

Corporate Governance Factbook

FEBRUARY 2014

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

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INTRODUCTION

An important function of the OECD Corporate Governance Committee is to share up-to-date information about corporate governance practices. Easy access to such information is often a useful first resource for national governments who want to compare their own framework with that of other countries or seek information about practices in specific jurisdictions.

In responding to the corporate governance challenges that have come into focus in the wake of the financial crisis, the Committee launched a thematic review process that is designed to facilitate the effective implementation of the OECD Principles of Corporate Governance and to assist market participants and policy makers in responding to emerging corporate governance risks. By the end of 2013, the Committee had completed six reviews covering: board practices; institutional investors; related party transactions; board member nomination and election; supervision and enforcement; and risk management (See the box on the next page).

This report is a compilation of the information gathered from the responses to questionnaires during the thematic review process. While relevant information to complete the tables has been requested from all jurisdictions, occasionally no response or the insufficient quality of information given has left the columns of jurisdictions blank in the document. Responses have been supplemented with additional research from publically available sources. The report was prepared by Akira Nozaki¹ under the supervision of Mats Isaksson.

This report begins with the description of ownership structure at company level. It then provides an overview of the fabric of the corporate governance framework, with an overview of how key corporate governance provisions are distributed among various legal and regulatory domains, such as company law, securities regulation and voluntary codes. Also included is an inventory of the various institutions involved in rule making, supervision and enforcement, the division of responsibilities and their authority. The description of individual practices, definitions and provisions starts with the board of directors and key executives. This is followed by a chapter on the rights of shareholders, covering the basic issues regarding general shareholder meetings as well as the issues on related party transactions and takeover bids.

Each topic has two components: the first component provides an overall landscape of the framework around the world, mainly through integrating the information from the second component, which presents the compilation of information in a tabular format. The table includes information for all 34 OECD members countries based on its availability. Some additional jurisdictions (*e.g.* Argentina; Brazil; Hong Kong, China; India; Indonesia; Lithuania; Saudi Arabia; and Singapore) that have participated in the Committee also supplied information.

¹ The author would like to thank Ruth Fishwick, Yumeko Hyugaji and delegates to the OECD Corporate Governance Committee for their valuable inputs and comments.

OECD Corporate Governance Peer Reviews

The OECD corporate governance peer review process is designed to facilitate effective implementation of the OECD Principles and to assist market participants, regulators and policy makers. It is carried out through an exchange of experiences and expertise that provides participants with an overview of existing practices and approaches and an opportunity to identify good practices that can stimulate and guide improvements. The reviews are also forward looking, so as to help identify key market practices and policy developments that may undermine the quality of corporate governance. The review process is open to OECD and non-OECD jurisdictions alike.

Board Practices: Incentives and Governing Risks



Date of publication
9 August 2011

This publication examines how effectively boards manage to align executive and board remuneration with the longer term interests of their companies. This is a major and on-going issue in many companies and one of the key failures highlighted by the financial crisis. Aligning incentives seems to be far more problematic in companies and jurisdictions with a dispersed shareholding structure since, where dominant or controlling shareholders exist, they seem to act as a moderating force on remuneration outcomes.

This report focuses on board practices related to setting incentives and governing risks in **29 countries** and includes in-depth reviews of **Brazil, Japan, Portugal, Sweden and the United Kingdom**.

The Role of Institutional Investors in Promoting Good Corporate Governance



Date of publication
11 January 2012

This publication focuses on the role of institutional investors in promoting good corporate governance. This report is organised in two parts: a review of what is known about institutional investors and their behaviour; and a detailed review of institutional investors in Australia, Chile and Germany.

This report covers **26 jurisdictions**, including in-depth reviews of **Australia, Chile and Germany**.

Related Party Transactions and Minority Shareholder Rights



Date of publication
4 April 2012

Related party transactions involve parties who can control the terms of a transaction in their favour potentially at the cost of the company. They include management, board members and controlling shareholders.

This publication reviews provisions covering related party transactions and the protection of minority shareholder rights in **31 jurisdictions**, both OECD and non-OECD. In addition, the regulatory and legal systems that have been developed in **Belgium, France, Italy, Israel and India** are reviewed in detail and allow a wide range of experience to be compared and lessons drawn.



Date of publication
11 October 2012

Board Member Nomination and Election

This report addresses the corporate governance framework and company practices that determine the nomination and election of board members. It covers some **26 jurisdictions**, including in-depth reviews of **Indonesia, Korea, the Netherlands and the United States**.

In sum, the Principles are a good guide to the outcomes that should be expected from companies with respect to key corporate practices. However, in the context of controlled companies and corporate groups, other outcomes and practices are usual in some jurisdictions and might need to be considered by others.



Date of publication
4 November 2013

Supervision and Enforcement in Corporate Governance

This report analyses the supervision and enforcement of rules and practices relating to related party transactions, takeover bids and shareholder meetings. The review covers **27 jurisdictions** and is based on a general survey of all participating jurisdictions in June 2012, as well as an in-depth review of supervision and enforcement practices in **Brazil, Turkey, and the United States**.

Whilst private and public supervision and enforcement are generally seen as complementary, in most countries surveyed public supervision and enforcement plays a more important role than private supervision and enforcement. Private supervision and enforcement requires an efficient and reliable legal system, notably with regard to commercial disputes, whereas reliance on public authorities argues for strong governance arrangements in those institutions.

Risk Management and Corporate Governance

This report reviews the corporate governance framework and practices relating to corporate risk management in **26 jurisdictions**. The report analyses the corporate governance framework and practices relating to corporate risk management, in the private sector and in state-owned enterprises. It is based upon a general survey of participating jurisdiction, complemented by three country studies illustrative of different aspects of risk management and corporate governance (**Norway, Singapore and Switzerland**).

The review finds that, while risk-taking is a fundamental driving force in business and entrepreneurship, the cost of risk management failures is still often underestimated, both externally and internally, including the cost in terms of management time needed to rectify the situation. Corporate governance should therefore ensure that risks are understood, managed, and, when appropriate, communicated.

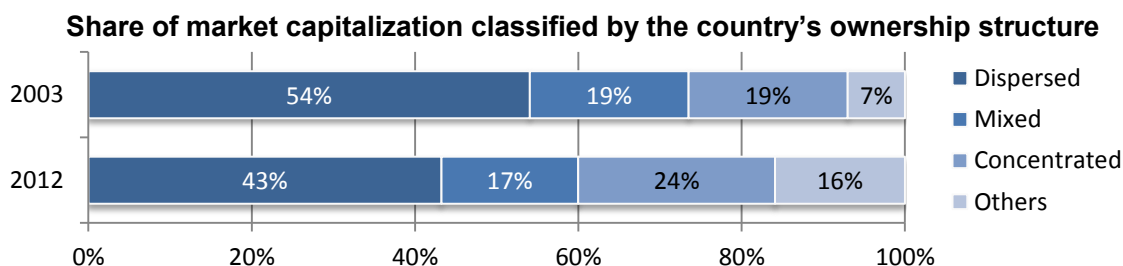
(To be published in 2014)

THE CORPORATE LANDSCAPE

The ownership structure of listed companies

Over the last decade, the presence of countries with “concentrated” ownership structure has increased from 19% to 24% in terms of aggregate market capital share.

Various descriptions are provided for characterising the ownership structure at company level (Table 1). Considering the multi-layer structure and interconnectivities among shareholders through the use of control-enhancing mechanisms, simple dichotomy between “concentrated” and “dispersed” might be too coarse to allow a deeper understanding of the diversity of ownership structure. Despite this, the degree of ownership concentration remains one of the essential elements for consideration in framing the corporate governance standards. Three countries (**Australia**, the **UK** and the **United States**) are generally characterised as having a predominantly “**dispersed**” ownership structure. The global aggregate market capital share of these countries has decreased from 54% to 43% over the last decade. In most OECD and non-member countries, a majority of listed companies have a controlling shareholder. The presence of these countries with “**concentrated**” ownership structure has increased from 19% to 24% in terms of aggregate market capital share. In those companies with a concentrated ownership structure, “horizontal” agency problems (between controlling and minority shareholders) are abundant, while “vertical” agency problems (between managers and shareholders) may be mitigated². Five countries (**Canada**, **Germany**, **Netherland**, **Japan** and **Switzerland**) do not fall into either of these two categories, but are instead characterised as having a “**mixed**” ownership structure. Regardless of the country-level classification, there is a wide diversity in the ownership structure of individual companies in each country.



Source: OECD calculation on the basis of data from the World Bank.

² Vermeulen, E. (2013), “Beneficial Ownership and Control: A Comparative Study - Disclosure, Information and Enforcement”, *OECD Corporate Governance Working Papers*, No. 7, OECD Publishing. doi:[10.1787/5k4dkhwckbzy-en](https://doi.org/10.1787/5k4dkhwckbzy-en)

Notes to the tables

[Table 1] Brief description of the ownership structure at company level

This table provides various descriptions for characterising the ownership structure at company level. In most cases in jurisdictions which are described as having concentrated ownership structure, the majority of listed firms have a controlling shareholder. In some jurisdictions, other issues are discussed in relation to concentrated ownership, such as pyramid structure, family control, company groups, and state ownership. It is worth noting that **Italy** reported a sharp decline of the pyramid structure and non-voting shares in the last decade, possibly as a reaction to increasing market pressure.³

Table 1. Brief description of the ownership structure at company level

	Characteristic and brief description of the ownership structure
Australia	A majority of shares in top 200 listed companies are in the hands of financial institutions, but their holdings are typically dispersed (the holding of one institution seldom exceeds 10%).
Austria	Direct ownership concentration is very high and prevalent in all size classes in Austria. In the largest 5% of companies the largest shareholder holds on average 67% of the equity ⁴ .
Belgium	About 60% of listed companies have shareholders who, alone or in concert, hold more than 30% of the voting, which gives them de facto control of the company.
Brazil	A large majority of listed firms are controlled by a single shareholder, foreign firms or via pyramidal structures involving corporate groups. A survey of 201 listed firms (85% market cap) found that over 70% of the firms had either family or shared ownership control (KPMG, 2009).
Canada	About 25% of the largest 300 TSX listed-firms have a controlling shareholder.
Chile	As of 2002, some 50 major conglomerates had ownership control of more than 70% of non-financial listed companies. The median controller holds 67% of shares, while less than 1% of firms are widely held when applying the threshold of 10% of ownership ⁵ .
Czech Republic	The structure of ownership can be characterised by concentrated ownership usually in the hands of a controlling shareholder.
Denmark	Many large companies in the Nordic area have a dispersed ownership structure. However, a relatively large portion of the listed companies in the Nordic area, in particular in the small and mid-cap categories, have one or a few controlling shareholders, who often play an active role in the governance of the company ⁶ .
Estonia	7 out of the 15 listed companies are in the hands of one controlling shareholder.
Finland	The ownership structure is decentralized in some companies, while others have shareholders with significant voting rights.
France	For all listed companies, the largest shareholder directly held 46% of the capital and 52% of the voting rights (1998-2002). Double voting rights were used by 36% of listed firms as a device of control-enhancing. Pyramids were used by 19% of the firms (OECD, 2012b).
Germany	The ownership structure of listed companies, which was characterized as concentrated ownership for a long time, has now become quite dualistic with a number of enterprises still under tight control but others now have a broad ownership base (OECD, 2011a).
Greece	Regarding the banking sector, listed banks are mainly characterized by dispersed ownership. In the end of 2012, of the 256 companies listed in the ATHEX, 212 companies (82.8%) comprised groups.
Hong Kong, China	About 75% of issuers have a dominant shareholder, for example, an individual/family or state-owned entity, who owns 30% or more of the issued shares (2012).
Hungary	Amongst listed companies, concentrated ownership and dispersed structure can be found as well. The average size of the free-float is about 47%. One-third of listed firms are controlled by a majority shareholder.
Iceland	Many large companies in the Nordic area have a dispersed ownership structure. However, a relatively large portion of the listed companies in the Nordic area, in particular in the small and mid-cap categories, have one or a few controlling shareholders, who often play an active role in the governance of the company ⁷ .
India	India is characterized by the widespread use of company groups, often in the form of pyramids with a wide basis (in many different activities and companies) and with a number of levels ⁸ .
Indonesia	A survey of 186 listed firms found that on average 70% of the shares were held by controlling shareholders, and 58% of firms were family-controlled (2006-2007). 54% of the total market cap is held by firms that belong to a family business group (2011) ⁹ .

³ Consob, 2013 Report on corporate governance of Italian listed companies. Available at: http://www.consob.it/documenti/Pubblicazioni/Rapporto_cg/rcg2013.pdf

⁴ Klaus Gugler, "Corporate Ownership Structure in Austria", *Empirica* 25: 285–307, 1998.

⁵ OECD (2011), *Corporate Governance in Chile*, Corporate Governance, OECD Publishing. <http://dx.doi.org/10.1787/9789264095953-en>

⁶ Danish Corporate Governance Committee et al, *Corporate Governance in the Nordic Countries*, April 2009. Available at: <http://www.corporategovernanceboard.se/media/28287/nordic%20cg%20booklet%20-%20final%20web%20version.pdf>

⁷ Danish Corporate Governance Committee et al, *Corporate Governance in the Nordic Countries*, April 2009. Available at: <http://www.corporategovernanceboard.se/media/28287/nordic%20cg%20booklet%20-%20final%20web%20version.pdf>

⁸ OECD, *Related Party Transactions and Minority Shareholder Rights*, OECD Publishing. doi: 10.1787/9789264168008-en

⁹ OECD, *Board Member Nomination and Election*, OECD Publishing. doi: 10.1787/9789264179356-en

Israel¹⁰	About 75% of listed companies are controlled by family or individual interests. 20 business groups (nearly all of them family-owned) controlled 160 publicly-traded companies with a 40% segment of the market. The market segment of the 10 largest groups was estimated at 30% ¹¹ .
Italy	Nearly 2/3 of listed companies are controlled by a single shareholder. The presence of widely held companies is still limited (6% of the total number of firms and 19% of total market capitalization) ¹² .
Japan	More than one third of listed companies do not have a shareholder with more than 10% of the shares, while over 90% of listed companies do not have a shareholder who has more than 50% of the shares.
Korea	38 family-owned large company groups own 1364 companies. Out of them, 213 are listed on the Korean stock market, and 51.8% of the total shares are owned by controlling shareholders.
Mexico	Listed companies are characterized by a high degree of concentration. Family groups are the common figure in the market.
Netherlands	The Netherlands has a more dispersed ownership structure than most continental European countries. The largest shareholder held less than 10% of voting rights in 62% of listed companies and only 19% had a shareholder with more than 30% of voting rights (2010). However, this percentage rises from 19% to 38% when taking the role played by "Trust Offices" into account. This highlights a more concentrated control structure ¹³ .
New Zealand	New Zealand has few very large firms, and considerable parts of the largest firms are either government or co-operative owned, or controlled by offshore owners. In each of these cases, there is relatively limited participation in local capital markets ¹⁴ .
Norway	Its market is characterised by a large proportion of public ownership (36.3% of overall market capitalization, covering both state and municipal-level ownership), both directly and through Folketrygdfondet, the state-owned asset manager responsible for managing the Government Pension Fund Norway. Foreign shareholders comprise a similar proportion of market capitalization in the Norwegian equity market (35.8%). Shareholding by private companies and private investors make up a much smaller proportion of share ownership (18%), with mutual funds far behind comprising just 7% of market capitalization.
Poland	30-60% of shares belong to the controlling shareholders and 15-20% are held by pension funds or investment funds.
Portugal	A key feature of the listed firms is the dominance of controlling (often family) shareholders. In 25 out of 45 listed companies, a single shareholder owns a majority stake.
Singapore	The majority of listed companies in Singapore have a block shareholder holding of 15% or more. The ownership structure comprises two main types; companies that originally started off as (i) family-owned businesses and (ii) state owned enterprises. Ownership concentration has historically been high with families and the state representing major shareholders.
Slovenia	The Government has significant direct and indirect control over a large number of sizeable companies in the domestic market. The investments of state controlled funds are dispersed across a large number of listed and unlisted companies ¹⁵ . Ownership of listed companies is concentrated as the principal three owners own on average 61% (2009).
Spain	In 8 out of IBEX 35 companies there is a controlling shareholder that holds the majority of voting rights. In 11 other IBEX companies, the sum of declared significant shareholdings, including shareholdings held by the Board, exceeds 50% of share capital, without any individual shareholder exercising control ¹⁶ .
Sweden	The control to a large extent lies in the hands of domestic family groups, in different constellations, or other block holders. About 64% of listed firms have one shareholder with at least a 25% shareholding. State ownership is also quite significant ¹⁷ .
Switzerland	Among the 20 SMI companies, 6 are dominated by a controlling shareholder or a controlling shareholder group (15-20% of the shares). With regard to medium and smaller companies, the share of controlling shareholders (25-30% of the shares) is higher.
Turkey	Often in the form of family controlled financial industrial company groups and there is a high degree of cross-ownership within some company groups.
United Kingdom	The UK has a highly liquid listed company sector with dispersed ownership. In about 90% of companies listed on the LSE, there is no major shareholder owning 25% or more ¹⁸ .
United States	Ownership of public companies is generally characterized by dispersed shareholdings. Listed companies are rarely under the control of a major shareholder but rather subject to managerial control (OECD, 2012c). One study describes how most public corporations in the United States have large shareholders, by taking into the ownership both of directors and officers and all large shareholders ¹⁹ .

¹⁰ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

¹¹ OECD, *Related Party Transactions and Minority Shareholder Rights*, OECD Publishing. doi: 10.1787/9789264168008-en

¹² Consob, 2013 Report on corporate governance of Italian listed companies. Available at: http://www.consob.it/documenti/Pubblicazioni/Rapporto_cg/rcg2013.pdf

¹³ OECD, *Related Party Transactions and Minority Shareholder Rights*, OECD Publishing. doi: 10.1787/9789264168008-en

¹⁴ Capital Market Development Taskforce Secretariat, "The Structure and Ownership of New Zealand Companies and its Impact on Capital Market Development". Available at: <http://www.med.govt.nz/business/economic-development/pdf-docs-library/cmd-taskforce-research/structure-of-nz-companies.pdf>

¹⁵ OECD, *Corporate Governance in Slovenia 2011*, OECD Publishing. doi: 10.1787/9789264097704-en

¹⁶ CNMV, "Informe anual de Gobierno Corporativo de las compañías del IBEX 35", 2011. Available at: http://www.cnmv.es/DocPortal/Publicaciones/Informes/IAGC_IBEX_2011.pdf

¹⁷ OECD, *Board Practices: Incentives and Governing Risks*, OECD Publishing. doi: 10.1787/9789264113534-en

¹⁸ OECD, *Board Practices: Incentives and Governing Risks*, OECD Publishing. doi: 10.1787/9789264113534-en

¹⁹ Holderness, Clifford G., "Blockholders are More Common in the United States than You Might Think", *Journal of Applied Corporate Finance*, Vol. 22, Issue 4, pp. 75-85, 2010. Available at SSRN: <http://ssrn.com/abstract=1733802>

THE CORPORATE GOVERNANCE FRAMEWORK

Regulatory framework of corporate governance

Some jurisdictions do not have national codes or principles under the “comply or explain” framework, instead all corporate governance issues are covered by either laws or regulations.

It is sometimes questioned how and whether national authorities and stock exchanges monitor and enforce the disclosure requirements under the “comply or explain” system.

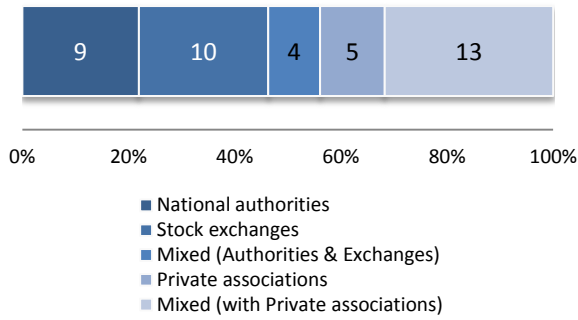
In dealing with corporate governance issues, countries have used a varying combination of legal and regulatory instruments on the one hand, and codes and principles on the other. In many jurisdictions, corporate governance standards are in part concerned with company law and securities law. Company laws set forth the default option concerning corporate structure whose detailed framework is determined by the company's articles; securities laws set forth binding requirements, which makes the important issue of protecting shareholders enforceable for the regulator. Three jurisdictions (**India, Saudi Arabia** and the **United States**) do not have national codes or principles under the “comply or explain” framework, instead all corporate governance issues are covered by either laws or regulations (including listing rules). Some jurisdictions (*e.g.* **Turkey**) have recently shifted towards a mandatory approach, through requiring the large listed companies to comply with some of the provisions recommended by the principles²⁰.

National authorities and/or stock exchanges have generally taken the initiative of setting the codes. Private associations are also actively involved in 18 jurisdictions. Update systems for the code have not been legally constructed, but have remained informal in most jurisdictions. **Austria** and **Germany** have established formal procedures to ensure that the code is reviewed by the custodian on a yearly basis. The implementation mechanism of the code varies among jurisdictions. A comply or explain system is adopted in EU countries and 10 other jurisdictions, most of which are ensured either by laws and regulations (58%) or by the listing rules (35%). Mandatory disclosure to the market regarding adherence to the code is prevalent and has become a part of the annual reporting requirements for listed companies. However, it is sometimes questioned how and whether national authorities and stock exchanges monitor and enforce the disclosure requirements under the “comply or explain” system. Less than half of the jurisdictions adopting this system have established a formal mechanism that national authorities or stock exchanges regularly analyse and publish a report regarding how listed companies disclose the matters relating to adherence of the code. Moreover, the coverage and depth of analysis of these reports varies significantly across the jurisdictions, and reports published by stock exchanges are usually very short and contain limited information²¹.

