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2007 Review of the Implementation Status of Corporate Governance Disclosures: An Inventory of Disclosure Requirements in 25 Emerging Markets

Report by the UNCTAD secretariat

Executive summary

During the twenty-first session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), it was agreed that an annual survey to assess the state of reporting on corporate governance would be useful. This report is the fourth annual survey of corporate governance disclosure and follows surveys prepared by the UNCTAD secretariat for the twenty-first, twenty-second and twenty-third sessions of ISAR.

The first part of the report provides an overview of important recent developments in corporate governance disclosure, with a focus on events leading towards increased convergence in international corporate governance and disclosure practices. The second part of the report presents the results of the 2007 review of the implementation status of corporate governance disclosure. The 2007 review differs from UNCTAD's earlier reviews by focusing on the disclosure requirements for enterprises listed on stock exchanges in 25 emerging markets. To facilitate useful comparisons, the review also examines disclosure requirements in three of the largest equity markets in the world, all developed countries. The study was conducted by examining the corporate governance disclosures required of listed enterprises by regulators and stock exchanges, and comparing these with the ISAR benchmark of good practices identified in the 2006 UNCTAD publication Guidance on Good Practices in Corporate Governance Disclosure. The analysis compares disclosure requirements between markets and across five major categories of disclosure. The study finds that most developing and transition economies require the disclosure of more than half of the items in the ISAR benchmark.

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Introduction

1. Corporate governance has been a key area of work for the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) since 1989 (E/C.10/AC.3/1989/6). Since the twenty-first session of ISAR, the Group of Experts has request an annual review of the implementation status of corporate governance disclosure. Annual reviews were presented at the twenty-first, twenty-second and twenty-third sessions of ISAR. At the twenty-third session, ISAR considered the document 2006 Review of the Implementation Status of Corporate Governance Disclosures (TD/B/COM.2/ISAR/CRP.3, hereafter the "2006 Review").

2. This 2007 Review, the fourth annual Review conducted on this subject, uses as a benchmark ISAR's conclusions on corporate governance disclosure found in the 2006 UNCTAD publication *Guidance on Good Practices in Corporate Governance Disclosure*. This 2007 Review broadens the scope of research presented in 2005 and 2006. While those earlier Reviews examined the actual reporting practices of enterprises, based on their public reports, the present Review examines the disclosure related requirements of Government and stock exchange regulations. Thus, while the 2005 and 2006 Reviews were studies of what enterprises were actually reporting, the present study is an examination of what publicly listed enterprises are required to report. This new line of enquiry is expected to complement the earlier studies and present a broader picture of the implementation status of corporate governance disclosure.

3. The objectives of this Review are to: (a) provide a brief overview of recent developments in corporate governance since the twenty-third session of ISAR; and (b) present and analyse the results of the 2007 review of corporate governance disclosure practices. The overview of recent developments is provided in chapter I, which examines significant developments in the area of corporate governance disclosure. Chapter II presents the findings of the 2007 Review, along with detailed analysis.

4. The findings of the 2007 Review show that nearly all of the economies in the sample studied have mandatory disclosure rules for a majority of the items in the ISAR benchmark of good practices in corporate governance disclosure. Detailed analysis of the data presented in chapter II below shows that some categories of disclosure are subject to more disclosure rules than others. The analysis in chapter II also provides some insights into differences between the markets in the sample group, both in regards to the particular disclosure items required, as well as the degree of specificity of the rules regarding disclosure. The findings show a high degree of consensus among the markets studied, not only regarding the subjects of disclosure, but also regarding the use of mandatory disclosure rules. This is noteworthy given that non-financial disclosure is often considered to be regulated largely by non-binding voluntary codes of best practice. This research, however, suggests that government regulators and stock exchanges are playing a large role in corporate governance disclosure through the use of binding disclosure rules.

I. Overview of recent developments in the area of corporate governance disclosure

5. Over the 2006/07 ISAR intersession period, there has been increased international focus on how to encourage institutional investors to exercise their fiduciary duty towards beneficiaries by voting proxies responsibly. This represents an intensification of a trend that was identified in the 2006 Review. Most of the pressure takes the form of legislative and other initiatives to require funds to disclose their voting records to beneficiaries. Efforts to improve the governance of mutual and pension funds, described in the 2006 Review, continue as a strategy to promote fund accountability to beneficiaries. A number of initiatives encourage investors to go further than merely exercising voting rights: promoting voting, engagement and activism on environmental, social and governance (ESG) issues are also described below.

6. International consolidation of the proxy advisory and proxy voting industry continued in the present period with acquisitions involving two of the largest players in the global industry as well as a

number of cooperative ventures. These acquisitions increasingly allow firms to provide bundled offerings addressing a broad range of investor services. Consolidation in the industry prompted renewed calls in the United States for an investigation into the potential conflicts of interest that come with providing both voting advice and consulting services, and into the competitiveness of the market. A United States Governmental Accountability Office (GAO) report, released at the end of July 2007, found no apparent conflicts, either in the nature of services provided or in the power of individual proxy advisory firms to influence vote outcomes.

7. With the recognized cost, efficiency and access advantages of electronic proxy voting, usually called e-proxy voting, international regulatory and industry developments are promoting its uptake in jurisdictions outside the United States. This therefore may be a trend to watch for developing countries and economies in transition. Within the United States, the Securities and Exchange Commission (SEC) has taken steps towards allowing electronic distribution of proxy materials and electronic proxy communications as the default method of communication between management and shareholders and amongst shareholders. Cross-border voting has emerged as a key area of regulatory attention in the European Union and across Asia, and regulatory proposals in both regions recognize the benefits of electronic proxy voting and proxy material distribution in increasing cross-border access for investors.

8. Two governance issues continue to draw much media and shareholder attention internationally: executive compensation and director elections. Initiatives designed to reign in compensation and tie compensation to performance have focused on promoting a shareholder advisory vote on executive compensation policies. The way directors are elected to boards in the United States is being scrutinized from a number of angles. Having achieved widespread support for the principle of requiring a majority affirmative vote in the election and re-election of director nominees to the board during the 2005/06 intersession review period, shareholder activist efforts in the 2006/07 period have focused on "proxy access", or allowing shareholders to place their own nominees on the proxy ballot. Efforts have also been focused on the practice of casting "broker non-votes"; these are votes cast by brokers on routine matters, including director elections, where beneficial owners fail to vote within ten days of an annual general meeting (AGM). In such cases, the brokers almost always vote with management.

9. Convergence in standards of governance and corporate governance disclosure has been driven by efforts to enhance the cross-border participation of investors in the governance of companies and by the activism of groups of large institutional investors with international holdings. A number of developments indicate that foreign institutional investor activism will promote convergence with international governance practices. A merger wave in the global stock exchange industry is also likely to have the effect of promoting further convergence in governance reporting standards.

A. Corporate governance developments in Asia

10. The Asian Corporate Governance Association's (ACGA) Asian Proxy Voting Survey, a survey of large international institutional investor concerns regarding proxy voting in the region, which was released in September 2006, highlighted 10 areas of concern regarding proxy voting across Asia.[1] Of these, five concerns stood out as particularly urgent: (a) lack of independent audit of vote results; (b) lack of publication of vote results; (c) insufficient information on which to vote; (d) no confirmation that a vote has been received; and (e) the prevalence of voting by show of hands rather than by ballot/poll. Recommendations made by the report focus on identified areas of concern, but the overarching recommendation is that national electronic voting platforms be put in place as a matter of priority. This would provide a voting audit trail, increasing shareholder participation given the difficulties of cross-border voting, and address the problems inherent in voting by show of hands and clustering of AGM dates. In addition, electronic technologies could be used to make proxy materials more accessible and available on a timely basis and to publish the vote results. According to the ACGA survey, the markets with the weakest voting systems were identified as Japan, the Republic of Korea and Taiwan Province of China. Hong Kong, China had the strongest voting system, although

[1] ACGA (2006). Report on Proxy Voting Across Asia. Asian Corporate Governance Association , September. www.acga-asia.org.

still not up to the standard of the voting systems in Australia, the United Kingdom and the United States, which were used as benchmarks of best practice. Implicit in the ACGA recommendations is the importance of international convergence in proxy voting standards, in particular to facilitate cross-boarder voting, but more generally to emulate the standards already in place in the "best practice" benchmark countries identified in the study.

11. The annual Asian Corporate Governance Roundtable, sponsored by the Organization for Economic Cooperation and Development, met in Singapore in June 2007. Singapore itself put out a critical self-assessment of the state of its corporate governance practices in an independent report commissioned by the Monetary Authority of Singapore and Singapore Exchange. The Singapore Code of Corporate Governance relies on the "comply or explain" approach described in the 2006 Review, and contrasted with the "rules-based" approach. However, the report finds that most companies do not routinely adhere to this principle. The report sees lack of institutional investor activism in Singapore, particularly by international institutions, as partly responsible for lack of compliance with the "comply or explain" principle. An important barrier to institutional investor involvement was identified as relating to proxy voting, in particular the inability to attend general meetings because of lack of time for informed voting, lack of control over the counting of votes, clustering of meeting dates, and the common practice of voting by a show of hands.[2] These findings echo those of the ACGA Asian Proxy Voting Survey, which ranked Singapore second among 11 Asian markets studied, just behind Hong Kong, China.

