CORPORATE GOVERNANCE – INTERNATIONAL DEVELOPMENTS

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Session Objectives

• OECD

• Basel Committee for Banking (BCBS)

• EU developments

• Investor developments

• Accounting, Audit, Ethics Standards developments
Recent Developments

- OECD
- Basel Committee for Banking (BCBS)
- EU developments
- Investor developments
- Accounting, Audit, Ethics Standards developments
OECD

• New G20/OECD CG Principles

• New Guidelines for state-owned entities

○ Major changes – outcomes of CG
  ○ Focus on complete frameworks and monitoring and supervision of CG
  ○ Strengthening of rights and protection of investors
  ○ New chapter on role of investors and stock markets in promoting CG
  ○ Increased emphasis on board effectiveness, board committees and board role in risk, especially in presence of controlling shareholders
  ○ Update to stakeholders developments in CG Principles
  ○ Increased/fuller disclosures especially re RPTs, responsibilities of CEO v Chair, increased audit oversight
BCBS

- Guidance supplementary to OECD CG Principles and focused on banking requirements and bank supervision requirements

- Guidance
  - Strengthened materials on risk governance, especially roles of board, RM teams, internal audit and control functions
  - Explanation of obligations in risk culture, risk appetite and oversight
  - Need for board collective competence and director time
  - Supervisors advice re evaluation of CG and of board members and bank engagement in CG developments
  - Relationship between incentive systems and risk taking behaviours
EU Developments

• Goals and Directives to enhance transparency, for greater shareholder engagement and to support company growth and competitiveness

• To enhance transparency
  o New Accounting and Audit Directive – more non-financial reporting from large companies

• To increase shareholder engagement – Shareholder Rights Directive
  o Improve identification of shareholders
  o Strengthen transparency rules for institutional investors
  o Better shareholder oversight of remuneration and RPTs
  o Regulations of proxy advisers

• More to come
Investors

- International Corporate Governance Network (ICGN)
- Global Governance Principles
- Investor responsibilities guidance
- Model Mandate for asset manager relationships
- Focus on ESG issues

Other developments
- Stewardship Codes UK, Malaysia, Singapore, HK and others
- Monitoring of stewardship
- Quality of accounting profession and audit

More needed….. Know who are the shareholders, voting systems
CG Practice Developments

• Board effectiveness

• Control environment and risk oversight and management

• Increased transparency and disclosure – ESG, Integrated reporting, audit report reform and audit quality

• Governance and remuneration

• Stronger shareholder rights in RPTs and information re beneficial ownership
Board Effectiveness

• Composition

• Diversity

• Board committees

• Board evaluations, succession planning

• Remuneration

• Risk a new normal – risk culture, risk appetite, CRO, COSO

• Control framework – controls, IA (new expanded roles), external audit
Transparency and Disclosure

- Sustainability and ESG reporting – national initiatives
- Trends in sustainability reporting – roles of CFO, employees, models and tools
- Integrated reporting
- Audit reforms
Shareholder rights and beneficial ownership

- **Increased engagement**
  - RPTs and approvals
  - Beneficial ownership
  - Remuneration

- **Commitment to CG from the board**
Commitment to CG

• Leadership efforts – ‘tone at the top’
• Good corporate governance culture
• Regular board evaluation linked to improvement and succession
• Complete CG system operating and complete
• Observed cohesion between 3 element of CG (shareholders, directors and management)
• Compliance with the CG code and stepping beyond this to a higher level of governance
Codes and Scorecard Developments

• **Code stock take – key issues**
  o Regular revision
  o Debates on what should be mandated in law and what retained in code
  o Is ‘comply or explain’ appropriate – effectiveness and diverse approaches
  o Different types of codes – banks, SOEs, SMEs, family companies, non-listed companies

• **Code monitoring and enforcement – who and how**

• **Integration of ESG into codes a necessity**

• **Scorecard developments**
  o National scorecards, versus regional scorecards
The Future

• Monitor how changes affect CG

• In-country work to increase commitment at the national level to CG development from highest level (listed and unlisted); understanding of investor engagement

• Board effectiveness – diversity, committee effectiveness, board evaluations, role in risk oversight (risk appetite, risk culture), investor engagement and know beneficial owners

• Control – IA role changing, grow skills as trusted adviser and internal gatekeeper, reporting non-financial matters, audit report developments, RPTs

• Codes – more effective application, monitoring and enforcement, review of suitability of ‘comply or explain’, inclusion of ESG into codes, increased stewardship codes
Thank you