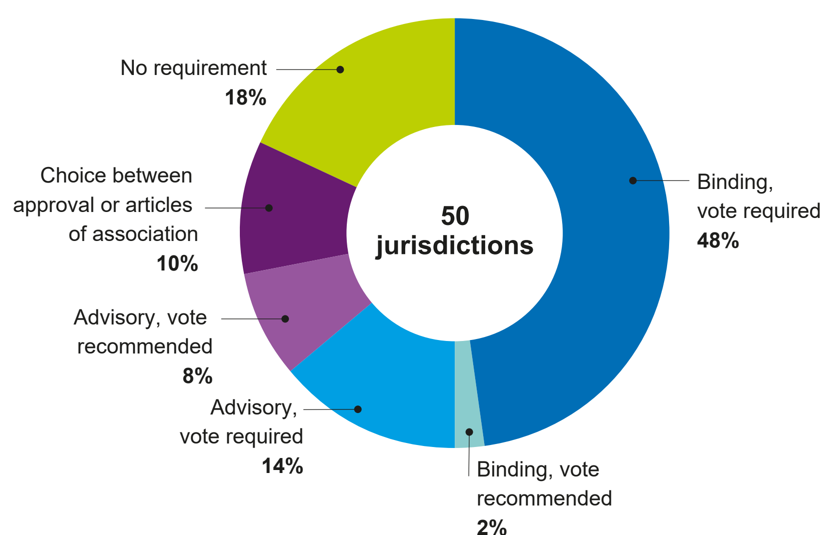
Note: Based on 50 jurisdictions; those with several requirements are counted more than once. See Table 4.18 for data.

Most jurisdictions have now established a role for shareholders to have a say on remuneration policy and pay levels, with 82% currently having provisions in place related to binding or advisory shareholder votes on remuneration policy. Binding votes on remuneration amounts have also become common (48%), with another 22% of jurisdictions requiring or recommending advisory votes. Besides the classification between binding and non-binding, there are wide variations among "say on pay" mechanisms in the scope of approval.

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

Many jurisdictions have adopted rules on prior shareholder approval of equity-based incentive schemes for board members and key executives. In addition to the 48% of jurisdictions requiring a binding vote on remuneration policy, one additional jurisdiction recommends a binding vote and another 10% allow for a choice between shareholder approval or alternative mechanisms determined through a company's articles of association. Beyond this, another 22% have code recommendations for either binding or advisory shareholder votes (Figure 4.23). **Norway** requires a binding vote only if the company chooses to use incentive pay, while **China**'s requirement for a shareholder vote only applies to directors.

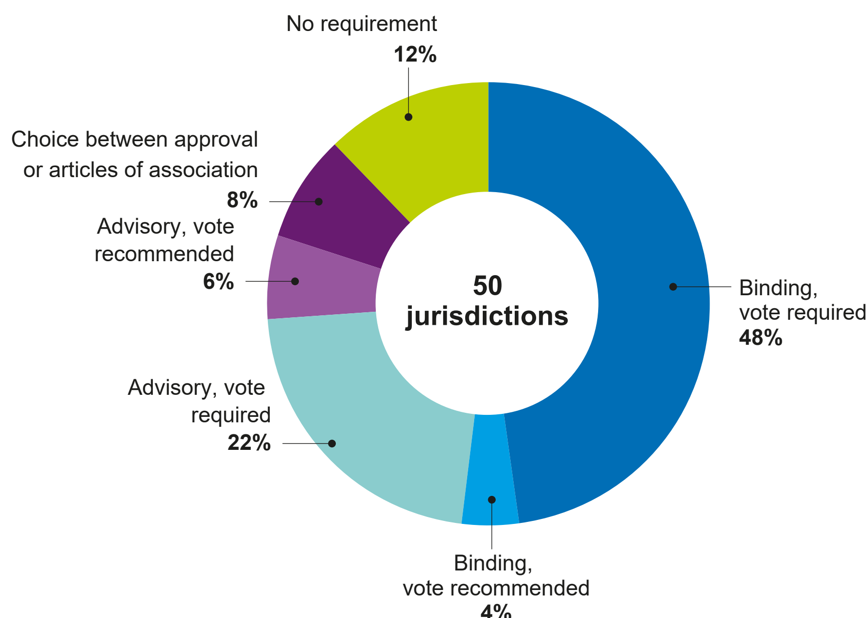
Figure 4.23 Requirement or recommendation for shareholder approval on remuneration policy



Note: See Table 4.19 for data.

Jurisdictions have established a similar mix of provisions with respect to requirements or recommendations for shareholder votes on the level and/or amount of remuneration (Figure 4.24). 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' requirements for shareholder votes on remuneration policy reported in recent years (Table 4.19).

Figure 4.24 Requirement or recommendation for shareholder approval on level/amount of remuneration



Note: See Table 4.19 for data.

On the other hand, the trend toward increased transparency of company remuneration policy and remuneration levels has continued over the last two years. 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 88% 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 4.25). More than four-fifths of jurisdictions (41) now require disclosure of remuneration policy, while a smaller number (7) leave this to voluntary recommendations. Only **Chile** and **Luxembourg** indicate that they have neither a requirement nor a recommendation for companies to disclose their remuneration policies.

As disclosure of individual remuneration can be a sensitive issue in some countries, a small number of countries limit required reporting on remuneration levels to total aggregate amounts for the board and in some cases key executives (required in **Mexico, Norway, Poland, Russia** and **Turkey**, while **Colombia**'s code recommends such disclosure). Only **Costa Rica** and **Luxembourg** have no reported requirements for disclosure of remuneration amounts. On the other hand, nearly all remaining jurisdictions now require at least individual remuneration levels and in most cases both total and individual remuneration. An exception to this is that **Singapore**'s disclosure of total and individual remuneration is recommended, while **Russia** and **Turkey** also report having code recommendations to disclose individual remuneration amounts.

Figure 4.25 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	Mexico Norway Russia Turkey	Hungary *Russia* *Turkey*	Argentina Australia Austria Belgium Brazil Canada Czech Republic Denmark Estonia Finland France Germany Greece Hong Kong (China) Iceland Indonesia India	Ireland Israel Italy Japan Latvia Lithuania Netherlands Portugal Saudi Arabia Slovak Republic Slovenia Spain South Africa Sweden Switzerland United Kingdom United States
	RECOMMENDED		*Colombia* Poland		Korea Malaysia New Zealand Peru *Singapore*	
	NO DISCLOSURE OF POLICY (or n.a.)	Luxembourg		Chile		

Note: "Rule/regulation" includes requirements by listing rules. See Table 4.19 for data. **Russia** and **Turkey** are shown twice due to differing legal requirements and code recommendations.

The extent to which remuneration disclosure is now required marks a major transformation of legal and regulatory frameworks over the past decade. 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. Disclosure of total *and* individual remuneration is now mandatory for listed companies in 38 jurisdictions (76%), with individual remuneration required in three additional jurisdictions and another three offering relevant code recommendations. These requirements usually apply to all board members and a certain number of key executives, although in some cases only applying above a certain income threshold. **New Zealand** may have the most transparent disclosure of remuneration, requiring such disclosure for all directors and employees making above NZD

100 000 (USD 72 000). Some jurisdictions take a more nuanced approach. For example, in **Hong Kong (China),** the listing rules require issuers to disclose the aggregate remuneration of the five highest paid individuals in their annual reports but they are not required to disclose their identities unless any of them are directors of the issuers, while senior management remuneration must be reported by band (not specific amounts). However, Hong Kong's Code recommends disclosure of any remuneration payable to members of senior management, on an individual and named basis.

4.6. Gender composition on boards and in senior management

The *G20/OECD Principles* 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). 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.

Evidence suggests that gender diversity on boards has spillover effects on board dynamics and governance. Since women are generally under-represented in "old boys' networks", more female directors might bring more independent views into the boardroom and strengthen its monitoring function by counteracting groupthink. Gender-diverse boards tend to have a wider range of backgrounds, experiences, perspectives, and problem-solving skills, which may contribute to better monitoring of executive behaviour, including by fostering closer scrutiny of the handling of conflicts of interest (OECD, 2012c).

Since the last biennium, 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.

In terms of disclosure requirements, 60% of the 50 surveyed jurisdictions report having established requirements or recommendations to disclose gender composition of boards, 11% higher than the previous biennium (49%). As of the end of 2020, 28% of jurisdictions have introduced such requirements with regards to senior management, compared to 22% as of the end of 2018. Out of the 30 jurisdictions that have adopted disclosure requirements or recommendations, almost half (14) require or recommend such disclosures for both boards and senior management (Figure 4.26).

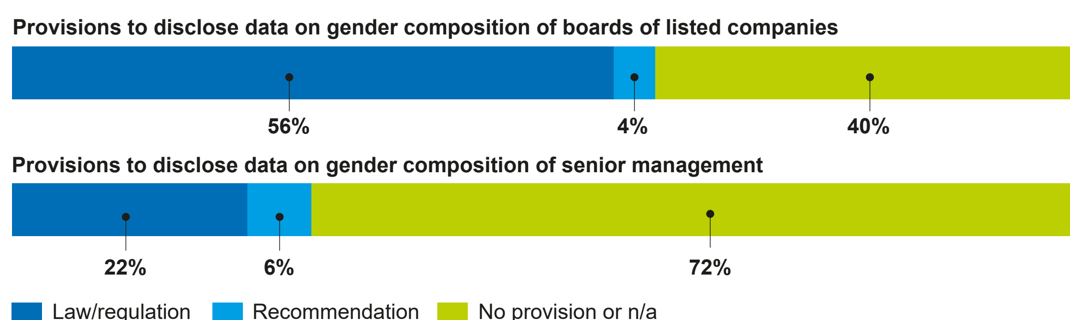
All but two of the 30 jurisdictions with disclosure provisions require the disclosure of the gender composition of boards by law or regulation, while it is solely recommended by code in **Australia** and **New Zealand**. Some jurisdictions that require the disclosure of boards' composition have adopted codes regarding such disclosures for senior management. For instance, in the **United Kingdom**, the corporate governance code was updated in 2018, and now requires companies to report on the gender balance of senior management in their annual reports and to provide details of company practices to encourage greater gender diversity on boards. In the **United States**, the SEC adopted a rule effective from late 2020 that requires a public company to provide a description of the company's human capital resources to the extent such disclosures would be material to an understanding of the company's business.

Some jurisdictions have focused legislative efforts on disclosure related to gender pay gaps as a means to enhance female participation in the labour force and in senior management. For instance, in **Australia** the 2012 Workplace Gender Equality Act requires non-public sector employers with 100 or more employees 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. In **France**, the 2018 Act for the freedom to choose one's future careers introduced the Gender Equality Index, comprising five criteria to assess gender pay gaps. Companies with more than 50 employees are required to disclose on their website their score on the Index out of 100 on a yearly basis. If it is less than 75 out of 100, they have three years to comply;

otherwise they are financially sanctioned up to 1% of their payroll. In **Switzerland**, the *Equal Opportunities Act* was amended in 2018 and now requires companies with at least 100 employees to carry out an internal wage equality analysis, which must be reviewed by an independent body, and must be published in the annex to their annual accounts. Employers are also required to inform the employees in writing of the result of the equal pay analysis within one year of the conclusion of the audit.

In addition to disclosure requirements regarding the gender composition of boards, some jurisdictions also mandate or recommend the disclosure of gender diversity policies for board members on a comply or explain basis. For instance, in **Hong Kong (China)**, although there are no requirements for disclosure on gender composition of boards, the Listing Rules require the nomination committee (or the board) of a listed company to have a diversity policy for board members, and to disclose this policy in their annual reports. In addition, a listing applicant with a single gender board is required to disclose and explain measurable objectives set for implementing gender diversity, and measures it has put in place to achieve gender diversity on its board after listing. Likewise, in **Singapore**, while the Code recommends that listed companies set and disclose a board diversity policy and progress in achieving their objectives in their annual reports, listed companies are required to disclose information under comply or explain listing requirements.

Figure 4.26 Provisions to disclose data on the gender composition of boards and of senior management



Note: N/A = Information not available. See Table 4.20 for data.

To foster gender diversity on boards, almost a quarter of surveyed jurisdictions (24%) have adopted mandatory quotas for listed companies requiring a certain percentage of board seats to be filled by women, while a slightly higher and growing share of jurisdictions (30%) rely on more flexible mechanisms such as voluntary goals or targets[2]**, while a few have introduced a combination of both.** In addition, 12 jurisdictions have established sanctions in case mandatory provisions are not met.

While 12 jurisdictions have introduced quotas for listed companies and seven have set quotas for SOEs, 14 jurisdictions have introduced targets for listed companies, and four have set targets for SOEs. Eighteen jurisdictions (36%) report no provisions for either listed companies or SOEs (Figure 4.27). Overall,

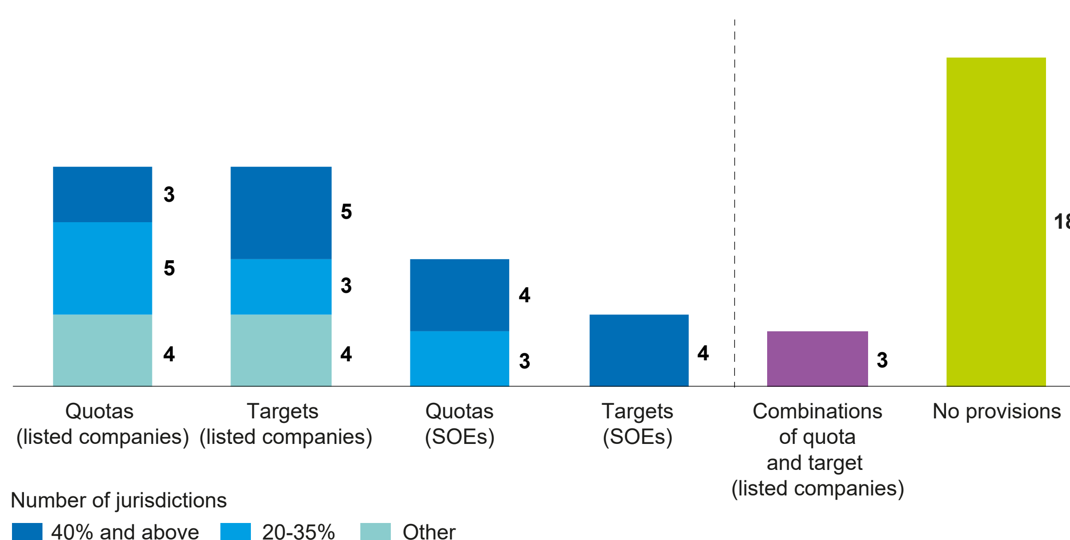
[2] Recognising that some jurisdictions may use the term targets even when binding, the term targets is defined for the purposes of this publication as being “specific and voluntary measurable objectives with discrete timeframes in which they are to be achieved”.

provisions applicable to SOEs are generally more ambitious than those set for listed companies, with quotas in four jurisdictions set at 40% or higher (**Costa Rica**, **Finland**, **Iceland** and **Slovenia**).

Of the 27 jurisdictions that have introduced quotas and/or targets for women on boards of listed companies, three have adopted a combination of both (**Austria**, **Finland**, and **Germany**). For listed companies, targets are generally set at higher threshold than quotas. Five jurisdictions have set targets at 40% or higher for listed companies, whereas only three jurisdictions require at least 40% of women on boards of listed companies (**France**, **Italy** and **Norway**). Another five jurisdictions require between 20% and 35% of female participation on public company boards, while four jurisdictions have introduced a quota of "at least one" female director for boards of listed companies. 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.

Quotas targeting the board composition of listed companies have been enacted in varying forms, with a range of objectives, scope of application, timelines for implementation and consequences of non-compliance.

Figure 4.27 Provisions to enhance gender diversity on boards of listed companies and SOEs



Note: The 12 jurisdictions under “Quotas” include jurisdictions with quotas for listed companies and those with both quotas and targets. Jurisdictions with provisions covering both SOEs and listed companies are counted more than once. See Table 4.20 for data.

Across surveyed jurisdictions, quotas were first adopted in **Israel** and **Norway**. While the former adopted a law in 1999 requiring “at least one” woman director on boards of listed companies, the latter passed a law in 2003 requiring 40% of female representation on boards, which came into force in 2006 with a two-year grace period, requiring full compliance by 2008. In **France**, a law was passed in 2011 requiring a 40% gender balance among the nonexecutive directors of the largest companies with a deadline of 2017 and a mid-term target of 20% by 2014. In **Germany**, a 30% quota was set in 2015 with a deadline of 2016 for companies that are listed or that are subject to full co-determination. In 2018, **Portugal** and **Austria** also implemented quotas. While the Portuguese quota first required 20% of women on boards of listed companies and now requires 33.3% of female participation since 2020, in Austria, the quota requires the

supervisory board to be composed of at least 30% women and targets listed companies as well as companies with more than 1000 employees.