12. At the bottom of the ACGA ranking is Japan, due to concerns over clustering of AGMs (for example, more than half of Japan's traded companies held their AGMs in 2007 on the same day, 28 June), bundling of resolutions and inadequate time to receive and vote proxies. This set the stage for a big year in international institutional investor activism in Japan, with foreign funds estimated to have put forward a record 40 of the 85 shareholder resolutions at around 21 Japanese companies during the short period in June in which over 2,000 AGMs took place.[3] Japan did, however rank first in the ACGA's survey in providing for electronic proxy voting, being the only Asian market to do so since the introduction of an electronic proxy voting platform in 2006 as a joint venture between the Tokyo Stock Exchange, the Japan Securities Dealers Association and ADP Investor Communications Services. This, along with increased foreign shareholdings in Japanese companies (up to 28 per cent in March 2007[4] from 19 per cent in 2000[5]) encouraged international shareholder involvement in the 2007 proxy season.[6] Much of the 2007 shareholder activism took aim at takeover defences, a particularly important issue for foreign investors in other markets. This suggests that increased foreign institutional investor activism will promote convergence with international governance practices. The issue of takeover defenses was drawn into the spotlight following a change in Japanese corporate legislation in May 2007 making hostile takeovers easier; this legislative change was followed by management efforts in Japan to set up barriers to hostile takeovers (i.e. takeover defences). While the results of the proxy season demonstrate continued loyalty to management by most domestic investors, some activist investors report that management is becoming more responsive to investor concerns.[7]

13. Japan has made moves to strengthen and formalize its corporate governance rules with its new internal control and financial reporting mandates, dubbed "J-SOX" in reference to their primary inspiration, the United States Sarbanes–Oxley Act of 2002 (SOX). These rules, released in November 2006 by Japan's Financial Services Agency and due to take effect in April 2008, grew out of accounting fraud scandals at large Japanese companies (e.g. Seibu Railway, Kanebo and Livedoor).

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[2] Mak Yuen Teen (2007). Improving the Implementation of Corporate Governance Practices in Singapore. Monetary Authority of Singapore and Singapore Exchange, June.
http://www.mas.gov.sg/resource/news_room/press_releases/2007/CG_Study_Complete_Report_260607.pdf

[3] Takahiko Hyuga and Eijiro Ueno (2007). Steel Partners Loses in Bid to Stop Bull-Dog Defense. Bloomberg, 28 June:
http://www.bloomberg.com/apps/news?pid=20601080&sid=akcNXDDiTf2w&refer=asia.

[4] Turner D (2007). Foreigners surge into Japanese shares. Financial Times, 18 June:
http://www.ft.com/cms/s/4687d812-1dc4-11dc-89f7-000b5df10621.html.

[5] Santin L (2006). Proxy-Voting Systems Improve, But Investors Still Face Hurdles. Wall Street Journal, 18 September:
http://online.wsj.com/article/SB115823596061663013-search.html?KEYWORDS=Laura+Santini&COLLECTION=wsjie/6month.

[6] ADP Brings Electronic Proxy Voting to Japan, and more. FinanceTech, 9 February 2006:
http://www.financetech.com/showArticle.jhtml?articleID=179102659.

[7] Activist Shareholders in Japan Rebuffed, Associated Press, 28 June 2007:
http://www.forbes.com/feeds/ap/2007/06/28/ap3867593.html.

The new rules draw heavily on SOX, so companies that trade on the NYSE and already file SOX-compliant reports will be considered compliant with the new J-SOX rules. A key difference between SOX and the new internal control and financial reporting rules is that the latter do not stipulate a particular governance model, whether the United States independent audit committee structure or the Japanese statutory audit system. Another key difference is that, whereas under SOX auditors are required to assess the actual internal controls in place in companies, under J-SOX auditors are only required to assess management's evaluation of the effectiveness of internal controls. A further difference is the threshold of "materiality" against which governance-related problems are to be reported, set at 5 per cent under J-SOX, which is considered much looser than SOX. As with SOX, there are concerns that J-SOX rules will place a disproportionate burden on small companies.[8]

B. Proxy voting reform in Europe

14. As with Asia, a key corporate governance theme in Europe is strengthening shareholder rights, particularly the cross-border exercise of shareholder rights by institutional investors. Over the 2006/07 ISAR intersession period, the focus has been on corporate governance disclosure and proxy voting reform, with the formal adoption in June 2007 of the Shareholder Rights Directive, initially proposed on 5 January 2006. The directive has to be transposed into member States' laws by summer 2009. It requires "that shareholders have timely access to the complete information relevant to general meetings and facilitates the exercise of voting rights by proxy. Furthermore, the directive provides for the replacement of share blocking and related practices through a record date system."[9] Already, France and Germany use record dates in place of share blocking, with only Austria, Belgium, Greece, Hungary, Italy, Poland, Portugal and Spain still practicing share blocking.[10] Most of the proposed measures are to be achieved through the use of available technologies: proxy material distribution, voting and publication of voting results can all be done by electronic means and the directive encourages member States to take advantage of this capability in achieving increased participation by, and improved and timelier disclosures to, shareholders. The directive also requires that member States ensure that shareholders holding a specified threshold level of shares (member States are not to set this threshold at more than 5 per cent) are able to table items on the agenda of general shareholder meetings and submit draft resolutions in this regard.

15. Reports indicate that European Union Commissioner Charles McCreevy initially intended that this directive was to require the one-share-one-vote model across the European Union, but widespread use of unequal voting rights and other control-enhancing mechanisms, such as voting caps and ownership ceilings (up to 44 per cent of listed companies across Europe, according to a study published in June 2007[11]), raised strong opposition to this provision. According to subsequent remarks by Commissioner McCreevy, there appears at this point to be no clear economic advantage to requiring that one-share-one-vote prevail as an ownership principle across Europe.[12] Survey evidence suggests that institutional investors view control-enhancing mechanisms negatively, particularly multiple voting rights shares, and expect discounts on share prices where multiple voting rights apply. Yet few appear to call for legislated abolition of multiple voting rights, preferring to deal with this issue on a case-by-case basis with improved transparency.[13]

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[8] Aritake T (2006). Why J-Sox is Not Sarbanes–Oxley. Directorship Magazine, December: http://www.directorship.com/publications/1206_news_jsox.aspx.
Armin J (2007). Tokyo calling. Corporate Secretary Magazine, The Cross Border Group, June: http://www.thecrossbordergroup.com/pages/1006/June+2007.stm?article_id=11851.

[9] http://ec.europa.eu/internal_market/company/shareholders/indexa_en.htm.

[10] EUROSIF (2006). Active Share Ownership in Europe: 2006 European Handbook, European Social Investment Forum: http://www.eurosif.com.

[11] Institutional Shareholder Services (ISS). Report on the Proportionality Principle in the European Union. Proportionality Between Ownership and Control in EU Listed Companies External Study Commissioned by the European Commission. http://ec.europa.eu/internal_market/company/docs/shareholders/study/final_report_en.pdf.

[12] McCreevy C (2007). Regulators: help or hindrance? Speech by European Commissioner for Internal Market and Financial Services to the 12th Annual Conference of the International Corporate Governance Network (ICGN), 6 July: http://www.icgn.org/conferences/2007/documents/mcreevy_speech.pdf.

[13] Institutional Shareholder Services (ISS). Report on the Proportionality Principle in the European Union. Proportionality Between Ownership and Control in EU Listed Companies External Study Commissioned by the European Commission. http://ec.europa.eu/internal_market/company/docs/shareholders/study/final_report_en.pdf.

16. While question of "proportionality" has been a particularly contentious issue in Europe over the 2006/07 ISAR intersession period, observers recognize that even where companies do have a one-share-one vote shareholding structure in place, there are other ways to slant the relationship between ownership and control (or "economic power" and "voting power"). Practices such as "vote lending" by brokerages or institutional fund managers allow for the "decoupling" of economic and voting power, since, under Delaware law,[14] whoever holds the shares on the record date that a company sets for a shareholder vote gets to vote those shares, regardless of whether they actually own the shares. In May 2006, an academic paper was published showing the use of these strategies in specific cases.[15] The practices described by the authors – Henry Hu and Bernard Black of the University of Texas – collectively called "vote borrowing", are often used by hedge funds for the purpose of exercising voting power disproportionate to economic interest (which they call "empty voting") to influence the outcome of key shareholder elections. Most strikingly, they describe instances where the interests of the borrower ran counter to those of the rest of shareholders by reducing the share price of the company. Much of the vote borrowing behaviour that leads to empty voting goes undisclosed, and is therefore difficult to detect. The extent of this practice, therefore, is not clear, but regulators are taking seriously the threat to market integrity that this practice represents, especially as shareholders gain greater voting power with respect to board elections in the United States.[16] The United States SEC, the United Kingdom Financial Services Authority and Hong Kong, China's Securities and Futures Commission are considering additional disclosures to address the problem. One approach would be to require greater disclosure of agreements that hedge funds reach with brokerages to secure greater voting rights. Another approach would require improved tracking of economic and voting power in order to reveal decoupling of economic from voting interests, as recommended by the authors of the 2006 study.[17] The SEC's chairman has requested a study and recommendations from SEC staff by the end of 2007.[18]

C. Proxy advisory and governance ratings industry

17. Consolidation in the proxy advisory and governance ratings industry, identified as a trend in the 2006 Review, continued through the present review period. This industry consists of firms that provide proxy voting advice and/or ratings of individual company corporate governance structures and processes. These services are provided primarily to institutional investors and can influence the investment decisions of these investors.

18. On 11 January 2007, United States-based RiskMetrics purchased Institutional Shareholder Services (ISS), headquartered in Rockville, Maryland, for $553 million. On the same day, Glass Lewis, based in San Francisco, which had previously received investment from China-based Xinhua Finance, and which had purchased Corporate Governance International (CGI), a Sydney-based proxy advisory firm, in September 2006, was purchased by Xinhua Finance for $45 million.

19. Three key strategic drivers of consolidation in the industry are: (a) expanded global coverage, which drove many of the developments that were reported on in the 2006 Review; (b) the emerging strategy of providing technical services – electronic communication, proxy delivery and voting services – along with proxy voting advice and analytic content that make for informed voting decisions; and (c) access to new market segments with complementary analytical services.