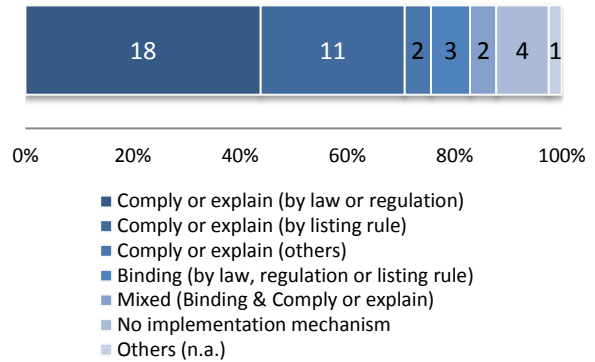
²⁰ See Box 3.1. in OECD (2013), Supervision and Enforcement in Corporate Governance, OECD Publishing. doi: 10.1787/9789264203334-en

²¹ See page 63 in RiskMetrics Group et al, "Study on Monitoring and Enforcement Practices in Corporate Governance in the Member States", September 2009. Available at: http://ec.europa.eu/internal_market/company/docs/ecgforum/studies/comply-or-explain-090923_en.pdf

Custodians of corporate governance code (N° of jurisdictions)



Implementation mechanism (N° of jurisdictions)

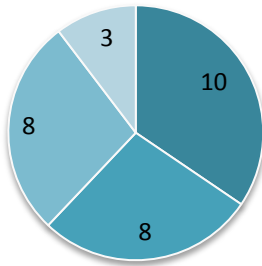


National report reviewing the adherence of the code

(N° of jurisdictions: with double-counting for a jurisdiction publishing more than one report)

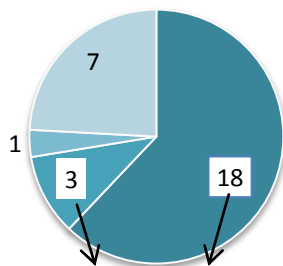
Issuing body

- Authorities
- Exchanges
- Private
- Mixed



Frequency

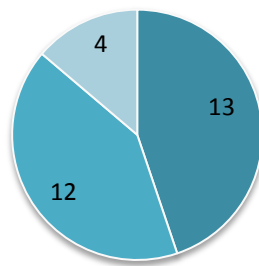
- Every year
- Every 2-3 years
- Every 4 years
- Others (no fixed interval)



Issued by authorities: 7
exchanges: 7

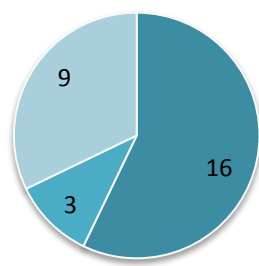
Coverage of the listed companies

- Fully
- Partly
- Others (n.a.)



Coverage of the code provisions

- Fully
- Partly
- Others (n.a.)



Notes to the tables

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

In dealing with corporate governance issues, many jurisdictions have used a varying combination of legal and regulatory instruments on the one hand, and codes and principles on the other. This table gives an overview of the companies law and securities law, as well as subordinate regulations in each jurisdiction with a hyperlink to original sources. Under the authorization by the laws, regulators stipulate detailed regulations on corporate governance. Regarding takeover bids, some jurisdictions (*e.g.* **Austria, Belgium, Germany** and **Slovenia**) set out a legal framework separately, while **Hong Kong, China** only has the code without legal binding force.

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

The corporate governance framework is constituted by several levels of regulation, but it is to some extent based on the codes or principles in all jurisdictions, with the exception of **India, Saudi Arabia** and the **United States**. This table shows that the implementation mechanism for the national codes and principles varies among jurisdictions: no basis in regulatory or listing requirement (4 jurisdictions); "comply or explain" system (in EU countries based on the Directive 2006/46/EC and 10 other jurisdictions); and fully or partially binding (5 jurisdictions). The "comply or explain" system is ensured either by laws and regulations (18 jurisdictions) or by the contract between the listed companies and the stock exchange (11 jurisdictions). Mandatory disclosure to the market regarding adherence to the codes is prevalent and has become a part of the annual reporting requirements for listed companies in most jurisdictions. In **Chile**, listed companies are obliged to perform a self-assessment with regard to the adoption of the good practices of corporate governance, and report on a "comply or explain" basis.

[Table 2.3] Custodians of codes and principles in Table 2.2

The initiative of setting codes or principles has been taken by private sectors in many jurisdictions. The regulator takes the main responsibility in 13 jurisdictions, while in 10 jurisdictions the stock exchange is the primary custodian.

[Table 2.4] National reports on corporate governance

It is sometimes questioned how and whether national authorities and stock exchanges monitor and enforce the disclosure requirements on corporate governance under the "comply or explain" system. This table shows that only 14 jurisdictions have established a formal mechanism that the national regulators (6 jurisdictions) or stock exchanges (8 jurisdictions) regularly monitor and analyse how listed firms disclose the matters relating to adherence of the codes and whether they provide adequate explanations for non-compliance.

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

	Companies Law <i>Latest update</i>	Securities Law <i>Latest update</i>	Other relevant regulations on corporate governance
Argentina	• Companies Law	• Transparency Decree 2001	Regulations (CNV)
Australia	• Corporations Act 2001 2012	• Financial Services Reform Act 2001 2001	
Austria	• Commercial Code	• Stock Corporation Act 2012	
Belgium	• Company Code 2013	• Belgian Act of 2 August 2002 2013	
Brazil	• Corporation Act 2001	• Securities Act 2002	Rules, Instructions (CVM)
Canada	• Federal or provincial statutes -	• Provincial securities laws (e.g. Securities Act in Ontario) -	
Chile	• Private Corporations Corporate Governance Law 2009 • Corporations Law 2011	• Securities Market Law 2011	Rules - Rule N° 341 of 2012 (SVS)
Czech Republic	• Commercial Code	• Capital Market Undertakings Act 2004	
Denmark	• Company Act 2009 • Danish Financial Statements Act 2009	• Danish Securities Trading Act	
Estonia	• Commercial Code 2013	• Securities Market Act 2013	
Finland	• Limited Liability Companies Act 2009	• Securities market Act 2013	
France	• Code de Commerce 2012	• Code monétaire et financier 2012	
Germany	• German Commercial Code • German Stock Corporation Act	• Securities Trading Act	
Greece	• Law 3016/2002 2002 • Law 3693/2008 2008 • Law 3884/2010 2010		
Hong Kong, China	• Companies Ordinance 2011	• Securities and Futures Ordinance 2012	
Hungary	• Companies Act 2007		
Iceland	• Act on Annual Account 2006 • Act on Public Limited Companies 1995	• Act on Securities Trading 2007	
India	• Companies Act 2013 2013	• Securities and Exchange Board of India Act 2013 • Securities Contract (Regulation) Act 2013	
Indonesia	• Company Law 2007	• Capital Market Law 1995	Rules (OJK)
Ireland	• Companies Act		
Israel ²²	• Companies Law 2013	• Securities Law 2012	Securities Regulations , Companies Regulations (ISA)
Italy	• Company Law	• Consolidated Law on Finance 2012	
Japan	• The Companies Act 2006	• Financial Instruments and Exchange Act 2012	Regulations (FSA)
Korea	• Commercial Act 2012	• Financial investment Services and Capital Markets Act 2011	
Luxembourg	• Companies Act		
Mexico	• General Company Law	• Securities Market Law 2005	Issuer's Rules, Issuer's Circular (CNBV)
Netherlands	• Netherlands Civil Code (NCC)	• Act on Financial Supervision 2013 • Act on the Supervision of Financial Reporting	
New Zealand	• New Zealand Companies Act 1993	• Securities Markets Act • Securities Act 1978/1988	
Norway	• Public Limited Liability Companies Act	• Norwegian Securities Trading Act	
Poland	• Polish Company Law • Commercial Companies Code	• Polish Securities Law	
Portugal	• Companies Law	• Securities Law 2010	
Saudi Arabia	• Companies Law	• Capital Market Law 2003	Corporate Governance Regulation (CMA)
Singapore	• Companies Act	• Securities and Futures Act	
Slovak Republic	• Commercial Code		
Slovenia	• Companies Act 2013	• Market in Financial Instruments Act 2013	
Spain	• Capital Company Act	• Securities Market Law	Regulations (CNMV)
Sweden	• Companies Act 2006	• Securities Market Act	Code of Statutes (FI)
Switzerland	• The Swiss Code of Obligations 2013	• Stock Exchange Act; Regulations of the Stock Exchange 2013	Laws, Ordinances, Circulars, Self-regulation (FINMA)
Turkey	• Turkish Commercial Code 2013	• Capital Markets Law 2013	Communiqués (CMB)
United Kingdom	• The Company Act of 2006 2006	• Financial Services and Market Act 2000	Listing Rules, Prospectus Rules, Disclosure and Transparency Rules (FCA)
United States	• State corporate laws	• The Securities Act of 1933 • The Exchange Act of 1934	

²² The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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

	Key national corporate governance codes and principles	Approach C/E: comply or explain B: Binding	Implementation mechanism		
			Disclosure in annual company report	Basis for the framework L: Law or regulation R: Listing rule	Surveillance R: regulator S: stock exchange P: private institution
Argentina	Corporate Governance Code	C/E	Required	L	
Australia	Principles of Good Corporate Governance and Best Practice Recommendations	C/E		R	S
Austria	Austrian Code of Corporate Governance	C/E	Required	L	
Belgium	The 2009 Belgian Code on Corporate Governance	C/E	Required	L	R
Brazil	Code of Best Practice of Corporate Governance	No	-	-	
Canada	Corporate Governance: Guide to Good Disclosure	C/E	Required	L	
Chile	Practices for Corporate Governance of Rule N° 341	C/E*	Not required	L	R
Czech Republic	Corporate Governance Code based on the OECD Principles	C/E	-	-	-
Denmark	Recommendations on Corporate Governance	C/E	Required	L & R	S
Estonia	The Corporate Governance Recommendations	C/E	Required	L	
Finland	Finnish Corporate Governance Code 2010	C/E	Required	R	S
France	Corporate Governance Code of Listed Corporations	C/E	Required	L	P
Germany	German Corporate Governance Code	C/E	Required	L	
Greece	Hellenic Corporate Governance Code For Listed Companies	C/E	Required	L	
Hong Kong, China	Corporate Governance Code	C/E	Required	R	S
Hungary	Corporate Governance Recommendations	C/E	Required	L	
Iceland	Corporate Governance Guidelines	C/E	Required	L	S
India	Clause 49 of the Equity Listing Agreement	B	Required	R	
Indonesia	Good Corporate Governance Code	No	-	-	-
Ireland	The UK Corporate Governance Code	C/E	Required	R	
	Irish Corporate Governance Annex	C/E	Required	R	
Israel ²³	The Companies Act	B	Required	L	R
	(including the code of recommended corporate governance)	C/E			
Italy	Corporate Governance Code	C/E	Required	L	
Japan	Principles of Corporate Governance for Listed Companies	C/E	Required	R	S
Korea	Code of Best Practices for Corporate Governance	No	-	-	
Luxembourg	The Ten Principles of Corporate Governance	C/E	Required	R	S
Mexico	Code of Corporate Best Practice				
Netherlands	Dutch Corporate Governance Code	C/E	Required	L	R
	NZX Corporate Governance Best Practice Code	C/E	Required	R	R
New Zealand	Corporate Governance in New Zealand Principles and Guidelines	-	-	-	
Norway	The Norwegian Code of Practice for Corporate Governance	C/E	Required	R	
Poland	Code of Best Practice of Warsaw Stock Exchange Listed Companies	C/E	Required	L	
Portugal	CMVM 2013 Corporate Governance Code	C/E	Required	L	R
Saudi Arabia	Corporate Governance Regulation	B	Required	L	
Singapore	Code of Corporate Governance	C/E	Required	R	
Slovak Republic	Corporate Governance Code for Slovakia	C/E	Required	L	
Slovenia	Corporate Governance Code for Listed Companies	C/E	Required	L	
Spain	Spanish Unified Good Governance Code	C/E	Required	L	R
Sweden	The Swedish Code of Corporate Governance	C/E		-	
Switzerland	Swiss Code of Best Practice for Corporate Governance	No	-	-	-
Turkey	Corporate Governance Principles	B & C/E	Required	L	R
United Kingdom	The UK Corporate Governance Code	C/E	Required	R	R
	NASDAQ Listing Rules	B	Required	R	
United States	NYSE Listed Company Manual	B	Required	R	

²³ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 2.3. Custodians of codes and principles in Table 2.2

	Custodians (Public/private/stock exchange/mixed initiative)	First code	Update	
			No	Latest
Argentina	The National Securities Commission	Public	2007	
Australia	Australian Securities Exchange Corporate Governance Council	Exchange		2 2010
Austria	Austrian Working Group for Corporate Governance	Private	2002	6 2012
	Federal Ministry of Finance	Public		
Belgium	Corporate Governance Committee	Mixed	2004	1 2009
Brazil	Brazilian Institute of Corporate Governance	Private	1999	4 2009
Canada	Provincial stock exchanges (e.g. Toronto Stock Exchange (TMX))	Exchange		2006
Chile	Superintendencia de Valores y Seguros	Public	2012	- 2012
Czech Republic	Czech National Bank	Public	2001	1 2004
Denmark	Committee on Corporate Governance	Public	2001	5 2011
Estonia	Estonian Financial Supervision Authority (EFSA)	Public	2005	2006
	NASDAQ OMX Tallinn Stock Exchange	Exchange		
Finland	Securities Market Association	Private	1997	3 2010
France	Association Française des Entreprises Privées (AFEP)	Private	2003	2013
	Mouvement des Entreprises de France (MEDEF)			
Germany	Commission of the German Corporate Governance Code	Mixed	2002	2012
Greece	Hellenic Corporate Governance Council	Mixed		2013
Hong Kong, China	Hong Kong Stock Exchange (SEHK)	Exchange	2005	3 2012
Hungary	Budapest Stock Exchange Company Limited	Exchange	2004	1 2008
	Iceland Chamber of Commerce	Public		
Iceland	NASDAQ OMX Iceland	Exchange	2004	3 2009
	Confederation of Icelandic Employers	Private		
India	Securities and Exchange Board of India (SEBI)	Public	2000	12 2008
	Recognised Stock Exchanges	Exchange		
Indonesia	National Committee on Governance (NCG)	Mixed	2000	1 2006
Ireland	UK Financial Reporting Council	Mixed	2003	2012
Israel ²⁴	Ministry of Justice (MOJ)	Public	1999	- 2013
	Israel Securities Authority (ISA)			
Italy	Borsa Italiana	Exchange	2006	3 2011
Japan	Tokyo Stock Exchange (TSE)	Exchange	2004	1 2009
Korea	Korea Corporate Governance Service (KCGS)	Mixed	1999	1 2003
Luxembourg	Luxembourg Stock Exchange	Exchange	2007	2 2009
Mexico	The Security Exchange	Exchange		2006
Netherlands	Monitoring Committee Corporate Governance Code	Mixed	2003	1 2008
	New Zealand Exchange (NZX)	Exchange	2003	- 2003
New Zealand	The Securities Commission	Public	2004	- 2004
Norway	Norwegian Corporate Governance Board	Private	2005	5 2012
Poland	Warsaw Stock Exchange	Exchange	2002	2010
Portugal	CMVM	Public	2006	2013
Saudi Arabia	Capital Market Authority	Public	2006	1 2010
Singapore	Monetary Authority of Singapore (MAS)	Public	2001	2 2012
	Singapore Exchange (SGX)	Exchange		
Slovak Republic	Central European Corporate Governance Association	Mixed	2003	2008
Slovenia	The Ljubljana Stock Exchange	Exchange		
	The Slovenian Directors' Association	Private	2004	2009
	Managers' Association of Slovenia	Private		
Spain	CNMV	Public	2006	2006
Sweden	The Swedish Securities Council	Mixed	2005	1 2010
Switzerland	economiesuisse	Private	2002	1 2007
Turkey	Capital Market Board of Turkey (CMB)	Public	2003	3 2013
United Kingdom	Financial Reporting Council (FRC)	Mixed	2003	2012
United States	NASDAQ	Exchange		
	NYSE	Exchange		

²⁴ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 2.4. National reports on corporate governance

	Issuing body Regulator / Stock exchange / Private institution / Mixed	Publication		Corporate governance landscape	Key contents Evaluation of the "Comply or Explain" practices	
		Frequency (years)	Latest (with hyperlink)		Coverage of the listed companies	Coverage of the provisions of codes
Argentina	-	-	-	-	-	-
Australia	S ASX	1	2011	Yes	Fully	Fully
Austria	-	-	-	-	-	-
Belgium	R FSMA P GUBERNA and FEB	1	2012	Yes	BEL20, mid & small	Partly
Brazil	-	-	-	-	-	-
Canada	-	-	-	-	-	-
Chile	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-
Denmark	M NASDAQ OMX , Committee on CG S NASDAQ OMX	-	2011	Yes	C20, mid & small	Fully
Estonia	R EFSA	2	2009	-	-	-
Finland	S NASDAQ OMX	1	2011	Yes	Fully	-
France	R AMF P AFEP and MEDEF	1	2013	Yes	Partly (60 companies)	Fully
Germany	P Berlin Center of CG	1	2013	Yes	SBF 120	Fully
Greece	-	-	-	-	-	-
Hong Kong, China	S SEHK	4	2010	Yes	Fully	Partly
Hungary	-	-	-	-	-	-
Iceland	S NASDAQ OMX	1	2011	-	Partly	-
India	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-
Ireland	M ISE , Irish Association of Investment Managers	-	2010	Yes	Fully	Fully
Israel ²⁵	-	-	-	-	-	-
Italy	R Consob P Assonime	1	2013	Yes	-	-
Japan	S TSE	1	2013	Yes	Fully	Fully
Korea	P KCGS	2	2012	Yes	Fully	Fully
Luxembourg	S Bourse de Luxembourg	1	2011	Yes	Fully	Fully
Mexico	-	-	-	-	-	-
Netherlands	M Monitoring Committee	1	2013	Yes	Fully	Fully
New Zealand	R Financial Market Authority	-	2010	Yes	Partly	Fully
Norway	-	-	-	-	-	-
Poland	-	-	-	-	-	-
Portugal	R CMVM	1	2011	Yes	Fully	Fully
Saudi Arabia	R CMA	1	2011	-	Fully	Partly
Singapore	-	-	-	-	-	-
Slovak Republic	P CECGA	-	2012	-	Fully	Fully
Slovenia	P Slovenian Directors' Association (SDA)	2-3	2013	-	-	-
Spain	R CNMV	1	2011	Yes	Partly	-
Sweden	P Swedish CG Board S NASDAQ OMX	1	2012	Yes	Fully	Fully
Switzerland	-	-	-	-	-	-
Turkey	R CMB	-	2007	Yes	Partly	Partly
United Kingdom	R FRC	1	2013	Yes	FTSE 350 & small	Fully
United States	-	-	-	-	-	-

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

²⁵ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

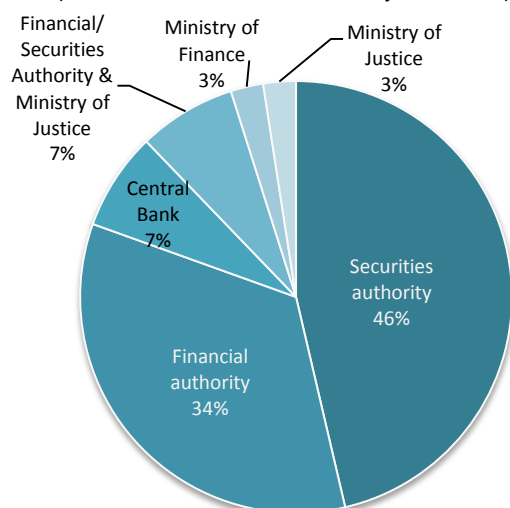
The main public regulators of corporate governance

A majority of regulators are funded fully or partly by the fees from regulated entities, while one-fourth of regulators are financed by the government budget.

Public regulators have the capacity to supervise and enforce the corporate governance practices of listed companies in all surveyed jurisdictions. Securities regulators or financial regulators generally play a key role, while in **Germany, India and Korea**, the ministry in charge of the companies law is substantially responsible for supervision and enforcement of corporate governance. In some jurisdictions (e.g. the **Netherlands**), 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. A majority of regulators are funded fully (35%) or partly (24%) by the fees from regulated entities, while one-fourth of regulators are financed by the government budget.

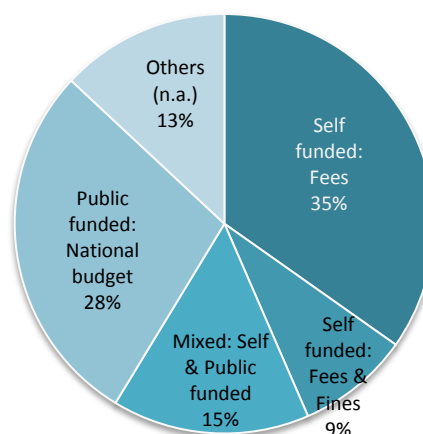
Who is the regulator of corporate governance?

(% share based on the number of jurisdictions)



How is the regulator funded?

(% share based on the number of jurisdictions)



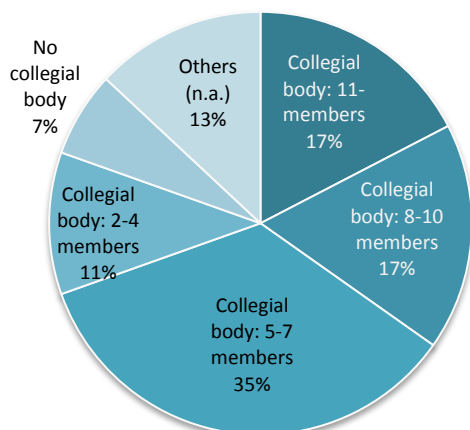
Note: The jurisdictions with two main regulators are counted twice.

The issue of the independence of regulators is addressed through the creation of a formal governing body (with 3-17 members). Members are given fixed terms of appointment ranging from 3 to 8 years.

The issue of the independence of regulators is addressed through the creation of a formal governing body (e.g. a board, council or commission), the size of which ranges from 3 to 17 (with the mode at 5). The AMF (**France**) has one of the largest boards with 16 members, including judges from the Supreme courts (*Cour de Cassation* and *Conseil d'État*). In order to ensure the political independence, the SEC (**United States**) has a special setting that no more than 3 out of 5 Commissioners may belong to the same political party. Members of a governing body are given fixed terms of appointment ranging from 3 to 8 years (with mode at 5 years). Re-appointment of members is allowed in most jurisdictions, while some jurisdictions (e.g. **Czech Republic, France, Saudi Arabia, Spain and Turkey**) set a limit of allowing only once. Furthermore, the re-appointment of the Chairperson is not allowed in **France**.

How is the ruling body of the regulator organised?

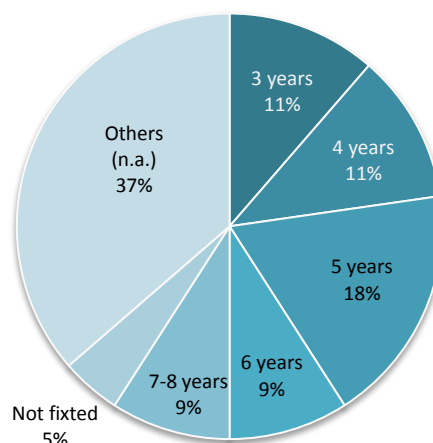
(% share based on the number of jurisdictions)



Note: The jurisdictions with two main regulators are counted twice.