Italy adopted a gradual approach to the imposition of quotas aimed at allowing time for a cultural change to take place, starting with a 2011 law taking effect in 2012. The law applying to companies listed on the Italian Stock Exchange initially required a minimum of 20% of board seats for each gender with the first board appointment following August 2012, and a minimum of 33% for the second term, expiring with the third term of board appointments. A 2019 law further increased the minimum threshold from 33% to 40% starting from 2020, and extended its application to six successive terms of board appointments (i.e. 18 years).

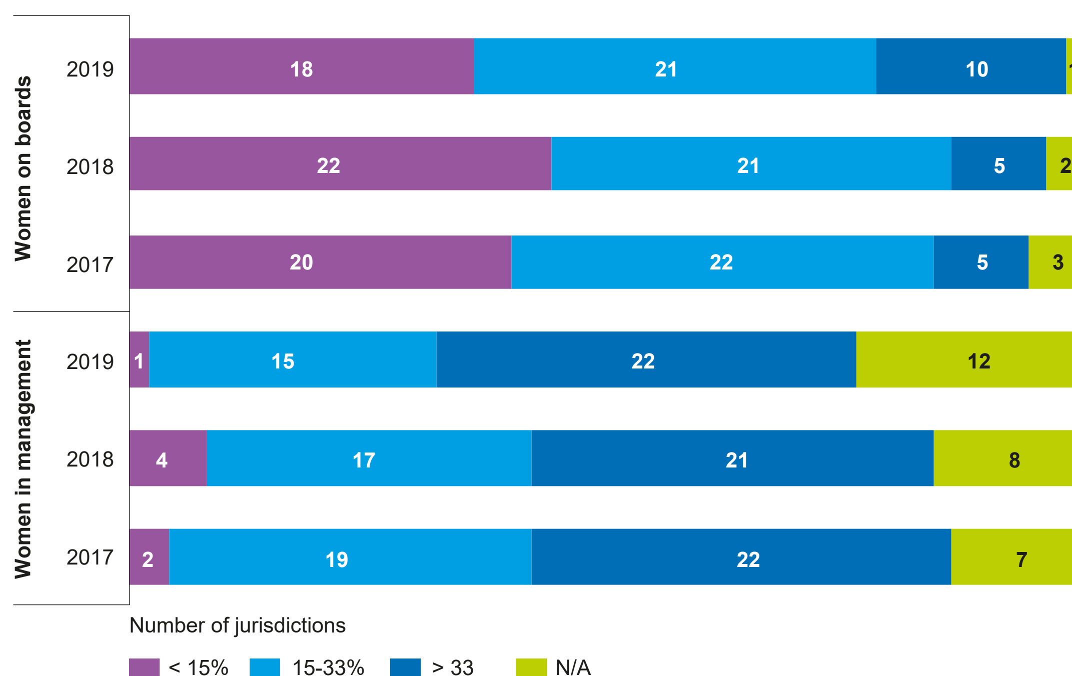
India stands as one of the first Asian markets adopting a quota to promote gender diversity, requiring "at least one" female director on boards of listed companies since 2013. A similar quota came into force in early 2020 in **Korea.** In **Greece**, a 25% quota was adopted in July 2020 and will come into force in July 2021.

Twelve jurisdictions report that they have established sanctions in case mandatory provisions are not achieved, while only two jurisdictions which have introduced quotas for boards of listed companies do not impose sanctions to enforce them (**Finland** and **Korea**). Although **Mexico** has not established a quota or target for board composition, it does impose sanctions in relation to requirements for companies to disclose board composition.

Varying types of sanctions exist across these jurisdictions. For instance, in **Belgium**, **Denmark**, **France**, **Portugal** and **Italy**, noncompliant firms can be fined, dissolved, or banned from paying directors. In **Italy**, in the event of noncompliance, a progressive warning system with monetary fines culminates in the eventual removal of the board. In **Germany**, board seats are to remain vacant if the 30% quota is not met, and in **Austria** and **France**, appointments of new directors are considered as null and void in case of non-compliance. In **Norway**, failure to comply with the 40% quota may ultimately lead to delisting. Conversely, some jurisdictions that have introduced targets have also introduced accompanying incentives if complied with. For instance, in **Spain**, the government may show preference in awarding contracts to firms that follow its guidelines (according to Article 34 of the 2007 Gender Equality Act).

In practice, women account for a much higher share of senior management positions than of board members. In 2019, on average, women comprised at least one-third of management positions in 44% of surveyed jurisdictions, whereas only 20% of jurisdictions had women comprising at least one-third of listed company boards. At the other end of the spectrum, as of 2019, only one jurisdiction had fewer than 15% of women in senior management positions, whereas 36% of jurisdictions had fewer than 15% of board positions occupied by women over the same period (Figure 4.28).

Figure 4.28 Women's participation on boards and in management



Note: See Table 4.20 for data.

Overall, these figures have remained relatively static over the three-year period spanning 2017-2019. However, the number of jurisdictions with more than 33% of women on boards doubled from the previous year (from five in 2018 to 10 in 2019).

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 4.20 provides further information and footnotes on methodology and sources for each jurisdiction.

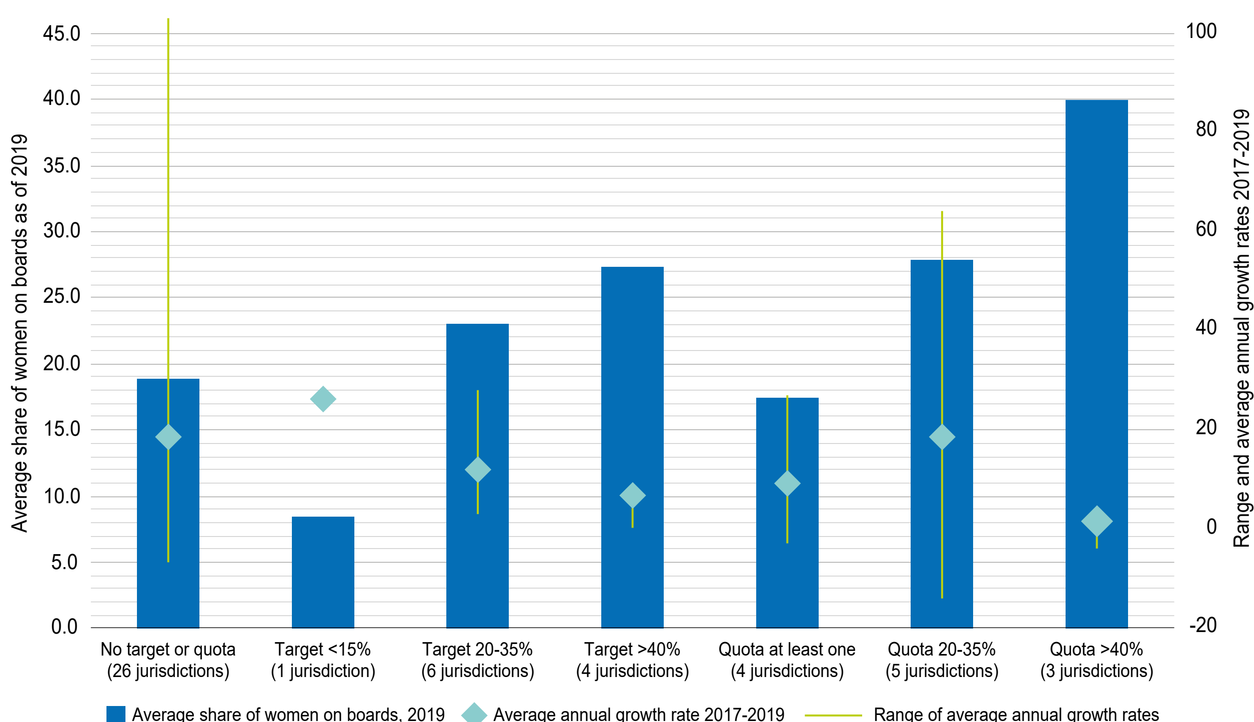
Overall, listed companies domiciled in jurisdictions that have established mandatory quotas have attained greater gender diversity at the board level as of 2019 (with 27.4% of women on boards on average), than those companies registered in jurisdictions that have adopted voluntary targets (23.3% on average), and those in jurisdictions with no quota or target in place (18.9% on average) (Figure 4.29).

Evidence shows that quotas can encourage an increase in the number of women on boards in the short term. For instance, in **France**, women's representation on boards increased from 13% in 2011 to 44.3% in 2019, from 16% in 2011 to 33.3% in 2019 in **Germany**, and from 3% in 2009 to 36.5% in 2019 in **Italy**. The mere expectation that mandatory measures will be implemented can also spur companies into action

through such measures as tailored hiring practices, numerical targets, and recommendations on board composition in their corporate governance codes (Deloitte, 2016).

However, the data also suggest that once higher mandated thresholds are attained, continuous improvements may become more difficult to sustain over time. **The three jurisdictions with a quota mandating at least 40% of women on boards have recorded only 1.3% of annual growth on average from 2017 to 2019** (Figure 4.29). While a moderate progression was recorded over 2017-2019 in **France** and **Italy** (4%), a slight drop was recorded over the same period in **Norway** (-4%), which went from having 42.2% of women on boards in 2017, to 39.6% in 2018, to 39.2% in 2019 (Table 4.21).

Figure 4.29 Average share of women on boards (2019) and annual average growth rates of women on boards of listed companies (2017-2019)



Note: The Figure includes all jurisdictions except Costa Rica. However, data on the range and average annual growth rate 2017-2019 are unavailable for Costa Rica, Peru and Saudi Arabia. See Table 4.21 for data. Lines show the range of reported average annual growth rates shown on the right-hand axis, and the dots indicate the average growth rate overall for each category.

Some research suggests that high mandated quotas may not be sufficient by themselves to solve issues related to the pipeline of women available to serve on boards that may hinder them from accessing leadership positions. For instance, a review of one jurisdiction's experience found that the increased share of women on boards did not ultimately translate to more women holding board director positions, but rather to more women serving multiple boards (i.e. the "golden skirts" effect) (Rigolini and Huse, 2021). Studies also found mixed evidence on whether companies appointed more female directors, or if decisions were made to reduce the board size to facilitate compliance with the mandated threshold (Selerstad and Opshal, 2011). In another jurisdiction, one study has found that high compulsory quotas did not impact women who are not on corporate boards, and as such, did not help reduce gender gaps within firms (Maida and Weber, 2019).

The four jurisdictions with a target of 40% or more of women on boards have also recorded relatively moderate growth (6.8% on average) over 2017-2019. As the jurisdiction with the highest absolute share of women on boards in 2019 in this category (39.6%), **Sweden** recorded a modest progression rate over the three-year period (3%). Conversely, as the jurisdiction with the overall lowest share of women on boards in this category, **Luxembourg** recorded a 15% average annual growth rate over the same period, with 17.5% of women on boards in 2017, 14.9% in 2018, and 21.5% in 2019.

By contrast, the six jurisdictions with a target of between 20% and 35% have recorded almost double the rate (12% of annual growth on average) of those with a target of at least 40%. Although three jurisdictions are lagging behind the prescribed threshold as of 2019 (with 16.2% of women on boards in **Singapore**, 16.6% in **Malaysia** and 17.6% in **Turkey**), these jurisdictions have recorded the highest growth rates of this category, with 11%, 12% and 28% of annual growth on average, respectively. In **Singapore**, this progression is also supported by the initiative of the government's Council for Board Diversity to engage with the top 100 companies listed from the Singapore Stock Exchange to raise awareness around gender diversity on boards.

Overall, jurisdictions with these voluntary targets have achieved progress by stimulating bottom-up company initiatives. For instance, in the **United Kingdom**, a 25% target was initially set and achieved by 2016, and later revised to a 33% target for the 350 largest companies listed on the FTSE. The share of women on boards increased from 12.5% in 2011, to 31.7% in 2019. In addition, the UK FRC revised the Corporate Governance Code in 2018 to encourage companies to promote diversity across board appointments, succession planning and board evaluation, as well as to broaden the focus of the nomination committee by giving it responsibility for overseeing the development of a diverse pipeline for succession to senior management.

Likewise, **Australia** also made significant progress by reaching 31.2% of women on boards in 2019 – up from 8% on the ASX 200 Index in 2010 – without a quota or a target established by the regulator. Nevertheless, numerous complementary measures have been undertaken to promote the progress achieved during the last decade. Corporate Governance Principles and Recommendations were introduced in 2010 without setting a numerical target, but which recommend that each company should set its own numerical target. In addition, a number of organisations have actively promoted gender balance on boards. In 2015, the Australian Institute of Company Directors (AICD) called for the 200 largest companies listed on the Australian Securities Exchange (ASX) to achieve 30% representation of women on boards by the end of 2018 through quarterly reporting, awareness building and collaboration with supporters. The Australian Council of Superannuation Investors (ACSI) also implemented a policy to vote against companies with no female directors. More recently, the ASX Principles were revised to set a target of 30% of female board members for ASX 300 companies.

Japan stands in a category by itself, as it introduced a 12% target for companies listed in the first section of the Tokyo Stock Exchange (comprising approximately 2000 companies) to be achieved by 2022. Although most recent data places it below this threshold with 8.4% of women on boards in 2019, it has seen significant recent growth (with 5.3% of women on boards in 2017 and 6.4% in 2018). This progression may also be supported by complementary approaches. For instance, together with the Ministry of Economy, the Tokyo Stock Exchange launched the "Nadeshiko Brands" labels which recognise companies with robust diversity management and disclosure by providing positive recommendations for investors as attractive investment targets with potential for long-term growth.

The four jurisdictions requiring "at least one" female director on boards of listed companies have progressed by 9% on average from 2017 to 2019, although **Israel** dropped by 3% over this period. With 15.9% of women on boards in 2019, **India's** growth rate was slightly slower, although it is progressing by 8% annually on average. With 29% of women on boards in 2019, **Finland** has surpassed this quota and

is progressing at a slower pace (4% average annual growth), although still below its 40% voluntary target. In the case of **Korea**, its new requirement due to take effect in 2020 was not yet in place in 2019, when Korea reported 3.3% of women on boards. However, Korea nevertheless has begun to progress from 2.1% of women on boards in 2017, and has also initiated complementary measures to support further progress. For instance, the Ministry of Gender Equality has started signing memoranda of agreement with companies to increase the number of women in executive positions. As such, private sector companies that provide plans for promoting female employees receive government support such as consulting services to help them improve their gender diversity ratios.

Across 23 surveyed jurisdictions with either a quota or target in place, the five jurisdictions requiring between 20% and 35% of women on boards account for the category with the highest average annual growth rate (18.2%). However, this high rate seems to be driven by **Portugal**, which appears to be an outlier with 64% of average annual growth from 2017 to 2019, recording 10.5% of women on boards in 2017 and 2018, and 24% in 2019. This category also records high variance in average annual growth in the percentage of women on boards across **Austria** (4%), **Belgium** (10%), **Germany** (28%) and **Greece** (14%). In the case of **Greece**, it is worth noting that the quota law was only recently adopted in 2020, and will come into force in 2021, which explains why it is currently below the mandated threshold with 13.1% of women on boards in 2019.

Overall, jurisdictions with quotas or targets have recorded lower average annual growth rates over 2017-2019 (11% for both categories) than those with no implemented quota or target over the same period (17%). This suggests that other measures besides quotas and targets may play an important and complementary role in promoting a more conducive environment for the advancement of women in leadership positions. Across all categories, this category of jurisdictions with "no targets or quotas" also displays the highest variance of average annual growth rates for women on boards, ranging from -6.7% (in **Lithuania**) to 103% (in **Indonesia**).

Underlining the importance of additional initiatives besides quotas or targets, some jurisdictions with no reported provision in place – in the form of a quota or a target – also display high levels of women on boards in absolute terms in 2019 (Figure 4.30). For instance, in the **United States**, despite the absence of country-level quotas, only 1% of companies covered by the 2019 MSCI ACWI Index had all-male boards as of 2019, down from 1.9% in 2018 and 2.6% in 2017 (MSCI, 2019). **Some reports suggest that shareholder support for diversity can also influence such outcomes**. For example, while companies such as State Street and Blackrock have taken steps to promote greater board diversity, in 2017, State Street notably voted against the re-election of directors at more than 400 companies that failed to encourage diversity (Wall Street Journal, 2017). Similarly, in **Canada**, only one of the 92 companies covered by the 2019 MSCI ACWI Index had no female directors in 2019 (MSCI, 2019).