20. Consistent with the second objective, in September 2006 ISS and Swingvote entered into a strategic partnership to bundle voting services to retail investors with proxy voting advice, which until then could only be afforded by larger institutions. Automatic Data Processing (ADP) has dominated

[14] Note that most large companies in the United States are incorporated in the State of Delaware, thus the relevance of Delaware law for corporate practices.
[15] Hu HTC and Black B (2006). Hedge Funds, Insiders, and the Decoupling of Economic and Voting Ownership: Empty Voting and Hidden (Morphable) Ownership. European Corporate Governance Institute (ECGI) Finance Working Paper No. 56/2006. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=874098.
[16] Scannell K (2007). How borrowed shares swing company votes, Wall Street Journal, 26 January: http://www.wsj.com.
[17] Judd E (2007). The new vote buying, Corporate Secretary Magazine, The Cross Border Group, June. http://www.thecrossbordergroup.com/pages/1006/June+2007.stm?article_id=11845.
[18] Scannell K (2007). Hedge Funds Vote (Often). In Proxies Borrowed Shares fill Ballot Box; SEC May Act. Wall Street Journal, 22 March.

the United States proxy delivery industry up to the present. However the additional services provided through the ISS–Swingvote partnership could win over some business from ADP.[19]

21. Likewise in Europe, Proxinvest, offering e-proxy voting for French companies, joined the European Corporate Governance Services (ECGS) partnership of organizations to provide e-proxy voting services bundled with voting recommendations provided through ECGS partners, including: Avanzi, Corporate Governance Services Spain, DSW, Dutch Sustainability Research, PIRC and Sustainable Governance. Similar European developments involve a partnership between IVOX proxy voting service with Centre Français d'Information sur les Entreprises-Conseil, which provides proxy voting advice, and Manifest's partnership with Exchange Data International to offer clients expanded agenda coverage and analysis, starting in January 2007.

22. In line with the third strategy outlined above, RiskMetrics recently announced that it intends to buy the forensic accounting firm Center for Financial Research and Analysis (CFRA). Together with the analysis provided by ISS, the acquisition was described as strengthening RiskMetrics' corporate governance services and risk assessment capacity for institutional clients.[20]

23. A number of criticisms over potential conflicts of interest continue to be levelled at the proxy advisory industry. Noted in the 2006 Review is the potential conflict of providing proxy voting advice and corporate governance ratings on public corporations while also marketing services to corporate clients, as ISS does. Criticisms to this effect are behind the call, in September 2006, for a report from the GAO on conflicts of interest and the state of competition in the proxy advisory industry, which was published on 30 July 2007. As noted above, the report found no major conflicts and found that advisory firms' ability to influence votes is limited due to the way in which large institutional investors use the proxy voting advice provided by proxy advisory firms.[21]

24. Another important criticism to emerge is the state of governance at firms that provide governance ratings and proxy advice, with Xinhua Finance falling into the spotlight as allegations of bad governance practices were made against it. RiskMetrics has suggested plans for an IPO of ISS, leading to concerns about ISS falling into the same category of entity as those it rates, namely, public company. Competitors such as Egan-Jones, Proxy Governance International and PIRC have been using their "conflict free" credentials as a marketing tool.

D. Investment fund accountability: proxy voting disclosure

25. There has been much international focus on disclosure of voting records by investment institutions. Disclosure of full proxy voting records by investment companies registered with the SEC, including mutual funds and investment advisors, is mandatory in the United States (since 2004) and Canada (since 2006). Although there has been a gradual increase in the number of United Kingdom funds voluntarily disclosing their proxy voting records over the period 2003–2007, pressure is mounting in the United Kingdom for more compliance. For example, the Treasury Minister in early 2007 called for voluntary disclosure of proxy voting records by investment funds, including pension funds, and suggested the possibility of a legislated requirement for disclosure should the voluntary approach fail. Pressure in the United Kingdom also comes from the trade union movement, with the Trades Union (TUC) being particularly vocal on this issue. In response to this pressure, the United Kingdom Institutional Shareholders' Committee (ISC), which is comprised of the Association of British Insurers (ABI), the Association of Investment Companies (AIC), the Investment Management Association (IMA) and the National Association of Pension Funds (NAPF), published the "Industry framework on voting disclosure" on 27 June 2007. This follows, and provides substance to, the ISC's "Principles on the Responsibilities of Institutional Shareholders and Agents", revised and issued in September 2005.[22] The framework sets out in very general terms what is to be disclosed and how it is to be disclosed. However, it goes nowhere near as far as the United States SEC in providing for a

[19] Sale Tactics (2006). Global Proxy Watch, Vol. 10 (34): http://www.davisglobal.com.
[20] http://www.riskmetrics.com/release/cfra.html.
[21] Tomoeh Murakami Tse (2007). Proxy Advisers Are Not Found To Have Conflicts by the GAO. Washington Post, 31 July, p. D02: http://www.washingtonpost.com/wp-dyn/content/article/2007/07/30/AR2007073001603.html.
[22] Institutional Shareholders' Committee. Review of the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents. September 2005: http://www.ivis.co.uk/pages/gdsc6_5_1.pdf.

standard set of fields or providing for a centralized repository of the disclosures.[23] A survey of all NAPF members' engagement practices was published in October 2006: 41 responses were received and these showed that pension funds in the United Kingdom are slowly starting to provide voluntary disclosures as to how they vote shares in their plans, with only two plans voluntarily publishing their voting records on their website for general public access.[24]

26. While many large national public pension funds – such as California's CaLPERS, South Africa's Public Investment Corporation (PIC) (managing funds for the Government Employees Pension Fund), the Ontario Teachers Pension Plan and Britain's Universities Superannuation Scheme – voluntarily provide some information on their voting behaviour, pension plans in the United States and Canada are not yet required to publicly report their proxy voting records as is now the case with mutual funds in both those jurisdictions. However, there is some pressure in both jurisdictions for this to become a regulated duty of plan management. A survey of proxy voting by Canadian pension fund investment managers and proxy voting services provided on behalf of Canadian pension funds, conducted by The Shareholder Association for Research and Education (SHARE), shows that most private plans delegate complete discretion for proxy voting to fund managers. This suggests that most Canadian private pension plans do not have proxy voting policies.[25] An August 2004 report by the United States GAO showed that many of the same conflicts that apply to the mutual fund industry in exercising fiduciary duty towards beneficiaries also apply to United States private pension funds. In the report, the GAO recommends to Congress that the Employee Retirement Income Security Act of 1974 (ERISA) be amended to require private pensions funds to develop proxy voting guidelines and disclose both the guidelines and their votes annually.[26] Ten years before, in what has become known as the "Avon Letter", Alan D. Lebowitz, Deputy Assistant Secretary for the United Statues Pension and Welfare Benefits Administration (PWBA), had established the voting of proxies as part of the fiduciary duty of pension plan asset management. He further identified plan trustees as responsible for the execution of the proxy vote, either directly or by designating this responsibility to an investment manager under condition of periodic monitoring.[27] As the importance of the fiduciary duty of investment institutions towards their beneficiaries becomes more generally acknowledged against existing evidence of conflicts in exercising this duty, pressure on pension funds and investment institutions in other jurisdictions to disclose their voting results is likely to increase.

27. While disclosure is a first step, accessibility of proxy voting disclosures is also a concern for users of this information. The SEC's EDGAR database provides a central repository for all proxy voting reports by registered investment companies. However, the Canadian framework does not provide for a central repository of proxy voting disclosures by funds, which are obligated only to make these disclosures available to members, although some go further and make them publicly available on their websites. The same is the case in the United Kingdom regarding the voluntary disclosure of proxy voting records. Centralized access to proxy voting records would vastly increase the value of these disclosures. Some initiatives are underway to provide access to compiled voting records, including the website "fundvotes.com", which covers the disclosures of large United States and Canadian mutual funds, and the TUC's database of pension fund voting based on survey data.

E. Investment fund accountability: fund governance

28. The two-pronged approach to making investment institutions more accountable to their members was elaborated on in the 2006 ISAR corporate governance review. Proxy voting disclosure is one approach and the other entails improvements in fund governance. The International Corporate

[23] Institutional Shareholders' Committee framework on voting disclosure, June 2007: http://institutionalshareholderscommittee.org.uk/sitebuildercontent/sitebuilderfiles/ISCframeworkvotingdisclosureJun07.pdf.
[24] National Association of Pension Funds (NAPF). Pension Funds' Engagement with Companies – 2006. October 2006: http://www.napf.co.uk/engagement%20survey%20final.pdf.
[25] Shareholder Association for Research and Education (2006). 2006 Key Proxy Vote Survey. SHARE, Vancouver, Canada. http://www.share.ca.
[26] United States Government Accountability Office. Pension Plans: Additional Transparency and Other Actions Needed in Connection with Proxy Voting. Report to the Ranking Minority Member, Committee on Health, Education, Labor, and Pensions, U.S. Senate. August 2004: http://www.gao.gov/new.items/d04749.pdf.
[27] See Department of Labor's Letter on ERISA Fiduciary Standards: http://www.lens-library.com/info/dolavon.html.

Governance Network's (ICGN) Statement of Principles on Institutional Shareholder Responsibilities[28] was endorsed by the ICGN board in March 2007 and received final approval by ICGN membership at the 6 July AGM in Cape Town, South Africa. Described more fully in the 2006 Review, the code sets out principles for both internal governance as well as engagement with companies.