Term of members of the ruling body

(% share based on the number of jurisdictions)



Note: The jurisdictions with two main regulators are counted twice.

Notes to the tables

[Table 3.1] The main public regulators of corporate governance

The main public regulators are those with the capacity to supervise and enforce corporate governance. National authorities which have the power to draft bills relevant to corporate governance do not fall into this category unless they have the specific capacity to supervise and enforce in this regard (as is the case of the Ministry of Justice in most jurisdictions). This table shows that the financial authorities or securities authorities (with or without the capacity to supervise and enforce corporate governance in financial institutions) are mainly in charge of the issues regarding the corporate governance of listed companies in 33 jurisdictions. In **Switzerland**, FINMA is responsible only for the financial services companies. In **Germany, India and Korea**, the ministry in charge of the companies law is also substantially responsible for the enforcement of corporate governance issues. 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. In the **Netherlands**, the public regulator is concerned with the matters in relation to the securities law, while in principle civil rules on corporate governance are privately supervised and enforced, for example by shareholders and the supervisory board.

[Table 3.2] Budget and funding of the main public regulator of corporate governance

This table shows that out of 46 regulators (in 42 jurisdictions) 20 regulators (35%) are self-funded mainly by fees levied on the regulated entities. 13 regulators (28%) are fully funded by the government budget, and 7 regulators (15%) are partly funded by both the government budget and fees from the regulated entities. 8 jurisdictions use fines for the violation of regulations as a funding resource (without going through the national budget). In many jurisdictions, the budget of the regulators needs to be approved by the Government and Parliament, regardless of the form of funding. 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 3.3] Size and composition of the ruling body of the main public regulator of corporate governance

This table shows that out of 46 regulators (in 42 jurisdictions) 37 regulators have a collegial body for material decision making with regard to supervision and enforcement in corporate governance. The size of a collegial body ranges from 3 to 17 (with the mode at 5 members). Some seats are reserved for the representatives from specific institutions, such as central banks (at least in 9 jurisdictions).

[Table 3.4] Terms and appointment of the ruling body of the main public regulator of corporate governance

This table shows that out of 46 regulators (in 42 jurisdictions) 26 regulators set forth a fixed term of appointment for members of the ruling body, which varies from 3 to 8 years (with the mode at 5 years). Re-appointment of members is allowed in most jurisdictions, while some jurisdictions (*e.g.* **Czech Republic, France, Saudi Arabia, Spain** and **Turkey**) set a limit of allowing only once. In the **Netherlands** and **Switzerland** (FINMA), re-appointment is limited only twice. In **France**, re-appointment of the Chair of the ruling body is prohibited.

Table 3.1. The main public regulators of corporate governance

Main public regulators		
Argentina	CNV	The National Securities Commission
Australia	ASIC	Australian Securities and Investments Commission
Austria	FMA	Financial Market Authority
Belgium	FSMA	The Financial Services and Markets Authority
Brazil	CVM	Securities and Exchange Commission of Brazil
Canada	OSC	Provincial securities commissions (<i>e.g.</i> Ontario Securities Commission)
Chile	SVS	Superintendence of Securities and Insurance
Czech Republic	CNB	Czech National Bank
Denmark	DFSA	Danish FSA
Estonia	EfSA	Estonian Financial Supervision Authority
Finland	FIN-FSA	Finish Financial Supervisory Authority
France	AMF	Autorité des Marchés Financiers
Germany	BfJ*	Federal Ministry of Justice
	Bafin	German Federal Financial Supervisory Authority
Greece	HCMC	Hellenic Capital Market Commission
Hong Kong, China	SFC	Securities and Futures Commission
Hungary	HfSA	Hungarian Financial Supervisory Authority
Iceland	FME	The Financial Supervisory Authority, Iceland
India	SEBI	Securities and Exchange Board of India
	MCA*	Ministry of Corporate Affairs
Indonesia	OJK	Financial Services Authority
Ireland	CBI	Central Bank of Ireland
Israel ²⁶	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*	Ministry of Justice
Luxembourg		
Mexico	CNBV	National Banking and Securities Commission
Netherlands	AFM*	The Netherlands Authority for the Financial Market
New Zealand	FMA	Financial Market Authority
Norway	NFSA	Financial Supervisory Authority of Norway
Poland	KNF	Polish Financial Supervision Authority
Portugal	CMVM	Securities Market Commission
Saudi Arabia	CMA	Capital Market Authority
	MCI	Ministry of Commerce and Industry
Singapore	MAS	Monetary Authority of Singapore
Slovak Republic	MOFSR	Ministry of Finance
Slovenia	ATVP	Securities Market Agency
Spain	CNMV	National Securities Market Commission
Sweden	FI	Swedish Financial Supervisory Authority
Switzerland	FINMA*	Swiss Financial Market Supervisory Authority
	SER	Swiss Exchange Regulation
Turkey	CMB	Capital Market Board of Turkey
United Kingdom	FCA	Financial Conduct Authority
United States	SEC*	Securities and Exchange Commission

²⁶ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 3.2. Budget and funding of the main public regulator of corporate governance

Key regulators		Form of funding	Main funding resource			Budget approval by:	
			National budget (NB)	Fines from wrongdoers	Fees from regulated entities	Government	Parliament
Argentina	CNV	Public	●	(to NB)	-		
Australia	ASIC	Public	●	-	-		
Austria	FMA	Public	●	-	-		
Belgium	FSMA	Self	-	-	●		
Brazil	CVM	Self	-	-	●	Required	Required
Canada (Provinces e.g. Ontario)	OSC	Self					
Chile	SVS	Public	●	-	-	Required	Required
Czech Republic	CNB	Self	-	-	●		
Denmark	DFSA						
Estonia	EFSA	Self	-	●	●		
Finland	FIN-FSA	Self	-	-	●	Not required	Not required
France	AMF						
Germany	BfJ	Public	●	●	●		
	Bafin	Self	-	-	●		
Greece	HCMC	Self	-	-	●	Required	
Hong Kong, China	SFC	Self	-	-	●	Required	Required
Hungary	HFSA	Self	-	●	●		Required
India	SEBI	Public & Self	●	(to NB)	●		
	MCA	Public	●	-	-		
Indonesia	OJK	Public & Self	●	-	●		
Iceland	FME	Self	-	-	●		
Ireland	CBI						
Israel ²⁷	ISA	Self	-	-	●	Required	
Italy	CONSOB	Public & Self	●	-	●	Required	
Japan	FSA	Public	●	(to NB)	-	Required	Required
	SESC	Public	●	(to NB)	-	Required	Required
Korea	MOJ	Public	●	-	-	Required	Required
Luxembourg							
Mexico	CNBV	Self	-	●	●	Required	
Netherlands	AFM	Public & Self	●	●	●	Required	
New Zealand	FMA	Public	●	-	-		
Norway	NFSA	Public	●	-	-	Required	
Poland	KNF	Self	-	-	●	Required	Required
Portugal	CMVM	Self	-	-	●		
Saudi Arabia	CMA	Public & Self	●	●	●	Required	N/A
	MCI	Public	●	-	-	Required	Required
Singapore	MAS	Self	-	-	●		
Slovak Republic	MOFSR						
Slovenia	ATVP	Self	-	●	●	Required	-
Spain	CNMV	Public & Self	●	-	●	Required	Required
Sweden	FI	Public & Self	●	-	●		
Switzerland	FINMA	Self	-	-	●	Not required	Not required
	SER	Self	-	-	(partially)	Not required	Not required
Turkey	CMB	Self	-	(50% to NB)	●	Required	Required
United Kingdom	FCA	Self	-	-	●	Not required	Not required
United States	SEC	Public*	●	-	●	Required	Required

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Table 3.3. Size and composition of the ruling body of the main public regulator of corporate governance

Key regulators		Ruling body in charge of corporate governance	Members incl. Chair (current)	Composition			
				Representatives from specific bodies			
				Government	Central Bank	Others public	Others private
Argentina	CNV	Board of Directors	5				
Australia	ASIC	Commission	3-8 (5)				
Austria	FMA	Executive Board	2				
Belgium	FSMA	Supervisory Board	10				
Brazil	CVM	The Board	5				
Canada (Provinces e.g. Ontario)	OSC	Commission	9-15 (14)				
Chile	SVS	Superintendent	-				
Czech Republic	CNB	Bank Board	7				
Denmark	DFSA	Securities Council	14				•
Estonia	EFSA	Management Board	3-5 (4)				
Finland	FIN-FSA	Board	5				
France	AMF	Board	16		•		
Germany	Bafin	Executive Board	5				
	BfJ		7				
Greece	HCMC	Board of Directors	7		•		•
Hong Kong, China	SFC	Board of Directors	14	-	-	-	-
Hungary	HFSA						
Iceland	FME	Board of Directors	3		•		
India	SEBI	The Board	9	•	•	-	-
	MCA			-	-	-	-
Indonesia	OJK	Board of Commissioners	9	•	•	-	-
Ireland	CBI	Commission	10				
Israel ²⁸	ISA	Commissioners	13 (11)	•	•	-	•
Italy	CONSOB	Commission	5				
Japan	FSA	Commissioner	-	-	-	-	-
	SESC	Commission	3	-	-	-	-
Korea	MOJ						
Luxembourg							
Mexico	CNBV	Governing Board	13	•	•	•	-
Netherlands	AFM	Executive Board	3-5 (3)	-	-	-	-
New Zealand	FMA	Commission	5-11				
Norway	NFSA	Board	5				
Poland	KNF	Commission	7	•	•	•	-
Portugal	CMVM	Executive Board	5				
Saudi Arabia	CMA	Board of Commissioners	5	-	-	-	-
	MCI						
Singapore	MAS	Board of Directors	9				
Slovak Republic	MOFSR	Minister	-	-	-	-	-
Slovenia	ATVP	Directors and council	6	-	-	-	-
Spain	CNMV	Board	8	•	•		
Sweden	FI						
Switzerland	FINMA	Board of Directors	7-9	-	-	-	-
	SER	Regulatory Board	17	-	-	-	6
Turkey	CMB	Executive Board	7	-	-	-	-
United Kingdom	FCA	Board	12	•	-	-	-
United States	SEC	Commission	5	P*	-	-	-

Key: P in the **United States** denotes that no more than three of the Commissioners may belong to the same political party.

²⁸ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 3.4. Terms and appointment of the ruling body of the main public regulator of corporate governance

Key regulators		Ruling body in charge of corporate governance	Term of members	Re-appointment	Appointment by:	Approval by Parliament
Argentina	CNV	Board of Directors	7	Allowed	National Executive Power	
Australia	ASIC	Commission	3-5		Governor-General	
Austria	FMA	Executive Board	Fixed		President	
Belgium	FSMA	Supervisory Board	6	Allowed		
Brazil	CVM	The Board	5		President	Required
Canada (Provinces e.g. Ontario)	OSC	Commission	Fixed		Lieutenant Governor in Council	
Chile	SVS	Superintendent	Not fixed		President	
Czech Republic	CNB	Bank Board	6	Only once	President	
Denmark	DFSA	Securities Council				
Estonia	EFSA	Management Board			Supervisory Board of EFSA	
Finland	FIN-FSA	Board				
France	AMF	Board	5	No* (Only once)	President*	
Germany	Bafin	Executive Board	8	Allowed	President	
	BfJ				President	
Greece	HCMC	Board of Directors			Minister of Economy and Finance	Required
Hong Kong, China	SFC	Board of Directors	Fixed	Allowed	HKSAR Chief Executive	
Hungary	HFSA					
Iceland	FME	Board of Directors	4		Minister of Economic Affairs	
India	SEBI	The Board	3-5		Ministry of Finance	
	MCA					
Indonesia	OJK	N/A	N/A	N/A	N/A	N/A
Ireland	CBI	Commission	7*		President*, Minister of Finance	
Israel ²⁹	ISA	Commissioners	3	Allowed	Minister of Finance	
Italy	CONSOB	Commission	7	Allowed	President	
Japan	FSA	Commissioner	Not fixed	-	Prime Minister	
	SESC	Commission	3	Allowed	Prime Minister	Required
Korea	MOJ					
Luxembourg						
Mexico	CNBV	Governing Board			Ministry of Finance, Central Bank, etc.	
Netherlands	AFM	Executive Board	3	Only twice	Royal Decree	
New Zealand	FMA	Commission	5	Allowed	Governor-General	
Norway	NFSA	Board	6*		King in Council*, Minister of Finance	
Poland	KNF	Commission	5	Allowed	Ministry of Finance, Central Bank, etc.	
Portugal	CMVM	Executive Board	5		Council of Minister's Resolution	
Saudi Arabia	CMA	Board of Commissioners	5	Only once	Royal Order	
	MCI					
Singapore	MAS	Board of Directors			President	
Slovak Republic	MOFSR	Minister				
Slovenia	ATVP	Directors and council	6	Allowed	National Assembly	
Spain	CNMV	Board	4	Only once	Government, Minister of Economy and Finance	
Sweden	FI					
Switzerland	FINMA	Board of Directors	4	Twice	Federal Council	
	SER	Regulatory Board	3	Allowed	economiesuisse, SIX	-
Turkey	CMB	Board	5	Only once	Council of Ministers	
United Kingdom	FCA	Board	3	Allowed	Treasury	Not required
United States	SEC	Commission	5		President	Required

Key: * denotes that it is applicable only for the chair of the ruling body.

²⁹ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

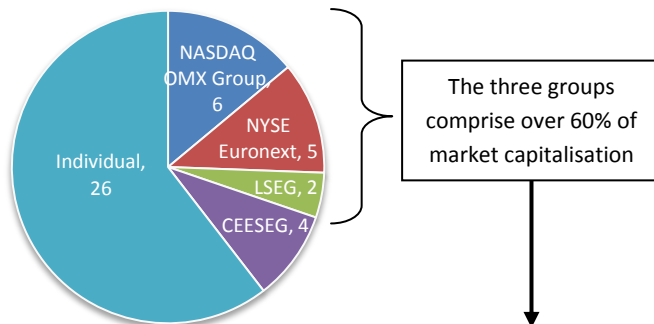
Stock Exchanges by legal origin

17 exchanges now belong to 4 international groups, the NYSE Euronext being the largest exchange group in terms of market capitalisation.

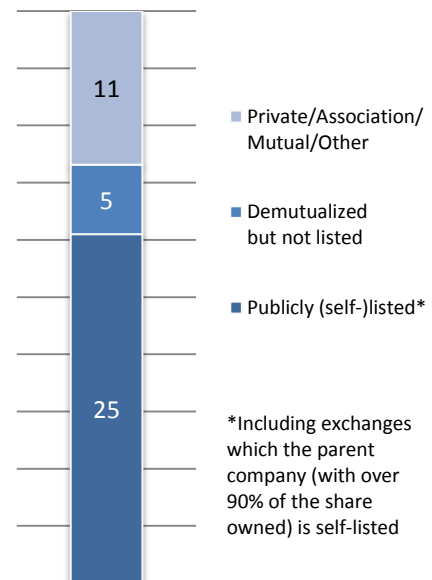
Out of the major stock exchanges in 41 jurisdictions, 25 are either self-listed or their parent company is self-listed.

Stock exchanges have undergone structural changes since the 1990s, such as merger and acquisition, demutualisation and self-listing. 17 exchanges now belong to 4 international groups, the NYSE Euronext being the largest exchange group in terms of market capitalisation. Increasing international competition among exchanges is regarded as one of the factors that has encouraged the exchanges to transfer from a non-profit member-owned entity to a pro-profit corporation (demutualisation)³⁰. In many cases, demutualisation has been followed by the listing of the equity of the exchange on its own market (self-listing). Out of the major stock exchanges in 41 jurisdictions, 25 are either self-listed or their parent company is self-listed. Stock exchanges are often tasked with setting and implementing corporate governance standards. To avoid a conflict of interest, several exchanges have separated the regulatory functions from the for-profit business operations by establishing independent subsidiaries or departments.

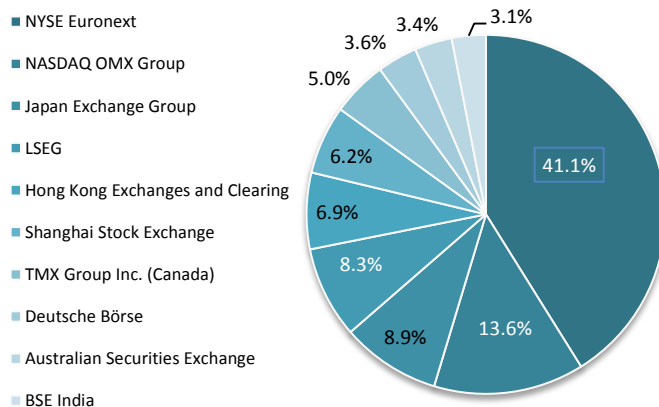
Largest stock exchanges in each jurisdiction: Member of a group or individual?



Legal Origin of Major Stock Exchanges



Top 10 domestic listed equities market capitalisation



As of year-end 2012

Source: World Federation of Exchanges "Cost & Revenue Survey 2012"

Source: Website of each stock exchange

³⁰ Ryden, B. (2010), "Demutualization and self-listing", *Regulated Exchanges: Dynamic Agents of Economic Growth*, Oxford University Press.

Notes to the tables

[Table 4] The largest stock exchanges

In most of the jurisdictions the legal form of stock exchanges is a joint-stock company. Groups of stock exchanges have become prevalent around the world, and 4 international groups (CEESEG, NYX, NASDAQ OMX and LSEG) comprise the largest exchanges of 17 jurisdictions. 15 exchanges are listed on their own market. In general the listed exchanges have a dispersed ownership structure. In 5 jurisdictions (**Denmark, Estonia, Finland, Iceland and Sweden**), the largest stock exchange is 100% owned by NASDAQ OMX Nordic Ltd (which is 100% owned by the NASDAQ OMX Group Inc.).

Table 4. The largest stock exchanges

		Largest stock exchanges	Group	Legal form	Self-listing
Argentina	MerVal	• Mercado de Valores de Buenos Aires	-		No
Australia	ASX	• Australian Securities Exchange	-		Yes
Austria		• Wiener Börse	CEESEG		No
Belgium		• Euronext Brussels	NYX		(NYSE)
Brazil	BMFB	• BM&FBOVESPA	-	JSC	Yes
Canada	TMX	• Toronto Stock Exchange	-	JSC	Yes
Chile		• Santiago Stock Exchange	-		Yes
Czech Republic	PSE	• Prague Stock Exchange	CEESEG		No
Denmark		• OMX Copenhagen	NASDAQ OMX	LLC	(NASDAQ)
Estonia	TSE	• NASDAQ OMX Tallinn Stock Exchange	NASDAQ OMX	LLC	(NASDAQ)
Finland	HEX	• NASDAQ OMX Helsinki	NASDAQ OMX	LLC	(NASDAQ)
France		• Euronext Paris	NYX		(NYSE)
Germany		• Deutsche Börse	-	JSC	Yes
Greece	ATHEX	• Athens Exchange		JSC	Yes
Hong Kong, China	SEHK	• The Stock Exchange of Hong Kong	-	JSC	Yes
Hungary	BSE	• Budapest Stock Exchange	CEESEG	JSC	No
Iceland		• NASDAQ OMX Iceland	NASDAQ OMX		(NASDAQ)
India	NSE	• National Stock Exchange			No
Indonesia	IDX	• Indonesia Stock Exchange	-		No
Ireland	ISE	• Irish Stock Exchange			No
Israel ³¹	TASE	• Tel Aviv Stock Exchange			No
Italy		• Borsa Italiana	LSEG		(LSEG)
Japan	TSE	• Tokyo Stock Exchange	JPX	JSC	(JPX)
Korea	KRX	• Korea Exchange		JSC	No
Luxembourg	LSE*	• Luxembourg Stock Exchange			No
Mexico	BMV	• Bolsa Mexicana de Valores			Yes
Netherlands		• Euronext Amsterdam	NYX		(NYSE)
New Zealand	NZX	• New Zealand Exchange			Yes
Norway		• Oslo Stock Exchange		JSC	No
Poland	WSE	• Warsaw Stock Exchange		JSC	Yes
Portugal		• Euronext Lisbon	NYX	JSC	(NYSE)
Saudi Arabia	TASI	• Saudi Stock Exchange Tadawul		JSC	No
Singapore	SGX	• Singapore Exchange	-		Yes
Slovak Republic	BSSE	• Burza Cenných Papierov v Bratislave			No
Slovenia	LJSE	• Ljubljanska Borza	CEESEG	JSC	No
Spain	BME	• Bolsas y Mercados Espanoles		JSC	Yes
Sweden		• NASDAQ OMX Stockholm	NASDAQ OMX	LLC	(NASDAQ)
Switzerland	SIX	• SIX Swiss Exchange	SIX Group AG	JSC	No
Turkey	BIST	• Borsa Istanbul	-	JSC	No
United Kingdom	LSE	• London Stock Exchange	LSEG	JSC	Yes
United States	NYSE	• New York Stock Exchange	NYX/ NASDAQ OMX	JSC	Yes

³¹ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

THE CORPORATE BOARD OF DIRECTORS

Basic board structure and board independence

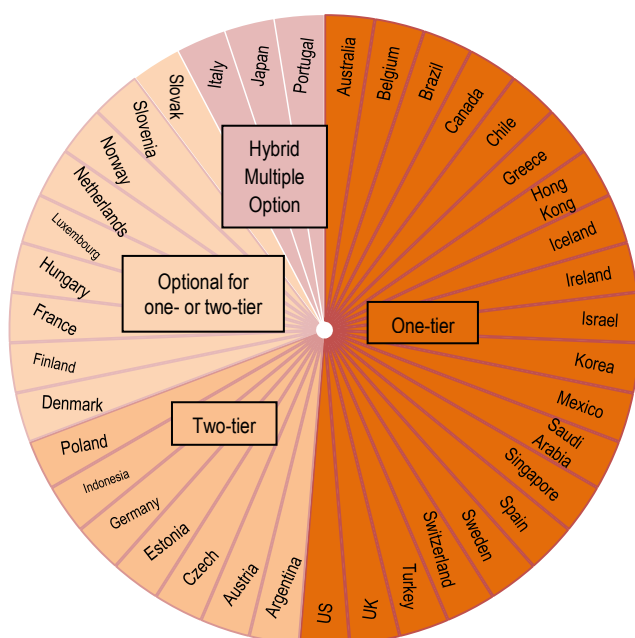
A majority of jurisdictions have one-tier boards.