South Africa also records a relatively high share of women on boards, with over one-fourth of female directors in listed companies as of 2019 (27.4%), and 13% annual growth on average over 2017-2019. Although no quota or target has been adopted, the corporate governance code within the King IV Report encourages companies to promote greater board diversity on an apply or explain basis, while the JSE listing rules makes these practices mandatory as they require that either the board or the nomination committee of listed companies have a policy on the promotion of gender diversity at board level. They also require listed companies to explain in their annual reports how the policy was considered and applied in director nominations and appointments. If companies have voluntarily agreed on gender diversity targets for their boards, they are also required to report on their progress in achieving those targets. In addition to being a continuing obligation for already listed companies, compliance with the King Code – specifically with respect to board composition – must also be disclosed in pre-listing statements by listing applicants.

Figure 4.30 Share of women on boards of listed companies as of 2019 according to differing target and quota levels

50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%

(26 jurisdictions)
<15% (1 jurisdiction)
20-35% (6 jurisdictions)
>40% (4 jurisdictions)
At least one (4 jurisdictions)
20-35% (5 jurisdictions)
>40% (3 jurisdictions)

No target or quota
Target
Quota

Note: Based on data from 49 jurisdictions. See Table 4.21 for data.

Progress achieved in jurisdictions with no quota or target in place also suggests that alternative and complementary measures aimed at promoting a more conducive environment for the advancement of women in leadership positions are also important.

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

Notes:

[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 **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.

[4] 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.

[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 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-executive directors. • There are usually between eight 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 four listed companies have supervisory boards, whereas 125 companies do not have supervisory boards. • The boards of listed companies mainly consist of non-executive directors. In seven companies, the managing director is a member of the board. The typical board consists of approximately five to eight directors.
India	• In India, listed entities have a combination of executive and non-executive directors on their boards, with at least one woman director and not less than 50% of the board of directors comprising of non-executive directors. Further, the top 1000 listed entities (by market capitalization) are required to have at least one woman independent director. • The quorum for every meeting of the board of directors of the top 2000 listed entities is one-third of its total strength, or three directors, whichever is higher, including at least one independent director. • The board of directors is required to lay down a code of conduct for all members of the board and senior management of the listed entity, incorporating the duties of independent 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	• NZX-listed companies are required to have a minimum of three directors. It is recommended in the NZX Corporate Governance Code, that a majority of the board should be independent directors. • NZX recommends the chair be independent, if the chair is not independent, the chair and CEO should be different people. They also recommend that the Board should have a formal written charter setting out their roles and responsibilities, and those of directors, including formal delegations to management. • A director's duties include determining and implementing policies and making decisions, preparing and filing statutory documents, maintaining records and calling meetings including an annual meeting of shareholders.
South Africa	• The Companies Act, 2008 provides for a one tier board system as a minimum standard and requirement. This is to alleviate regulatory burden and also accommodate smaller companies and start-ups. • King IV Code on Corporate Governance for listed companies distinguishes between governing body and management. Principle 7 of the Code provides for the Chief Executive Officer and at least one executive to be appointed to the governing body for interaction with management. The other executive can be the Chief Financial Officer (CFO).
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.

Jurisdiction	Description of board structure
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 four and 12. 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, 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 regularity of management's activities. Brazil's Securities Commission (CVM) therefore considers it equivalent to a supervisory board. Some of its responsibilities are similar to an audit committee such as reviewing company financial reports while also having some broader responsibilities related to ensuring that directors and managers do not extract private benefits and that they comply with all provisions of the Companies Law. However, the Fiscal Council is not responsible for issues related to strategy, investment decisions or succession planning. • 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 2020 Reference Forms, 68% of listed companies have a Fiscal Council and 42% of members are appointed by minority shareholders. • For the 32% 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 former up to the limit of one third of the members). • According to a KPMG Survey based on data from Brazil's 2016 Reference Forms, 8% of directors on the boards are executive managers, 56% are outside directors and 36% 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.

Jurisdiction	Description of board structure
Germany	**Supervisory body** • A Supervisory Board (Aufsichtsrat) consists of non-executive board members. ***Companies subject to co-determination:*** Listed companies with 501 – 2000 employees must have a supervisory board that consists of one third of employee representatives. Companies with more than 2000 employees must have a supervisory board that is equally composed of shareholder representatives and employee representatives. ***Companies not subject to co-determination:*** The Supervisory Board should usually consist of 3 members. The articles of association may establish a higher number of board members which, commensurate with the registered capital of the company concerned, may amount to a maximum of 9, 15, or 21 members. • The typical board of a listed company has a mixed structure. In many cases, the board consists of former CEOs and experts, particularly financial experts, such as auditors or accountants. **Management body** • A Management Board (Vorstand) consists of executive board members.
Indonesia	**Supervisory body** • The board of commissioners is defined as the company organ with the task of supervising and giving advice to the board of directors, which is the management body of the company. • 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** • All public joint stock companies are required to have a supervisory board with no less than five members. • The Supervisory board of a company shall perform the strategic management of the company, except for resolving matters that fall within the competence of the general meeting of shareholders. • The Supervisory board of listed companies from 1 and 2 listing tiers are required to include independent directors. The supervisory board may not include more than ¼ of the Management board members. • The sole executive body (general director, CEO) may not be the Chair of the Supervisory board. **Management body** • All joint stock companies are required to have a sole executive body (general director, CEO) and may also have a collective executive body (management board, directorate). • Competence of the executive body of the company lies within all matters regarding the management of the current activities of the company, except for matters reserved to the competence of the general meeting of shareholders or the supervisory board of the company. • Management body is accountable to the Supervisory board and the general shareholders' meeting

Table 4.4 Examples of a hybrid board structure

Jurisdiction	Structure		
Italy	[T] The "**traditional**" model[1]	- 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*[2]), 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[3]	[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 in other European jurisdictions statutory auditors generally refers to external auditors, in **Italy** the board of statutory auditors is considered as an internal auditing board. The adoption of the one-tier and two-tier systems is very limited among listed companies (4 companies at the end of 2019, according to Consob).

[2] In **Japan**, statutory auditors (Kansayaku) are different from external auditors. Statutory auditors are appointed by shareholders meetings and their principal role is to audit activities of directors from a legal viewpoint. Statutory auditors include both internal ones and external ones (external statutory auditors are those who have not worked for the company as executive directors or employees.). The Companies Act requires certain large companies to have committees of statutory auditors and half or more of the members of such committees shall be external statutory auditors.

[3] 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. Portugal no longer has the concept of external auditor: since the transposition/implementation of the European audit legislation (2014) there is only the statutory auditor, which can perform the tasks once reserved to the external auditor. Notwithstanding, some national companies prefer to appoint a different auditor to issue the audit report as well as to carry out audit services with a broader scope than statutory audits, provided that the integrity of the functions and the liability regime of the statutory auditor are not compromised.

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 years*	*Minimum*	*Maximum*	*Maximum term years*	*By*
Argentina	2	3	-	3 to 5	3	-	3 to 5	GSM
Australia	1	3	-	3[1]				
Austria	2	3		5	-			SB
Belgium	2	3	-	6	3		6	SB
Brazil	1	3	-	3 [2]				
	2	3	5	-	3	-	3[2]	GSM
Canada	1	3	-	1 (Once regulations in force[2]), [1]				
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	(3)		-	(3)		-	GSM, SB
Denmark	1+2	3		4	1		(1)	SB
Estonia	2	3		5	1	-	3	SB
Finland	1+2	-		(1)			(1)	(GSM)
France	1+2	3	18	6 (4)	1	7	6	SB
Germany	2	3	21	5	1-2	-		SB
Greece	1	3	15	6				
Hong Kong (China)	1	[3][3]	-	(3)				
Hungary	1+2	(3)	-	(5)	3	-	-	GSM
Iceland	2	3	-	-	-	-	-	SB
India[4]	1	3/6	15	3 to 5				
Indonesia	2	2	-	5	2	-	5	GSM
Ireland	1	2		-				
Israel	1	4[5]	-	-				
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[6]
Luxembourg	1+2	3		6	-	-	6	SB/GSM
Malaysia	1	2	-	3[7]				

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 years*	*Minimum*	*Maximum*	*Maximum term years*	*By*
Mexico	1	(3)	21 (15)	-				
Netherlands	1+2	-		(4)	-		(4)	GSM
New Zealand	1	-		-				
Norway	1	3	-	4 (2)				
	2	12	-	4 (2)	5	-	-	SB
Peru	1	3[8]	-	3				
Poland	2	5	-	5	1	-	5	SB
Portugal[9]	2C+2A+2G	-		4	-		4	SB/GSM
Russia[10]	2	5, 7,9	-	1	5		-	SB/GSM
Saudi Arabia	1	3	11	3				
Singapore	1	3	-	3				
Slovak Republic	1+2	3[11]		5	1		5	GSM/SB
Slovenia	1+2	3	-	6	-	-	6	SB
South Africa	2	3	-	-	-	-	3	GSM
Spain	1	3	-	4				
Sweden	1	3	-	4 (1)				
Switzerland	1+2	1	-	1				SB
Turkey	1	5	-	3[12]				
United Kingdom	1	2	-	(1)				
United States[13]	1	[3]	-	3				

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. For definitions of tiers for Italy, Japan and Portugal, see Table 4.4.

Notes:

[1] In **Australia**, directors may be re-appointed for successive terms. This includes independent directors.

[2] In **Canada**, the *Canada Business Corporations Act* will require annual elections of directors once the provision comes into force, on a date to be fixed by order of the Governor in Council.

[3] 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.

[4] In **India**, while the minimum number of directors on the Board of a public company is three, the board of directors of the top 2000 listed entities, based on market capitalization, 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.

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

[6] 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.

[7] In **Malaysia**, a director's retirement is based on one-third rotation at every annual general meeting where the longest serving director in the office (since the last election) shall retire. A retiring director shall be re-eligible for re-election.

[8] In **Peru**, the company´s statute must establish a fixed number or a maximum and minimum number of directors. When the number is variable, the shareholder´s meeting, before the election, must decide on the number of directors to be elected for the corresponding period. In no case should the number of directors be less than three.

[9] 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.

Furthermore, 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.

[10] In **Russia**, the supervisory board may not include less than five members. For companies having more than 1 000 voting shareholders the minimum is seven directors; for companies having more than 10 000 voting shareholders the minimum limit is nine directors. Appointment of the management board of the company and early termination of its powers shall take place by a resolution of the shareholders' general meeting, unless the charter of the company reserves these matters to the competence of the supervisory board.

[11] In the **Slovak Republic**, this requirement applies to supervisory boards.

[12] 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 six 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.

[13] 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 listed on the NYSE 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]	1	Required	20% (33%)	-	-	(Yes)	(50%)
Canada	1	-	2	-	-		
Chile	1	Required	1[2]	-	-	Yes	10%
China	2		(33%)	(6)	No independence	Yes	(5%); rank in top 5 shareholders
Colombia	1	Required	25%	-	-	Yes	>50%
Costa Rica	1	Recommended	2	-	-	Yes	-
Czech Republic	1+2	-	-	-	-	No	-
Denmark	1+2	Required	(50%)	(12)	(No independence)	Yes	50%
Estonia	2		(50%)[3]	10	(No independence)	Yes	-
Finland	1+2	Recommended	(>50%)	-[4]	-	Yes for 2	10%
France	1+2	-	(50% or 33%)	(12)	(No independence)	(Yes)	(10%)
Germany[5]	2	-	-	-	-	(Yes)	
Greece	1	Required[6]	2 (1/3)	9	(No independence)	No	-
Hong Kong (China)	1	Recommended	[3 and 33%]	(9)	(Explain)	Yes	5%
Hungary	1+2	-	50%	-	-	Yes[7]	30%
Iceland	2		(50%)	-	(Explain)	Yes for 2	10%
India	1	-[8]	[33% or 50%]	10[9]	No independence for 3 years	Yes	2%
Indonesia	2	-	30%	10[10]	Explain	Yes	20%
Ireland	1	Recommended	(50%)	(9)	(Explain)	No	-

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*
Israel	1	Required[11]	2 (50% or 33%)	9	No independence, leaves board[12]	Yes	5%
Italy	T+1+2	-[13]	1 (or 2 if the board>7 members)[14]	(9)	(Explain)	Yes	-
Japan[15]	A	-	[1] and (2)	-	-	Yes	10%
	C, S	-	Majority of each committee, [1] and (2)				
Korea	1	-	>50% and at least 3[16]	-	-	Yes	Largest or all >10%
Latvia	2	-	(50%)	10	(No independence)	No	-
Lithuania	1+2	Required	33%	10	No independence	Yes	20%
Luxembourg	1+2	-	-	12	No independence	Yes	10%
Malaysia	1	Recommended	1/3 or 2	(9)	Explain[17]	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%
Peru[18]	1	Recommended	(33%)	(10)	(No independence)	(Yes)	1%
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%)[19]	[(7)]	[(No independence)]	[(Yes)]	[(5%)][17]
Saudi Arabia	1	Required	33% or 2	(9)	No independence	Yes	5%
Singapore[20]	1	Recommended	(Majority)	[9]	Explain	(Yes)	5%
		Recommended	[1/3]				
Slovak Republic	1+2	Recommended	-	-		No	-
Slovenia	1+2	Required	(50%)	(12)	(No independence)-	Yes	(Controlling SH)[21]
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[22]	(>50%)	-	-	No	-
Turkey[23]	1	Recommended	(33% and 2)	6	No independence	Yes	Controlling SH
United Kingdom	1	Recommended	(50%)	9	Explain	No	-
United States	1	-	[>50%][24]	-	-		

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. Furthermore, in **Brazil**, 20% ratio of independent directors is required for companies that adhere to B3 governance special segment listing rules (“Novo Mercado” and Level 2) and a ratio of 33% independent directors is recommended by Brazil`s comply-or-explain code.

[2] 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 54.7 million as of September 2020) 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.

[3] 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.

[4] In **Finland**, pursuant to the Corporate Governance Code, the board of directors may, based on an overall evaluation, determine that a director is not independent of the company or a significant shareholder if the director has served as a director for more than 10 consecutive years. The effect of a director’s long service history (in excess of 10 consecutive years) on his/her independence shall be evaluated at regular intervals as part of the overall evaluation, i.e. at least once a year. The evaluation shall be based on the actual circumstances from both the perspective of the company and the director in question. The evaluation is all the more significant if a director who has served as a director for more than 10 consecutive years is not dependent of significant shareholders.

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

Furthermore, a member of the Supervisory Board is to be considered independent if he/she is independent from the company, its Management Board and a controlling shareholder.

[6] In **Greece**, the separation of the CEO and Chair of the board is mandated by Law 4706/2020 on Corporate Governance, which was adopted on 17 July 2020 and will enter into force in July 2021.

[7] In **Hungary**, according to section 3:286 (3) of the Civil Code, controlled companies are not subject to this independence requirement.

[8] In **India**, as per Companies Act, 2013, the separation of the CEO and Chair of the board is mandatory unless the company does not carry multiple businesses or if the Articles of the Association of the company provide otherwise. 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.

[9] 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 for another term of up to 5 years. They can present themselves for reappointment as independent directors, after a cooling off period of three years.

[10] 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 General Shareholder Meeting.

[11] 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.

[12] In **Israel**, following 9 years as an independent board member, the director's tenure on the board ends and he or she is not allowed to serve as an officer, an employee, or to provide services to the company, whether directly or indirectly, for two years.

[13] 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.

[14] In **Italy**, the Corporate Governance Code sets other independence criteria and recommends a different minimum number of independent directors in the board (33% or 50% in large companies, respectively controlled and non-controlled; at least two independent directors for all the other listed companies)".

[15] In **Japan**, the Companies Act requires a certain type of company 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. However, the Companies Act was amended in 2019 to require those companies to appoint at least one outside director, meaning that they can no longer avoid appointing an outside director by explaining the reason. The amendment is scheduled to come into effect in 2021. In addition, 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 examples of a hybrid board structure, see Table 4.4.

[16] 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.

[17] 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.

[18] In **Peru**, the Corporate Governance Code recommends that at least 33% of the board be represented by independent directors, which are those selected for their professional trajectory, honorability, sufficiency and economic independence, and separation from the company, their shareholders or managers. The "Qualification on Independent Directors Guidelines" further state that the independent director must not have more than 10 continuous or alternate years during the last 15 years as an independent Director of the company or of any company of its economic group.

[19] 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.

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

Furthermore, 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).

[21] 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.

[22] 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. 23.1 and Art. 32.2 Annex 1 of the Swiss Code of Best Practice for Corporate Governance (economiesuisse) 2014).

[23] 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.