29. The theme of aligning a long-term approach to investing and engagement with good internal governance is the foundation of the newly established "Marathon Club" in London, as revealed in their investment mandate Guidance Note for Long-Term Investing, produced in April 2007. The Marathon Club consists of 20 members, including British fund trustees, executives and investment specialists, and aims to "stimulate pension funds, endowments and other institutional investors and their agents to be more long-term in their thinking and actions, place a greater emphasis on being responsible and active owners and increasing knowledge about how their investment strategy and process can improve the long term financial and qualitative buying power of fund beneficiaries."[29]

30. Strengthening institutional investor oversight is also the theme underlying the Clapman Report, which was published in May 2007 by a committee of the Stanford Institutional Investors' Forum at Stanford Law School. The committee is comprised of representatives of large United States institutional investors, academics and corporate governance practitioners and is chaired by Peter Clapman, CEO of the advocacy group Governance for Owners, USA. The report outlines best practice principles for investment fund governance in the United States applicable to pension, endowment and charitable funds. A key recommendation of the report is that funds should "clearly define and make publicly available their governance rules".[30]

31. In 2007, PIC (South Africa's largest public pension fund) successfully engaged the Barloworld Company over board diversity and the independence of the CEO from the chairman of the board. This action marked a milestone in shareholder activism in South Africa. The PIC, which represents civil service retirement savings, models itself on CalPERS.[31]

32. Shareholder engagement takes a longer-term view of investment in corporations. Short-termism in investment is seen by many as undermining efforts to achieve well-governed companies, since it leads to over-concern with quarterly profits and, therefore, unsustainable business practices. This sentiment is behind the efforts of the Aspen Institute, through the Corporate Values Strategy Group (CVSG), to achieve consensus around a set of investment and business principles, called the "Aspen Principles". These principles were endorsed by a range of stakeholders including a group of large corporations, shareholder groups, the Business Roundtable and the Council of Institutional Investors. The principles were published on 18 June 2007 in a document entitled Long-term Value Creation: Guiding Principles for Corporations and Investors. The principles are intended to provide guidance for voluntary corporate action as well as public policy on how to achieve a longer-term business strategy.[32]

F. Transparency and communication using electronic technologies

33. The spread of e-proxy voting as a proxy voting tool has been dealt with above and has been recognized as a way of reducing cross-border barriers to voting and providing a mechanism for vote auditing and reporting. Other ways in which electronic technologies are being leveraged to improve transparency, timeliness and accessibility of corporate information and reduce the cost of preparing and disseminating reports is through the promotion of so-called "interactive data" or tagged data, more specifically, eXtensible Business Reporting Language (XBRL), and through the use of electronic distribution channels for proxy materials and communications. Both of these developments are taking place in the United States due to recent SEC rule adoptions.

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[28] International Corporate Governance Network: Statement of Principles on Institutional Shareholder Responsibilities. International Corporate Governance Network (ICGN):
http://www.icgn.org/organisation/documents/src/Revised%20Statement%20on%20Shareholder%20Responsibilities%20130407.pdf.
[29] The Marathon Club. Guidance Note for Long-Term Investing. Spring 2007:
http://www.marathonclub.co.uk/Docs/MarathonClubFINALDOC.pdf.
[30] The Stanford Institutional Investors' Forum, Committee on Fund Governance. Best Practice Principles. 31 May 2007.
http://www.law.stanford.edu/program/executive/programs/Clapman_Report-070316v6-Color.pdf.
[31] Rumney R (2007). Buzzword bingo. Mail & Guardian Online, 19 March: http://www.mg.co.za.
[32] See: http://www.aspeninstitute.org/site/c.huLWJeMRKpH/b.2286629/k.5EAB/Corporate_Values_and_Strategy_Group.htm.

34. In July 2007, the SEC published a rule, to come into effect on 20 August 2007, allowing mutual funds to voluntarily submit tagged information contained in the risk/return summary section of their prospectuses as a supplement to the full prospectus. The tagged reports are to be prepared according to a specially designed XBRL taxonomy for mutual fund reporting developed by the Investment Company Institute, a trade association for the mutual fund industry.[33] This new rule expands the XBRL voluntary reporting programme introduced by the SEC in 2005 and discussed in the 2006 ISAR corporate governance review. Through the United States jurisdictional arm of the XBRL International Consortium, the SEC is promoting the finalization of XBRL taxonomies for financial reporting in all industries. At present, XBRL taxonomies are limited to information contained in financial reports and do not cover governance-related information that is typically reported in the form of narrative text. However, the potential exists for such data to be standardized according to a tagging system. The SEC's Interactive Financial Report Viewer is an open-source online tool that enables users to interact with XBRL filings submitted as part of the SEC's Voluntary XBRL Filing Program.[34] It allows for viewing of individual company reports, including graphing of fields of interest to the user, export to Microsoft Excel and printing of sections of the financial report, as well as cross-company comparisons. This tool demonstrates the power of analysis facilitated by tagged financial reporting. Besides the SEC's public interface for searching and analyzing XBRL reports, there are a number of private vendors with more powerful products in various stages of development that are geared towards the analyst industry. There are also a number of products targeted at reporting entities that create the XBRL documents. The SEC hopes to encourage the further development of these tools through its open-source project.[35]

35. Using electronic technologies to facilitate shareholder communications has been one of main themes behind reforms promoted by SEC Chairman Christopher Cox. In July 2007, the SEC finalized the Internet Availability of Proxy Materials Rule, S7-10-05, also known as the "Notice and Access Rule", requiring large companies to send only a Notice of Internet Availability of Proxy Materials to shareholders and then make proxy materials available on their company websites. Large corporate filers will be required to comply with this rule from 1 January 2008 onwards. Under this rule, shareholders are still able to specifically request a paper copy of a particular company's proxy materials, and the company is obligated to send this out upon such a request; however, the default will be electronic availability. The estimated cost and paper savings of this rule change are substantial. Already some proxy service firms are offering to provide services tailored to allowing companies to take advantage of this new rule.[36] This process of proxy solicitation includes all subsequent communications from the company to its shareholders that would usually fall under SEC-regulated communications, and also applies to others soliciting proxies in the case of proxy contests[37] which, it has been argued, would reduce the cost of mounting proxy contests, where cost is considered to be the greatest barrier faced by shareholder groups.

G. Stock exchange mergers and convergence in governance standards

36. While the two models of corporate governance reporting identified in the 2006 Review continue to prevail, namely the principles-based "comply or explain" model characteristic of European corporate governance reporting and the rules-based reporting format of the United States, there are some important developments that promote convergence of the governance measures representing both reporting traditions. One of the key drivers is likely to be cross-border stock exchange listings and cross-border mergers within the stock exchange industry.

37. In December 2006, the merger between the New York Stock Exchange and Euronext was approved and trading began on the combined exchanges in April 2007. This merger was triggered by

[33] United States Securities and Exchange Commission (SEC). Extension Of Interactive Data Voluntary Reporting Program On The Edgar System To Include Mutual Fund Risk/Return Summary Information. Final Rule. File Number S7-05-07. http://www.sec.gov/rules/final/2007/33-8823.pdf.
[34] See SEC Interactive Financial Report Viewer: http://216.241.101.197/viewer.
[35] Thomas C (2007). Opening up XBRL, IR Magazine, The Cross Border Group, June: http://www.thecrossbordergroup.com/pages/1506/June+2007.stm?article_id=11865.
[36] Computershare Launches ProxyAccess Solution. Press Release: http://www.earthtimes.org/articles/show/news_press_release,128953.shtml-
[37] SEC Rule 14a-16 – Internet Availability of Proxy Materials, see: http://www.law.uc.edu/CCL/34ActRls/rule14a-16.html.

earlier attempts by NASDAQ to acquire the LSE[38] and trumped an alternate bid by Deutsche Börse for Euronext.[39] The NYSE, which demutualized earlier in 2006, was already the world's largest stock exchange. Euronext, with exchanges in Paris, Amsterdam, Brussels and Lisbon, and with LIFFE in London, was Europe's second-largest stock exchange group after the London Stock Exchange (LSE).

38. The merged exchange company, known as NYSE Euronext, continues to actively seek new acquisitions in Europe and maintains a number of special arrangements with other exchanges, including with the Luxembourg Exchange for the development of corporate bonds business, and with the Warsaw Exchange for information and communications technology (ICT) cooperation. Meanwhile in Asia, the NYSE Euronext has indicated intentions to expand operations, including a strategic alliance in Japan with the Tokyo Stock Exchange, a sizeable stake in the National Stock Exchange of India, as well as intentions to become more involved in China when authorities allow foreign minority ownership stakes in Chinese stock exchanges.[40]

39. With stiff global competition amongst exchanges (contributing to decreasing trading, settlement and clearing costs) for cross-border reach and a broader product range, the NYSE Euronext merger triggered further consolidation in the global stock exchange industry.[41] Germany's Deutsche Börse plans to acquire the United States options exchange ISE, and the LSE intends to acquire Borsa Italiana SpA after rejecting an acquisition bid by NASDAQ earlier in 2007. Also in 2007, NASDAQ beat out a rival bid from the Dubai Exchange and completed the acquisition of OMX AB, the Nordic stock exchange group, to form NASDAQ OMX Group. The OMX exchange group not only provides a common offering spanning Helsinki, Copenhagen, Stockholm, Iceland, Tallinn, Riga and Vilnius, but also provides exchange technology, clearing services and central securities depositories in a number of countries.