Different national models of board structure are found around the world. A majority of jurisdictions have one-tier boards. Other jurisdictions have two-tier boards that separate the supervisory and management function into different bodies. Three countries (**Italy, Japan and Portugal**) have an additional statutory body mainly for audit purposes. The EU regulation offers the choice of the two systems for European public limited-liability companies (*Societas Europaeas*)³² and some EU countries have established the framework to give domestic listed companies the choice.

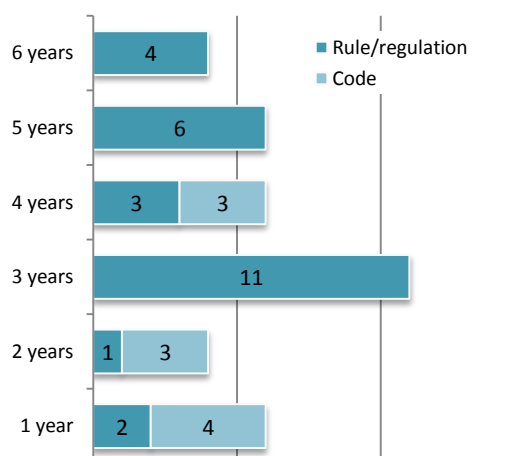
Annual re-election for all board members is required or recommended in 6 jurisdictions.

The maximum term of years for board members before re-election varies from 1 to 6 years (with the mode at 3 years). Annual re-election for all board members is required or recommended in 6 jurisdictions (**Denmark, Finland, Japan, Sweden, Switzerland and the UK**). In some of the other jurisdictions, a number of companies have moved to require their directors to stand for annual re-election. In the **United States**, for example, while Delaware law permits 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 boards system has become less prevalent.

One-tier, Two-tier, Optional or Hybrid?³³



Maximum term of years for the (supervisory) board members (N° of jurisdictions)



Note: The jurisdictions with two different frameworks are counted twice. "Rule/regulation" includes the requirement by the listing rule.

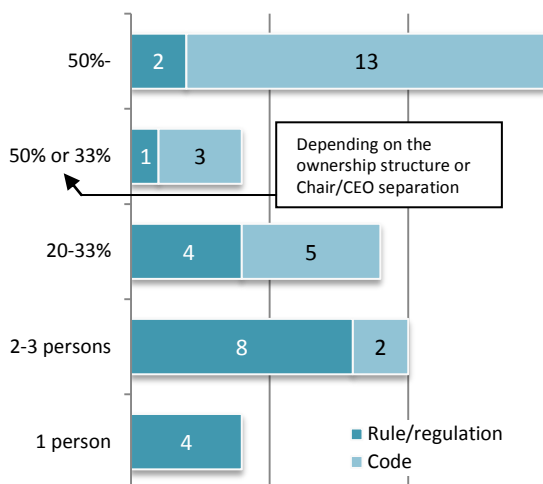
³² COUNCIL REGULATION (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE). Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:294:0001:0021:EN:PDF>

³³ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

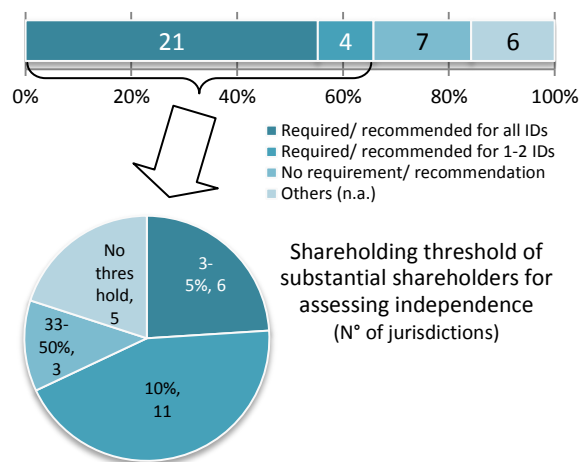
Board independence: the recommendation for majority independence is the most prevalent standard.

Board independence usually requires that a sufficient number of board members need to be independent. 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 majority independence is the most prevalent standard. Four jurisdictions (**Chile, France, Israel and the United States**) correlate the board independence requirement with the ownership structure of a company (*e.g.* companies with controlling shareholders are subject to less stringent requirements). Regarding the definition of independence, in addition to the independence of management, a majority of jurisdictions require that all or a certain number of independent directors shall be independent of substantial shareholders (*e.g.* shareholders with more than 10% shareholding).

Minimum number or ratio of independent directors (N° of jurisdictions)



Definition of "independence": Independence of substantial shareholders (N° of jurisdictions)

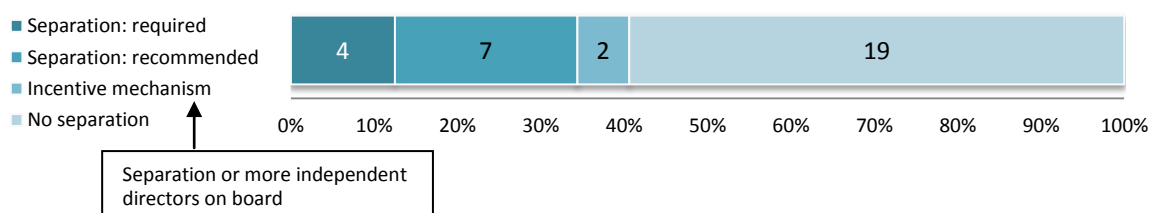


Note: The jurisdictions with two different frameworks are counted twice. "Rule/regulation" includes the requirement by the listing rule.

Only a quarter of the jurisdictions have implemented a framework to encourage the separation of the Board chair and CEO.

The separation of the role of board chair and CEO is not prevalent among the jurisdictions with one-tier board system. Only a quarter of the jurisdictions have implemented a framework to encourage the separation of the two posts. **India and Singapore** have introduced an incentive mechanism to separate the two posts by requiring a higher threshold (50% instead of 33%) of independent directors on the board with the chair being a CEO.

Separation of CEO and chair of the board in one-tier system (N° of jurisdictions)



Outside Europe no jurisdiction requires employee representation on the board.

No jurisdiction prohibits public listed companies from having employee representatives on the board. Most EU countries have established legal requirements regarding the minimum threshold of employee representation on the board, which varies from 1 member to 50%, with 33% being the mode. Outside Europe no jurisdiction requires employee representation on the board.

Notes to the tables

[Table 5.1] Basic board structure: classification of jurisdiction

This table shows that many jurisdictions adopt a one-tier board system. 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). Following this, some EU countries have established a framework to give domestic listed companies the choice of one- or two-tier systems. 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.

[Table 5.2] Descriptions of a one-tier board structure in several jurisdictions

This table shows the basic characteristics of a one-tier board system in selected jurisdictions. There are typically executives on the board. In **Sweden** a CEO is entitled to attend all board meetings but has no voting rights except when a conflict of interest exists.

[Table 5.3] Descriptions of a two-tier board structure in several jurisdictions

Some jurisdictions employ a two-tier board system either alone or with an option for a one-tier board system. This table shows the basic characteristics of a two-tier board system in selected jurisdictions. Due to the dualism of a management board and a supervisory board, it is essential that the roles of each board are clearly defined to ensure balance between them.

[Table 5.4] Examples of a hybrid board structure

Some jurisdictions have developed a traditional board system which does not fall into either a one-tier or a two-tier system. This system is usually set forth as one of the several options which include one- or two-tier systems. As shown by * in this table, the most common system among listed companies is the traditional system.

[Table 5.5] Board size and tenure for listed companies

This table shows the requirement for maximum or minimum board size and maximum tenure of the board members before re-election.

Board size: Six jurisdictions set forth the maximum board size, while the others leave it to the company's discretion. In **India**, a maximum number of directors (15) may be overridden by a special resolution of the shareholder meeting. 21 jurisdictions set forth the minimum board size as 3 or 5 (7 for large companies in **Chile** and 12 for the companies with two-tiered board in **Norway**). In some jurisdictions (e.g. **Israel**) the minimum board size is underpinned by the requirement for the membership of audit committees. Only **Czech Republic** and **Norway** set forth the minimum size of the management board (as no less than three and five respectively), the management board may consist of only one member in the other jurisdictions which have a two-tier system.

Tenure: Many jurisdictions specify the maximum tenure before re-election, which varies from one to six years, but no jurisdictions have established compulsory limits on the re-election of board members. This table shows that mandatory annual re-election is not prevalent. In almost all jurisdictions the term of appointment is determined by the company's articles to be shorter than the maximum tenure established by the law. In **France**, it is recommended that terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors. In **Hong Kong, China**, the Companies Ordinance requires that at each annual general meeting one-third of the directors retire from office by rotation. The Code recommends that every director should be subject to retirement by rotation at least once every three years.

Appointment of management board members: In many jurisdictions with two-tier systems, the management board members are appointed by the supervisory board. The exceptions are **Indonesia** and the **Netherlands** where the management board members are appointed by the general shareholder meeting.

[Table 5.6] Board independence requirements for listed companies

Separation of the CEO and the Chair of the board: 11 jurisdictions prescribe a requirement or recommendation to separate the CEO and the Chair of the board. **India** and **Singapore** have introduced an incentive mechanism: the minimum ratio of independent directors on a board varies depending on whether the Chair is an executive or not (50% and one-third respectively). In **Switzerland**, the separation is required for banks and insurers.

Minimum number or ratio of independent directors: A majority of independent members on the board is required in two jurisdictions (**Hungary** and the **United States**), or recommended in 13 jurisdictions. **India** and **Singapore** set forth a requirement or recommendation for majority independence only if the Chair of the board is a CEO. Four jurisdictions (**Chile, France, Israel** and the **United States**) correlate the board independence requirement with the ownership structure of a company. Some jurisdictions (e.g. **Argentina** and **Switzerland**) set forth the minimum number of independent directors through the independent requirement for audit committees. For example in **Switzerland**, the Audit Committee and a majority of the Compensation Committee should consist of non-executive, preferably independent members of the Board of Directors respectively non-executive and independent members of the Board of Directors.

Definition of independence: The typical criteria is a combination of: 1) not to be a member, or an immediate family member of a member, or 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 (especially for 6) and 7)).

[Table 5.7] Requirement for board independence according to the ownership structure

Some jurisdictions with a controlling ownership structure (**Chile, France** and **Israel**) correlate the minimum threshold of independent board members with the ownership structure. This table shows that the threshold is positively correlated with the ownership dispersion. In **Israel**, the correlation is set in a list of non-binding recommendations. In the **United States**, the requirement to have a majority independent board is exempt in the exceptional case where a public company has a controlling owner with the majority voting.

[Table 5.8] Board representation of minority shareholders

Among jurisdictions being characterised as having a concentrated ownership structure, only **Italy** and **Israel** mandate a representative of minority shareholders on the board. Some other jurisdictions (**Brazil** and **Portugal**) have established a special arrangement to facilitate the engagement of minority shareholders in the process of board nomination and election.

[Table 5.9] Employee representation

No jurisdiction prohibits public listed companies from having employee representatives on the board. This table shows that many of the EU countries have established legal requirements regarding the minimum threshold of employee representation on the board, which varies from one member to 50%, with 33% being the mode. 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. In **France**, employee's representatives may be appointed to the board of directors within a certain limit (five persons or one-third of board members whichever is smaller for the companies whose shares are allowed to be traded in the regulated market) if the company's articles so permit. In large **Dutch** companies (those in the "structure regime" required for companies with more than EUR 16 million in capital and at least 100 employees based in the Netherlands), the Works Council (representing company employees) may recommend candidates to the supervisory board for nomination that are then subject to election by the shareholders. One-third of the recommended candidates will be nominated by the supervisory board for election, unless the supervisory board deems the candidate(s) unfit. The supervisory board needs to then go to the Enterprise Chamber of the Amsterdam Court of Appeal. **Outside Europe** no jurisdiction requires employee representation on the board.

Table 5.1. Basic board structure: classification of jurisdiction

One-tier system		Two-tier system	Optional for one-tier and two-tier system	Multiple option with hybrid system
Australia	Korea	Argentina	Denmark	Italy
Belgium	Mexico	Austria	Finland	Japan
Brazil	Saudi Arabia	Czech Republic	France	Portugal
Canada	Singapore	Estonia	Hungary	
Chile	Spain	Germany	Luxembourg	
Greece	Sweden	Indonesia	Netherlands	
Hong Kong, China	Switzerland	Poland	Norway	
Iceland	Turkey		Slovenia	
Ireland	United Kingdom		Slovak Republic	
Israel ³⁴	United States		European Public LLC	

Table 5.2. Descriptions of a one-tier board structure in several jurisdictions

Jurisdiction	Description of board structure
Australia	<ul style="list-style-type: none"> Australian listed companies commonly have a mixed one-tier board – a one-tier board comprising of both executive and non-executive directors. There are usually between 7 to 12 directors on the boards of large (top 100) listed companies, with the board structure generally conforming to the pattern: non-executive chairman + several other non-executive directors + chief executive. This pattern is followed by 70 of the top 100 companies, and a further 25 companies have modified that pattern only by the addition of one or two executive directors.
Brazil	<ul style="list-style-type: none"> The presence of executive directors on the board is common. The proportion of non-executive directors (once 87%) is far from the ceiling allowed by the law (one-third). 28% of the directors are nominated by minority shareholders, and 20% are independent members.
Finland	<ul style="list-style-type: none"> Listed companies use a one-tier governance model, which, in addition to the general meeting, comprises the board of directors and the managing director. According to the Limited Liability Companies Act, a company may also have a supervisory board. Very few listed companies have supervisory boards. The boards of listed companies mainly consist of non-executive directors. In some companies, the managing director is a member of the board. The typical board consists of approximately five to eight directors.
Mexico	<ul style="list-style-type: none"> Given the great integration and family group structure in the Mexican market, it is common to observe that directors often have a spot for taking decisions or participating in more than one company within the group. Even though some non-executive directors come from outside the structure of the company, their degree of independence is low because of the corporate structure characterized as family groups. It is common for the board of directors among companies with cross shareholdings to exchange their positions. 61% of CEOs in the listed companies are shareholders (PWC 2011).
Sweden	<ul style="list-style-type: none"> The Companies Act recognizes a Board and a CEO (company body/person). The Corporate Governance Code recommends a maximum of one executive to sit on the Board. Under the Companies Act the CEO (if not a Board member) has the right to attend (but not vote) at all board meetings except when a conflict of interest exists. About 50% of Swedish listed companies have one executive on the Board, which is the CEO in nearly all cases.
Switzerland	<ul style="list-style-type: none"> In form, the Swiss board concept follows the one-tier board model. However, in case of a delegation of management authorities to individual members of the board, a two-tier board results. Furthermore, among banks and insurers a two-tier approach is common and is expected by the regulator.
Turkey	<ul style="list-style-type: none"> With regard to the composition of the typical board of a listed company, the total number of board members in BIST 30 (an index for leading stock companies) is between 5 and 14. The average number of board members is approximately 7; outsider directors are more common for the management. Most of the chairmen do not hold the CEO position at the same time, instead one of the board members commonly holds the CEO position.
United States	<ul style="list-style-type: none"> 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 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.

³⁴ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 5.3. Descriptions of a two-tier board structure in several jurisdictions

	Description of board structure
Estonia	<p>Supervisory body</p> <ul style="list-style-type: none"> 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. <p>Management body</p> <ul style="list-style-type: none"> 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) currently have only one member in the management board.
	Germany
Indonesia	<p>Supervisory body</p> <ul style="list-style-type: none"> The board of commissioners is defined as the company organ with the task of supervising and giving advice to the board of directors. The members are elected at the general meeting of shareholders. <p>Management body</p> <ul style="list-style-type: none"> 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.

Table 5.4. Examples of a hybrid board structure

	Structure
Italy	<p>The “traditional” model*</p> <ul style="list-style-type: none"> Board of directors Board of statutory auditors <p>A board of directors and a board of statutory auditors (<i>collegio sindacale</i>) appointed by the shareholders’ meeting; the board may delegate day-to-day managerial powers to one or more executive directors, or to an executive committee.</p>
	<p>The “two-tier” model (<i>dualistico</i>)</p> <ul style="list-style-type: none"> Supervisory board Management board <p>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.</p>
	<p>The “one-tier” model (<i>monistico</i>)</p> <ul style="list-style-type: none"> Board of directors Management control committee <p>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.</p>
Japan	<p>“Company with Statutory Auditors” model*</p> <ul style="list-style-type: none"> Board of directors Statutory auditors <p>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” (<i>Kansayaku</i>), which has the function of auditing the execution of duties by the directors.</p>
	<p>“Company with Committees” model</p> <ul style="list-style-type: none"> Board of directors Three committees <p>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.</p>
Portugal	<p>The “Latin” model*</p> <ul style="list-style-type: none"> Board of directors Audit board <p>A one-tier board of directors and a separate audit board.</p>
	<p>The “Anglo-Saxon” model</p> <ul style="list-style-type: none"> Board of directors Audit committee <p>A one-tier board of directors with a mandatory audit committee set up within the board of directors (whose members must all be non-executive directors and a majority of them must be independent).</p>
	<p>The “Dualist” model</p> <ul style="list-style-type: none"> Executive board of directors Supervisory board <p>A conventional two-tier structure comprising an executive board of directors and a supervisory board (whose members must all be non-executive directors and a majority of them must be independent).</p>

Table 5.5. Board size and tenure for listed companies

	Tier	Board of directors (Supervisory board: two-tier system)			Management board (two-tier system)			
		Size		Appointment	Size		Appointment	
		Minimum	Maximum	Maximum term year	Minimum	Maximum	Maximum term year	By
Argentina	2	3	-	3	No size requirement		-	
Australia	1	No size requirement		[3]				
Austria	2	No size requirement		5	No size requirement			SB
Belgium	1	3	-	6				
Brazil	1	3 (5)	- (11)	3 (2)				
Canada	1	3	-	-				
Chile	1	5 or 7*	-	3				
Czech Republic	2	3	-	5	3	-		
Denmark	1+2	No size requirement		(1)	No size requirement		(1)	SB
Estonia	2	No size requirement		5	1	-	SB	
Finland	1+2	No size requirement		(1)				
France	1+2	3	18	6 (4*)				
Germany	2	3	21	5	1-2	-	SB	
Greece	1	3 (7)	- (15)	6 (4)				
Hong Kong, China	1	No size requirement		3*				
Hungary	1+2	5	11	-				
Iceland	1	No size requirement		-				
India	1	3	15	3				
Indonesia	2	No size requirement		-	No size requirement		-	GSM
Ireland	1	No size requirement		-				
Israel ³⁵	1	4	-	-				
Italy	T+1+2	3	-	3				
Japan	C	3	-	1				
	A	3	-	2				
Korea	1	No size requirement		3				
Luxembourg	1+2	No size requirement		-				
Mexico	1	- (3)	21 (15)	-				
Netherlands	1+2	No size requirement		(4)	No size requirement		(4)	GSM
New Zealand	1	No size requirement		-				
Norway	1	3	-	4 (2)				
	2	12	-	4 (2)	5	-	-	SB
Poland	2	3	-	5				
Portugal	L+A+D	No size requirement		4	No size requirement			
Saudi Arabia	1	3	11	3				
Singapore	1	No size requirement		(3)				
Slovak Republic	1+2	No size requirement		-	No size requirement		-	
Slovenia	1+2	3	-	6	1	-	6	SB
Spain	1	No size requirement		5	No size requirement			
Sweden	1	No size requirement		(1)				
Switzerland	1	No size requirement		1				
Turkey	1	5	-	3				
United Kingdom	1	2	-	(1)				
United States	1	No size requirement		3				

Key: []=requirement by the listing rule
 O=recommendation by the codes or principles
 SB=Supervisory Board
 GSM=General Shareholder Meeting
 "-"=absence of a specific requirement or recommendation

³⁵ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 5.6. Board independence requirements for listed companies

	Tier	Board independence requirements		Key factors in the definition of independence			
		Separation of the CEO and Chair of the board	Minimum number or ratio of independent directors	Term	Independence of substantial shareholders		
				Maximum term year & Effect at the expiration of term	Requirement	Shareholding threshold of substantial shareholders for assessing the independence	
Argentina	2	-	2	-	-	Yes	35%
Australia	1	(Recommended)	(50%)	-	-	Yes	5%
Austria	2	-	(50%)	-	-	No	-
Belgium	1	(Recommended)	3	-	-	Yes	10%
Brazil	1	-	20% (50%)	-	-		
Canada	1	-	2	-	-		
Chile	1	-	1	-	-	Yes	10%
Czech Republic	2		-	-	-	No	-
Denmark	1+2	-	(50%)	(12)	-	Yes	50%
Estonia	2		(50%)	10		Yes	-
Finland	1+2	(Recommended)	(50%)	-	-	Yes for 2	10%
France	1+2	-	(50% or 33%)	12		Yes	10%
Germany	2		1	-	-		
Greece	1	-	2 (33%)	(12)	(No independence)	No	-
Hong Kong, China	1	(Recommended)	3 and 33%	(9)	(Explain)	Yes	10%
Hungary	1+2	-	50%	-	-	No	-
Iceland	1	-	(50%)	(7)	(Explain)	Yes for 2	10%
India	1	[Required]	[33%]	(9)	(Explain)	Yes	-
		-	[50%]				
Indonesia	2		(30%)	-	-	Yes	50%
Ireland	1	-		-	-	No	-
Israel ³⁶	1	[Required]	2 (50% or 33%)	9	(No independence)	Yes	5%
Italy	T+1+2	-	2 (50%)	9		Yes	-
Japan	C	-	50% of outside directors in each committee	-	-	No	-
	A	-	[one independent director/auditor]	-	-	No	-
Korea	1	-	-	-	-	Yes	10%
Luxembourg	1+2	-	-	12	-	Yes	10%
Mexico	1	-	25%	-	-		
Netherlands	1+2	Required	(All-1)	-	-	Yes	10%
New Zealand	1	(Recommended)		-	-		
Norway	1+2	Required	(50%)	-	-	Yes for 2	
Poland	2		(2)	12		Yes	5%
Portugal	L+A+D		(25%)	8	No independence	No	
Saudi Arabia	1	-	(33%)			Yes	5%
Singapore	1	-	(50%)	9	Explain	Yes	10%
		(Recommended)	(33%)				
Slovak Republic	1+2	(Recommended)		(15)	(No independence)	No	-
Slovenia	1+2		(50%)	-	-	Yes	-
Spain	1	-	(33% and 3)	12		Yes	3%
Sweden	1	Required	(50%)	12		Yes for 1	10%
Switzerland	1	-*	-*	6	-	-	-
Turkey	1	-	33% and 2	6	No independence	Yes	5%
United Kingdom	1	(Recommended)	(50%)	9	Explain	No	-
United States	1	-	50%	-	-		

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

³⁶ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 5.7. Requirement or recommendation for board independence according to the ownership structure

Requirement for independent board and ownership structure		
Jurisdictions	Factors influencing the independent board requirement	
Chile	(Minority shareholders [+])	A mandatory independent board member is required for a publicly listed company, only if at least 12.5% of its shares with voting rights are owned by shareholders who do not individually own more than 10% of such shares.
France	Controlling shareholders [-]	<i>Companies without controlling shareholders:</i> - A majority of the directors should be independent.
		<i>Companies with controlling shareholders:</i> - At least one-third of the directors should be independent.
Israel ³⁷	Controlling shareholders [-]	<i>Companies with dispersed shareholding:</i> - A majority of the directors should be independent.
		<i>Companies with controlling shareholders:</i> - At least one-third of the directors should be independent.
United States	Controlling shareholders [-]	A listed company of which more than 50% of the voting power for the election of directors is held by an individual is not required to comply with the majority independent board requirement.