[24] 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 (approx. USD 54.7 million as of September 2020) 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. Board independence is defined not only in relation to shareholders but also in relation to material business relationships.	
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.
		For small and medium listed companies, Middlenext's corporate governance code recommends that the Board should include **at least two independent directors.** This number may be reduced to one member when the Board has five members or less. This may be increased on boards with a large number of members.	
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, a group or another country 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	-	-[1]	-
Canada	1	-	-	-
Chile	1	-	-	-
China	2	-	33%	-
Colombia	1	-	-	-
Costa Rica	1	-	-	-
Czech Republic	2	500	33%	50%
Denmark	1+2	35	2	50%
Estonia	2	-	-	-
Finland	1+2	150[2]-	-	
France[3]	1+2	1000 or 5000	1 or 2	33% or 5
Germany[4]	2	2001	50%	50%
		501-2000	33%	-
Greece	1	-	-	-
Hong Kong (China)	1	-	-	-
Hungary	1+2	200	33%	-
Iceland[5]	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%[6]
New Zealand	1	-	-	-
Norway	1	31, 51 and 201	1 for lowest category; 33% min. 2 for middle category , and 33% min. 3 for largest category	-
Peru	1	-	-	-
Poland	2	-	-	-
Portugal	2C+2A+2G	-	-	-
Russia	2	-	-	-[7]

Jurisdiction	Tier	Min number of employees	Minimum requirement	Maximum allowance
Saudi Arabia	1	-	-	-
Singapore	1	-	-	-
Slovak Republic	1+2	50	33%	-
Slovenia	1+2	-	33%	50%
South Africa	1+2	-	-	-
Spain	1	-	-	-
Sweden	1	1000	3[8]	50%
		25-999	2	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 minimum requirement (number or percentage) of employees on the board; Maximum allowance: Refers to the maximum limit (number or percentage) of employees on the board.

Notes:

[1] In **Brazil**, federal state-owned enterprises with at least 200 employees (including listed SOEs) must have one employee representative on the board of directors.

[2] 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 practice, companies choose option c) (less than 5 companies have employee representation on board level). These employee representation rules are applied when a company has 150 employees. In cases where employees are appointed to the board, the minimum number of employee representatives is one and maximum allowance is four or 25%.

[3] 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).

Furthermore, 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 **Iceland**, the board in its supervisory function is composed of non-executive directors only; therefore no employee representatives nor executives on the supervisory board.

[6] 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, in which case the supervisory board needs to go to the Enterprise Chamber of the Amsterdam Court of Appeal.

[7] In **Russia**, there is no maximum limit of employees on the board, but members of the management board of a company shall not make up more than one-fourth of the members of the supervisory board of the company.

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

Table 4.9 Board-level committees

Jurisdiction	Audit committee			Nomination committee			Remuneration committee		
	Estab-lishment	Chair indepen-dence	Minimum number or ratio of independent members	Establish-ment	Chair indepen-dence	Minimum number or ratio of independent members	Establish-ment	Chair indepen-dence	Minimum number or ratio of independent members
Argentina	L	-	66%	C	C	(66%)	C	C	(66%)
Australia[1]	R	C/R	(>50%)	C	C	(>50%)	C/R	C	(>50%)
Austria	L	L	1 or 2	C	-	-	C	-	(50%)
Belgium	L	-	1	C	-	(>50%)	L	-	>50%
Brazil	C[2] R	C	(>50%) 33%	-	-	-	C	C	(100%)
Canada	L	L	100%	C	C	(100%)	C	C	(100%)
Chile	L	L	50%	-	-	-	L[3]	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	-	(>50%)	C	-	(>50%)	C	-	(>50%)
Denmark	L	L	50%	C	-	-	C	-	-
Estonia	L	-	-	-	-	-	-	-	-
Finland[4]	L, C	C	(>50%)	C	-	(>50%)	C	-	(>50%)
France	L	-	(66%)	C	-	(50%)	C	C	(50%)
Germany	L	C	1	C	C	(100%)	-	-	-
Greece	L	L	>50%	L	L	2/ >50%	L	L	2/ >50%
Hong Kong (China)[5]	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	L	(>50%)	C	C	(50%)	C	C	(100%)
Israel	L	L	>50%	-	-	-	L	L	>50%
Italy	L	L	100%	C	-	(>50%)	C	C	(>50% with indepen-dent Chair)
Japan[6]	L	-	>50%	L	-	>50%	L	-	>50%

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[7]	L	L	>50%	L	C	>50%	C 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[8]	L, C	(>50%)
Netherlands	L	L	>50%	C	C	(>50%)	C	C	(>50%)
New Zealand	R		51%	C	-	(50%)	C	-	-
Norway	L	-	1[9]	C	-	(50%)	C	C	(100%)
Peru[10]	C	C	(Chair)	C	C	(Chair)	C	C	(Chair)
Poland	L	L	>50%	-	-	-	-	-	-
Portugal	L	L	>50%	C	-	(>50%)	C	C	(100%)
Russia[11]	L/R/C	R/C	>50% (100%)	L/R/C	C	>50% (>50%)	L/R/C	C	>50% (100%)
Saudi Arabia	L	C	1[12]	L	L	1	L	L	1
Singapore[13]	L R	 R	>50% (>50%)	R	R	(>50%)	R	R	(>50%)
Slovak Republic	L	L	>50%	C	-	-	C	-	(100%)
Slovenia	L	L	100%	C	C	(100%)	C	C	(100%)
South Africa	L	L	100%	-	-	(1)	R[14]	C	(>50% non-exec)
Spain	L	L	>50%	L	L	(2)	L	L	(2)
Sweden	L[15]	-		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

Jurisdiction	Audit committee			Nomination committee			Remuneration committee		
	Estab-lishment	Chair indepen-dence	Minimum number or ratio of independent members	Establish-ment	Chair indepen-dence	Minimum number or ratio of independent members	Establish-ment	Chair indepen-dence	Minimum number or ratio of independent members
United Kingdom	C	C	(100%)	C	-	(>50%)	C	C	(100%)
United States	L/R	L/R	100%	R	R	100%	L/R	L/R	100%

Key: L = requirement by 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, it is recommended that listed entities have a Remuneration Committee, which becomes a requirement forr the top 300 listed companies 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.

Furthermore, the CVM regulation and the Corporate Governance Code for Listed Companies recommend 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.

[3] In **Chile**, the directors' committee (with equivalent functions to an audit 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. Like the independent director, the directors' committee is a requirement for corporations that have a stock market equity equal to or greater than the equivalent of 1 500 000 development units (approx. USD 54.7 million as of September 2020) and at least 12.5% of its shares issued with voting rights are held by shareholders who individually control or own less than 10% of such shares.

[4] In **Finland** 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. The Corporate Governance Code recommends an audit committee to be established, if the extent of the company's business requires that the preparation of the matters pertaining to financial reporting and control be done by a body smaller than the entire board of directors. 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 audit committee. The majority of the members of the nomination or remuneration committee should be independent of the company. Neither the managing director nor executive directors should be members of the nomination or remuneration committee.

[5] In **Hong Kong (China)**, an issuer with a Weighted Voting Rights 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).

[6] 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".

[7] 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 of 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.

[8] 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).

[9] In **Norway**, according to article 6-42 of the Public Limited Company Act, one independent member of the audit committee is required, and there is no stated minimum number of members.

[10] In **Peru**, the Corporate Governance Code recommends that the audit committee, risk committee and remuneration committee for listed companies should be chaired by independent directors. Further, the Code recommends that the number of committees depend on the size of the company and the nature of its business, including at least a Nomination and Remuneration Committee, and an Audit Committee. However, Financial Entities, Insurance Companies and Pension Fund Management Companies, which are required to be listed companies, are obliged to set up an audit committee, a risk committee and a remuneration committee.

[11] In **Russia**, starting 1 July 2020 the audit committee became 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.

[12] 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.

[13] 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 took effect on 1 January, 2019.

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

[15] 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
			Risk management role of audit committee[1]	Establishment of separate risk committee	
Argentina	C	C	L/R	C	C
Australia	C,L[2]	C, L	C	C	-
Austria	L/C	L	L/C	-	-
Belgium	L	L	L	-	-
Brazil	-	-[3]	C	-	-
Canada	L	L	-		
Chile	C	C	-	-	-
China	L	L[4]	C	C	-
Colombia[5]	L	L	-	L/C	C
Costa Rica	L	L	-	C	
Czech Republic	C	C	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	L	L	L	-	-
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	-	L[7]
Italy	C	L/C	L	C	-
Japan	L	L	-	-	-
Korea[8]	C L (financial companies)	C L (financial companies)	-	L (financial companies)	-
Latvia	C	C	L	-	-
Lithuania	C	C	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	-	-
Peru	C	C	C	C	-
Poland	-	L/C	L (surveillance)	-	-
Portugal[9]	L	L	-	-	-

Jurisdiction	Board responsibilities for risk management	Implementation of the internal control and risk management system	Board-level committee		Chief risk officers
			Risk management role of audit committee[1]	Establishment of separate risk committee	
Russia	L/R/C	L/R/C	R/C	C	-
Saudi Arabia	L	L/C	-	C	
Singapore	R	R/C	R	C	-
Slovak Republic	L	L	-		L
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	-	-

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] 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. Directors' duties of care and diligence and good faith under the Corporations Act 2001 are also a source of board responsibility for risk management.

[3] 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.

[4] In **China**, a listed company shall establish internal control and risk management systems, and set up a special department or designate an internal department to be responsible for risk management, such as inspection and supervision of the company's important operations, control over subsidiary companies, disclosure of financial information and compliance with the laws and regulations, etc.

[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 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 Appointment of external auditors

Jurisdiction	Appointment (or approval) of an external auditor		Role of the audit committee in relation to the external audit:		
	By the board	By the shareholders	The selection and appointment/removal process of the external auditor	Setting audit fees	Reviewing the audit's scope and adequacy
Argentina[1]	-	L	C, L	-	-
Australia	-	L	C	C	C
Austria[2]	-	L	L	L	L
Belgium	-	L	L	-	L
Brazil	L	-	L	-	L
Canada	-	L	L	-	-
Chile	-	L	L[3]	-	L
China		L	L	-	L
Colombia		L/C	C	-	-
Costa Rica	L[4]	-	L	L	L
Czech Republic	N/A	L	L	-	L
Denmark	-	L	L	-	-
Estonia	-	L	L[5]	-	L
Finland		L	L	L[6]	L
France		L	L[7]	L	L[8]
Germany		L[9]	L	L	L
Greece	-	L	L	-	C
Hong Kong (China)	-	L,R	C	C	C
Hungary	-	L	L[10]	L	L
Iceland	-	L	L	-	L
India	-	L[11]	L	L	L
Indonesia[12]	-	L	L	L	L
Ireland	-	L	L[13]	-	L
Israel	-[14]	L	L[15]	L	L
Italy	-	L	L	-	L
Japan	-	L	C	-	-
Korea[16]	L	-	L	L	L
Latvia	-	L	L,C	-	L,C
Lithuania	-	L	L	L	L
Luxembourg	-	L	L	L	**L**
Malaysia[17]	-	L	R	C	R
Mexico	L[18]		L	L	L
Netherlands	-	L	L,C		L,C
New Zealand	R	-	R	R	R
Norway		L	L[19]		L
Peru	-[20]	L,C	-	-	C

Jurisdiction	Appointment (or approval) of an external auditor		Role of the audit committee in relation to the external audit:		
	By the board	By the shareholders	The selection and appointment/removal process of the external auditor	Setting audit fees	Reviewing the audit's scope and adequacy
Poland	L	-	L[21]	-	L
Portugal	-	L	L	C	L/C
Russia	-	L	L,R,C	C[22]	L,C
Saudi Arabia		L[23]	L	L	L
Singapore[24]	-	R,C	C	C	C
Slovak Republic		L	L	-	L
Slovenia		L	L	L	L
South Africa	-	L	L	L	L
Spain		L	L	L	L
Sweden	-	L	L	-	L
Switzerland		L	C	C[25]	C
Turkey	-	L	L	-	L
United Kingdom[26]	-	L	L	L (largest PLCs)	L (largest PLCs)
United States	L/R	-	L/R	L/R	L/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; N/A = not applicable. Please note that the provisions related to the internal audit and control function are covered under Table 4.10.

Notes:

[1] In **Argentina**, while the Capital Market Law contains provisions establishing requirements for the approval and review of external auditor appointment, the new Corporate Governance Code (RG CNV N° 797/2019) recommends that the audit committee gives an opinion on the Board's proposal for the appointment of external auditors.

[2] In **Austria**, the Supervisory Board recommends a choice of auditors for election by the shareholders, concludes a contract with the auditor and agrees on the audit fee. The Audit Committee is responsible for overseeing the audit of the financial statements, examining and monitoring the independence of the auditor, reporting to the Supervisory Board on the result of the audit and implementing the procedure for selecting the auditor (taking into account the appropriateness of the fee) including a recommendation on his appointment to the Supervisory Board.

[3] In **Chile**, powers and duties of the directors' committee (with functions equivalent to an audit committee) include: a) proposing to the board of directors names for the external auditors that will be suggested to the shareholders' meeting, b) examining the reports of the external auditors and pronouncing an opinion on them prior to the presentation to the shareholders for their approval, and c) Informing the board of directors regarding the convenience of hiring or not the external audit company for the provision of services that are not part of the external audit, when they are not prohibited, with attention to whether the nature of such services may generate a risk of loss of independence, among others. A new law also gives the directors' committee the power to provide an opinion regarding the company's ordinary related party transaction policy.

[4] In **Costa Rica**, according to article 4 of the Regulation of External Auditors (SUGEF Agreement 32-10), the board must appoint the external auditor.

[5] In **Estonia,** according to article 98 of the Auditors Activities Act, the function of an audit committee is to monitor and analyse the process of auditing of annual accounts or consolidated accounts. In particular, an audit committee is required to give an overview of the results of the statutory audit and their work to the body that elected or the person that appointed its members and make proposals regarding the appointment or removal of an audit firm.

[6] In **Finland**, according to the Companies Act, the Annual General Meeting (AGM) decides on the remuneration of the auditor. In practice, the Audit Committee prepares the Board's proposal for the auditor's fee and the AGM may, for example, decide that the auditor's fee is to be paid according to the auditor's invoice, in accordance with the procurement principles approved by the Audit Committee.

[7] In **France**, the audit committee recommends a choice of auditors for election by the General Assembly.

[8] In **France**, through tender offers.

[9] In **Germany**, the external auditor is appointed/approved by shareholders, except for insurance undertakings, where it is appointed/approved by the board.

[10] In **Hungary**, Section 3:291 (1) of the Civil Code requires setting up an audit committee to assist the supervisory board or management board in the selection of the auditor and in its cooperation with the auditor.

[11] In **India**, in the case of state-owned companies, appointment of statutory auditor is done by the Comptroller and Auditor General of India whereas for other companies, appointment is done by shareholders. For listed entities, the role of the Audit Committee with regard to external auditors, inter-alia, includes the following: (i) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity, and (ii) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.

[12] In **Indonesia**, according to OJK Regulation Number 13/POJK.03/2017, the Audit Committee provides a recommendation to the Board of Commissioners (BOC) on the appointment/removal of the external auditor, as well as on the audit fees and the scope of audit.

[13] In **Ireland**, the audit committee submits a recommendation to the directors for the appointment of external auditors.

[14] In **Israel**, the shareholders have the primary responsibility to appoint an external auditor. However, the board may appoint the first external auditor at any time before the first annual general meeting.

[15] In **Israel**, the general meeting is the organ that appoints and removes the external auditor, and approves the audit fees. However, in public companies, when removal of the external auditor or non-renewal of his appointment is on the general meeting's agenda, the audit committee is required to express its position on this matter, after giving the external auditor a reasonable opportunity to present his position to it. In addition, the audit committee (both in public and private companies) is required to examine the audit fees, to review the audit's scope, and to present its recommendations on those matters to the annual meeting.

[16] In **Korea**, for listed companies with total assets valued at two trillion won or more as the end of the latest business year, the audit committee shall appoint an accounting corporation or audit team. For other listed companies, the appointment shall be made by either the audit committee, the auditor, the company, or the general meeting of employees depending on the size, type, etc. of the company. When the company appoints an auditor, it shall report such fact to the regular general meeting of shareholders convened after the appointment or shall notify or publicly announce such fact to shareholders.

[17] In **Malaysia**, the audit fees may be determined by the board, as provided for under the Companies Act 2016. The Malaysian Code on Corporate Governance (MCCG) recommends that the Audit Committee in assessing the suitability, objectivity and independence of the external auditor should consider among other things the appropriateness of the level of audit fees (Guidance 8.3, MCCG).

[18] In **Mexico**, provisions regarding the appointment of external auditors by the Board are stated in Art 28 of the Securities Markets Law. Besides, criteria for selection, monitoring, and removal are provided by the Auditors' Provisions.

[19] In **Norway**, as of 1 January 2021, the Public Limited Liability Companies Act (article 6-47) mandates the audit committee to nominate an external auditor for appointment by the general assembly.

[20] In **Peru**, according to article 114 of the General Corporation Law, the general meeting of shareholders has among its functions to designate the external auditors or delegate to the board their appointment. Also, in accordance with principle 27 of the Code of Good Corporate Governance, the general shareholders' meeting, at the proposal of the Board, designates the external auditor. In practice, in those companies that have established in which an audit committee as recommended in the Code, said committee can give an opinion and / or participate in the appointment process of the external auditor.