40. A probable outcome of this global stock exchange merger wave over the longer term is some degree of regulatory convergence around corporate governance practices. Companies wishing to access capital in one of the larger capital markets of Europe or the United States are already required to comply with at least some of the governance standards for these jurisdictions. Local jurisdictions themselves may push for changes with respect to local regulation in an effort to compete globally, and many of the changes may resemble European or United States style governance practices. An example, already noted above, is Japan's new J-SOX rules modelled on the United States SOX. Furthermore, larger exchange groups, such as the NYSE Euronext, may push for governance improvements through exchange listing rule changes at smaller exchanges in which they hold substantial stakes, such as the India National Stock Exchange.[42] At the moment, developments in this area are moving slowly. For example, to allay fears of European listed companies having to comply with SOX-driven NYSE listing rules, the NYSE Euronext Group has continued to operate on separate listing processes and separate order books for trading, which continues to fall under the jurisdiction of local regulators

H. Executive compensation

41. Internationally, the prerogative of shareholders to have a say on executive compensation policies is gaining acceptance from shareholders and regulators, and is even causing some executives to engage in dialogue over the issue. Already annual, non-binding votes on compensation policies are required in the United Kingdom (the first adopter of this measure, in 2002) and Australia, while public companies in Sweden, Norway and the Netherlands are to hold annual binding votes on compensation policies. A non-binding shareholder vote on the board's remuneration committee report is now included in the provisions of South Africa's new Companies Bill, 2007, (to replace the

[38] MacDonald A and Manuel G (2006). NASDAQ Gets Tough in LSE Bid, Wall Street Journal, 13 December 13: http://online.wsj.com/article/SB116591445456147486.html.
[39] Taylor E, Lucchetti A and MacDonald A (2006). Deutsche Börse Exiting Euronext Chase. Wall Street Journal, 15 November 15: http://online.wsj.com/article/SB116355794762023471.html.
[40] Kanter J (2007). Newly merged NYSE Euronext has Asian Ambitions. International Herald Tribune, 4 April: http://www.iht.com/articles/2007/04/04/business/exchange.php.
[41] Tran M (2006). New York stock exchange and Euronext merge. Guardian Unlimited, 2 June: http://business.guardian.co.uk/story/0,,1789127,00.html.
[42] Armin J (2007). Cultural Club, Corporate Secretary Magazine, The Cross Border Group, June: http://www.thecrossbordergroup.com/pages/1006/May+2007.stm?article_id=11796.

Companies Act of 1973) as one of the four standard issues that are to be transacted at shareholder meetings and as part of the Government's effort to "[enhance] corporate governance, transparency and accountability of large and widely-held firms".[43]

42. The movement promoting shareholder advisory votes on compensation policies, or compensation committee reports, is now also gaining acceptance in the United States. A number of ad hoc groups that span not only national boundaries ("International Roundtable on Executive Remuneration", consisting of 13 funds from five different countries), but also institutional investors and corporate executives ("Working Group on the Advisory Vote on Executive Compensation Disclosure", led by the Business Roundtable and consisting of representatives of large United States corporations such as Pfizer and American International Group as well as shareholder activists such as AFSCME[44] and Walden Asset Management), have engaged in dialogue over the issue of an advisory vote on executive compensation at United States public corporations.[45] In April 2007, the "Shareholder Vote on Executive Compensation Act," was passed in the United States House of Representatives and was pending a vote in the Senate as of the date of writing this report. Additionally in the United States, a large number of shareholder resolutions, around 60, calling for the implementation of an advisory vote on executive compensation policies, have been voted on at shareholder meetings held during the 2007 United States proxy season, and have achieved high levels of support, with some achieving majority support (for example, those voted on at Blockbuster and Verizon Communications, Ingersoll-Rand Co. and Motorola Inc.). The retirement plan provider TIAA-CREF, a major institutional investor, is one of the main promoters of such resolutions in the United States, and has adopted this measure with respect to its own executive pay policies.[46] As with the issue of majority voting in director elections discussed in the 2006 Review, these developments indicate, at the very least, a widespread voluntary adoption of the so-called "say-on-pay" measure by large corporations. It is expected that Canada will be the next jurisdiction to face pressure to adopt this measure, and this could come as soon as the 2008 proxy season.[47]

I. Board elections

43. More action on reforming board elections in the United States took place during the 2006/07 ISAR intersession period. Having established the majority affirmative vote as the standard for director elections through a successful shareholder resolution campaign, labour groups (who are also significant institutional investors) turned their attention to the issue of proxy access and shareholder nomination of candidates for the board. This issue came into focus following the 5 September 2006 ruling by a United States Court against the AIG Company to allow a shareholder resolution calling for a bylaw change to permit shareholder access to the proxy ballot. Similar resolutions came to a vote at a number of companies during the 2007 proxy season and achieved as much as 40 per cent support in the case of Hewlett-Packard. Two company boards, those of Apria Healthcare and Comverse, voluntarily adopted proxy access provisions into their bylaws. The United States SEC is considering comments from the public on two alternate proposals, one of which would allow shareholders to nominate candidates to the board, with restrictions; the other would prevent shareholder nominations.

44. A further development served to bring into question the level of support that management nominees have traditionally enjoyed in United States board elections. In October 2006, a working group of the NYSE proposed reassigning director elections from a routine to non-routine voting matter, thereby abolishing "broker voting" with respect to director elections. Broker voting (also referred to as "broker non-votes") is the practice of allowing brokers to vote shares held in their accounts for which they have not received voting instructions from beneficial shareholders within 10 days before a company's AGM. As noted above, brokers almost always vote with management, thereby boosting observed support for such matters voted on. Strong opposition from management

[43] See Companies Bill, 2007: http://www.thedti.gov.za/ccrdlawreview/COMPANIESBILL07.htm.
[44] The American Federation of State, County and Municipal Employees, is the largest union for workers in the public service in the United States with 1.4 million members.
[45] Davis S and Lukomnik J (2007). Activists Have Sudden Outbreak Of Dialogue. Compliance Week, 13 February: http://www.complianceweek.com.
[46] http://www.tiaa-cref.org/about/governance/corporate/topics/exec_comp_qa.html.
[47] McFarland J (2007). Say on Pay Fight Heads North. Globe and Mail, 11 June. http://www.theglobeandmail.com/servlet/ArticleNews/TPStory/LAC/20070611/RSAYONPAY11/Columnists/Columnist?author=Janet+McFarland.

groups lead to a delay in ratifying the stock exchange listing rule changes that this would entail. The opposition called for a review of the system by which corporations are able to communicate with shareholders before considering abolishing broker voting in director elections. Such a review was launched through a series of three round tables hosted by the United States SEC to address stockholder rights and the federal proxy rules held during May 2007.[48] The status of broker voting in director elections, at the time of writing, continues to be the subject of debate.

45. Both of these developments have the potential to turn director elections into a more accurate barometer of shareholder satisfaction with board members, and possibly even shape the structure of the board based on the performance of individual directors.

J. Climate risk and corporate governance

46. Institutional investors continue to increase their attention on the issue of global climate change, and this is drawing corporate environmental performance toward the centre of mainstream corporate governance considerations around the world. A number of investor-led initiatives both signal and drive this trend. Perhaps the most significant development is the widespread endorsement of the United Nations Principles for Responsible Investment (PRI). Just one year after their formal launch in 2006, more than 200 institutional investors from around the world, representing over $9 trillion, have signed onto the PRI. The principles provide guidance on how to integrate environmental, social and governance (ESG) issues into investment decision-making and ownership practices. They also express the intent of signatories to promote ESG reporting at corporations and to promote the uptake of the principles by other institutional investors.[49]

47. In October 2006, the Investor Statement on Climate Change, sponsored by the Institutional Investors Group on Climate Change (IIGCC), was signed by a number of Europe's largest pension funds and asset managers, collectively managing more than GBP 850 billion. The statement affirms the significant risk that climate change poses to individual savers whose assets are managed by institutional investors, the centrality of investment decisions to this risk, and therefore the responsibility of institutional investors to consider climate change in making investment decisions and appointing advisors and asset managers.[50]

48. In order for institutional investors to make decisions that incorporate climate change risk considerations, they need information on corporate environmental performance. In October 2006, CERES, a United States-based coalition of investors and environmental organizations working toward environmentally sustainable business practices, published the "New Global Framework for Climate Risk Disclosure", which provides guidance for companies on how to report on "business risks and opportunities resulting from climate change, as well as how to report on the company's efforts to address those risks and opportunities" through existing reporting channels, namely, financial reports, the Carbon Disclosure Project, the Global Reporting Initiative and forward-looking disclosures.[51]

K. Chapter conclusion

49. The main regulatory and market developments shaping corporate governance internationally during the 2006/07 intersession period have served to promote shareholder participation in voting and engagement. In particular, a number of developments have focused on facilitating cross-border shareholder voting, increasing the use of electronic technologies for reporting to and communicating with shareholders. A number of other issues were also the subject of significant developments in the 2006/07 period, including new activities to address management compensation and director elections. This period also saw major developments in the mainstream inclusion of environmental and social issues in the broader governance framework, creating a new integrated focus on ESG issues. One final trend that may continue to shape global corporate governance practices into the future is the ongoing wave of mergers and acquisitions among stock exchanges. As the globalization of the stock exchange

[48] Roundtable Discussions Regarding the Proxy Process. Securities and Exchange Commission (SEC): http://www.sec.gov/spotlight/proxyprocess.htm.
[49] PRI Progress Report 2007: Implementation, Assessment and Guidance. UNEP Finance Initiative (UNEP FI) and The United Nations Global Compact: http://www.unpri.org/report07/index.php.
[50] http://www.iigcc.org.
[51] http://www.ceres.org/pub/docs/Framework.pdf.

industry continues, it is likely that further convergence will take place among existing corporate governance practices around the world.

II. Status of implementation of good practices in corporate governance disclosure at the regulatory level

A. Background and methodology

50. The purpose of this study is to evaluate the level of implementation of good practices in corporate governance disclosure highlighted in the 2006 UNCTAD publication *Guidance on Good Practices in Corporate Governance Disclosure* (based on the ISAR document TD/B/COM.2/ISAR/30). This 2006 UNCTAD guidance forms a benchmark (hereafter the "ISAR benchmark") of 53 disclosure items on corporate governance. This benchmark was used in earlier ISAR studies on this subject, namely the 2005 Review and the 2006 Review. The complete set of 53 disclosure items are grouped into five broad categories, or subject areas, of corporate governance disclosure, and are presented and analysed by category in section B below. These categories are:

(a) Board and management structure and process;

(b) Financial transparency and information disclosure;

(c) Ownership structure and exercise of control rights;

(d) Auditing; and

(e) Corporate responsibility and compliance.