Table 5.8. Board representation of minority shareholders

Requirement/recommendation on board qualification		
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.
Israel ³⁸	Recommended for initial appointment Required for re-election	All outside director must be appointed by the majority of the minority.
Brazil	Allowed	One or two members of the board may be elected separately by minority shareholders, provided that: <ul style="list-style-type: none"> - one member elected by minority shareholders holding shares with at least 15% voting rights; and - one member elected by minority shareholders holding preferred shares without voting rights (with 10% share capital)
Portugal	Allowed	- For a maximum of one-third of board members, isolated appointment may be made from candidates proposed by the group of shareholders (10-20% shareholding) - Minority shareholders representing at least 10% of the share capital may appoint at least one director

³⁷ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

³⁸ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 5.9. Employee representation

Jurisdiction	Number of employees	Minimum requirement	Maximum allowance
Argentina	-	No	-
Australia	-	No	-
Austria	300-	33%	-
Belgium	-	No	-
Brazil	-	No	-
Canada	-	No	-
Chile	-	No	-
Czech Republic	50-	33%	50%
Denmark	35-	2	50%
Estonia	-	1	-
Finland	-	No	-
France	-	-	33% or 5
Germany	2000- 500-2000	50% 33%	50% -
Greece	-	No	-
Hong Kong, China	-	No	-
Hungary	200-	33%	-
Iceland	-	-	-
India	-	No	-
Indonesia	-	No	-
Ireland	-	No	-
Israel ³⁹	-	No	-
Italy	-	No	-
Japan	-	No	-
Korea	-	No	-
Luxembourg	1000- -1000	33% -	33% 33%
Mexico	-	No	-
Netherlands	100-	-	33%
New Zealand	-	No	-
Norway	51- 30-50	33% 1	- -
Poland	-	-	-
Portugal	-	No	-
Saudi Arabia	-	No	-
Singapore	-	No	-
Slovak Republic	50-	33%	-
Slovenia	-	33%	50%
Spain	-	No	-
Sweden	1000- 25-1000	3 2	50% 50%
Switzerland	-	No	-
Turkey	-	No	-
United Kingdom	-	No	-
United States	-	No	-

³⁹ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

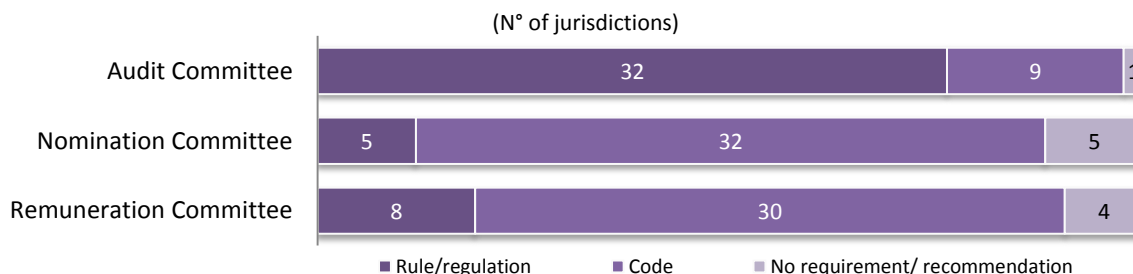
Board-level committees

Three-quarters of jurisdictions require an independent audit committee.

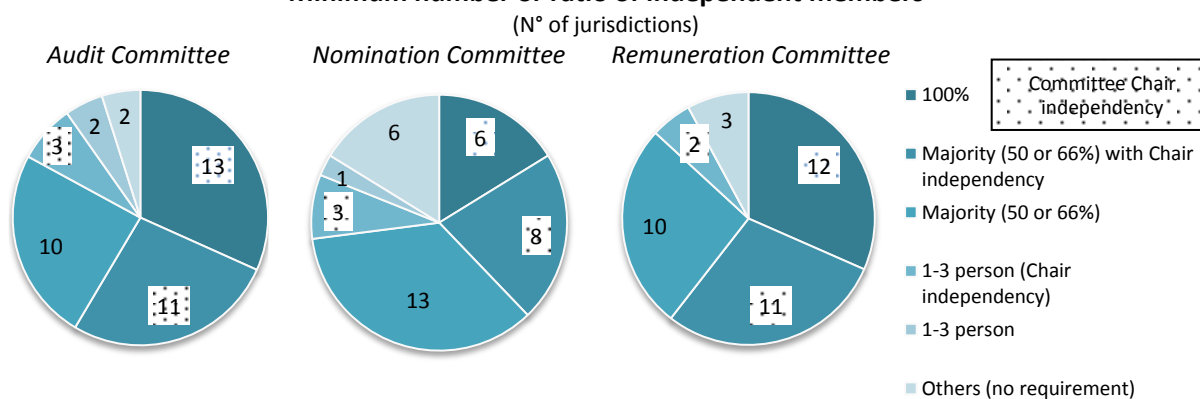
Nomination and remuneration committees are not mandatory in most jurisdictions, many of which recommend these committees, comprising wholly or a majority of independent directors.

Board-level committees of audit, nomination and remuneration have heightened in importance with regard to effective board functioning and ensuring objective independent judgement. Audit committees have traditionally been a key component of corporate governance regulation, and more than two-thirds of jurisdictions require listed companies to establish an independent audit committee. A full or majority (including the chair) independence requirement is common. On the contrary, the establishment of nomination and remuneration committees is not mandatory in most jurisdictions (only five and eight jurisdictions have the requirement respectively), many of which recommend the establishment of these committees, comprising wholly or a majority of independent directors. One exception is the **Swedish** code which recommends that the largest shareholders (or representatives from them) make up the majority of a nomination committee. Three jurisdictions (**Chile, Israel and Mexico**) require or recommend an independent remuneration committee while having no specific reference to a nomination committee. A majority of jurisdictions require or recommend the same level of independence to nomination and remuneration committees, while nine jurisdictions require more stringent independence for a remuneration committee. Reducing the influence of chief executives is essential in the board nomination process, but excluding chief executives from nomination committees remains less prevalent.

Establishment of board-level committees

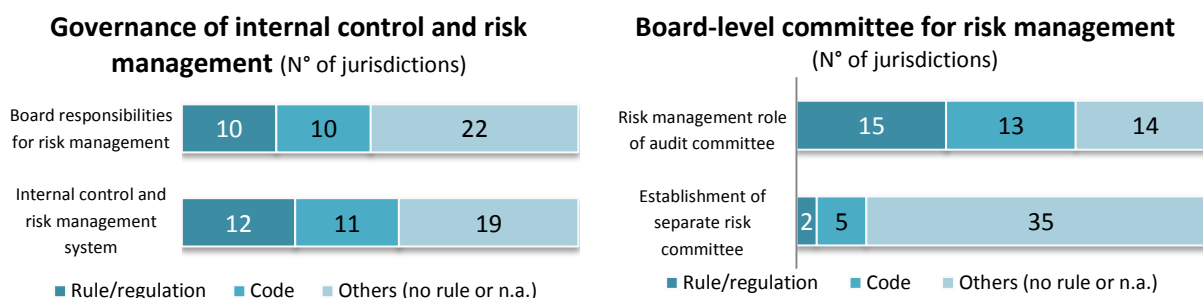


Minimum number or ratio of independent members



Assigning the role of risk management to a board-level committee is becoming prevalent.

It is well-established that audit committees play a critical role in ensuring the integrity of financial reporting and promoting audit quality. Assigning the role of risk management to a board-level committee is becoming prevalent, and audit committees (in 28 jurisdictions) or separate risk committees (in 7 jurisdictions) are being given this role. However, it should be noted that setting out a clear division of the roles of an audit committee and a risk committee in an effective manner is one of the challenges. While the legal and regulatory framework has already attributed many of the risk management related tasks to the audit committee, there is little guidance on how a risk committee fits into the framework.



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

Besides the issues of composition, independence and expertise, a number of measures have been taken to enhance communication between audit committees and external auditors, some examples include: the **US** PCAOB adopted in 2012 a new auditing standard, which aims to encourage effective two-way communication on matters of importance to the audit and the financial statements, such as significant risks, critical accounting estimates, and going concern; the **FSA Japan** has introduced a revised audit standard which facilitates in-depth discussion between the audit committee and the external auditor, particularly on the matter of a suspicion of a material misstatement due to fraud; the **UK** FRC requires audit committees to provide more detailed reports to shareholders, particularly in relation to the risks faced by the business.

Notes to the tables

[Table 6.1] Board-level committee

Audit committee: Almost all jurisdictions require or recommend the establishment of an (full/majority) independent audit committee. The EU Directive (2006/43/EC) set out that a listed company must have an audit committee composed of non-executive members and that at least one member be independent and have competence in accounting and/or auditing. The key roles of the audit committee, as prescribed in the Directive, include: a) to monitor the financial reporting process; b) to monitor the effectiveness of the company’s internal control, internal audit where applicable, and risk management systems; c) to monitor the statutory audit of the annual and consolidated accounts; and d) to review and monitor the independence of the statutory auditor or audit firm. In some jurisdictions audit committees have a role in the oversight of regulatory compliance.

Minimum number or ratio of independent directors: In **Finland** it is recommended that all members of the audit committee should be independent from the company and at least one also from the significant shareholder. In **Japan** the establishment is mandatory only for a company with the committee’s model, and the majority of members should be outside directors.

Nomination committee: In **Finland**, neither the managing director nor executive directors may be members of the nomination committee. In **Japan**, the establishment is mandatory only for a company with the committees model, and the majority of members should be outside directors. In **Sweden** it is recommended that a listed company should have a nomination committee composed of a majority of the largest owners or representatives from these owners.

Remuneration committee: In **Brazil**, the committee is recommended to be composed of external members. In **Israel**, audit committees are responsible for the issues regarding board and executive remuneration. In **Japan** the establishment is mandatory only for a company with the committees model, and the majority of members should be outside directors.

[Table 6.2] Governance of internal control and risk management

Board responsibilities: The responsibility for establishing and overseeing the company's enterprise-wide risk management system usually rests with the board of directors as a whole. In most cases, this responsibility is stated in company law and/or listing rules, except in a small number of jurisdictions where this is not clearly stated. In the **United States**, the SEC rules require a company to disclose the board's role in the oversight of risk.

Chief risk officers: In **Israel**, internal auditors are in charge of risk management. The board of directors of a public 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.

Table 6.1. Board-level committee

Jurisdiction	Audit committee			Nomination committee			Remuneration committee		
	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members	Establishment	Chair independence	Minimum number or ratio of independent members
Argentina	L	-	3	C	C	(50%)	C	-	(50%)
Australia	R	C	(50%)	C	C	(50%)	C	C	(50%)
Austria	L	L	1 or 2	C	-	-	C	-	(50%)
Belgium	L	-	1	C	-	(50%)	L	-	50%
Brazil	C	C	(100%)	C	C	(100%)	C	-	(100%*)
Canada	L	L	100%	C	C	(100%)	C	C	(100%)
Chile	L	L	50%	-	-	-	C*	-	(66%)
Czech Republic	C	-	(100%)	C	C	(100%)	C	C	(100%)
Denmark	L	L	50%	C	-	(50%)	C	-	(50%)
Estonia	-	-	-	-	-	-	-	-	-
Finland	C	C	(100%*)	C	-	(50%*)	C	-	(50%)
France	L	-	(66%)	C	-	(50%)	C	-	(50%)
Germany	L	C	1	C	C	(100%)	-	-	-
Greece	L	L	50%	C	C	(1)	C	C	(50%)
Hong Kong, China	R	R	50%	C	C	(50%)	R	R	50%
Hungary	L	L	100%	C	-	(50%)	C	-	(50%)
Iceland	L	-	(50%)	C	-	(50%)	C	-	(50%)
India	L	R	66%	L	L	(50%)	L	L	(50%)
Indonesia	C	C	1	C	C	-(1)	C	C	(1)
Ireland	L	C	100%	C	-	(50%)	C	C	(100%)
Israel ⁴⁰	L	L	50%	-	-	-	L*	L	50%
Italy	L	L	100%	C	-	(50%)	C	C	(50%)
Japan	L*	-	50%*	L*	-	50%*	L*	-	50%*
Korea	L	L	(66%)	C	C	(50%)	C	C	(100%)
Lithuania	L	-	66%	C	-	(50%)	-	-	-
Luxembourg	C	-	(50%)	C	-	-	C	-	-
Mexico	L	L	100%	-	-	-	C	C	(100%)
Netherlands	L	-	(All-1)	C	C	(All-1)	C	C	(All-1)
New Zealand	C	L	(50%)	C	-	(50%)	C	-	-
Norway	L	-	50%	C	-	(50%)	C	C	(100%)
Poland	L	-	-	-	-	-	-	-	-
Portugal	L	-	50%	C	-	(>0%)	C	C	(100%)
Saudi Arabia	L	-	-	L	-	-	L	-	-
Singapore	L	L	50%	C	C	(50%)	C	C	(50%)
Slovak Republic	L	-	50%	C	-	-	C	C	(100%)
Slovenia	L	C	(100%)	C	C	(100%)	C	C	(100%)
Spain	L	L	50%	C	C	(50%)	C	C	(50%)
Sweden	C	-	(50%)	C	-	(CSH: 50%*)	C	-	All except chair
Switzerland	C	C	(100%)	C	-	-	C	C	(100%)
Turkey	L	L	100%	L	L	1	L	L	1 (50%)
United Kingdom	C	C	(100%)	C	-	(50%)	C	C	3 (2 for SMEs)
United States	L	L	100%	L	L	100%	L	L	100%

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

⁴⁰ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 6.2. Governance of internal control and risk management

	Board responsibilities for risk management	Implementation of the internal control and risk management system	<i>Board-level committee</i>		Chief risk officers
			Risk management role of audit committee	Establishment of separate risk committee	
Argentina	C	C	L/R	C	C
Australia			-	C	
Austria	L/C	L	L*/C*	-	-
Belgium	L	L	L	-	-
Brazil			-		
Canada			-		
Chile	-	R	R	R	-
Czech Republic	-	-	-	-	-
Denmark			-		
Estonia			-		
Finland	-	C	C*	-	-
France			L		
Germany	L/C	L/C	L/C	-	-
Greece			C		
Hong Kong, China	R/C	C	C*	-	-
Hungary			C		
Iceland			C		
India	L/C	L/C	L*/C*	-	-
Indonesia			-	C	
Ireland			C		
Israel ⁴¹	-	R	L*	-	L*
Italy	C	C	L	C	C*
Japan	L	L	-	-	-
Korea	C	-	-	-	-
Lithuania	-	-	C*	-	-
Luxembourg			C		
Mexico	L	-	L	-	-
Netherlands	C	C	C*	-	-
New Zealand	C	C	-	-	-
Norway	C	L/C	L*	-	-
Poland	-	L	L*	-	-
Portugal	-	-	-	-	-
Saudi Arabia			-		
Singapore	C	C	C	C	C
Slovak Republic			-		
Slovenia	C	C	C*	-	-
Spain	-	L/C	L*/C*	-	-
Sweden	C	C	-	-	-
Switzerland	L	C	C*	-	-
Turkey	R	L	L	L	-
United Kingdom	C	C	C*	-	-
United States	R*	L/R	L*/R*	-	-

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

Board responsibilities: Specific provisions describing the Board responsibilities for risk management.

ICRM System: Specific provisions requiring or recommending the implementation of the internal control and risk management system.

RM role of the audit committee: * denotes that risk management is explicitly included in the role of audit committee.

Chief risk officers: * denotes that internal auditors are in charge of risk management.

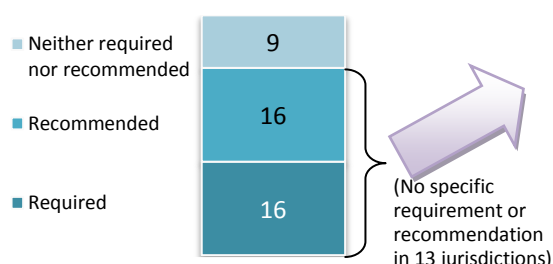
⁴¹ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Governance of board and key executive remuneration

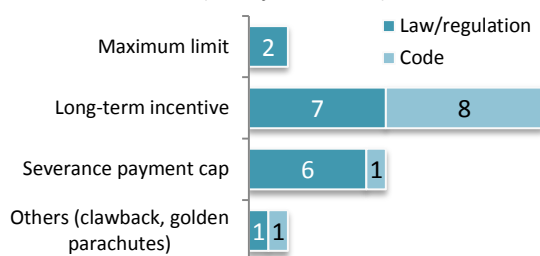
Three-quarters of jurisdictions have introduced a mechanism for normative controls on remuneration, mainly through the “comply or explain” system.

Since the financial crisis, much attention has been paid to the governance of the remuneration of board members and key executives. Besides the measures to improve internal firm governance via promoting an independent Board-level committee, three-quarters of jurisdictions have introduced a mechanism for normative controls on remuneration and provide general criteria on its structure, mainly through the “comply or explain” system. Besides general criteria (e.g. the remuneration structure should promote the interests of the company in the long term, and may not encourage the board members and key executives to act in their own interest, etc.), a majority of jurisdictions (with general criteria) have also set forth specific requirements in their rules or codes, such as long-term incentive mechanisms (most commonly targeting two to three year terms) and severance payment caps (6-24 months). **India** and **Saudi Arabia** have a maximum limit that the aggregate remuneration should not exceed 11% or 10% of the net profit. *Ex post* risk adjustments (including malus and/or clawback provisions⁴²) are less prevalent in the remuneration policies of non-financial listed companies around the world.

Criteria for board and key executive remuneration (N° of jurisdictions)



Specific requirement or recommendation (N° of jurisdictions)



Note: Countries with several requirements are counted twice.

One-third of jurisdictions set forth a requirement or recommendation for the binding approval of shareholders.

Besides the classification between binding and non-binding, there are wide variations among “say on pay” mechanisms in the scope of approval.

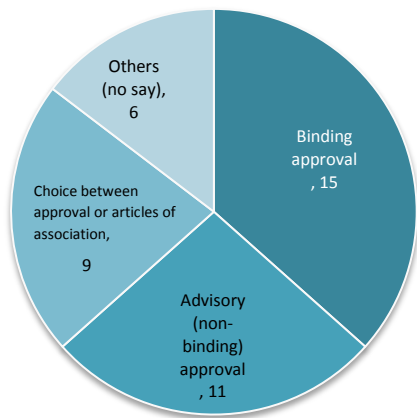
Many jurisdictions have adopted rules on prior shareholder approval of the equity-based incentive schemes for board members and executives. Beyond that, “say on pay”, or the practice of giving shareholders the right to vote on a company’s remuneration programme for board members and key executives, has remained an issue in several jurisdictions. One-third of jurisdictions set forth a requirement or recommendation for the binding approval of shareholders. The European Commission is planning to issue legislative proposals to grant shareholders the right to vote on remuneration policy and the remuneration report (many European countries have already implemented or proposed legislation requiring binding shareholder votes). Against these trends, the FSB⁴³ raised some concerns that “some shareholders may be more focused on shorter-term price performance and may therefore be inclined to tolerate higher degrees of risk than would be

⁴² The Basel Committee distinguishes between the two terms 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, 2010). Available at: <http://www.bis.org/publ/bcbs178.htm>

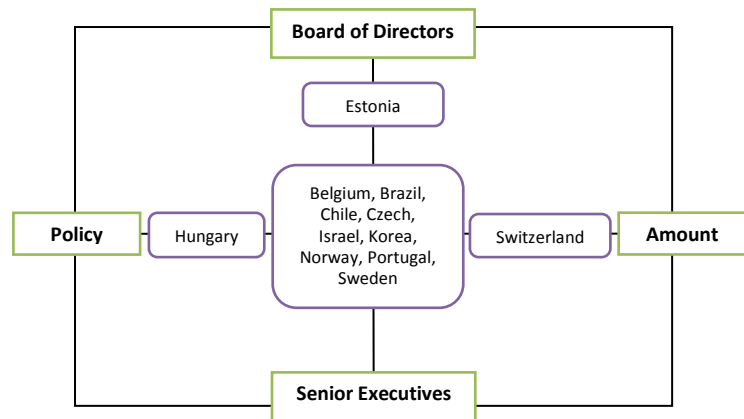
⁴³ Financial Stability Board, “Second progress report on compensation practices”, August 2013. Available at: https://www.financialstabilityboard.org/publications/r_130826.htm

appropriate to preserve longer-term safety and soundness of the firm.” Besides the classification between binding and non-binding (advisory), there are wide variations among “say on pay” mechanisms in terms of the scope of approval, having mainly 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.

Requirement or recommendation for “say on pay” (N° of jurisdictions)



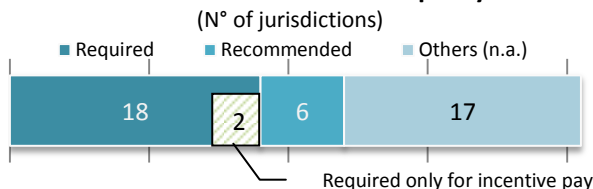
Coverage of the “say on pay” (Binding approval)



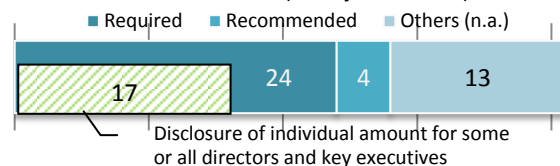
A majority of the jurisdictions have implemented a requirement or recommendation for the disclosure of policy and the level/amount of remuneration.

The increasing attention given to remuneration by shareholders has benefited from, and has also contributed to, enhanced disclosure requirements. A majority of the jurisdictions have implemented a requirement or recommendation regarding the disclosure of remuneration policy and the level or amount of remuneration. European countries adopting IFRS impose the annual disclosure of aggregate compensation to directors and key managers of listed companies. Disclosure on an individual basis for all or a part of board members and key executives (e.g. board members and a certain number of the highest paid executives) is mandatory in 17 jurisdictions. As the FSB (2013) described, enhanced disclosures can lead to more awareness by the board of directors of the need to explain their remuneration decisions.