[21] In **Poland**, the audit committee prepares the selection procedures of the external auditor and makes recommendations.

[22] In **Russia**, by law, setting audit fees lies within the board's competence, but according to the corporate governance code, the audit committee develops proposals for the amount of audit fees.

[23] In **Saudi Arabia**, according to article 81 of the Corporate Governance Regulation, the General Assembly appoints the Company's external auditor based on a recommendation from the Board, provided that the following requirements are met: i) the nomination shall be based on a recommendation from the audit committee; the external auditor shall be authorised by the Competent Authority; iii) the external auditor's interests shall not conflict with the interests of the Company; and iv) the number of nominees shall not be less than two.

[24] In **Singapore**, the board of directors must, within 3 months after incorporation of the company, appoint an external auditor who will hold office until the conclusion of the first annual general meeting of shareholders. The appointment of external auditors will be approved at the annual general meeting by shareholders subsequently. Furthermore, the Listing Rules require a change in auditing firm to be approved by shareholders in a general meeting. The Code of Corporate Governance also recommend that the audit committee should make recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors. The Practice Guidance of the Code of Corporate Governance further recommends that in respect of appointments and re-appointments of external auditors, the audit committee should evaluate the performance of the external auditor, taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority (ACRA).

[25] In **Switzerland**, the Audit Committee should assess the performance and the fees charged by the external auditors and ascertain their independence, as well as examine the compatibility of the auditing responsibilities with any consulting mandates.

[26] In the **United Kingdom**, legislation requires all companies with securities traded on regulated markets, as well as all deposit holders and insurers, to have an audit committee to select the auditor for the board to recommend to the shareholders. An exemption from having an audit committee is available for subsidiaries of other companies subject to the same framework. For the largest public companies, the board must accept the audit committee's recommendation, and for others, the shareholders must be informed of any departure by the board from the recommendation. For the largest public companies, the board is also bound by the audit committee's recommendation of the auditor's fees and decision as to the scope of the audit, though, for all companies, the fees must be recommended to the shareholders.

Table 4.12 Provisions to promote external auditor independence and accountability

Jurisdiction	Provisions for audit firm rotation	Time period for audit firm rotation and re-appointment		Provisions on non-audit services	
		Maximum term years before rotation	Minimum years before re-appointment of the same auditor	Prohibitions or restrictions on non-audit services	Role of the audit committee in pre-approving allowed non-audit services
Argentina[1]	-	-	-	-	-
Australia	-	-[2]	-[2]	-	C
Austria[3]	L	10	4	L	L
Belgium	L[4]	9+9	4	L	L
Brazil	L	5[5]	3	L	-
Canada	-[6]	-	-	L	L
Chile[7]	-	-	-	L	L
China	L	5	2	-[8]	-
Colombia	C	5/10[9]	-	L	-
Costa Rica	-[10]	-	-	L	-
Czech Republic	L	10+10[11]	4	L	L
Denmark	L	10+10[12]	3	L	L
Estonia	L	10+10	4	L	L
Finland	L	10+10[13]	4	L	L[14]
France	L	10+6[15]	4	L	L
Germany	L	10+10[16]	4	L	-
Greece[17]	-	-	-	L	L
Hong Kong (China)[18]	-	-	-	C	C
Hungary	L	10	4	L	L
Iceland	L	10+10[19]	1	L	L
India[20]	L	10	5	L	L
Indonesia	-[21]	-	-	L	-
Ireland	L	10	4	L	L
Israel	-[22]	-	-	L,C	-

Jurisdiction	Provisions for audit firm rotation	Time period for audit firm rotation and re-appointment		Provisions on non-audit services	
		Maximum term years before rotation	Minimum years before re-appointment of the same auditor	Prohibitions or restrictions on non-audit services	Role of the audit committee in pre-approving allowed non-audit services
Italy	L	9[23]	4	L	L
Japan	L	7[24]	2	L	-
Korea	L	6	3	L	L
Latvia	L	10+10+2[25]	4	L	L,C
Lithuania	L	10	4	L	L
Luxembourg	L[26]	10+10	-	-	-
Malaysia	-[27]	-	-	-	-
Mexico	-[28]	-	-	L	L
Netherlands	L	10	5	L	-
New Zealand	-	-	-[29]	C	C
Norway	L	7	2	L	
Peru[30]	C	-	-	-	-
Poland	L	10	4	L	L
Portugal[31]	L	8 / 9 / 10	4	L,C	L,C
Russia	-	-	-[32]	L	C
Saudi Arabia	L	5	2[33]	L	L
Singapore	-[34]	-	-	L[35]	R,C
Slovak Republic	L	10 + 10[36]	4	L	L
Slovenia	-[37]	-		L	L
South Africa	L	5	5	-	-
Spain	L	10	3	L	L
Sweden	L	(10+10)[38]	4	L	L
Switzerland[39]	-	-	-	L	C
Turkey[40]	L	7	3	L	-

Jurisdiction	Provisions for audit firm rotation	Time period for audit firm rotation and re-appointment		Provisions on non-audit services	
		Maximum term years before rotation	Minimum years before re-appointment of the same auditor	Prohibitions or restrictions on non-audit services	Role of the audit committee in pre-approving allowed non-audit services
United Kingdom	L	20	4	L	L
United States	-[41]	-	-	L	L

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.

Provisions for auditor rotation refer to the requirements or recommendations for listed companies to rotate their external audit providers after a given period. This table captures auditor rotation requirements applicable to audit firms and not lead or partner auditors or others on the audit team (although such provisions may be explained in footnotes). Time periods shown in the table do not include additional periods provided for joint audits except as specified in footnotes.

Prohibitions or restrictions on non-audit services refer to the rules prohibiting or restricting a statutory audit firm/external auditor from providing non-audit services to any listed company for which it is the statutory auditor (e.g. tax services).

Role of the audit committee in pre-approving allowed non-audit services refers to the rules allowing a statutory audit firm/external auditor to provide any non-audit service that is not explicitly prohibited to the audited listed company, based on the approval of the audit committee following an assessment of the threats to the audit firm/auditor's independence and the safeguards in place to mitigate those threats.

Notes:

[1] In **Argentina**, the Corporate Governance Code (RG 797-19) requests companies to provide information regarding these provisions, and recommends that the audit committee supervises performance of external auditors even though there is no specific recommendation, listed companies are required to disclose their appointment and assessment practices.

[2] In **Australia**, an individual can play a significant role in the audit of a particular listed company (as an individually appointed auditor, lead auditor or review auditor) for 5 successive years or 5 out of 7 successive financial years (the 5/7 rule). The period may be extended either through regulatory relief or by the Board. The Board may extend an eligibility term by no more than 2 successive years. For listed companies, which are required to have an audit committee under the Listing Rules, this must be in accordance with a recommendation provided by the audit committee.

[3] In **Austria**, the total duration of engagement of an auditor/audit firm of publicly listed companies should not exceed 10 years. According to a transitional provision, a one-time extension to 20/24 years is possible for certain companies for a limited period of time.

[4] In **Belgium**, as provided by article 3:61 of the Code of Companies and Associations, the maximum term can be extended to 18 years when a public tendering process is conducted, and to 24 years in case of joint audits.

[5] In **Brazil**, the rotation limit for the auditor may be extended up to 10 consecutive fiscal years if: i) the audited company has an audit committee established as a permanent body by the articles of association; and ii) the auditor is an audit firm. In case the audited company wants to benefit from this extension, there should be a rotation within five years of the partner in the audit firm responsible for the auditing work and of every member of the audit team in a managerial position with a minimum cooling off period of three fiscal years before returning.

[6] In **Canada**, while an auditor can be appointed at each annual meeting, there is no statutory requirement for auditor rotation or minimum period before a departed auditor can be reappointed.

[7] In **Chile**, the Securities Market Law establishes, among other provisions, that the partners who sign the audit reports, those in charge of directing the audit and all members of the audit team must have independence of judgment with respect to the audited entity, and in turn, it will be presumed that the partners of the external audit company lack independence of judgment with respect to an audited corporation, when they conduct the audit of the entity for a period that exceeds five consecutive years.

Furthermore, the directors' committee, among its duties and powers, should inform the board of directors about the convenience of hiring or not hiring the external audit company for the provision of other services, provided that those services are not among the ones that the Securities Market Law explicitly establishes as incompatible with the external audit service for the same entity.

[8] In **China**, restrictions on non-audit services are prescribed in the Code of Ethics for Professional Accountants released by CICPA.

[9] In **Colombia**, according to Recommendation 29.9 of the Colombian Country Code, the corporation must maintain a maximum contract term with the auditing firm that ranges between five and ten years, in order to avoid excessive proximity with such a firm and/or its teams, and to safeguard its independence. Regarding a Statutory Auditor-natural person without contract with any auditing firm, the maximum contract term is five years. Recommendation 29.10 further states that within the maximum contract term, halfway through it, the corporation promotes the turnover of the auditing-firm associates assigned to it, and that of their work teams. At the end of such term, the turnover of the firm itself must obligatorily take place.

[10] In **Costa Rica**, in accordance with the External Audits General Regulation enacted by the National Council of Supervision of the Financial System, audit partners are required to rotate after a maximum of five years of continued audit services to a financial entity or listed company. Mandatory audit firm rotation is currently not required.

[11] In the **Czech Republic**, neither the initial engagement of a particular statutory auditor or audit firm, nor this in combination with any renewed engagements therewith shall exceed a maximum of 10 years. The Czech Republic provides that the maximum durations referred to above may be extended to up to 20 years, where a public tendering process for the statutory audit is conducted.

[12] In **Denmark**, the period may be extended to the maximum duration of 24 years, if after the expiry of a duration of 10 years, the General Assembly elects at least one auditor to perform the audit.

[13] In **Finland**, audit firm rotation is mandated after a period of 10 years, which can be extended to an additional a) maximum of 10 years if a public tendering process is conducted, and b) maximum of 14 years in case of joint audits, as provided by the EU Audit Directive.

[14] In **Finland**, according to the Companies Act, the Annual General Meeting (AGM) decides on the remuneration of the auditor. In practice, the Audit Committee prepares the Board's proposal for the auditor's fee and the AGM may, for example, decide that the auditor's fee is to be paid according to the auditor's invoice, in accordance with the procurement principles approved by the Audit Committee.

[15] In **France**, mandatory audit firm rotation must take place every 10 years. The audit mandate can be extended for another 6 years after an open and competitive tender has been carried out. In the case of joint audit, the rotation period can be extended to 24 years without the need to tender.

[16] In **Germany**, the total duration of engagement of an auditor/audit firm of publicly listed companies should not exceed 24 years. The maximum period of 10 years for mandatory auditor rotation can be extended to an additional 10 years if a tender takes places, and 14 years if a joint audit is used. For credit institutions and insurance undertakings, the total duration of engagement of an auditor/audit firm should not exceed 10 years.

[17] In **Greece**, according to article 42 of Law 4449/2017, the maximum term year before rotation of an auditor is 5 years, and the minimum period before re-appointment of the same auditor is 2 years.

[18] In **Hong Kong (China)**, rotation requirements for individuals acting as engagement partner, responsible for the engagement quality control review and/or acting in any other key audit partner role are provided by the Hong Kong Institute of Certified Public Accountants'

Code of Ethics for Professional Accountants. The maximum term before rotation is 7 years, and minimum term before re-appointment is 2 years.

[19] In **Iceland**, this period may be extended to the maximum duration of 20 years if a public tendering process for the statutory audit is conducted, and 24 years for joint audits.

[20] In **India**, listed entities cannot appoint an individual as auditor for more than one term of five consecutive years and an audit firm as auditor for more than two terms of five consecutive years. The auditor of a company can provide other services as are approved by the Board of Directors or the audit committee, but which shall not include any of the following services (whether such services are rendered directly or indirectly to the company or its holding company or subsidiary company), namely: accounting and book keeping services, internal audit, design and implementation of any financial information system, actuarial services, investment advisory services, investment banking services, rendering of outsourced financial services and management services. Further, for listed entities, the Audit Committee is required to approve the payment to statutory auditors for any other services rendered by them.

[21] In **Indonesia**, according to POJK regulation No. 13/POJK.03/2017, audit services on annual historical financial information from the same Audit Partner shall be limited to a maximum audit period of 3 (three) consecutive accounting years. The restriction of usage of audit services is also required for Audit Partner that is associated party, that is, an Audit Partner who does not sign the independent auditors' report but were directly involved in the provision of audit services of annual historical financial information). Audit services from the same Audit Partner can only be re-used after a cooling off period of 2 (two) consecutive accounting years.

[22] In **Israel**, banks are subject to a personal rotation obligation (within the audit firm and not between different audit firms), in accordance with the regulations that apply to them.

[23] In **Italy**, although auditing firms must rotate every nine years, key audit partners must rotate every seven years. In the case of an appointment of a statutory auditor (natural person), the term for rotation is seven years.

[24] In **Japan**, the maximum term year before mandatory rotation is five accounting periods for a Lead Engagement Partner of a Large Auditing Corporation, or seven accounting periods for a large company. Furthermore, the minimum cooling off period before re-appointment of the same auditor is five accounting periods for a Lead Engagement Partner of a Large Auditing Corporation, or two accounting periods for a large company.

[25] In **Latvia**, according to section 37.8 (1,2) of the Law on Audit Services, the maximum term year for auditors and audit firms of public interest entities before mandatory rotation is 10 years. However, this period can be extended if a public tender is conducted, and shall not exceed 20 years. After expiry of these maximum durations, on an exceptional basis, a public interest entity can request an extension to re-appoint the statutory auditor or the audit firm for a further engagement, which shall not exceed 2 years.

[26] In **Luxembourg**, an interim period relating to the time-period for audit rotation and re-appointment is currently in place, coming to an end in 2022. Further information can be found here.

[27] In **Malaysia**, the Malaysian Institute of Accountant By Laws imposes a cooling off period of five years for the engagement audit partner after serving the company for 7 years.

[28] In **Mexico**, the Auditors' Provisions state in article 7 the maximum term for the partner in charge of the audit of a listed company/financial entity, as well as for the revisor of the quality control and the lead auditor in charge of the audit of a listed company/financial entity. This article also provides the cooling off period.

[29] In **New Zealand**, cooling-off periods are based on the *PES 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* adopted standard which outlines different cooling-off periods depending on the role of the key audit partner. An engagement partner is required to have a 5-year cooling-off period, an individual responsible for the engagement quality control review must have a 3-year cooling-off period, other key audit partners are subject to a 2-year cooling-off period.

[30] In **Peru**, the company maintains a policy of renewing its independent auditor or its audit firm. The audit company work team rotates at most every five years, in case said policy establishes longer renewal periods. Likewise, the Corporate Governance Code indicates that the Board of Directors may agree to contract the auditing company or the independent auditor to perform other services different from those of the audit of accounts itself, which will be reported to the General Shareholders' Meeting, including the percentage of the billing that such services represent on the audit billing.

[31] In **Portugal,** Regulation (EU) 537/2014 provides for auditor rotation and prohibitions/restrictions of non-audit services (articles 17 and 5, respectively). The Portuguese law implementing said Regulation determines that the auditor may be appointed for a maximum of two or three terms of office, depending on if they are of four or three years, respectively. This maximum period (8 or 9 years) may be extended up to 10 years, if approved by the general meeting of shareholders under proposal of the supervisory body. The cooling-off period is four years for audit firms and three years for the key audit partner(s) responsible for carrying out the statutory audit.

[32] In **Russia**, the minimum period before re-appointment of the same auditor depends on the role of an auditor (cooling-off period): five consecutive years if the individual acted as the engagement partner for seven cumulative years; three consecutive years if the individual has been appointed as responsible for the engagement quality control review and has acted in that capacity for seven cumulative years; two consecutive years if the individual has acted as a key audit partner other than in the capacities set out in two previous cases for seven cumulative years.

[33] In **Saudi Arabia**, Paragraph (1) of article 133 of Companies Law states that the general assembly may re-appoint the audit firm, provided that the aggregate term does not exceed five consecutive years. An audit firm that completes such term may be re-appointed upon the lapse of two years from the date of expiration thereof.

[34] In **Singapore**, the Listing Manual requires audit partners to be appointed for a maximum of 5 years by an issuer before rotation (“time-on period”) and a minimum 2 years period before they are re-appointed by the same issuer (“cooling-off period”). The ACRA Code of Professional Conducts and Ethics for Public Accountants and Accounting Entities (“ACRA Code”) also prescribes a time-on period and cooling-off period for audit partners, of 7 years and 5 years respectively. As the stricter of the two requirements apply, the time-on and cooling-off period for audit partners for listed companies is effectively 5 years each.