51. In an effort to continually improve the research methodology of ISAR's annual review of corporate governance disclosure, and to expand understanding of disclosure practices around the world, the present study is substantially different in its approach when compared to the earlier Reviews. While the 2005 and 2006 Reviews evaluated the disclosure practices of a sample of 105 enterprises from around the world, the present study evaluates the corporate governance disclosure requirements of regulators and stock exchanges in 25 emerging markets. While the previous Reviews provided a useful picture of what enterprises were actually disclosing, there was insufficient understanding of the requirements placed on companies by regulators and stock exchanges, and how these requirements might vary from country to country. In order to gain a better understanding of the regulatory environment in which publicly listed enterprises operate, this study compares the corporate governance disclosure requirements of regulators and stock exchanges with the ISAR benchmark on good practices.

52. The sample of 25 markets examined in this study was drawn from the Emerging Markets Index produced by Morgan Stanley Capital International (hereafter the "MSCI EM Index"). MSCI is a leading commercial provider of financial information, including equity indices tracking publicly listed enterprises around the world. The MSCI EM Index is considered by institutional investors to be the industry standard to gauge emerging markets performance, and is an important tool for facilitating foreign portfolio investment to developing countries and countries with economies in transition. The current MSCI EM Index tracks approximately 850 publicly listed enterprises, which account for roughly 85 per cent of the market capitalization of 25 emerging markets. Table 1 below provides a list of the economies included in the MSCI EM Index.

Table 1. The 25 economies included in the MSCI EM Index

1. Argentina	14. Republic of Korea
2. Brazil	15. Malaysia
3. Chile	16. Mexico
4. China	17. Morocco
5. China, Taiwan Province of	18. Pakistan
6. Columbia	19. Peru
7. Czech Republic	20. Philippines
8. Egypt	21. Poland
9. Hungary	22. Russia
10. India	23. South Africa
11. Indonesia	24. Thailand
12. Israel	25. Turkey
13. Jordan	

53. The research question applied to this sample was: which of the ISAR benchmark disclosure items are required to be reported by enterprises listed on the major stock exchanges of each of the 25 markets studied? The study examined government laws and regulatory instruments as well as the listing requirements of major stock exchanges. The origin of disclosure requirements varied from market to market, with some markets primarily relying on regulatory instruments and others relying on stock exchange rules. The research was performed primarily using publicly available documents from the Internet, but in some cases relied on direct communication with regulators and or stock exchange officials. A preliminary copy of the findings for each market was submitted to regulators or stock exchange authorities in that market for comment; a number of replies were received and their comments and suggestions were incorporated into the findings below. While every effort was made to be thorough in this research, this report cannot claim to have covered all applicable laws and regulations; the reader can gauge the thoroughness of the research by examining the complete list of sources by market contained in annex I. Note also that this survey does not take into account voluntary codes; it is an inventory of mandatory requirements. This should not be interpreted as discounting the value of voluntary codes; it is merely an attempt to gauge the role of regulators and stock exchanges in setting disclosure requirements. In some markets, for example the United Kingdom, when voluntary codes are taken into account, all of the items in the ISAR benchmark are covered. Given the high compliance rate of companies in some markets with voluntary codes, additional mandatory requirements may not be necessary. Therefore, the data presented below should not be interpreted as a measure of the overall rate of disclosure by enterprises in the selected markets: some markets may have mandatory requirements that are not complied with by enterprises, while other markets may have voluntary codes that are the subject of a high rate of compliance. Readers should also note that, as was the case with ISAR's previous annual reviews on this subject, this report is not intended as a measure of the quality of disclosure within individual markets; it is a measure of the existence of regulations requiring the selected disclosure items.

B. Disclosure requirements of 25 emerging markets

Table 2 below displays the results of the survey within each of the five broad categories discussed in section A above. This grouping of the disclosure items allows readers to draw their own conclusions based on the importance they assign to a particular category or subject area and, within that category, a particular disclosure item. It also facilitates the analysis that follows on the relative level of disclosure within each category.

Table 2. Main findings of survey of disclosure requirements in 25 emerging markets
(Number of markets requiring this item)

Disclosure item	No. of markets (max. = 25)
Ownership structure and exercise of control rights	
Ownership structure	25
Process for holding annual general meetings	25
Changes in shareholdings	25
Availability and accessibility of meeting agenda	25
Control structure	24
Control rights	24
Control and corresponding equity stake	23
Rules and procedures governing the acquisition of corporate control in capital markets	23
Anti-takeover measures	20
Financial transparency and information disclosure	
Financial and operating results	25
Nature, type and elements of related-party transactions	22
Company objectives	22
Disclosure practices on related party transactions where control exists	22
Rules and procedures governing extraordinary transactions	22
The decision-making process for approving transactions with related parties	21
Board's responsibilities regarding financial communications	21
Critical accounting estimates	14
Impact of alternative accounting decisions	12
Board and management structure and process	
Governance structures, such as committees and other mechanisms, to prevent conflict of interest	24
Composition of board of directors (executives and non-executives)	24
Role and functions of the board of directors	24
Composition and function of governance committee structures	23
Qualifications and biographical information on board members	23
Determination and composition of directors` remuneration	23
Material interests of members of the board and management	22
Independence of the board of directors	22
Existence of procedure(s) for addressing conflicts of interest among board members	21

Disclosure item	No. of markets (max. = 25)
"Checks and balances" mechanisms	18
Risk management objectives, system and activities	18
Duration of directors' contracts	18
Types and duties of outside board and management positions	15
Existence of plan of succession	14
Professional development and training activities	14
Number of outside board and management position directorships held by the directors	13
Performance evaluation process	9
Availability and use of advisorship facility during reporting period	8
Compensation policy for senior executives departing the firm as a result of a merger or acquisition	7
Auditing	
Process for interaction with external auditors	22
Process for appointment of external auditors	22
Internal control systems	21
Process for interaction with internal auditors	19
Process for appointment of internal auditors/scope of work and responsibilities	18
Rotation of audit partners	18
Auditors` involvement in non-audit work and the fees paid to the auditors	14
Board confidence in independence and integrity of external auditors	13
Duration of current auditors	12
Corporate responsibility and compliance	
Policy and performance in connection with environmental and social responsibility	13
Mechanisms protecting the rights of other stakeholders in business	12
A code of ethics for the board and waivers to the ethics code	10
A code of ethics for all company employees	10
Impact of environmental and social responsibility policies on the firm's sustainability	7
The role of employees in corporate governance	5
Policy on "whistle blower" protection for all employees	3

General Overview

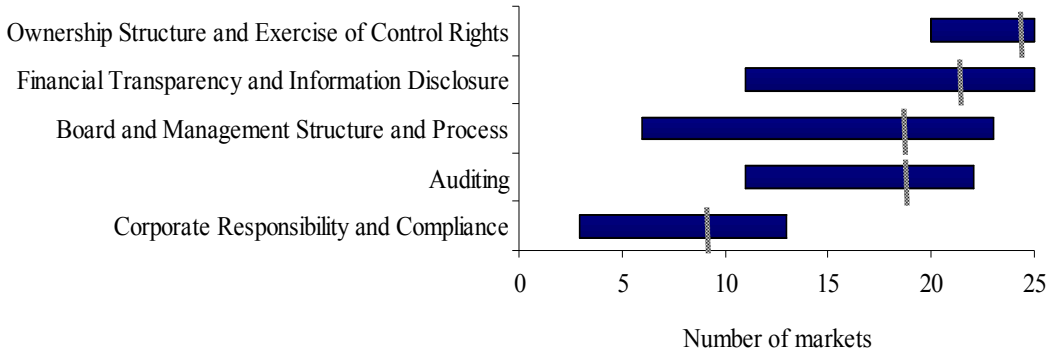
54. As shown in table 2, most of the disclosure items recommended in the ISAR benchmark are already the subject of mandatory disclosure requirements for listed companies in most of the markets studied. Twenty-eight of the 53 items in the ISAR benchmark, or just slightly more than half,

are required by 20 or more of the 25 emerging markets included in the study. This suggests a growing consensus among emerging market regulators. In contrast, the findings also show that some of the disclosure items in the ISAR benchmark are only required by a minority of the markets studied: 11 of the 53 items in the ISAR benchmark are required by less than half of the markets in the study. This may reflect the relative novelty of some disclosure items (e.g. those in the corporate responsibility category, or a preference for voluntary disclosure for certain topics.

55. Considering the disclosure items by category, table 2 shows that the first three categories of disclosure items are strongly supported by disclosure requirements in the sample markets. All nine of the disclosure items in the ownership structure category were required of listed enterprises by 20 or more of the 25 markets studied. Seven of the nine disclosure items in the financial transparency category were required by 20 or more markets. And nine of the 19 disclosure items in the board and management structure category were required by 20 or more markets. In contrast, the disclosure items in the last two categories in table 2 are the subject of less mandatory disclosure requirements. The auditing category has three of nine disclosure items required by 20 or more markets, though eight of the nine items in this category are supported by at least half the 25 markets studied. The disclosure items in the category of corporate responsibility were required by the lowest number of markets, with most of the items required in less than half the markets studied. Figure 1 provides an overview of the maximum and minimum number of markets supporting individual disclosure items in each category, along with the median number of markets supporting all disclosure items within each category.

Figure 1. Overview of disclosure requirements by category

(Maximum and minimum number of markets requiring disclosure items in this category – vertical line indicates the median number)



56. Figure 1 provides an illustration of the extent of mandatory disclosure requirements in each of the five categories. This analysis shows a different picture of reporting than that provided in the previous ISAR studies of corporate governance disclosure. In the 2005 and 2006 Reviews, which examined the actual disclosure practices of enterprises, it was the auditing category that was consistently the subject of the lowest level of disclosure among emerging markets. This contrasts with the present review of requirements, which shows that for the 25 emerging markets under review, requirements for disclosure of auditing-related information is more common than disclosure requirements related to corporate responsibility. Indeed, the latter category is subject to the least number of required disclosures. As noted above, this may be a result of the relative novelty of this category of disclosure. As seen in table 3 below, six of the bottom 10 least prevalent disclosure items are from the corporate responsibility category, while only one is from the auditing category.