Disclosure of remuneration policy (N° of jurisdictions)



Disclosure of the level or amount of remuneration (N° of jurisdictions)



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

Governance of key executive remuneration is often discussed in relation to the CEOs and executives turnover (*i.e.* how frequently CEOs and executives move between companies). It is observed that the market for managerial talent has gradually developed in some European countries and the **United States**, while in many jurisdictions CEOs and executives tend to stay in the same company for long periods.

Notes to the tables

[Table 7.1] Governance of board and key executives remuneration

Say on pay: In **Israel**, binding approval is required for directors only when the pay is not within the remuneration policy.

Requirement or recommendation for board and key executives remuneration:

General criteria: Some jurisdictions set out a general requirement or recommendation for the board and key executives remuneration. For example, in **Austria**, the law requires that the remuneration of the board members must be commensurate with the responsibilities and scope of work of the members as well as the economic situation of the company. In **Hong Kong, China**, the Code recommends a significant portion of executive directors' remuneration to link rewards to corporate and individual performance. On the contrary, **Norwegian** Code sets out that the company should not grant share options to the board members and their remuneration should not be linked to the company's performance.

Specific requirement or recommendation: Following the EC recommendation ([2004/913/EC](#) and [2005/162/EC](#)) some of the European countries set out a specific requirement or recommendation regarding variable remuneration and severance payment cap. In five jurisdictions it is recommended that shares should not vest for at least two to three years after their award. In five jurisdictions severance payments should not exceed a fixed amount of one to two years of the non-variable component of remuneration.

[Table 7.2] Governance of board and key executives remuneration (cont.)

In **Denmark**, shareholder approvals are required only if the company uses incentive pay such as equity-linked instruments (*e.g.* stock options). In **Finland**, the Companies Act requires that the remuneration of the board is decided by the shareholder meeting. The remuneration of the CEO is decided by the board. In some jurisdictions (*e.g.* **Australia, Germany, Spain and Switzerland**) the general shareholder meeting is able to take a non-binding vote on the arrangements for directors' pay ("say on pay"). In **Norway**, shareholders have a binding say on remuneration which involves shares, share options and other elements connected to the share or the share price, while shareholders give recommendation on the remuneration policy. In **Indonesia** and **Slovak Republic**, the approval of the remuneration can be delegated to the board resolution.

[Table 7.3] CEO and executives turnover

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

Table 7.1. Governance of board and key executives remuneration

	Say on pay	Requirement or recommendation for board and key executives remuneration	
		General criteria	Specific requirement or recommendation <i>e.g. Long term incentive mechanism for variable remuneration (LTIM); Severance payment cap (SPC)</i>
Argentina	SoP/AA	-	-
Australia	Advisory	-	-
Austria	-	●	LTIM (3 years); SPC (2 years)
Belgium	Binding	●	LTIM (2 years); SPC (12-18 months)
Brazil	Binding	(●)	-
Canada	Advisory	-	-
Chile	Binding	-	-
Czech Republic	Binding	-	-
Denmark	Advisory*	●	LTIM (3years), SPC (2 years)
Estonia	-	●	-
Finland	Advisory*	(●)	-
France	Advisory	●	Regulation on golden parachutes
Germany	Advisory	●	LTIM (3 years), SPC (new)
Greece	Binding*	●	LTIM
Hong Kong, China	Advisory	●	-
Hungary	Binding	(●)	-
Iceland	Binding	(●)	LTIM
India	SoP/AA	●	Maximum limit: 11% of net profits
Indonesia	SoP/AA	-	-
Ireland	-	(●)	LTIM
Israel ⁴⁴	Binding*	●	-
Italy	Advisory	(●)	LTIM (3 years)
Japan	Binding	-	-
Korea	Binding	(●)	-
Luxembourg	SoP/AA	(●)	-
Mexico	SoP/AA	-	-
Netherlands	Binding	●	LTIM, SPC (1-2 years)
New Zealand	-	-	-
Norway	Binding	(●)	No link to the company's performance/ No grant of share options to board members
Poland	SoP/AA	(●)	-
Portugal	Binding	(●)	LTIM
Saudi Arabia	-	●	Maximum limit: 10% of net profits
Singapore	-	(●)	LTIM
Slovak Republic	SoP/AA	●	LTIM for VR (2 years); SPC (6 months)
Slovenia	SoP/AA	●	-
Spain	Advisory	(●)	LTIM (3 years)
Sweden	Binding	(●)	LTIM (3 years), SPC (2 years)
Switzerland	Binding	●	-
Turkey	SoP/AA	(●)	-
UK	Advisory	(●)	LTIM
United States	Advisory	●	-

Key: L=requirement by the law or regulations

R=requirement by the listing rule

C and O=recommendation by the codes or principles

SoP/AA=Choice between Approval by AGM or Article of Association

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

Binding*=Binding approval only required if executives are board members or relative of members

“-”=absence of a specific requirement or recommendation

⁴⁴ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 7.2. Governance of board and key executives remuneration (cont.)

	<u>Remuneration policy</u>		<u>Board and key executives remuneration</u>		
	Disclosure	Approval by shareholders	<u>Level / amount of remuneration</u>		Approval by shareholders
			Disclosure	Individually (directors and key executives)	
Argentina		L (or AA)			L (or AA)
Australia	L	C (Advisory)	L	Top 5	
Austria	-	-	-	-	-
Belgium	L	L	L	L	L
Brazil	L	L	L	Highest and lowest paid directors	L
Canada		C (Advisory)			C (Advisory)
Chile		L			L
Czech Republic	L	L	L	-	L
Denmark	C*	C*	L	-	L
Estonia	-	-	-	-	-
Finland	C*	C*	C	C: CEO and top management	L
France	C	-	L	L	L (Total)
Germany	C	C* (Advisory)	L	L	L* (Advisory)
Greece	-	L***	L	-	L***
Hong Kong, China	R	-	L	R (Directors)	-
Hungary		L			-
Iceland		L	L	L	L
India		L (or AA)			L (or AA)
Indonesia	-	C	-	-	C*
Ireland		-			-
Israel ⁴⁵	L	L	L	Top 5	L
Italy		R (Advisory)			R (Advisory)
Japan	L	L(or AA)	L	Above JPY 100 million	L (Total) (or AA)
Korea	L	L	L	-	L (Total)
Luxembourg		L (or AA)			L (or AA)
Mexico	L	-	L	-	L
Netherlands	L	L	L	L/C	L (or AA)
New Zealand	L	-	L	All directors; employees above \$100,000	
Norway	L	L	L	-	L
Poland	-	-	L	L	L
Portugal	C	L	C		L
Saudi Arabia	L	-	L	All directors and top 5 executives	-
Singapore		-			-
Slovak Republic	C	-	C	-	C*
Slovenia		L (or AA)			L (or AA)
Spain		L (Advisory)	L	L	L*
Sweden	L	L	L	All directors and CEO	L
Switzerland	R	C*(Advisory)	L	All directors and CEO	L
Turkey	L	L (or AA)	C	C	L for directors
United Kingdom	L	L (Advisory)	L	-	L (Advisory)
United States	L	L (Advisory)	L	All directors and CEO, CFO and top 3 officers (≥\$100,000)	L (Advisory)

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
L (or AA)=Approval by general shareholder meetings unless decided by the articles of association
L***=If executive is member of board or relative of member

⁴⁵ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 7.3. CEO and executives turnover

Jurisdiction	Description of CEOs and executives turnover
Estonia	The Estonian market for managerial talents is rather internal than external. No massive movements of talents take place in that regard.
Finland	It is quite common and frequent for board members, CEO's and managers to move from one company to another. The same applies to areas, where there is a high demand for special talent, whether of technical, financial or any other kind. More often than a decade ago the Finnish companies need and look for internationally competent board members and executives willing to be based in Finland, not only Finnish board members and executives. Additionally, it is quite common that a CEO's contract be terminated, and payouts to a dismissed CEO do not exceed two year's salary in practice.
Germany	Traditionally, in German companies employees would start off their career in one company and continue working there until their retirement. However, even in past times this did not always hold true for executives and CEOs. As the economy is changing, the traditional career becomes rarer and fluctuation rises. Today, individual differences between companies are such that average numbers of fluctuation only lead to misconceptions. A lively head-hunter scene shows that especially small and middle enterprises which, although they might even be world market leaders within their key product range rely on head-hunter services for finding leading executives and CEOs. In addition, it is expected that a growing number of small and middle sized firm entrepreneurs will face problems finding successors for leading their firm in the future, strengthening the managers' labour market with their search. Foreign managers also form part of the external market for managerial talents. However, their overall number in German management boards or supervisory boards – even of listed companies – still has to be considered marginal. On the other side, most listed companies finance internal management development programs, trying to raise their prospective managers from within the firm. So one has to 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 lately been included in the German Corporate Governance Code, encouraging the appointment of women and foreign managers to management and supervisory boards.
Korea	A majority of executives and CEOs tend to stay in a company for a long time. Even though some of them transfer their job, in most cases, they just move between affiliates within the same parent company.
New Zealand	Executives and CEOs do not move frequently between companies in New Zealand. This is because the New Zealand market is relatively small with few opportunities and a small pool of talent to take those opportunities. As a result, there is concern that the quality of directors and boards is comparatively lower than countries with which New Zealand compares itself.
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.
United States	According to one third-party survey, during 1995-2006, CEO turnover in North America ranged mostly between 10-15%, with a peak of 18% reached in 2000. CEO turnover in North America declined slightly in both 2007 and 2008, which coincided with the global economic recession. This declining trend continued in 2009 and into 2010 as well, possibly reflecting concern about the strength of economic recovery.

THE RIGHTS OF SHAREHOLDERS AND KEY OWNERSHIP FUNCTIONS

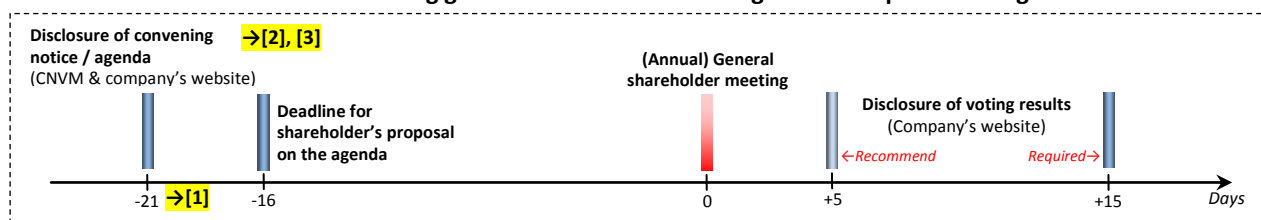
Notification of general meetings and information provided to shareholders

The minimum period of notification in advance of the meeting varies, 15-21 days being the most broadly adopted period.

An increasing number of regulators and stock exchanges have established a common electronic platform to publish notifications and proxy materials.

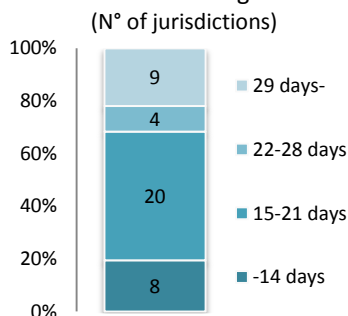
The informed use of shareholder rights and the effective exercise of the ownership function are the key elements of corporate governance. In order to ensure that all shareholders are able to receive the general meeting information in advance, dates and methods of notification are indicated in the basic laws of most jurisdictions. The minimum period of notification in advance of the meeting varies, 15-21 days being the most broadly adopted period. Proxy materials are sent to shareholders at the same time or a few days after the notification is given, which in some instances may be too close to the time of the general meeting to allow shareholders adequate time for reflection and consultation. The feasibility of shareholders' reflection and consultation may also be affected by the degree of concentration of general meetings, as in some jurisdictions a majority of listed companies hold the meeting in the same week. While sending a notification to all shareholders and publishing it on a nation-wide daily newspaper remains mandatory in many jurisdictions, an increasing number of regulators and stock exchanges have established a common electronic platform for listed companies to publish notifications and proxy materials.

Timetable for convening general shareholder meetings: An Example of Portugal

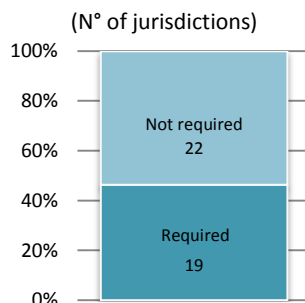


Notification of general meetings

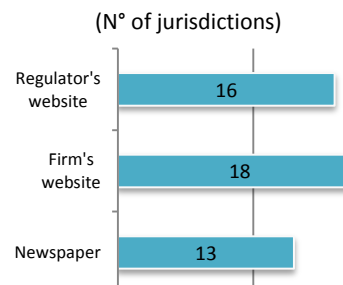
[1] Minimum period of time before the meeting (N° of jurisdictions)



[2] Requirement for sending notification to all shareholders (N° of jurisdictions)



[3] Required media for publishing the notification (N° of jurisdictions)

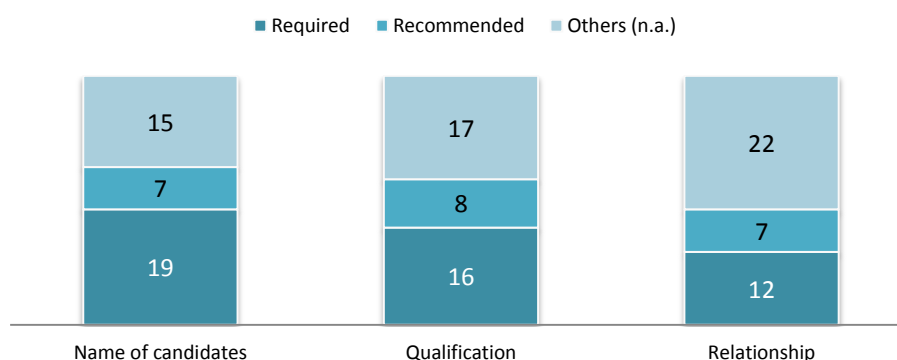


Note: Countries with several requirements are counted twice.

However, there is a significant gap among jurisdictions in the quantity and quality of information provided to shareholders.

Besides the timeliness of the information provided to shareholders, the sufficiency of the information is also an important issue. There is a significant gap among jurisdictions in the quantity and quality of information provided to shareholders. Concerning board election for example, only a limited number of jurisdictions require information regarding the qualifications of candidates (16 out of 41 jurisdictions) and the relationship between candidates and the company (12 out of 41 jurisdictions).

Information provided to shareholders regarding the candidates of board election
(N° of jurisdictions)



Notes to the tables

[Table 8.1] Notification of the annual general meeting

This table shows that the law calls for prior information of shareholders to enable them to exercise their rights in all jurisdictions. The minimum time period provided for shareholders to analyse the agenda varies significantly among jurisdictions, ranging from one to six weeks with three weeks being the mode. In some jurisdictions, shareholders with a certain shareholding (10% in **Mexico**, one-third in **Italy**) can also request to postpone the voting of any matter for three days if they consider that they have been insufficiently informed.

[Table 8.2] Governance of board nomination

Materials provided to shareholders are not necessarily informative in some jurisdictions. Taking board election as an example, the name of candidates is not always provided to shareholders before the meeting in some jurisdictions (**Indonesia** and **Chile** for non-independent directors).

Requirement or recommendation for board nomination:

Qualification of candidates: Some jurisdictions set out a general requirement or recommendation for board qualifications. **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 only for certain board members, such as independent directors (ID), members of audit committees (AC), or Chair of the board (Chair).

Formal screening process: Only a limited number of jurisdictions require or recommend that candidates go through a formal screening process by the nomination committee. In the **UK**, it is recommended that nomination committees should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In **Turkey**, it is required that large listed companies prepare a list of candidates, based on a report from the nomination committee, and submit to the securities regulator for its review. In **Chile**, the Corporations Law requires that candidates for an independent director must comply with the requirements established in the same article, that include an affidavit provided by the candidate about the compliance with the legal requirements.

Table 8.1. Notification of the annual general meeting

	Minimum period in advance	Requirement to send to all SHs	<i>Media for publication</i>		
			<i>Newspaper</i>	<i>Firm's website</i>	<i>Regulator's website or Federal Gazette</i>
Argentina	20-45 days		L		
Australia	28 days	L			
Austria	28 days	-	L	-	L
Belgium	15-30 days		L		
Brazil	15 days				L
Canada	21-60 days				
Chile	20 days	L	L	L	-
Czech Republic	3 weeks	L		L	
Denmark	8 days	L		L	
Estonia	3 weeks	L	L		
Finland	3 weeks	-	-	C	-
France	15 days				L
Germany	30 days		L	L	L
Greece	20 days	-	-	L	L
Hong Kong, China	(20 days)	L,R	-	L,R	L,R
Hungary	21 days			C	
Iceland	21 days			L	
India	21 days	L	-	-	-
Indonesia	14 days				
Ireland	14 days				
Israel ⁴⁶	21 days	L	L	L	L
Italy	30 days	L	L	-	L
Japan	2 weeks	L			
Korea	2 weeks	L		L	
Luxembourg	16 days	L	L		L
Mexico	15 days			L	
Netherlands	42 days	L	-	L	-
New Zealand	10 days	L			
Norway	2 weeks (21 days)	L		R	
Poland	21 days				
Portugal	21 days	-	-	L	L
Saudi Arabia	25 days	-	L	L	-
Singapore	14 days	L	-	-	-
Slovak Republic	30 days			L	
Slovenia	30 days	L	L	L	L
Spain	15 days		L		L
Sweden	4-6 weeks	L	L	C	L
Switzerland	20 days	L	-	-	L
Turkey	21 days			L	L
United Kingdom	21 days			L	
United States	40 days				L

Key: L=requirement by the law or regulations
R=requirement by the listing rule
C and O=recommendation by the codes or principles
“-”=absence of a specific requirement or recommendation

⁴⁶ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 8.2. Governance of board nomination

	<u>Information provided to shareholders regarding the candidates of board election</u>			<u>Requirement or recommendation for board nomination</u>	
	Name of candidate	Qualifications of candidates	Candidate's relationship with the firm	Qualification of candidates (e.g. only for independent directors (ID) or members of audit committee (AC))	Formal screening process (e.g. approval by the nomination committee)
Argentina					
Australia	C	C	C	-	-
Austria					
Belgium				C	C
Brazil	L	L	-	-	-
Canada				-	-
Chile	L	-	-	L: ID	L: ID
Czech Republic	L	L	-	C	-
Denmark					
Estonia	L	-	-	C	-
Finland	C	C	C	C	-
France				C	-
Germany	L	L	L	C	-
Greece				-	-
Hong Kong, China	R	R	R	R: ID, AC	C
Hungary	C	C	C	C: AC	-
Iceland					
India	L	L	-		
Indonesia				-	-
Ireland					
Israel ⁴⁷	L	L	L		
Italy	L	L	L	-	-
Japan	L	L	L	-	-
Korea	L	L	L	-	-
Luxembourg				-	-
Mexico	C	C	C	C: ID, AC	-
Netherlands	L/C	L/C	L/C	-	-
New Zealand				-	-
Norway	C	C	C	L: AC, C	-
Poland				-	-
Portugal	L	L	L	C: Chair	-
Saudi Arabia	L	L	L		
Singapore	L	L	L	C	C
Slovak Republic	C	C	-		
Slovenia	L	L	-	C	-
Spain					
Sweden	C	C	C	C: AC	-
Switzerland	L	C	C	C: AC	-
Turkey	L	L	L	L: ID	L: ID
United Kingdom				C	C
United States	L	L	L	C: AC	

Key: L=requirement by the law or regulations
R=requirement by the listing rule
C and O=recommendation by the codes or principles
“-”=absence of a specific requirement or recommendation

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

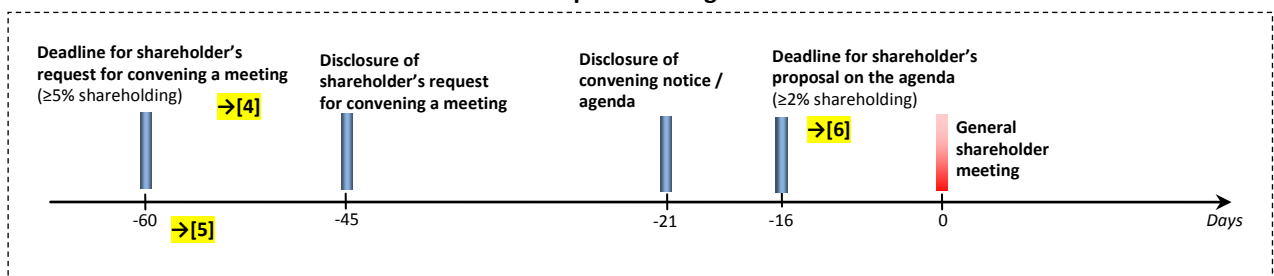
Compared to the threshold for requesting a shareholder meeting, many jurisdictions set lower or no threshold for placing items on the agenda of the general meeting.

However, no direct link is identified between the level of the threshold and the degree of ownership concentration.

As part of their fundamental rights, shareholders are able to request that a shareholder meeting be convened and to place items on the agenda of the general meeting. Most of the jurisdictions set forth a minimum shareholding requirement, taking into account that the request needs to be supported by shareholders holding a specific percentage of shares or voting rights. Compared to the threshold for requesting a special meeting, many jurisdictions set lower or no threshold (*i.e.* less stringent to minority shareholders) for placing items on the agenda of the general meeting, while no direct link is identified between the level of the threshold and the degree of ownership concentration. Regarding the shareholder's right to request a shareholder meeting, the majority of jurisdictions have set forth a requirement of the time limit for holding the meeting (*e.g.* two weeks to two months) after the shareholder's request. In some jurisdictions the court may be involved in this process (*e.g.* approval by the court) to ensure that the shareholder's rights be exercised in good faith and not be abused.