[35] In **Singapore**, the Listing Manual does not prohibit or restrict the use of non-audit services. However, the aggregate amount of fees paid to auditors, broken down into audit and non-audit services, must be disclosed in the annual report. The audit committee must also confirm that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the audit committee's opinion, affect the independence of the auditors. The Practice Guidance of the Code of Corporate Governance also recommends that the audit committee assesses the independence and objectivity of the external auditors, taking into consideration the aggregate and respective fees paid for audit and non-audit services.

[36] In the **Slovak Republic**, the maximum term of 10 years can be extended by 10 years where a tendering process is conducted in accordance with Regulation (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities, or by 14 years in case of joint audits.

[37] In **Slovenia**, Article 45(2) of the Auditing Act provides that a certified auditor shall be prohibited from auditing an individual legal person, if he/she has, as key audit partner, audited the financial statements of a legal person for seven consecutive years following the date of his/her first appointment, and if following the last audit, two years have not passed for which another key audit partner audited the financial statements.

[38] In **Sweden**, audit firm rotation is mandated after a period of 10 years, which can be extended to an additional a) maximum of 10 years if a public tendering process is conducted, and b) maximum of 14 years in case of joint audits, as provided by the EU Audit Directive.

[39] In **Switzerland**, the provisions for auditor rotation deal with the obligation of internal rotation with respect to the Lead Engagement Partner (individual auditor). It is not to be understood as external rotation (i.e. audit firm rotation).

The Lead Engagement Partner is appointed for a period of one up to three financial years. Its term of office ends on the adoption of the annual accounts for the final year. Re-appointment is possible. (Art. 730a para. 1 Code of Obligations).

In addition, the auditor is prohibited from being involved in the accounting or the provision of any other services which give rise to a risk that the auditor will have to review its own work (art. 728 para. 2 number 4 Code of Obligations). In addition, and with a view to PIE engagements, if the relationship between the audit fee and other fees (non-audit) exceeds a factor of 1 to 1, the auditor must explicitly report it to the Federal Audit Oversight Authority (margin note 22 let. b FAOA Circular 2010 on the reporting to the Audit Oversight Authority by Audit firms under state oversight).

Finally, it is recommended the Audit Committee examines the compatibility of the auditing responsibilities with any consulting mandates (economiesuisse, Swiss Code of Best Practice for Corporate Governance, edition 2016, para. 24, page 14).

[40] In **Turkey**, the Turkish Commercial Code (TCC) stipulates that the external auditor which has been appointed as the auditor of a company for seven years in total within a 10-year period, cannot be re-appointed as the auditor unless three years lapse. The TCC prohibits the external auditor and its subsidiaries from providing services to the company except tax advisory and/or tax audit services. On the other hand, article 13 of CMB's Communiqué Serial: X, No: 22 provides details for services that cannot be provided by public companies' external auditors.

[41] In the **United States**, partner rotation, but not audit firm rotation, is required as is originally provided in Section 203 of the Sarbanes-Oxley Act of 2002 (now provided by statute in the Securities Exchange Act of 1934 Section 10A(j)) and Rule 2-01(c)(6) of Regulation S-X. While lead and concurring partners (or engagement quality reviewers) are required to rotate off an engagement after a maximum of five years and must be off the engagement for five consecutive years, other audit partners are subject to rotation after seven years on the engagement and must be off the engagement for two consecutive years.

In addition the role of an audit committee in pre-approving allowed non-audit services is set forth in laws and regulations and is not based on a threats and safeguards approach.

Table 4.13 Audit oversight

Jurisdiction	Professional auditor/ accountancy body	Public oversight body	Funding resources of the public oversight body		Institutions in charge			
			Levies on audit fees	State budget	Approval and registration of external auditors and audit firms	Adoption of audit standards	Quality assurance system	Investigative and administrative disciplinary system
Argentina	Argentine Federation of Professional Councils of Economic Sciences (FACPCE)	Central Bank (BCRA), National Securities Commission (CNV), Superintendence of Insurance (SSN)	X	X	FACPCE / BCRA, CNV, SSN	FACPCE / BCRA, CNV, SSN	FACPCE / BCRA, CNV, SSN	FACPCE / CNV
Australia[1]	Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia, Institute of Public Accountants (IPA)	Australian Securities and Investments Commission (ASIC)	X	X	ASIC	ASIC,CA ANZ, CPA, IPA	ASIC, CA ANZ, CPA, IPA	ASIC, CA ANZ, CPA, IPA
Austria	Chamber of Tax Advisers and Auditors (KSW) / Institute for Austrian Certified Public Accountants (IWP)	Audit Oversight Body of Austria (APAB)	X		APAB	APAB / KSW	APAB	APAB / KSW
Belgium	Institute of Registered Auditors (IBR-IRE)	Belgian Audit Oversight College (CSR-CTR)	X[2]		IBR-IRE / CSR-CTR	IBR-IRE / High Council of the Economic Professions (CSPE-HREB) / Belgian Minister of Economy	CSR-CTR	CSR-CTR
Brazil	Federal Council of Accounting (CFC)	Securities and Exchange Commission of Brazil (CVM)		X[3]	CFC / CVM	CFC	CVM / CFC	CVM / CFC

Jurisdiction	Professional auditor/ accountancy body	Public oversight body	Funding resources of the public oversight body		Institutions in charge			
			Levies on audit fees	State budget	Approval and registration of external auditors and audit firms	Adoption of audit standards	Quality assurance system	Investigative and administrative disciplinary system
Canada	Chartered Professional Accountants of Canada (CPA)	Canadian Public Accountability Board (CPAB)	X		CPAB	CPA	CPAB	CPAB
Chile		Financial Market Commission		X	CMF	CMF	CMF	CMF
China	The Chinese Institute of Certified Public Accountants (CICPA)	Ministry of Finance of the PRC (MOF)	-[4]		MOF	MOF	MOF / CICPA	MOF / CICPA
Colombia	-	Central Board of Accountants (CBA)[5]		X	CBA	Technical Council for Accounting (TCA)	CBA / TCA	CBA
Costa Rica	Chamber of Certified Public Accountants (CCPCR)	General Superinten-dency of Securities (SUGEVAL), General Superinten-dency of Financial Entities (SUGEF), General Superinten-dency of Insurance (SUGESE) and Superinten-dency of Pensions (SUPEN)	X[6]	X	CCPCR / SUGEVAL/ SUGEF/ SUGESE / SUPEN	CCPCR	CCPCR	CCPCR / SUGEVAL / SUGEF / SUGESE / SUPEN
Czech Republic	The Chamber of Auditors of the Czech Republic (KACR)	Public Audit Oversight Board (RVDA)		X	KACR	KACR	RVDA	RVDA
Denmark	Danish Auditors (FSR)	Danish Business Authority (DBA)	X	X	DBA	FSR/DBA	DBA	DBA

Jurisdiction	Professional auditor/ accountancy body	Public oversight body	Funding resources of the public oversight body		Institutions in charge			
			Levies on audit fees	State budget	Approval and registration of external auditors and audit firms	Adoption of audit standards	Quality assurance system	Investigative and administrative disciplinary system
Estonia	Estonian Auditors' Association (EAA)	Auditing Activities Oversight Board (AAOB)	X	X	AAOB	AAOB	AAOB	AAOB
Finland	Finnish Association of Auditors (FAA)	Finnish Patent and Registration Office, Auditor Oversight Unit (PRH)	X		PRH	FAA	PRH	PRH
France	National Association of Statutory Auditors (CNCC)	High Council for Statutory Audit (H3C)	X		H3C	H3C / CNCC	H3C	H3C
Germany	Institute of Public Auditors (IDW) / Chamber of Public Accountants (WPK)	Auditor Oversight Body (APAS)	X	X	WPK	IDW	APAS	APAS
Greece	Institute of Certified Public Accountants in Greece (SOEL)	Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)	X[7]		HAASOB / SOEL	HAASOB	HAASOB	HAASOB
Hong Kong (China)	Hong Kong Institute of Certified Public Accountants (HKICPA)	Financial Reporting Council (HKFRC)[9]	X[8]	X	HKFRC / HKICPA	HKICPA	HKFRC	HKFRC[5]
Hungary	Hungarian Chamber of Auditors (MKVK)	Auditors' Public Oversight Authority (KKH)	X	X	MKVK	MKVK	KKH	KKH
Iceland	Association of Chartered Accountants (FLE)	Audit Oversight Board (AOB)	X		The Ministry of Industries	N/A	AOB	AOB
India	Institute of Chartered Accountants of India (ICAI)	National Financial Reporting Authority (NFRA)		X	ICAI	NFRA / ICAI	NFRA / ICAI	NFRA / ICAI

Jurisdiction	Professional auditor/ accountancy body	Public oversight body	Funding resources of the public oversight body		Institutions in charge			
			Levies on audit fees	State budget	Approval and registration of external auditors and audit firms	Adoption of audit standards	Quality assurance system	Investigative and administrative disciplinary system
Indonesia	Indonesian Institute of Certified Public Accountants (IAPI)	Finance Professions Supervisory Centre (PPPK) and Indonesia Financial Services Authority (OJK)		X[9]	PPPK/OJK	IAPI	PPPK/OJK	IAPI / PPPK/OJK
Ireland	Recognised Accountancy Bodies (RABs)[10]	Irish Auditing and Accounting Supervisory Authority (IAASA)	X	X	RABs / IAASA	IAASA	IAASA	IAASA / RABs
Israel	Israel Auditors' Council (IAC) Institute of Certified Public Accountants in Israel (ICPAI)	Israel Peer Review Institute (IPRI)[11]	X		IAC	ICPAI	IPRI	IAC
Italy		Italian Securities and Exchange Commission (CONSOB)	X		Ministry of Economy and Finance	Ministry of Economy and Finance	CONSOB	CONSOB
Japan	Japanese Institute of Certified Public Accountants (JICPA)	Certified Public Accountants and Auditing Oversight Board (CPAAOB) established within the Financial Services Agency (FSA)		X	FSA	FSA (Business Accounting Council)	CPAAOB / JICPA	CPAAOB / FSA
Korea	The Korean Institute of certified public accountants (KICPA)	Financial Services Commission (FSC), Financial Supervisory Service (FSS)	X	X	FSC/FSS	FSC	FSC/FSS	FSC/FSS

Jurisdiction	Professional auditor/ accountancy body	Public oversight body	Funding resources of the public oversight body		Institutions in charge			
			Levies on audit fees	State budget	Approval and registration of external auditors and audit firms	Adoption of audit standards	Quality assurance system	Investigative and administrative disciplinary system
Latvia	Latvian Association of Sworn Auditors (LASA)	Ministry of Finance (MoF)		X	LASA	LASA	MoF	MoF
Lithuania	Lithuanian Chamber of Auditors (LAR)	Authority of audit, accounting, property valuation and insolvency management (AVNT)		X	LAR	AVNT / LAR	AVNT	AVNT
Luxembourg	Institute of Statutory Auditors (IRE)	Financial Supervisory Commission (CSSF)	X		CSSF	CSSF	CSSF	CSSF
Malaysia	Malaysian Institute of Accountant (MIA)	Audit Oversight Board (AOB)	-[12]	-	AOB	MIA	AOB and MIA	AOB and MIA
Mexico	Mexican Institute of Public Accountants (IMCP)	CNBV		X	IMCP	IMCP / CNBV	IMCP / CNBV	IMCP
Netherlands	Royal Netherlands Institute of Chartered Accountants (NBA)	Authority for Financial Markets (AFM)	X		AFM / NBA	NBA / approval of standards by the Ministry of Finance	AFM	AFM
New Zealand	New Zealand Institute of Chartered Accountants (NZICA)	Financial Markets Authority (FMA)		X	NZICA	XRB	FMA	NZICA/FMA
Norway	Norwegian Institute of Public Accountants (NIPA)	Financial Supervisory Authority of Norway (FSAN)	X		FSAN	NIPA	FSAN	FSAN
Peru	Peruvian Public Accountants Associations (PPAA)	Superinten-dence of Securities Market (SMV)[13]	-[14]	-	PPAA	SMV	SMV	PPAA/SMV

Jurisdiction	Professional auditor/ accountancy body	Public oversight body	Funding resources of the public oversight body		Institutions in charge			
			Levies on audit fees	State budget	Approval and registration of external auditors and audit firms	Adoption of audit standards	Quality assurance system	Investigative and administrative disciplinary system
Poland	Polish Chamber of Statutory Auditors (PIBR)	Polish Agency for Audit Oversight (PANA)	X[15]		PIBR / PANA	PIBR / PANA	PANA	PANA
Portugal	Portuguese Statutory Audit Institute (OROC)	Portuguese Securities Market Commission (CMVM)	X		CMVM / OROC	OROC	CMVM	CMVM / OROC
Russia	Self-regulatory Organization of Auditors Association “Sodruzhestvo” (SRO AAS)	Federal Treasury (FT) under the Ministry of Finance (MoF)		X	SRO AAS	Audit Council of the MoF	FT / SRO AAS	SRO AAS / FT
Saudi Arabia	Saudi Organization for Certified Public Accountants (SOCPA)	Capital Market Authority (CMA)	X[16]	-	CMA	SOCPA	SOCPA / CMA	SOCPA / CMA
Singapore	Institute of Singapore Chartered Accountants (ISCA)	Accounting and Corporate Regulatory Authority (ACRA)	-[17]	-	ACRA	ACRA	ACRA	ACRA
Slovak Republic	Slovak Chamber of Auditors (SKAU)	Auditing Oversight Authority (UDVA)	X	X	UDVA	UDVA	UDVA	UDVA
Slovenia	Slovenian Institute of Auditors (SIZR)	Agency for Public Oversight of Auditing (ANR)		X	SIZR / ANR	SIZR / ANR	ANR	ANR
South Africa	South African Institute of Chartered Accountants (SAICA)	Independent Regulatory Board for Auditors (IRBA)	X	X	SAICA	Financial Reporting Standard Council (FRSC)	IRBA	IRBA
Spain	Institute of Chartered Accountants of Spain (ICJCE)	Accounting and Auditing Institute (ICAC)	X		ICAC	ICAC / Professional bodies	ICAC	ICAC

Jurisdiction	Professional auditor/ accountancy body	Public oversight body	Funding resources of the public oversight body		Institutions in charge			
			Levies on audit fees	State budget	Approval and registration of external auditors and audit firms	Adoption of audit standards	Quality assurance system	Investigative and administrative disciplinary system
Sweden	Institute for the Accountancy Profession in Sweden (FAR)	Swedish Inspectorate of Auditors (RI)	X		RI	RI / FAR	RI	RI
Switzerland[18]	EXPERTsuisse / Treuhand | suisse / Veb.ch	Federal Audit Oversight Authority (FAOA)	X		FAOA	EXPERTsuisse / FAOA	FAOA	FAOA
Turkey[19]	Union of Chambers of Certified Public Accountants of Turkey	Public Oversight Accounting and Auditing Standards of Authority (KGK) / Capital Markets Board (CMB)	X	X	KGK / CMB	KGK	KGK	KGK / CMB
United Kingdom	Recognised Supervisory Bodies (RSBs) / Recognised Qualifying Bodies (RQBs)[20]	Financial Reporting Council (FRC)	X		RSBs	FRC	FRC	FRC
United States	Public Company Accounting Oversight Board (PCAOB), and State Boards for Public Accountancy.	SEC	X[21]	N/A	PCAOB	SEC/ PCAOB	PCAOB	SEC/PCAOB

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.

Professional accountancy body refers to the professional body responsible for providing regulation and oversight over individuals and firms operating in the accountancy industry.

Public oversight body refers to the public body responsible for supervising the audit profession and monitoring compliance with requirements for auditors' independence and conduct.

Quality assurance system refers to the quality assurance reviews or inspections carried out for audits of all listed entities that prepare financial reports.

Investigative and administrative disciplinary system refers to investigative and disciplinary procedures carried out for professional accountants.

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. Furthermore, approval and registration is required for individual external auditors and audit companies that are eligible to register under s1299B of the Corporations Act. Other audit firms (partnerships) are not subject to specific approval and registration requirements.

[2] In **Belgium**, according to article 40 of the Law of 7 December 2016, the costs necessary for the functioning of the CSR-CTR are supported by the FSMA. The costs supported by the FSMA for the functioning of the CSR-CTR as well as the costs for the functioning of the sanctions committee of the FSMA as regards the audit profession are covered by fees from the profession. It is a legal obligation for the members of the profession to contribute via their fees. The resources allocated by the FSMA to the functioning of the CSR-CTR may not exceed the budget decided each year by the CSR-CTR on a proposal of the FSMA.

[3] In **Brazil**, CVM generates its own revenues charging fees and fines from capital market participants and collecting resources from legal settlements under the Securities Act's consent decree clause. However, all resources must be sent to the central government to be included in the federal annual budget.

[4] In **China**, according to the chapter of CICPA, the financial resources of the CICPA come from membership dues, donation, subsidy from the government, revenue from the operating activities and services provided by the Institute and other revenues.