Table 3. Most prevalent and least prevalent disclosure items
(Number of markets requiring this item)

Top 10 most prevalent disclosure items required among 25 emerging markets	No. of markets	Bottom 10 least prevalent disclosure items required among 25 emerging markets	No. of markets
Ownership structure*	25	Duration of current auditors*	12
Process for holding annual general meetings*	25	Mechanisms protecting the rights of other stakeholders in business	12
Changes in shareholdings	25	A code of ethics for the board and waivers to the ethics code	10
Availability and accessibility of meeting agenda	25	A code of ethics for all company employees	10
Financial and operating results*	25	Performance evaluation process	9
Control structure*	24	Availability and use of advisorship facility during reporting period*	8
Control rights	24	Compensation policy for senior executives departing the firm as a result of a merger or acquisition*	7
Governance structures, such as committees and other mechanisms to prevent conflict of interest	23	Impact of environmental and social responsibility policies on the firm's sustainability	7
Composition of board of directors (executives and non-executives)*	23	The role of employees in corporate governance*	5
Role and functions of the board of directors	23	Policy on "whistle blower" protection for all employees*	3

* Disclosure item also appears among the top/bottom 10 of most/least prevalent disclosure items among enterprises from low- and middle-income countries in the 2006 Review.

57. Of the 10 most prevalent disclosure items, six are from the ownership structure category. This contrasts somewhat with the findings of the 2005 and 2006 Reviews, which found that while disclosure items in this category were relatively widespread, the highest category of disclosure items was that of financial transparency. It is also noteworthy that five of the top 10 most prevalent disclosure items are required in all 25 of the markets studied. This provides an indication that for at least a few disclosure items, there is an international consensus among leading emerging markets.

58. Some limited comparisons can be made between the data in table 3 and the findings of the 2006 Review on most and least prevalent disclosure items. Half of the disclosure items (5 of 10) listed in the top and bottom 10 were also found among the top and bottom 10 most/least prevalent disclosure items reported by enterprises from developing countries and economies in transition. These are marked by an asterisk. The correlation between the two sets of data could be related to a number of factors. In the case of the five items found among the 2006 Review's top 10 most prevalent disclosure items among enterprises, the reason these disclosure items are so widely reported may result from the fact that they are required by many emerging markets. Likewise, the situation with the least prevalent disclosure items from the 2006 Review is that many of these are also not subject to requirements.

59. The data, however, would suggest caution before assigning a direct causality between regulation and disclosure. While it is true that correlation exists in many cases, it does not exist in all. Some items are the subject of mandatory requirements in few markets, yet appear relatively widespread in the 2006 Review's study of actual company reports. This relationship between the requirements and actual practice suggests a more complex situation, wherein a number of factors, including investor expectations, are influencing the disclosure practices of enterprises beyond what is mandatory. In other cases, some items that are mandatory in the 25 emerging markets studied are not prevalent among the enterprises examined in the 2006 Review. In part, this is caused by differences in the samples being studied, which do not allow for precise comparison, but in part this may also reflect poor compliance among enterprises regarding mandatory corporate disclosure.

C. Gap analysis of disclosure requirements

60. Table 4 below provides another view of the main findings of the study, illustrating where gaps exist in corporate governance disclosure requirements. The top line of the table lists the numbers of the 53 disclosure items found in the ISAR benchmark, grouped according to general category. The blank or white spaces in the table indicate an absence of a mandatory requirement for disclosure of that item. The markets in the table are listed from top to bottom in order of the total number of disclosure items required. The three large developed markets are included at the bottom of the table for comparison purposes.

61. This presentation of the data provides an overview of the categories of disclosure where consensus exists. As noted above, in nearly all of the markets reviewed, most of the disclosure items in the ownership structure category are the subject of disclosure requirements. Seventeen of the 25 emerging markets studied require all of the items in this category.

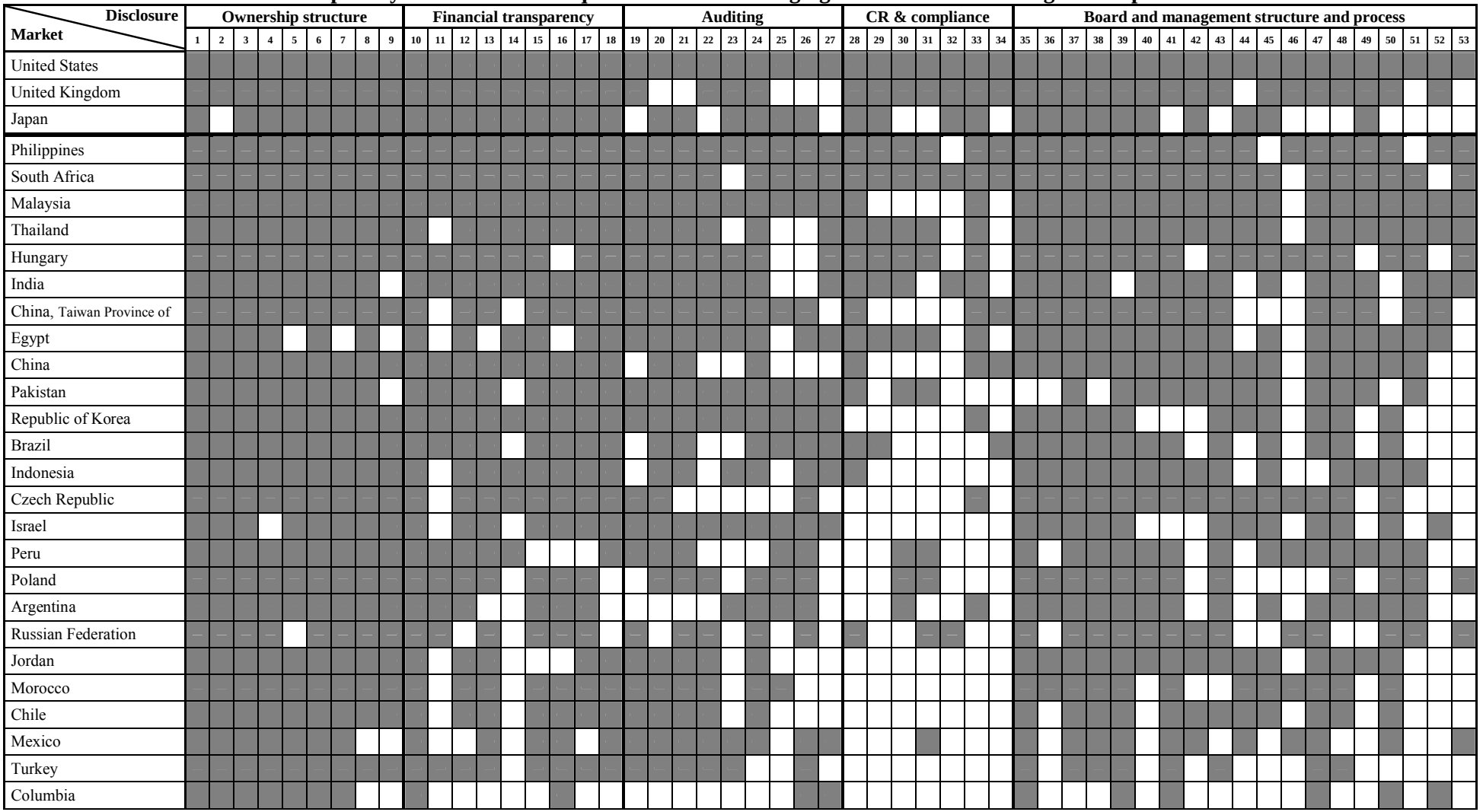
62. The financial transparency category is also the subject of mandatory disclosure in most of the markets studied. However, one of the consistent gaps in this category highlighted in table 4 below is the disclosure of the impact of alternative accounting decisions (disclosure item 14 in table 4). Fourteen of the 25 emerging markets do not make disclosure of this information mandatory. The one item from this category required by all markets is the disclosure of financial and operating results (item 10 in table 4).

63. The auditing category demonstrates the rapid adoption of rules which were largely inspired by the corporate scandals and collapses of the early 2000s. Many of the disclosure items in this category relate to issues of the reporting enterprise's relationship to its auditors. For example, the disclosure of the duration of the current auditors (item 25 in table 4) and the rotation of audit partners (item 26), and the disclosure of auditors' involvement in non-audit work and the fees paid to the auditors (item 27), are the type of disclosure items that were popularized by the 2001 Enron scandal and the resulting 2002 Sarbanes-Oxley Act of the United States. While some of these disclosure requirements were seen as controversial at the time of introduction, they now appear as requirements in many of the markets studied.

64. Table 4 also highlights the gap in requirements for the corporate responsibility category. Given the relative novelty of many of the items in this category, it is perhaps unsurprising that it is not the subject of more disclosure requirements. It is noteworthy, however, that in the United Kingdom and the United States, the two largest securities markets in the world, every item in this category is the subject of mandatory disclosure.

65. As noted in figure 1 above, the broad category board and management structure shows the largest variation in requirements between items. For some items, such as disclosure of governance structures to prevent conflict of interest (item 35 in table 4) or disclosure of the role and functions of the board of directors (item 39), most markets require disclosure. Other items, however, are among the least required of all the items in the ISAR benchmark, for example the disclosure of the enterprise's compensation policy for senior executives departing the firm as a result of a merger or acquisition (item 46). Note, however, that while this item is rarely required in emerging markets, it is a requirement in the two largest securities markets, the United Kingdom and the United States.