Timetable for Shareholder's request for convening a shareholder meeting and placing items on the agenda:

An Example of Portugal



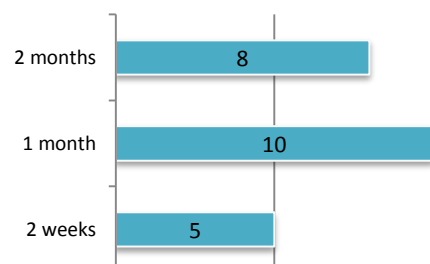
Shareholder's request for convening a shareholder meeting

[4] Minimum shareholding requirement (N° of jurisdictions)

3%	5%	10%	20%
3	22	15	1

Same threshold in 14 jurisdictions
Lower threshold in 23 jurisdictions

[5] Deadline for holding a meeting after the request (N° of jurisdictions)



Shareholder's request for placing items on the agenda

[6] Minimum shareholding requirement (N° of jurisdictions)

No threshold	0-3%	3%	5%	10%	Others (n.a.)
6	8	4	5	6	6

Notes to the tables

[Table 9] Shareholder's rights to request a shareholder meeting and to place items on the agenda

This table shows that the shareholder's right to request a shareholder meeting is subject to minimum threshold of shareholding which varies from 3% to 20%. In **Korea**, more than six months shareholding is required for a shareholders of listed companies to qualify. In **Canada**, shareholders are not permitted to make a proposal if they intend to make a personal claim for the purpose of securing publicity. In some jurisdictions, the law requires that the meeting must take place within a certain time period (one to two months) after the shareholders' request. If no action is taken by the management, the shareholders are allowed to convene the meeting by themselves, although the expense of calling and holding the meeting is paid for by the shareholders in some jurisdictions (*e.g.* **Australia**). 14 jurisdictions set the same minimum threshold of shareholding for putting items on the agenda as that for requesting a meeting, while the other jurisdictions set a lower minimum threshold. In Argentina, shareholders do not have the right to place items on the agenda.

Table 9. Shareholder's rights to request a shareholder meeting and to place items on the agenda

Jurisdiction	Request for convening shareholder meeting		Placing items on the agenda of general meetings		
	Shareholders	The firm	Shareholders	The firm	
	Minimum shareholding	Deadline for holding the meeting after the request	Minimum shareholding	Deadline for the request (before meeting/ []:after notice)	Accept and publish the request (before meeting)
Argentina	5%	40 days	(Shareholders do not have the right to place items)		
Australia	5% or 100 SHs	2 months	5% or 100 SHs	-	35 days
Austria	5% with 3 months holdings	14 days (3 weeks)	5% with 3 months holdings	7 or 14 days	-
Belgium	20%	-	3%	6 days	-
Brazil	5%	-	-	-	-
Canada	5%	-	1% ; 5% for nominating a director	-	-
Chile	10%	30 days	1%	-	10 days
Czech Republic	3% / 5%	-	3% / 5%	5 days	-
Denmark	5%	2 weeks	No requirement	-	-
Estonia	10%	1 month	10%	15 days	-
Finland	10%	1 month	No requirement	-	-
France	5%	35 days	5%	25 days	-
Germany	5%	30 days	5% or 500000 euro	[10 days]	14 days
Greece	5%	-	5%	-	-
Hong Kong, China	5%	28 days	2.5% or 50 SHs each holding shares with paid up capital ≥HK\$2000	6 weeks	Promptly
Hungary	5%	30 days	1%	-	(2 days)
Iceland	5%	-	No requirement	-	-
India	10%	21 days	-	-	Not required
Indonesia	10%	-	5% or 100 SHs	-	Required
Ireland	10%	14 or 21 days	10%	-	-
Israel ⁴⁸	5%	56 days	No requirement	-	-
Italy	10%	30 days	1%	-	-
Japan	3%	8 weeks	2.5%	[5 days]	-
Korea	3% / 0.15% with 6 months holdings	Promptly	1% with 6 months holding	8 weeks	-
Luxembourg	10%	1 month	3%	6 weeks	-
Mexico	10%	-	5%	22 days	-
Netherlands	10%	6 weeks	10%	-	-
New Zealand	5%	-	3%	60 days	42 days
Norway	5%	1 month	No requirement	-	-
Poland	10%	-	No requirement	-	-
Portugal	5%	60 days	10%	4 weeks	-
Saudi Arabia	5%	-	2%	[5 days]	Required
Singapore	5%	-	5%	-	-
Slovak Republic	10%	2 months	10% or 5 SHs	-	-
Slovenia	5%	2 months	-	-	-
Spain	5%	30 days	5%	[7 days]	14 days
Sweden	5%	30 days	5%	[5 days]	-
Switzerland	10%	2 weeks	No requirement	7 weeks	-
Switzerland	10% or CHF 1M	-	10% or CHF 1M	-	Required
Turkey	5%	-	5%	-	21 days
United Kingdom	5%	49 days	5% or 100 SHs holding together ≥£10,000	7 weeks	-
United States	10% (MBCA), bylaw (Delaware)	-	-	-	-

Key: []=requirement by the listing rule

O=recommendation by the codes or principles

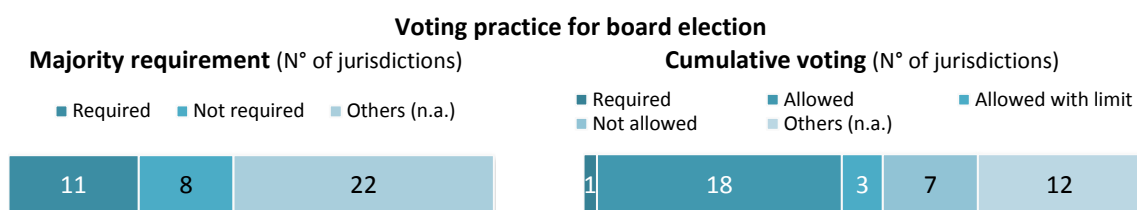
"-"=absence of a specific requirement or recommendation

⁴⁸ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Shareholder voting

Nearly half of the jurisdictions have advocated cumulative voting for electing members of the board but where this option is voluntary it has not been widely used by companies.

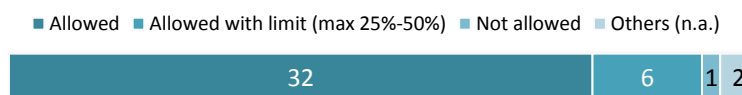
Shareholder voting that governs general shareholder meetings lies at the foundation of the corporate governance debate. A number of jurisdictions have focused on this issue for the purpose of enhancing effective shareholder participation in key corporate governance decisions, such as board election and remuneration issues. Regarding board election, for example, a wide variety of voting practices can be observed. The majority of jurisdictions do not address in their regulatory framework the actual voting process, only a quarter of jurisdictions set forth a requirement of majority voting (by contrast, the **United States** Delaware Law has adopted a plurality voting rule) and voting for individual candidates (not for slate). Some jurisdictions such as **Italy** and **Israel** have special voting arrangements to facilitate effective participation by minority shareholders⁴⁹. The majority of the jurisdictions have advocated cumulative voting for electing members of the board but where this option is voluntary it has not been widely used by companies.



All jurisdictions other than Israel allow companies to issue shares with limited voting rights, some of which have a preference in respect to the receipt of the firm's profits.

The OECD Principles do not take a position on the concept of “one share one vote”, and almost all jurisdictions permit some deviations from this concept⁵⁰. All jurisdictions other than **Israel** allow companies to issue shares with limited voting rights, some of which have a preference in respect to the receipt of the firm's profits (“preferred” or “preference” shares), while six jurisdictions set a limit that these shares may not represent more than 25% or 50% of their capital. More stringent constraints are prescribed for issuing non-voting preferred shares, which are prohibited in six jurisdictions or limited (one-third or 50% of the capital) in eight jurisdictions. Voting caps, whereby a company limits the number of votes a single shareholder may cast, are prohibited in four jurisdictions. Issuing shares with multiple voting rights is prohibited in ten jurisdictions, while in some jurisdictions these shares are sometimes used to enhance the power in board election.

Issuing shares with limited voting rights (N° of jurisdictions)



Issuing shares with non-voting rights (N° of jurisdictions)



⁴⁹ See Table 5.8.

⁵⁰ OECD (2007), OECD Steering Group on Corporate Governance, *Lack of Proportionality between Ownership and Control: Overview and Issues for Discussion*.

One-third of the jurisdictions require listed companies to publish the voting results promptly (within five days) after the general meeting.

However, several jurisdictions do not prescribe the formal procedure of vote counting.

Improving the disclosure of voting results has been regarded as an area of policy consideration. The majority of jurisdictions have set forth the provisions requiring disclosure of voting results on each agenda. One-third of the jurisdictions require listed companies to publish the voting results promptly (within 5 days) after the general meeting, and the other European countries require the publication within 15 days. Accurate vote counting can increase transparency, but several jurisdictions do not prescribe the formal procedure of vote counting and a show of hands is still prevalent around the world. One of the exceptions is the **United States**, where Delaware law requires large listed companies to appoint one or more inspectors to act at the general shareholder meeting, who count all votes and ballots. The **Hong Kong, China** Exchange Listing Rules require that issuers conduct voting by poll for material issues, such as an independent shareholders' approval of related party transactions.

Notes to the tables

[Table 10.1] Requirements for shareholder resolutions

This table shows that in many jurisdictions the law sets forth a majority or supermajority requirement for resolutions in general meetings. A special resolution which is adopted to the fundamental agenda (*e.g.* merger and acquisition, amending the company's articles, increasing or decreasing the company's capital) is one passed by at least two thirds, three quarters, or four-fifths of the votes cast by such persons. In certain cases where a resolution affects differently an individual share class, class voting may be required. Taking board election as an example, a majority resolution is not required in eight jurisdictions. Cumulative voting, while permitted in many jurisdictions, is in practice not widespread. Shareholders that have a conflict of interest are required to abstain from voting at a general meeting in 15 jurisdictions, while no requirement exists in 8 jurisdictions. In **Norway**, a shareholder needs not abstain from voting in matters of interest, unless the matter of voting concerns a lawsuit against that shareholder.

[Table 10.2] Preferred shares and voting caps

This table shows that issuing a class of shares with limited voting rights is generally allowed in the company law (or listing rules in **Australia**) in all jurisdictions other than **Israel**. Issuing a class of shares without voting rights is prohibited by the company law in six jurisdictions (**Australia, France, Israel, Netherlands, Slovak Republic and Switzerland**). Some jurisdictions set the limit of issuing a class of shares with limited voting rights (six jurisdictions) or non-voting rights (eight jurisdictions). In **India**, the Companies Act allows companies to issue shares with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed, while the listing agreement requires listed companies not to issue shares in any manner which may confer on any person, superior rights as to voting or dividend *vis-a-vis* the rights on equity shares that are already listed. In **Mexico**, a prior authorization by national authority is required when issuing limited right shares. In **Norway**, Public Limited Liability Companies Act permits companies to have different classes of shares, but the Code prescribes that the company should only have one class of shares. Voting caps refer to the limits on the number of votes a single shareholder may cast. Almost all jurisdictions prohibit issuing shares with multiple voting rights. The exception is **France**, where 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.

[Table 10.3] Voting practices and disclosure of the voting results

Some jurisdictions including the **EC, Japan** and **United States** have set forth the provisions requiring the disclosure of voting results on each agenda. The "voting result" includes the number of votes for and against, abstentions or at the chairman's discretion. Many European countries require the listed companies to publish the voting results within 15 days, which is underpinned by the European Shareholder's Right Directive in 2007. Regarding the vote counting, several jurisdictions do not prescribe the formal procedure and a show of hand is still prevalent around the world. In the **United States** on the contrary, Delaware law requires listed companies with more than 2000 record holders to appoint one or more inspectors to act at the shareholder meeting. The inspector counts all votes and ballots.

Table 10.1. Requirements for shareholder resolutions

Jurisdiction	Threshold of special resolution (e.g. M&A)	Voting practices for board election			Abstention of SHs with conflict of interests
		Majority requirement	Voting for:	Cumulative voting	
Argentina	1/2				Required
Australia			Individual candidate	Require Exchange approval	
Austria					
Belgium	3/4 (4/5)	Not required	N/A	Allowed	Not required
Brazil				Required	Required
Canada	2/3	Not required		Allowed	
Chile			Individual candidate	Allowed	Not required
Czech Republic			Individual candidate		Required
Denmark					
Estonia			Individual candidate	Allowed	Required
Finland	2/3		N/A	Allowed	
France	2/3			Not allowed	Required
Germany	3/4	Required	(Individual candidate)	Allowed	Required
Greece			N/A		
Hong Kong, China	3/4	Required	Individual candidate	Not disallowed	[Required]
Hungary			(Individual candidate)	Not allowed	
Iceland					
India	3/4	Required	Individual candidate	Allowed	Required
Indonesia	3/4	Not required	N/A	Allowed	Not Required
Ireland					
Israel ⁵¹				-	Required
Italy	2/3	Required	List of candidates	Not allowed	
Japan	2/3	Required	Individual candidate	Allowed but limited	Not Required
Korea		Required	N/A	Allowed	Required
Luxembourg	2/3				
Mexico		Not required		Allowed	
Netherlands	1/2	Not required	N/A	Allowed but limited	Not required
New Zealand					
Norway	2/3	Not required	(Individual candidate)	Allowed	Not required
Poland	3/4		N/A	Allowed	
Portugal	3/4		Individual candidate	Not allowed	Required
Saudi Arabia	3/4	Required	Individual candidate	Allowed	
Singapore	1/2 of 3/4	Required	Individual candidate	Not allowed	[Required]
Slovak Republic	3/4				
Slovenia	1/2	Required	Individual candidate	Allowed	Required
Spain					
Sweden	2/3		Individual candidate	Not allowed	Required
Switzerland	2/3	Not required	Individual candidate	Allowed	Not required
Turkey	2/3	Required	N/A	Allowed	Required
United Kingdom	3/4	Required		Not allowed	
United States	-	Not required		Allowed	Not required

Key: []=requirement by the listing rule

()=recommendation by the codes or principles

"-"=absence of a specific requirement or recommendation

⁵¹ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 10.2. Preferred shares and voting caps

Jurisdiction	Issuing a class of shares with:		Multiple voting rights	Voting caps
	<i>limited voting rights</i>	<i>Non-voting rights</i>		
Argentina	Allowed	Allowed	-	
Australia	[Allowed]	[Not allowed]	-	
Austria	Allowed	Allowed		
Belgium	Allowed	Allowed: Max 1/3	-	Allowed
Brazil	Allowed	Allowed: Max 50%	-	
Canada	Allowed		-	
Chile	Allowed	Allowed	-	
Czech Republic	Allowed	Allowed	-	
Denmark	Allowed	Allowed	Allowed	Allowed
Estonia	Allowed	Allowed	-	
Finland	Allowed	Allowed	Allowed	Allowed
France	Allowed: Max 50%	Not allowed	Allowed (Double voting shares with more than 2 years holding)	Allowed
Germany	Allowed	Allowed: Max 50%	Not allowed	Not allowed
Greece	Allowed	Allowed	-	
Hong Kong, China	Allowed	Allowed	Not allowed	-
Hungary	Allowed	Allowed	Not allowed	
Iceland				
India	Allowed with condition*	Allowed with condition*	-	
Indonesia	Allowed	Allowed	-	
Ireland	Allowed	Allowed		
Israel ⁵²	Not Allowed	[Not allowed]	Not allowed	Not allowed
Italy	Allowed: Max 50%	Allowed	Not allowed	Not allowed
Japan	Allowed: Max 50%	Allowed	Not allowed	Not allowed
Korea	Allowed: Max 25%	Allowed	Not allowed	
Luxembourg	Allowed	Allowed: Max 50%		
Mexico	Allowed: Max 25%*			
Netherlands	Allowed	Not allowed	-	Allowed
New Zealand				
Norway	Allowed*		Allowed	Allowed*
Poland	Allowed	Allowed		Allowed: Max 20%
Portugal	Allowed	Allowed		
Saudi Arabia	Allowed	Allowed: Max 50%		
Singapore	Allowed	Allowed	Not allowed	
Slovak Republic	Allowed	Not allowed		Allowed
Slovenia	Allowed	Allowed: Max 50%		
Spain	Allowed	Allowed: Max 50%		Allowed
Sweden	Allowed		Allowed	Allowed
Switzerland	Allowed	Not allowed	Not allowed	Allowed
Turkey	Allowed	Allowed	Allowed	Allowed
United Kingdom	Allowed			Allowed
United States	Allowed	Allowed	[Not allowed]	Allowed

Key: []=requirement by the listing rule

○=recommendation by the codes or principles

"-"=absence of a specific requirement or recommendation

⁵² The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 10.3. Voting practices and disclosure of the voting results

Jurisdiction	Formal procedure for vote counting	Disclosure of voting result		
		Deadline after GM	<i>Issues to be disclosed</i>	
			Legal consequence	Voting result
Argentina				
Australia	Required	Immediately	Required	Required for each resolution
Austria			Recommended	
Belgium	Required	15 days	Required	Required for each resolution
Brazil		-	-	-
Canada		N/A	N/A	-
Chile			Required	-
Czech Republic	Required	15 days	Required	Required
Denmark		Immediately	Required	
Estonia			Recommended	Recommended
Finland		2 weeks	Recommended	Recommended
France		15 days	Required	
Germany		Promptly	Required	Required
Greece		15 days	Recommended	Recommended
Hong Kong, China	Required	1 business day	Required	Required
Hungary	Required		Required	Required
Iceland				
India	Required		Required	Required
Indonesia	Not Required			
Ireland	Required	Promptly	Recommended	Recommended
Israel⁵³	Required	Promptly	Required	Required
Italy	Required	5 days	Required	Required
Japan	Required*	5 days	Required	Required
Korea		-	Required	(Disclosed on the request by shareholders)
Luxembourg				
Mexico		-	-	-
Netherlands	Required	15 days	Required	Required
New Zealand				
Norway	Not Required	-	-	-
Poland			N/A	N/A
Portugal		15 days (5 days)	Required	Required
Saudi Arabia	Required	Immediately		Required
Singapore		Immediately	Required	Required
Slovak Republic				
Slovenia	Required	Promptly	Required	Required
Spain				
Sweden		-	-	-
Switzerland	Not required	15 days	Required	-
Turkey	Required	Immediately	Required	Required
United Kingdom		Immediately	Required	Recommended
United States	Required	4 days	Required	Required for each candidate

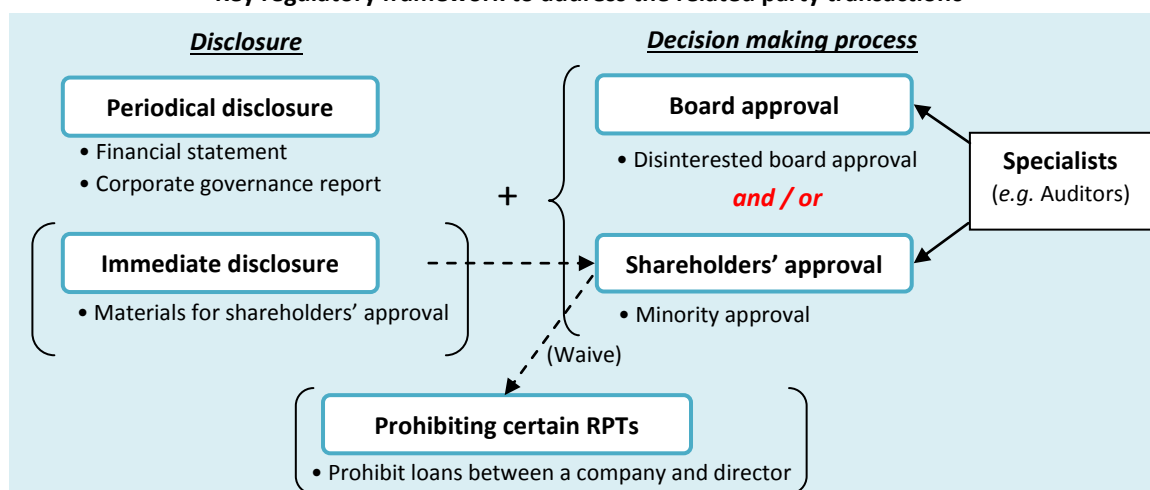
⁵³ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Related party transactions

Corporate law and other related regulatory frameworks adopt a combination of a wide range of regulatory strategies, such as mandatory disclosure, board approval, and shareholders' approval.

In each jurisdiction, corporate law and other related regulatory frameworks covering related party transactions (RPTs) adopt a combination of a wide range of regulatory strategies, such as mandatory disclosure, board approval, and shareholders' approval. Prohibition of RPTs is less common and its coverage is limited. 11 jurisdictions (*e.g.* **Brazil; Chile; Estonia; France; Hong Kong, China; Hungary; India; Korea; Portugal; Turkey; and the United States**) prohibit certain RPTs, focusing mainly on loans between a company and one of its directors. Some jurisdictions (*e.g.* **New Zealand**) have prohibited a wide range of material RPTs, while this prohibition can be waived by the approval of minority shareholders (or the regulators). Some types of RPTs, such as issuing securities (for which many jurisdictions require shareholders' approval) and board and executive pay arrangements (see the section of "say on pay"), are excluded in the following discussion.

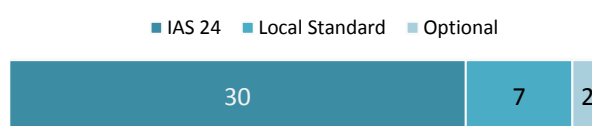
Key regulatory framework to address the related party transactions



Regarding disclosure of RPTs, all jurisdictions have adopted either the International Accounting Standard (IAS24) or a local standard which is equivalent to the IAS24.

Regarding disclosure of RPTs, all jurisdictions have adopted either the International Accounting Standard (IAS24) or a local standard which is equivalent to the IAS24, whereby all listed companies have to disclose annually any transactions with directors, senior executives, and controlling shareholders in their financial statement. Beside the periodical disclosure, some jurisdictions (*e.g.* **Argentina; Estonia; Israel; Hong Kong, China; and the UK**) require immediate disclosure for any significant RPT soon after its terms and conditions have been settled. This disclosure usually contains the materials which is necessary for shareholders to decide whether to approve the transaction at a general meeting.

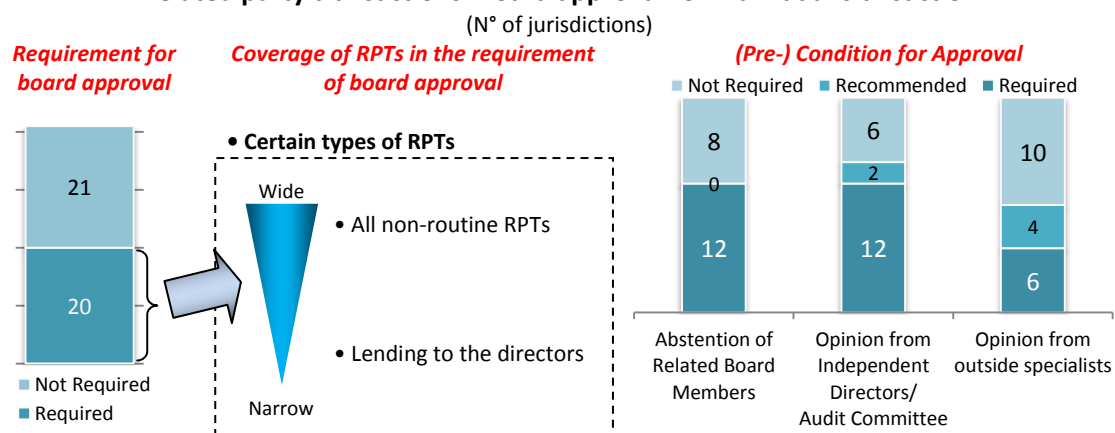
Disclosure of related party transactions in financial statements (N° of jurisdictions)



Besides the general responsibilities, nearly half of the jurisdictions require explicit board approval of certain types of RPTs, while the coverage of this requirement varies significantly among jurisdictions.