[5] In **Colombia**, the Central Board of Accountants (CBA) is supported by the Technical Council for Accounting (TCA) on topics related to the adoption of law and standards.

[6] In **Costa Rica**, SUGEVAL's budget is 80% funded by the Central Bank and 20% funded by compulsory contributions of regulated entities. However, an amendment to the Law Regulating the Securities Market and other related laws, achieved by Law 9746 (adopted in October 2019), changed the financing to a 50% - 50% split. Starting in 2024, compulsory contributions of regulated entities will increase by 7.5% annually until the 50% is achieved in 2027.

[7] In **Greece**, if the levied fees are not sufficient to cover HAASOB's operating costs, then HAASOB is subsidised by the state budget.

[8] In **Hong Kong (China)**, since the commencement of the new auditor regulatory regime on 1 October 2019, the HKFRC has become the independent auditor regulator for Hong Kong. The HKFRC is vested with direct powers of inspection, investigation and discipline concerning auditors of Public Interest Entities (PIEs), recognition of overseas PIE auditors and oversight of the performance of the HKICPA in respect of its functions of registration, setting of standards on professional ethics and auditing and assurance and setting of continuing professional development requirements in relation to local PIE auditors. The HKFRC may initiate an inquiry into possible relevant non-compliance with accounting requirements by PIEs. The HKFRC is also responsible for the quality assurance system and investigative and administrative disciplinary system for PIEs. PIEs refer to corporations with issued shares or stocks listed in Hong Kong or collective investment schemes with interests listed in Hong Kong.

The HKSAR Government granted seed capital to facilitate the smooth migration of the HKFRC to the new auditor regulatory regime. From 2022, the HKFRC will be self-financing with funding from levies payable by sellers and purchasers of securities, PIEs and PIE auditors.

[9] In **Indonesia**, the PPPK is funded from the state budget, while the OJK is funded from registration and annual fees of auditors, and accounting firm fees based on a certain percentage of engagement.

[10] In **Ireland**, Recognised Accountancy Bodies (RABS) refer to the professional bodies which are approved by the Irish Company Act and monitored by the IAASA as responsible for licensing their members to perform audits, including: the Association of Chartered Certified Accountants (ACCA), Chartered Accountants Ireland (CAI), the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS), and the Institute of Certified Public Accountants (ICPAI).

[11] In **Israel**, the IPRI is a subsidiary of the ICPAI.

[12] In **Malaysia**, the AOB is funded primarily from the registration fees of audit firms and individual auditors. In addition, the AOB also receives funding from the Securities Commission Malaysia.

[13] In **Peru**, according to article 1 of SMV´s Organic Law, the SMV oversees auditing companies authorised by any of the Peruvian public accountants associations of all international auditing standards whose services are retained by individuals or legal persons subject to SMV oversight, to ensure they will abide by the guidelines it is authorised to enforce. For this purpose, the SMV may enact general provisions in line with the aforementioned international auditing standards and require the above organisations to provide any information or documents that may be needed to verify their compliance.

[14] In **Peru**, SMV´s Organic Law includes the possibility of obtaining funding resources from the Central Government and fines from wrongdoers; nevertheless, nowadays, the main source of resources of the SMV is the income from the contributions of issuers and supervised entities.

[15] In **Poland**, PANA is directly funded from fees paid by audit firms. It may also be funded from the state budget, if needed.

[16] In **Saudi Arabia**, the Capital Market Law (CML) states that government funds may be used as a source of financial resources for the CMA, however this has not been the case in practice and the CMA remains fully self-funded from fees for services and commissions charged by the authority and fines and financial penalties imposed on violators.

[17] In **Singapore**, ACRA is a self-funded regulatory agency. Its main sources of income are from statutory fees payable under the Acts administered by ACRA (e.g. company, business, public accountant and corporate service provider registration and related fees) and fees from provision of information services related to such entities.

[18] In **Switzerland**, the FAOA is funded by fees levied off registered individuals and firms (for its decisions, inspections and services). To cover the oversight costs that are not covered by fees, the FAOA charges an annual oversight levy to audit firms under state oversight on the basis of the costs incurred in the accounting year in question (see Art. 21 Auditor Oversight Act and Art. 37 Auditor Oversight Ordinance).

Furthermore, the professional body EXPERTsuisse issues auditing standards. However, the FAOA has the competence to approve, amend or derogate existing auditing standards or to adopt its own standards. This competence is limited to standards applying to financial audits of Public Interest Entities (art. 16a para. 2 Auditor Oversight Act).

[19] In **Turkey**, KGK is in charge of the authorisation and registration of external auditors. However, external auditors shall be additionally authorised by the CMB in order to be able to audit public companies. Within this respect, the CMB is authorised to inspect and impose administrative fines to external auditors, if necessary.

[20] In the **United Kingdom**, professional bodies which are approved and monitored by the FRC as responsible for supervising the work of their member auditors and audit firms include: the Association of Chartered Certified Accountants (ACCA), Chartered Accountants Ireland (ICAI), the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS).

[21] In the **United States**, funding for the PCAOB is specified by law and regulation and is derived from fees levied on issuers, brokers and dealers, and audit firms.

Table 4.14 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	Required	(Individual candidate)	
Belgium	-	-	Allowed
Brazil	-	-	Allowed
Canada	Required[1]	Individual candidates	Allowed
Chile	-	Individual candidate	Allowed
China	Required	Individual candidate	(Required if one SH and its person acting in concert hold ≥ 30% of the voting shares)[2]
Colombia	Required	List	-
Costa Rica	Required	Individual candidate	Allowed
Czech Republic	Required	Individual candidate	Allowed
Denmark	Required	Individual candidate	Allowed
Estonia	Required	Individual candidate	Allowed
Finland	Required[3]	Individual candidate	Allowed
France	Required	Individual candidate	-
Germany	Required	(Individual candidate)	Allowed
Greece	Required	Individual candidate / List	-[4]
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	-[5]	List	-
Japan	Required	Individual candidate	Allowed but limited
Korea	Required	-	Allowed but limited
Latvia	-	Individual candidate	Allowed
Lithuania	Required	Individual candidate	Allowed
Luxembourg	Required	Individual candidate	-
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
Peru	-	Individual candidate	Allowed
Poland	Required	Individual candidate	Allowed
Portugal		List of candidates	-
Russia	Required	Individual candidate	Required
Saudi Arabia	Required	Individual candidate	Required

Jurisdiction	Majority requirement for board election	Voting for: Individual candidate/list of candidates	Cumulative voting
Singapore	Required	Individual candidate	-
Slovak Republic	Required	Individual candidate	Allowed
Slovenia	Required	Individual candidate	Allowed
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 **China**, besides the election of directors, a cumulative voting system is required in the election of supervisors if a listed company whose single shareholder and its person acting in concert hold 30% or more shares.

[3] 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.

[4] In **Greece**, a shareholder can directly appoint one or more board members, provided that they do not exceed 2/5 of the total number of members comprised within the Board of Directors.

[5] 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 4.15 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). The bylaws may reserve a higher number of board seats to minority shareholders.
Peru	Required	According to article 164 of the General Corporation Law, companies are obliged to constitute their board of directors with representation of the minority. To this end, each share gives the right to as many votes as directors must be elected and each voter can accumulate their votes in favour of a single person or distribute them among several.
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.

Jurisdiction	Requirement / recommendation	
	Required for re-election	
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 4.16 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
Austria	L	L	L	C	-
Belgium	L		-	C, L: AC	C
Brazil	L	L	L	L	-
Canada	L	L	L	-	-
Chile	L	C	C	L: ID, C	L: ID
China				L	R: ID[1]
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, L (AC)	-
France	L	L	L	C	C
Germany	L	L	L	C	-
Greece	L	L	L	L	C[2]
Hong Kong (China)[3]	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	L
Indonesia	L	L	L[4]	L	L
Ireland	L	-	-	C	C
Israel	L	L	L	L	
Italy	L	L	L	C	C[5]
Japan	L	L	L	C: ID; L: Outside directors	-
Korea	L	L	L	-	-
Latvia	C	C	C	-	-
Lithuania	C	C	C	L, C	C
Luxembourg				-	-
Malaysia	R	R	R	R	R; C

Jurisdiction	Information provided to shareholders regarding the candidates for board membership			Requirement or recommendation for board nomination	
	Name of candidate	Qualifications of candidates	Candidate's relationship with the firm	Qualification of candidates (e.g. only for non-executive directors (**NED**), independent directors **(ID)** or members of audit committee (**AC**))	Formal screening process (e.g. approval by the nomination committee)
Mexico	-	-	-	L: ID; C: ID, AC	-
Netherlands	L, C	L, C	L, C	C: Supervisory board	-
New Zealand	R	R	R	C	C
Norway	C	C	C	L: AC, C	-
Peru	L, C	L, C	L, C	L[6] : ID, C : ID	-
Poland	L	-	-	-	-
Portugal	L	L	L	C	C
Russia	L	C	C	C	C
Saudi Arabia	L	L	L	L	-
Singapore[7]	R	R	R	R,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[8]
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 **China**, Listing Rules require a listed company to state in the announcement that the proposal on the independent directors is subject to the approval of the Exchange and file with the Exchange the relevant materials of the candidates (including but not limited to the nominator's statement, the candidate's statement and the candidates' curricula vitae) when giving notice of the shareholder's general meeting for the election of independent directors. If the Exchange raises an objection to a certain candidate, the board of directors of the listed company shall not propose such person as an independent director candidate for vote at the shareholders' general meeting.

[2] In **Greece**, Law 4706/2020 on Corporate Governance was adopted in 17.07.2020 and will enter into force in July 2021.

[3] 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.

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

[5] 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 succession planning, of proposing candidates if directors have to be nominated during the mandate and, in general, advising the board on its optimal composition (also in case the board presents a list of candidates for the subsequent board appointment) .

[6] In **Peru**, the SMV approved the "Qualification on Independent Directors Guidelines", with the purpose that companies with securities registered in the Securities Market Public Registry use the same criteria for their disclosures to the market on the independent condition of their directors. The Guidelines provide input to the issuers for their responses to the "Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies" questions about independent directors and when a director is qualified as such.

[7] 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. The Listing Manual requires directors to have appropriate experience and expertise to manage the group's business. A director without prior experience as a director of an issuer must undergo training as prescribed by the Exchange. If the nominating committee is of the view that training is not required as the director has other relevant experience, the basis of their assessment must be disclosed.

[8] 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 4.17 CEO and executive turnover

Jurisdiction	Description of CEOs and executives turnover
Canada and United States	According to a PwC's Strategy& global survey of the 2,500 largest publicly listed companies (2019), during 2000-2018, CEO turnover in the United States 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 with a low of 11.4% in 2010, but, from 2011 onwards, the turnover rate has been relatively stable, ranging from 13.2% to a high of 14.7% in 2018. United States and Canadian turnover rates in 2018 were found to be significantly lower than the global average turnover rate of 17.5%.
Estonia	The Estonian market for managerial talents is rather internal to the country. 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. Finnish companies often 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 14% turnover in 2020; 29% of new appointments were women. The CEO turnover was 19% in 2019.
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 medium-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 particularly frequently between companies in New Zealand. In a study conducted by Seqel Partners and NZ Funds in 2014, average Chief Executive turnover was 6.4 years. The New Zealand market is relatively small and as such there is a smaller pool of individuals than in other economies to take those opportunities..
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 4.18 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	(●)	SPC (applicable for board only)[1]
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	(●)	LTIM, SPC
Finland	(●)	LTIM[2]
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[3]	●	-
Indonesia	●	LTIM
Ireland	(●)	LTIM
Israel	●	LTIM, SPC
Italy	●	Variable remuneration, if awarded, is based on clear, comprehensive and varied performance criteria, taking into account, where relevant, corporate and social responsibility.
	(●)	LTIM (3 years); SPC (the company should clearly define a limit for severance payments)
Japan	(●)	LTIM
Korea	(●)	LTIM
Latvia	●	SPC (2 years)
Lithuania	(●)	LTIM, SPC (2 years)

Jurisdiction	General criteria	Specific requirement or recommendation
		*e.g. Long term incentive mechanism for variable remuneration **(LTIM); Severance payment cap (SPC)***
Luxembourg	(●)	-
Malaysia	-	-
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
Peru	(●)	LTIM
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 (for SOEs only)
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

Notes:

[1] In **Australia**, recommendations state that severance payments are not to be provided to board members (specifically, non-executive directors). There is no quantitative SPC for management, rather severance pay is addressed by a requirement relating to member approval in prescribed circumstances, and recommendations that severance payments be agreed in advance and that there should be no payment for removal for misconduct.

[2] In **Finland**, the remuneration of the Board and CEO must be based on the remuneration policy reviewed by the Annual General Meeting (advisory decision).

[3] 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 approval. Other specific restrictions under the Companies Act 2013 include a cap on the remuneration of a single executive/non-executive director, independent directors not to be issued stock options, etc.

Table 4.19 Disclosure and shareholder approval of 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	L	L (Advisory)	L	L	L (Advisory)
Belgium	L	L (Binding)	L	CEO and members of board of directors	L (Advisory)
Brazil	L	L (Binding)	L	Highest and lowest paid directors	L (Binding)
Canada	L	C (Advisory) (Once in force)[1]	L	L	C (Advisory)
Chile	-	L (Binding)	-	Only for board members	L (Binding)
China	L	L (For directors)	L	L	L (For directors)
Colombia	C	C (Binding)[2]	C	-	C
Costa Rica	L	L (Binding)[3]	-	-	-
Czech Republic	L	L (Binding)	L	Board members, CEO and his/her deputy	L (Advisory)
Denmark	L	L (Binding)	L	L	L (Advisory)
Estonia	L	L (Advisory)[4]	L	L	-
Finland	L	L (Advisory)[5]	L	L (CEO and members of the board of directors and supervisory board where applicable) C (Key executives)	L (Advisory)
France	L	L (Advisory)	L	L	L (Binding)
Germany	L	C (Advisory)	L	L	L (Advisory)
Greece	L	L (Binding)	L	L	L (Binding)
Hong Kong (China)[6]	R	-	R	All directors by name and senior management by band	-
Hungary	L	L (Advisory)		L (Board members CEO and his/her deputy)	L (Advisory)
Iceland	L	L (Binding)	L	L (CEO and key management)	L (Binding)
India	L	-	L[7]	L	L (Binding)
Indonesia	L	L(Binding)	L	L	L(Binding)
Ireland	L	-	L	R	L (Advisory)
Israel[8]	L	L (Binding)	L	Top 5	L (Binding)
Italy	L	L (Binding)	L	L: Directors, statutory auditors and general managers	L (Binding) for directors[9]
Japan	L	SoP/AA	L	Above JPY 100 million	SoP/AA
Korea	C		L	Directors above KRW 500 million and 5	L (Binding)

Jurisdiction	Remuneration policy		Level / amount of remuneration		
	Disclosure	Approval by shareholders	Disclosure		Approval by shareholders
			Total	*Individual*	
				employees above KRW 500 million[10]	
Latvia	L	L (Binding)	L	L	L (Binding)
Lithuania	L	L (Binding)	L	L	C (Binding)[11]
Luxembourg		SoP/AA			SoP/AA
Malaysia	C	-	R	All directors	L (Binding for directors)
Mexico	L	L (Binding)	L	-	L (Binding)
Netherlands	L, C	L (Binding)	L	L	L (or AA)
New Zealand	C	-	L	All directors and employees above NZD 100 000	R (Binding)[12]
Norway	L	L (Binding*)	L	-	L (Binding)
Peru	C	L (Binding)	L	All members of the board of directors	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 (Binding)	L	All directors and top 5 key executives	-
Singapore	C	-	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 SGD 100 000 during the year.	R (Binding for directors)[13]
Slovak Republic	L	L	L	L (all members of board)	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/Binding = Irrespective of whether a shareholder vote is required or recommended, these terms set out whether such votes are advisory or binding with respect to remuneration policies or amounts

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

Notes:

[1] In **Canada**, an advisory vote will be required once the provision comes into force, on a date to be fixed by order of the Governor in Council.

[2] 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.

[3] In **Costa Rica**, in accordance with the Corporate Governance Regulation, remuneration policy for board and key executives should always be approved by shareholders if it considers variable performance-based bonuses in company shares.

[4] In **Estonia**, the resolution of shareholders is advisory for the supervisory board, unless otherwise provided by the articles of association.

[5] In **Finland**, approval by shareholders is only applicable for members of the Board and Supervisory Board.

[6] 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.

[7] In **India**, remuneration of every director is subject to shareholders' approval. Accordingly, companies disclose remuneration to the public as part of this process. Further, the Companies Act 2013 specifies caps with respect to overall and individual remuneration of directors. For listed entities, shareholders' approval is required when the annual remuneration payable to a single non-executive director exceeds 50% of the total annual remuneration payable to all non-executive directors. Additionally, the fees or compensation payable to executive directors who are promoters (controlling shareholders) or members of the promoter group, is subject to shareholders' approval, if- (i) the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or (ii) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5% of the net profits.