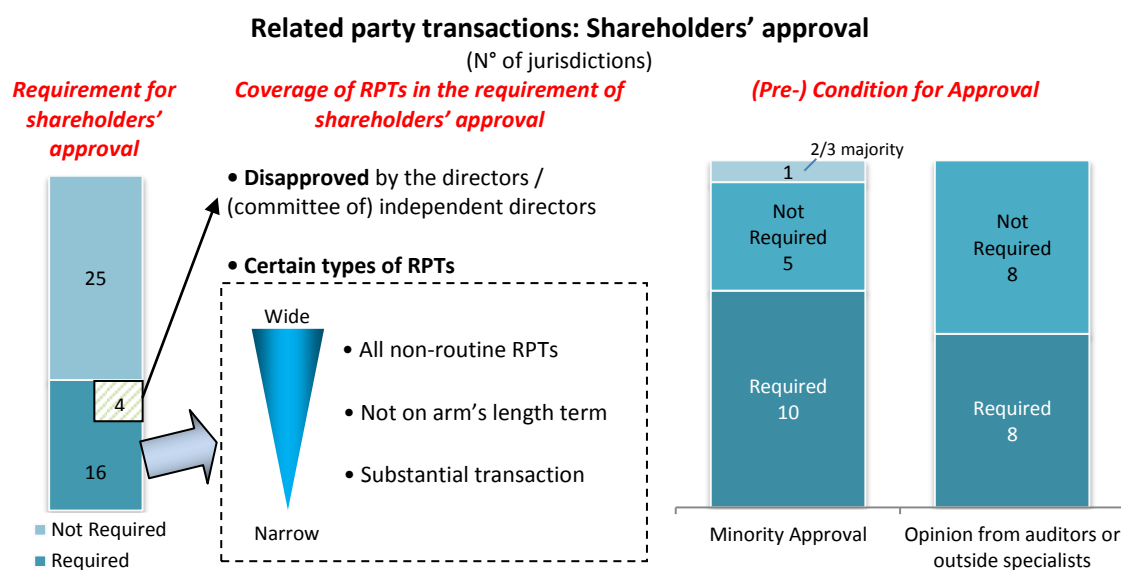
In many jurisdictions the board is charged with making decisions about RPTs primarily in the best interests of the corporation. The most common basis for the board responsibilities is their fiduciary duties. Besides the general responsibilities, nearly half of the jurisdictions require explicit board approval of certain types of RPTs, while the coverage of this requirement varies significantly among jurisdictions (e.g. from all non-routine RPTs to only lending to the directors). In those jurisdictions with the board approval requirement, the abstention of related members from the board resolution is prevalent. Independent board members play a key role in some jurisdictions, reviewing the terms and conditions of related party transactions, often as a member of audit committee. An independent formal valuation is required or recommended to rationalise the board approval in some jurisdictions.

Related party transactions: Board approval for individual transaction



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

Shareholder approval of related party transactions can be regarded as an alternative or complement to the board approval procedure, but the practice is not widespread and often applies only to large transactions or those not on market terms. In four jurisdictions (**Argentina, Chile, Italy and Turkey**), shareholder approval is required only when a transaction is disapproved by the (committee of) independent directors. In the **UK**, *ex ante* shareholder approval is mandated for the non-routine RPTs of listed companies. Including these countries, 16 jurisdictions require shareholder approval as an additional control over the potential abuse of related party transactions, and 10 of these jurisdictions have adopted provisions for approval by non-interested shareholders (“minority approval” or “majority of the minority”). Obtaining an opinion or evaluation from external auditors or other outside specialists is imposed as a precondition for shareholder approval in eight jurisdictions.



Notes to the tables

[Table 11.1] Disclosure of related party transactions

This table shows that almost all economies have adopted either the International Accounting Standard 24 (IAS 24) or local accounting standards which are broadly equivalent to the IAS 24. For the sake of transparency, each jurisdiction has developed more detailed regulations regarding the criteria for the mandatory disclosure on a continuous basis (*i.e.* materiality thresholds, arm's length criteria, market condition, etc.). **Italy** takes a proportionate approach differentiating between material and immaterial transactions: a prompt disclosure is required for material transactions that exceed the materiality indices thresholds (5% or 2.5% to pyramids). Additionally, many jurisdictions require public listed companies to disclose detailed information of related party transactions in the form of a corporate governance report, usually as a part of an annual report. In the jurisdictions which have adopted the "German model" (**Brazil, Czech Republic, Hungary, Germany, Portugal and Slovenia**), the negative impact of any influence by the parent company must be disclosed, audited and compensated.

[Table 11.2] Board approval for related party transactions

In many jurisdictions the board is charged with making decisions about related party transactions primarily in the interests of all shareholders. In the board approval procedures, independent board members play a key role in some jurisdictions. They are required to review the terms and conditions of related party transactions, often as a member of the audit committee. In some jurisdictions an independent formal valuation is required. The requirement for the abstention of related members from the resolution on the board is prevalent in jurisdictions with the requirement of board approval. In **Argentina**, the Board may require from the Audit Committee a ruling on whether the terms of the transaction may reasonably be considered appropriate to normal and usual market conditions (the Committee must decide within five days). The company may also request a report from two independent assessment firms, which must issue on the same matter and on other conditions of the operation. In **Brazil** and **Netherlands**, approval of material RPTs by the Board is expected based on their fiduciary duties. In the jurisdictions which have adopted the "German model" (**Brazil, Czech Republic, Germany, 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). In **India**, the Companies Act provides that the terms of reference of the Audit Committee include approval or subsequent modification of transactions with related parties. The Audit Committee is required to have the power to obtain professional advice from external sources and have full access to information contained in the records of the company. 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 RPT – 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 RPT 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 RPTs can only be approved by the whole board upon the favorable advice of the committee of independent directors⁵⁴.

[Table 11.3] Shareholders' approval for related party transactions (non-equity)

Shareholder approval for related party transactions can be regarded as an alternative or complement to the board approval procedure, but the practice is not widespread and often applies only to large transactions or those not on market terms. Besides the **United Kingdom** where *ex ante* shareholder approval is mandated for non-routine related party transactions of listed companies, 15 jurisdictions require shareholder approval as an additional control over the potential abuse of related party transactions, 9 of which jurisdictions out of them have adopted provisions for approval by non-interested shareholders ("minority approval" or "majority of the minority"). 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 **New Zealand**, the issuer can avoid the requirement to obtain the approval of the ordinary resolution providing that the NZX is satisfied that the personal interest of a related party is immaterial or plainly unlikely to have influenced the promotion of the proposal to enter into the transaction or its terms and conditions. In **Italy**, companies may provide that a transaction can still be entered into despite the negative advice of independent directors, provided that a general meeting is convened where a majority of unrelated shareholders approve it (the whitewash). Internal codes may also provide that for the majority of unrelated shareholders to block the transaction, the unrelated shareholders represented at the meeting must hold a minimum percentage of outstanding shares, no higher than 10 percent.

⁵⁴ M. Bianchi et al, "Regulation and self-regulation of related party transactions in Italy". CONSOB Working Paper 75, January 2014. Available at: www.consob.it/mainen/documenti/english/papers/wp75en.html?symbblink=/mainen/consob/publications/papers/index.html

Table 11.1. Disclosure of related party transactions

Jurisdictions	Periodical disclosure		Immediate disclosure for specific RPTs
	Financial statement	Additional disclosure	
Argentina	Local standard		Required
Australia	Local standard		
Austria	IAS 24	-	-
Belgium	IAS 24	Required (intra-group)	Required
Brazil	IAS 24	Required (intra-group)*	-
Canada	IAS 24		Required for SHs approval
Chile	IAS 24	Required	
Czech Republic	IAS 24	Required (intra-group)*	-
Denmark	IAS 24		
Estonia	IAS 24	Required	Required
Finland	IAS 24		
France	IAS 24	Required	
Germany	IAS 24	Required (intra-group)*	-
Greece	IAS 24		
Hong Kong, China	IAS24 or Local standard	Required	Required
Hungary	IAS 24	-	-
Iceland	IAS 24		
India	Local standard	Required	-
Indonesia	IAS 24	Required	-
Ireland	IAS 24		
Israel ⁵⁵	IAS 24	Required	Required for SHs approval
Italy	IAS 24	Required	Required*
Japan	Local standard	Required	-
Korea		-	-
Luxembourg	IAS 24	-	-
Mexico	Local standard	Required	
Netherlands	IAS 24	-	-
New Zealand			
Norway	IAS 24	-	
Poland	IAS 24	Required	-
Portugal	IAS 24	Required (intra-group)*	-
Saudi Arabia	IAS24	Required	Required
Singapore	Local standard	-	Required
Slovak Republic	IAS 24	-	-
Slovenia	IAS 24	Required (intra-group)*	Required
Spain	IAS 24	Required	-
Sweden	IAS 24	-	-
Switzerland	IAS 24 or US GAAP, Swiss GAAP FER or Local Standard	Required	Required
Turkey	IAS 24	Required	Required
United Kingdom	IAS 24		Required
United States	US GAAP	Required	

⁵⁵ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 11.2. Board approval for related party transactions

Jurisdictions	Board approval for non-routine RPTs	Abstention of related board members	Opinion from	
			Independent directors / Audit committee	Outside specialist
Argentina	-	-	Optional	Optional
Australia	Required	Required	-	-
Austria	Required			
Belgium	Required	-	Required	Required
Brazil	-*	-	-	Recommended
Canada	Required	-	-	Required
Chile	Required	Required	Required	Recommended
Czech Republic	-*	-	-	-
Denmark				
Estonia	Required	-	Recommended	-
Finland				
France	Required	Required	-	-
Germany	-*	-	-	-
Greece	-	-	-	-
Hong Kong, China	Required	Required	Required	-
Hungary	Required	-	Required	-
Iceland				
India	Required	Required	Required	Required
Indonesia				
Ireland				
Israel ⁵⁶	Required	Required	Required	-
Italy	Required	Required	Required	-
Japan	Required	Required	-	-
Korea	Required	-	-	-
Luxembourg				
Mexico	-	-	-	-
Netherlands	-*	-	-	-
New Zealand				
Norway	Required	Required	-	-
Poland	-	-	-	-
Portugal	Required*	Required	Required	-
Saudi Arabia	Required	Required	Required	Required
Singapore	Required	-	Required	Required
Slovak Republic	-	-	-	-
Slovenia	-*	-	-	-
Spain	-	-	-	-
Sweden	-	-	-	-
Switzerland	-	-	-	-
Turkey	Required	Required	Required	Required
United Kingdom				
United States	Required	-	Required	Recommended

⁵⁶ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Table 11.3. Shareholders' approval for related party transactions (non-equity)

Jurisdictions	Shareholders' approval for individual RPT		Opinion from		Requirement for shareholders voting
	Requirement	RPTs for shareholders' approval	Auditors	Outside specialists	
Argentina	Yes	If classified as not reasonably appropriate to the market by the AC or assessment firms	-	-	-
Australia	Yes	Not on arm's length terms	-	-	Minority approval*
Austria	No	-	-	-	-
Belgium	No	-	-	-	-
Brazil	No	-	-	-	-
Canada	Yes	Not on market terms; >25% of market cap.	-	Required	Minority approval
Chile	Yes	If disapproved by the directors	-	Required	2/3 majority
Czech Republic	No	-	-	-	-
Denmark					
Estonia	Yes	Not on market terms; >30% of market cap.	Required	-	-
Finland					
France	Yes	Not on market terms	Required	-	Minority approval
Germany	No	-	-	-	-
Greece	-	-	-	-	-
Hong Kong, China	Yes	>5% ratios (except profit ratio)	-	Required	Minority approval
Hungary	-	-	-	-	-
Iceland					
India	Yes	Material RPTs	-	-	Minority approval
Indonesia	-	-	-	-	-
Ireland					
Israel ⁵⁷	Yes	Either of the following: Not on market terms; Material; Not on regular business activity	-	-	Minority approval
Italy	Yes	Disapproved by the committee of independent directors	-	-	Minority approval
Japan	No	-	-	-	-
Korea	No	-	-	-	-
Luxembourg					
Mexico	No	-	-	-	-
Netherlands	No	-	-	-	-
New Zealand	Yes*	>10% of market cap	-	Required	Minority approval*
Norway	Yes	>5% of share capital (>10% for private limited liability companies)	-	-	-
Poland	No	-	-	-	-
Portugal	No	-	-	-	-
Saudi Arabia	Yes				
Singapore	Yes	>5% of net tangible asset	-	Required	-
Slovak Republic	No	-	-	-	-
Slovenia	No	-	-	-	-
Spain	No	-	-	-	-
Sweden	No	-	-	-	-
Switzerland	No	-	-	-	-
Turkey	Yes	Disapproved by the independent directors	-	Required	Minority approval (simple majority)
United Kingdom	Yes*	Non-routine transactions	-	-	Minority approval
United States	No	-	-	-	-

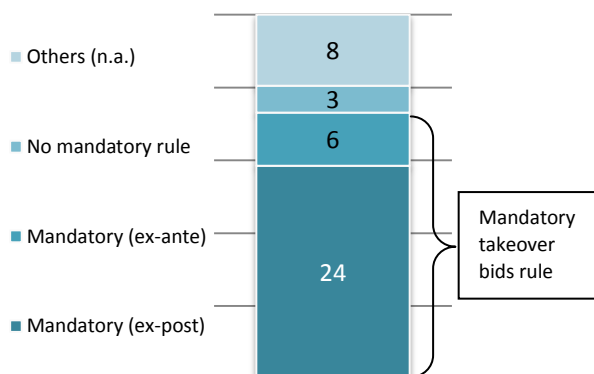
⁵⁷ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Takeover bid rules

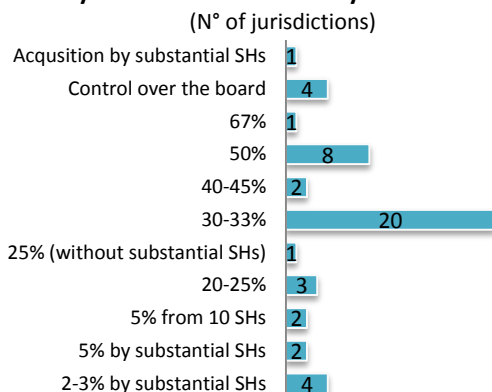
In framing the mandatory takeover bids rule, four-fifths of jurisdictions take an ex-post approach.

Most jurisdictions have takeover regulations, but some address the issues in voluntary corporate governance codes rather than through hard law (**Hong Kong, China**), and others regulate voluntary bids but do not require mandatory ones (**Australia**). In framing the mandatory takeover bids rule, four-fifths of jurisdictions take an *ex-post* approach, where a bidder is required to initiate a takeover bid after acquiring shares exceeding the threshold (*i.e.* after the control shift). Six jurisdictions (**Hungary, India, Japan, Korea, Mexico and Singapore**) take an *ex-ante* approach, where a bidder is required to initiate a takeover bid for acquiring shares which would exceed the threshold (*i.e.* before the control shift). Most commonly, mandatory takeover bids are triggered by a 30-33% ownership threshold, where the calculation regularly includes all affiliated parties in the sum. Four-fifths of jurisdictions with mandatory takeover bids rule establish a mechanism to determine the minimum bidding price, which is determined by: a) the highest price paid by offeror (within 3-12 months); b) the highest or average market price (within 2-12 months); or a combination of the two.

Takeover bids rule (N° of jurisdictions)

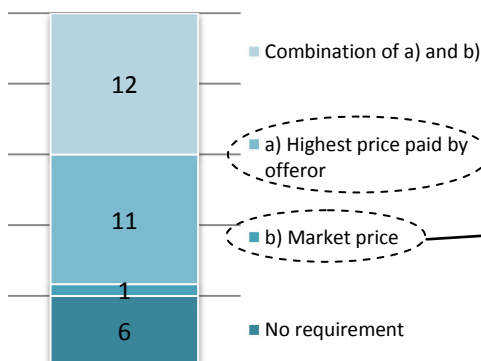


Key threshold of mandatory takeover bids

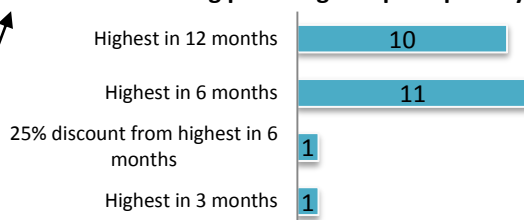


Note: Countries with several thresholds are counted twice.

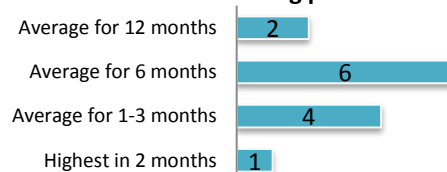
Requirement for minimum bidding price in mandatory takeover bids (N° of jurisdictions)



Minimum bidding price: highest price paid by offeror



Minimum bidding price: market price



Notes to the tables

[Table 12] Takeover bid rules

In the **United States**, rules do not impose a mandatory tender offer, leaving it up to the bidder to deal with shareholders, whether on an unsolicited basis without the prior approval of the target, or pursuant to a private agreement between the bidder and the target.

Table 12. Takeover bid rules

Jurisdictions	Institutions in charge of takeover bids	Key threshold of mandatory takeover bids	Key requirement for the minimum bidding price <i>M: mandatory takeover bids; V: voluntary takeover bids</i>
Argentina			M Highest market price in last 6 months
Australia	ASIC, Takeover Panel	No mandatory takeover bids	- -
Austria	Takeover Commission	<i>ex-post</i> : 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	<i>ex-post</i> : 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	No mandatory takeover bids	V Based on the evaluation report
Canada	Provincial securities regulators: e.g. OSC (Ontario)	<i>ex-post</i> : 20% of voting rights	- -
Chile	SVS	<i>ex-post</i> : 67% of voting rights	- -
Czech Republic	CNB	<i>ex-post</i> : 30% of voting rights	M a) Highest price paid by offeror within last 12 months; b) Average market price of last 6 months
Denmark	DFSA	<i>ex-post</i> : 50% of voting rights; control over the board	M Highest price paid by offeror within last 6 months
Estonia	EFSA	<i>ex-post</i> : 50% of voting rights; control over the board	M Highest price paid by offeror within last 6 months
Finland	FSA, Takeover Panel	<i>ex-post</i> : 30% or 50% of voting rights	M a) Highest price paid by offeror within last 6 months; b) Weighted average market price of last 3 months
France	AMF	<i>ex-post</i> : 33% of voting rights; 2% acquisition by the SH with 33-50% (within a year)	M Highest price paid by offeror within last 12 months
Germany	Bafin	<i>ex-post</i> : 30% of voting rights	M, V a) Highest price paid by offeror within last 6 months; b) Average market price of last 3 months
Greece	HCMC	<i>ex-post</i> : 33% of voting rights; 3% acquisition by the SH with 33-50% (within a year)	M a) Highest price paid by offeror within last 12 months; b) Average market price of last 6 months
Hong Kong, China	SFC, Takeovers and Mergers Panel	<i>ex-post</i> : 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 Less than 50% discount from the latest market price
Hungary	HFSA	<i>ex-ante</i> : 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
Iceland			
India	SEBI	<i>ex-ante</i> : 25% of voting rights; 5% acquisition by SH with 25% (within a year)	M a) Highest price paid by offeror within last 26 weeks; b) Average market price of last 52 weeks
Indonesia		<i>ex-post</i> : 50% of voting rights; control over the board	M Average of the highest daily price of last 90 days
Ireland			
Israel ⁵⁸	ISA	<i>ex-post</i> : 25% of voting rights; 45% of voting rights	- -
Italy	CONSOB	<i>ex-post</i> : 30% of voting rights; 3% acquisition by SH with 30-50% (within a year); voluntary bid below 60%	M a) Highest price paid by offeror within last 12 months; b) Average market price of last 12 months
Japan	FSA	<i>ex-ante</i> : 33% of voting rights from less than 11 SHs (within 60 days); 5% of voting rights from more than 10 SHs (within 60 days)	- -
Korea	FSC	<i>ex-ante</i> : 5% acquisition from 10 SHs	- -
Luxembourg			
Mexico	CNBV	<i>ex-ante</i> : 30% of voting rights	- -
Netherlands	AFM	<i>ex-post</i> : 30% of voting rights	M Highest price paid by offeror within last 12 months
New Zealand			
Norway		<i>ex-post</i> : 33%, 40% or 50% of voting rights	M Highest price paid by offeror within last 6 months
Poland			
Portugal	CMVM	<i>ex-post</i> : 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
Saudi Arabia			
Singapore	Securities Industry Council	<i>ex-ante</i> : 50% of voting rights	M, V Highest price paid by offeror within last 3 months
Slovak Republic			
Slovenia	SMA	<i>ex-post</i> : 33% of voting rights	M, V Highest price paid by offeror within last 12 months
Spain	CNMV	<i>ex-post</i> : 30% of voting rights; control over the board; 5% acquisition by SH with 30-50% (within a year)	M, V Highest price paid by offeror within last 12 months
Sweden	FI, Swedish Securities Council	<i>ex-post</i> : 30% of voting rights	M, V Highest price paid by offeror within last 6 months
Switzerland	Swiss Takeover Board	<i>ex-post</i> : 33% (can be raised to 49% by company) of voting rights	M a) Less than 25% discount from the highest price paid by offeror within last 12 months; b) Highest market price of last 60 days V Highest price paid by offeror within last 6 months
Turkey	CMB	<i>ex-post</i> : 50% of voting rights	M, V a) Highest price paid by offeror within last 6 months; b) Average market price of last 6 months
United Kingdom	Panel on Takeovers and Mergers	<i>ex-post</i> : 30% of voting rights; acquisition by SH with 30-50%	M Highest price paid by offeror within last 12 months
United States	SEC	No mandatory takeover bids*	- -

⁵⁸ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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