[8] 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).

[9] 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. In addition, shareholders provide an advisory vote on the remuneration report setting out information on the remuneration already granted in the previous year.

[10] In **Korea**, according to the Article 159 (Submission of Business Report, etc.) of the Financial Investment Services and Capital Markets Act, a corporation subject to business reporting shall state in its business report the remuneration of each executive officer and detailed standards for and methods of calculation thereof (limited to when the remuneration of an executive officer is not less than the amount prescribed by Presidential Decree, which shall not exceed 500 million won). According to Article 388 (Remuneration for Directors) of the Commercial Act, If the amount of remuneration to be received by directors has not been determined by the articles of incorporation, such amount shall be determined by a resolution of a general meeting of shareholders. In practice, the shareholders determine the total amount of remuneration for directors, executive and auditors, while the decision on how much be paid to each director is entrusted to the board of directors.

11 In **Lithuania**, according to the Corporate Governance Code, the general meeting of shareholders should approve both the amount of remuneration to members of the supervisory board in relation to their participation in supervisory board meetings, and the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.

[12] In **New Zealand**, the NZX Listing Rules applying to listed issuers impose an additional requirement for directors' remuneration to be approved by ordinary resolution of the shareholders. That requirement does not apply in relation to the remuneration of executive directors in their capacity as executives.

[13] In **Singapore**, the Listing Manual states that issuers' Articles of Association must contain a provision stating that fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Table 4.20 Provisions to achieve gender diversity in leadership positions

Jurisdiction	Requirement to disclose statistics on gender composition		Provisions to achieve gender diversity on boards		Sanctions for non-compliance with mandatory provisions
	Of boards	*Of senior management*	*Quota (mandatory)*	*Target (voluntary)*	
Argentina	L/C	L	-	-	
Australia[1]	C	C	-	30% C[2]	
Austria	L	L	30%	L	Yes
Belgium	-	-	33%		Yes
Brazil	-	-	-	-	
Canada	L[3]		-		
Chile	L	L	-	-	
China[4]	-	-	-	-	
Colombia			30% for SOEs	-	
Costa Rica	-	-	50% for SOEs[5]	-	-
Czech Republic	L	-	-		
Denmark	L	-		40%/60% of either gender for listed companies and SOEs	Yes
Estonia	-	-	-		
Finland	R,C[6]		At least one for listed companies [C] / 40% for SOEs[7]	40% for listed companies	
France	L		40%		Yes
Germany	L	L	30%[8]	L	Yes
Greece	L	L	25%[9]	-	Yes
Hong Kong (China)	-[10]				-
Hungary	-		-		
Iceland	L	-	40% /60% of either gender for SOEs	-	-
India	L		At least one[11]		Yes
Indonesia	--	-	-	-	-

Jurisdiction	Requirement to disclose statistics on gender composition		Provisions to achieve gender diversity on boards		Sanctions for non-compliance with mandatory provisions
	Of boards	*Of senior management*	*Quota (mandatory)*	*Target (voluntary)*	
Ireland	L			40% for SOEs	
Israel			At least one	50% for SOEs[12]	Yes[13]
Italy	L	-	40%[14]	-	Yes
Japan	L		-	12% for listed companies on the First Section of the Tokyo Stock Exchange by 2022[15]	
Korea	L[16]		At least one	-	
Latvia	-	-	-	-	-
Lithuania			-		
Luxembourg	-			40%[17]	
Malaysia	R	R	-	30%	-
Mexico	L	L	-	-	Yes
Netherlands	L			-	
New Zealand	C	C		50% of public sector boards and committees by 2021	
Norway	L		40%		Yes
Peru	-	-	-	-	-
Poland			-		
Portugal	L	L	20% since 2018 and 33.3% after 2020		Yes
Russia	-	-	-	-	-
Saudi Arabia	-	-	-	-	-
Singapore	R, C[18]			20% by 2020; 25% by 2025; and 30% by 2030 for top 100 listed companies	
Slovak Republic					
Slovenia	L	-	(40% for SOEs)		No
South Africa			30% for SOEs		

Jurisdiction	Requirement to disclose statistics on gender composition		Provisions to achieve gender diversity on boards		Sanctions for non-compliance with mandatory provisions
	Of boards	*Of senior management*	*Quota (mandatory)*	*Target (voluntary)*	
Spain	L	L	-	40% by 2022	No
Sweden	L	L		40% by 2020	
Switzerland	-	-	30% for SOEs	30%[19]	-
Turkey	L	L	-	Min. 25%	-
United Kingdom	R	C		33% by 2020	
United States	L[20]	-[21]	-[22]	-[23]	-

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.

SOEs: policy applies to state-owned enterprises but not to listed companies.

Listed and SOEs: policy applies to listed companies and non-listed SOEs.

Notes:

[1] 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.

[2] In **Australia**, the Corporate Governance Principles and Recommendations do not set a numerical target, but recommend that each company should set its own numerical target.

[3] In **Canada**, securities regulations in most provinces and territories require disclosure relating to the representation of women; for federally-incorporated companies, disclosures include the representation of women, visible minorities, Indigenous and disabled persons.

[4] In **China,** the Code of Corporate Governance of Listed Companies (2018 Revision) encourages the diversification of members of board of directors.

[5] 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 5 September 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.

[6] In **Finland**, a company listed in Helsinki Nasdaq SE has to follow the CG code according to the listing rules. According to the CG code a listed company has to have at least one board member of both genders. The target of 40% of both genders in listed companies´ boards is based on the Government´s "equality program 2020-2023" according to which the Government follows the progress in companies before possible other tools are used (e.g. possible quota legislation etc.).

[7] In **Finland**, the Government will continue to take targeted action to increase the proportion of women on the boards of directors and management teams of state-owned enterprises (SOEs) as decided in 2004 (at least 40% of both sexes). The progress of the equality goals of the decision-in-principle is monitored annually in the government's reports to parliament. On average in 2020, women comprised 44% of the board members of SOEs, and 46% of state appointments at general meetings. In 2020, women held 49.9% of all board seats in fully state-owned commercial companies and 42.3% in state-owned listed companies.

[8] In **Germany**, the 30% minimum quota applies to supervisory boards of listed companies subject to equal co-determination. In addition, these listed companies are required to set individual targets for the supervisory board and the executive board.

[9] In **Greece**, the new Law 4706/2020 on Corporate Governance introduced mandatory quotas of 25%, and binding diversity criteria for the selection of directors. The law will enter into force in July 2021.

[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. A listing applicant with a single gender board is required to disclose and explain in the prospectus measurable objectives set for implementing gender diversity and measures it has put in place to achieve gender diversity on its board after listing.

[11] In **India**, every listed company and every other public company having paid–up share capital of one hundred crore rupees or more or turnover of three hundred crore rupees or more shall appoint at least one female director. Further, the top 1000 listed entities (by market capitalization) are required to have at least one female independent director.

[12] 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.

[13] In **Israel**, 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] In **Italy**, Law 160/2019 increased the gender quota (from 33% to 40%, effective starting from 2020) and extended its application (six subsequent board nominations, i.e. nearly 18 years.

[15] In **Japan**, the First Section of the Stock Exchange refers to the main and largest listing segment of the Exchange, comprising 2 191 companies.

[16] In **Korea**, under the Financial Investment Services and Capital Markets Act, disclosure on gender composition of boards is mandated for listed companies with total assets valued at two trillion won or more as of the end of the latest business year.

[17] In **Luxembourg**, the voluntary target set for 2019 of 40% gender diversity on boards of publicly listed companies has been reached and surpassed, with 41.2% of women on boards of listed companies at the end of 2020, a clear progression from January 2015 (30.3%). Sustained efforts are maintained to continue improving gender diversity on boards. A National Plan of Action on Gender Equality for all companies has been implemented by the government. Additionally, the Ministry of Equal Opportunities encourages and publicises best practices at the company level as to gender equality in top management positions.

[18] In **Singapore**, the Code recommends that listed companies set and disclose a board diversity policy and progress in achieving their objectives in their annual reports. Listed companies are required to disclose information under comply or explain listing requirements.

[19] In **Switzerland**, from 1 January, 2021, listed companies will have to appoint more women to management positions. The thresholds are set at 30 % women on the board of directors and 20 % women on the management board. If these thresholds are not met, companies will have to explain in their compensation report why they have not been met and indicate the measures planned to remedy the situation. The obligation to provide this information in the remuneration report will be effective five years after the entry into force of the amendments for the board of directors and ten years afterwards for the management board (see the press release by the Swiss Government).

[20] In the **United States**, in addition to director diversity disclosure requirements under the federal securities laws, a number of states, such as Illinois, Maryland and New York, have disclosure mandates that require certain corporations to report to the state the gender composition of the board.

[21] The U.S. Securities and Exchange Commission adopted a rule effective on 9 November 2020 that requires a public company to provide a description of the company's human capital resources to the extent such disclosures would be material to an understanding of the company's business.

[22] 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 US stock exchange, to have a minimum of one woman on its board of directors by 31 December 2019. In addition, by 31 December 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. In 2020, Washington enacted a law that requires certain public companies with shares listed on a major US stock exchange and formed under the Washington Business Corporation Act to have at least 25% of the directors be women by 1 January 2022, or the company must provide a board diversity discussion and analysis to its shareholders.

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

Table 4.21 Gender composition of boards and management

Jurisdiction	Women's participation in managerial positions[1]			Average annual growth rate for women's participation in managerial positions (2017-2019)	Women's participation on boards of directors in publicly listed companies[2, 3]			Average annual growth rate for women's participation on boards of directors in publicly listed companies (2017-2019)
	% as of 2017	% as of 2018	% as of 2019		% as of 2017	% as of 2018	% as of 2019	
Argentina[4]	31.6	32.6	31.6	0%	10.4	11.2	11.4	5%
Australia	38.6	37.8	N/A	-2%	28.7	31.5	31.2	4%
Austria	31.8	31.6	33.2	2%	19.2	21.2	31.8	30%
Belgium	33.6	33.9	32.7	-1%	30.4	31.1	36.7	10%
Brazil	39.9	38.6	39.4	-1%	8.4	8	11.9	22%
Canada	N/A	N/A	N/A	N/A	25.8	27	29.1	6%
Chile	26.5	27.3	29.9	6%	8.2	8.4	8.5	2%
China	N/A	N/A	N/A	N/A	9.7	11.1	11.4	9%
Colombia	N/A	N/A	N/A	N/A	15.1	13.2	13.5	-5%
Costa Rica	36.8	33.9	41	6.5%	N/A	N/A	N/A	N/A
Czech Republic	24.6	26.8	26.8	4%	6	7.7	13.3	51%
Denmark[5]	26.3	26.1	26.8	1%	20.4	19.9	22.1	4.3%
Estonia	38.5	36.1	37.2	-2%	7.4	8	9.4	12.8
Finland	22.9	25.0	24.0	2%	27	29	29	4%[6]
France	33.4	34.4	34.6	2%	40.8	41.2	44.3	4%
Germany	29.2	29.4	29.4	0%	20.9	22.5	33.3	28%
Greece	29.8	27.5	28	-3%	17.6	14.6	13.1	-14%
Hong Kong (China)	29	N/A	N/A	N/A	11.3	11	12.4	5%
Hungary	39.4	38.6	38.9	-1%	6.1	9.1	9.1	25%
Iceland	32.4	41.5	41.9	15%	43.5	45.7	45.9	2.7%
India	N/A	13.7	N/A	N/A	13.8	14	15.9	8%
Indonesia	27.5	N/A	29.8	4%	3.3	3.3	10.1	103%
Ireland	36.2	36	35.4	-1%	19.8	24	27	17%
Israel	34.6	N/A	N/A	N/A	23.1	24.5	21.6	-3%
Italy[7]	27.5	27	27.8	1%	33.5	35.8	36.5	4%
Japan	13.2	14.9	14.8	6%	5.3	6.4	8.4	26%

Jurisdiction	Women's participation in managerial positions[1]			Average annual growth rate for women's participation in managerial positions (2017-2019)	Women's participation on boards of directors in publicly listed companies[2, 3]			Average annual growth rate for women's participa-tion on boards of directors in publicly listed compan-ies (2017-2019)
	% as of 2017	% as of 2018	% as of 2019		% as of 2017	% as of 2018	% as of 2019	
Korea	12.3	14.5	15.4	12%	2.1	2.3	3.3	27%
Latvia[8]	46.3	44.9	45.8	-1%	27	30	34	12%
Lithuania	39.3	39.2	39.2	0%	14.3	10.8	12	- 6.7%
Luxembourg	18.8	24.5	25.8	18%	17.5	14.9	21.5	15%
Malaysia[9]	22.1	28	N/A	27%	13.3 (Top 100: 19.2)	15.7 (Top 100: 23.7)	16.6 (Top 100: 26.5)	12%
Mexico	36.7	36.1	36	-1%	7.5	7.3	8.1	4%
Netherlands	26.6	26	27.1	1%	22.1	24.9	34	25%
New Zealand	N/A	N/A	N/A	N/A	30	30.2	38.2	14%
Norway	38.3	35.6	34.5	-5%	42.2	39.6	39.2	-4%
Peru	36.7	30	34.3	-2%	N/A	14.3	14.3	0%
Poland	41.3	42.5	43	2%	11	10	19.9	45%
Portugal	34.3	34	37.1	4%	10.5	10.5	24	64%
Russia	41.3	41.8	N/A	1%	7	9.2	10.6	23%
Saudi Arabia	N/A	N/A.	N/A	N/A	N/A	N/A	0.7	N/A
Singapore[10]	34.5	36.4	N/A	6%	13.1	15.2	16.2	11%
Slovak Republic	32.8	32.1	33.7	1%	15.1	24.1	29.1	40.2%
Slovenia	41.2	38.5	40.1	-1%	22.6	27.9	24.6	5.8%
South Africa	32.1	30.5	30.2	-3%	21.4	24.6	27.4	13%
Spain	30.6	32.1	33.2	4%	24	23.6	26.2	5%
Sweden	38.9	38.1	40.2	2%	37.7	36.9	39.6	3%
Switzerland	30.4	31.7	33.5	5%	21.3	22.3	24.9	8%
Turkey	15	14.8	16.1	4%	10.8	14.7	17.6	28%
United Kingdom	36.1	36.3	36.8	1%	26.8	29.1	31.7	9%
United States	40.5	40.7	40.7	0%	21.7	23.4	26.1	10%

Definitions:

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.

The average annual growth rate for women's participation in managerial positions and on boards is provided only based on the years for which data are available.

Notes

[1] *Source*: International Labour Organization, ILOSTAT database. 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.

[2] *Source*: MSCI (2019) Women on Boards: Progress Report 2019 (except as otherwise noted below for 12 jurisdictions referenced in subsequent footnotes). MSCI data refer to the proportion of seats held by women on boards for companies covered by the MSCI ACWI index: an index of 2 765 large- and mid-cap firms from developed and emerging economies (as of 31 October 2019).

[3] *Source*: Data on gender composition of boards for Estonia, Iceland, Lithuania, Slovak Republic and Slovenia were obtained from: European Institute for Gender Equality (EIGE) Gender Statistics Database (https://eige.europa.eu/gender-statistics/dgs) 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). These countries are not covered by the MSCI ACWI index.

[4] In **Argentina**, data on women on boards are based on gender reports on boards of directors in publicly listed companies carried out in 2017, 2018 and 2019 by the CNV, which calculated women's participation on boards of directors in all listed companies during those years (see https://www.cnv.gov.ar/descargas/web/blob/5FD3C0ED-26BC-497D-8A66-5263F75BFCBD in Spanish).

[5] In **Denmark**, the Danish Business Authority publishes an annual report on the gender composition of the supreme governing body of the company in the largest Danish companies. The numbers in the column "Women's participation on boards of directors in publicly listed companies" includes members chosen at the General Assembly and by the employees.

[6] For **Finland**, data comes from the Finland Chamber of Commerce, and cover all Finnish companies listed on the main market of the Helsinki Stock Exchange.

[7] In **Italy**, data on gender composition of corporate boards come from statistics published by the Italian securities regulator within the Report on corporate governance (various years http://www.consob.it/web/consob-and-its-activities/report-on-corporate-governance) and Annual Report. Such data refer to all listed companies.

[8] In **Latvia**, data on women on boards are collected and calculated by the stock exchange (Nasdaq Riga) and includes all listed companies.

[9] For **Malaysia**, data on women on boards come from the Securities Commission (SC Malaysia).

[10] In **Singapore**, data on women's participation on boards for 2017, 2018 and 2019 come from 2019 data from the Council of Board Diversity (Figure 5, Annex B), available here. These data are for the top 100 primary listed companies by market capitalisation on Singapore Exchange.

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