Table 4. Gap analysis of disclosure requirements in 25 emerging markets and three large developed markets*

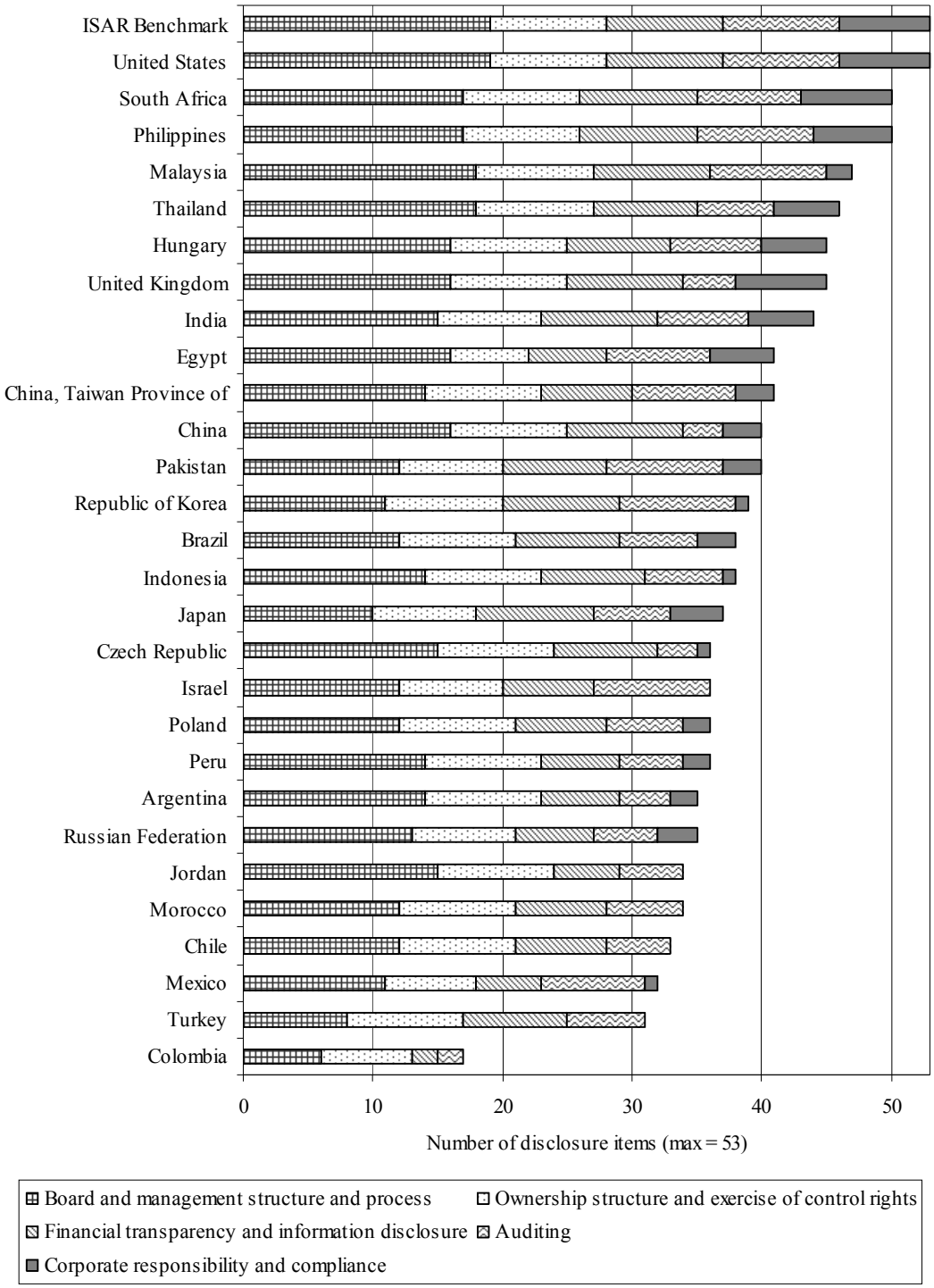


* Empty white squares indicate that the disclosure item is not required. The name of individual disclosure items can be found in the list in Annex II.

D. Comparison of disclosure requirements between markets

66. Figure 2 presents an overview of the number of disclosure items required for each category of disclosure in each of the 25 emerging markets reviewed. For comparison purposes, the figure also includes the number of disclosure items for each category found in the ISAR benchmark of good practices in corporate governance disclosure, as well as the disclosure requirements for three of the largest developed country equity markets: Japan, the United Kingdom and the United States.

Figure 2. Disclosure requirements by market and category



67. This overview of disclosure items makes clear the relatively strong support for mandatory disclosure in many emerging markets. Nearly all of the markets studied required the disclosure of more than half the items in the ISAR benchmark. And despite the relatively low number of requirements overall for the category of corporate responsibility, figure 2 indicates that a significant number of markets have many mandatory disclosure requirements in this area: 18 of the 25 emerging markets studied have at least some disclosure requirements in this area.

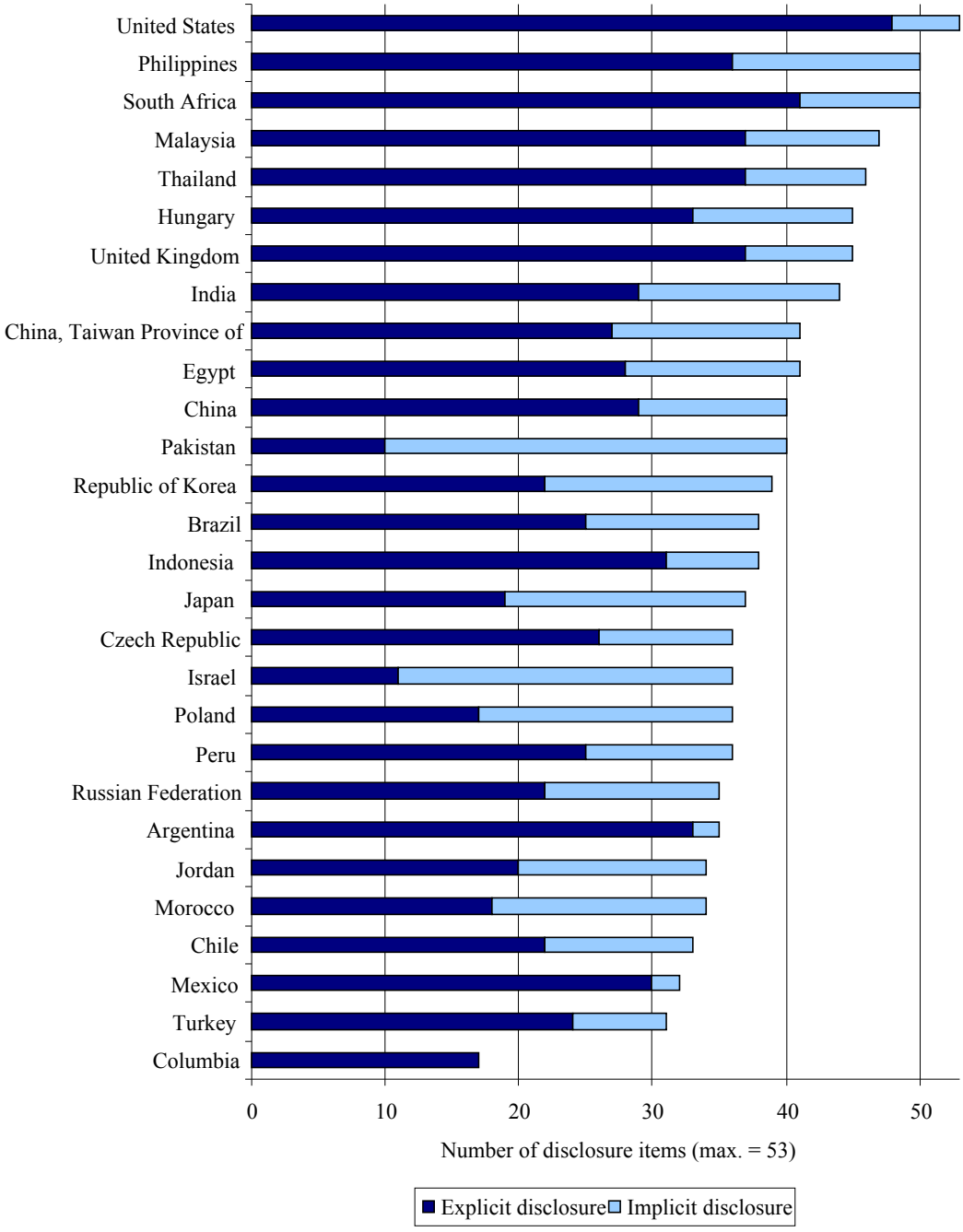
68. The comparison of markets provided in figure 2 also suggests that many emerging markets have levels of mandatory disclosure that are similar to the leading developed country markets, both in terms of the number of disclosure items covered and the range of topics addressed. While this observation does not address issues of compliance with disclosure requirements, or the quality of disclosure in these markets, it does make clear that emerging market policy makers share with their developed country counterparts a similar understanding of not only *what* should be disclosed, but also *how* disclosure can be encouraged, i.e. through the use of requirements.

E. Clarity of requirements: explicit and implicit disclosure requirements

69. During the review of regulations and exchange listing requirements, it was observed that in some instances, for some disclosure items, there was an obvious and explicit requirement to disclose or report a particular item. For example, the text may state "enterprises must disclose in their annual reports the ownership structure of the enterprise". In other instances, the requirement to disclose a particular item was less obvious and more implicit. For example, a regulation might require a particular item to be recorded in the minutes of the meeting of the board of directors; without explicitly stating that it should be publicly disclosed, the same regulation may go on to state that the Board's minutes are to be filed with a regulator and made available to the public. In such cases, the regulation implies that certain issues are the subject of mandatory public disclosure. The exact formulation of such implied disclosures varied from market to market, but every effort was made to fairly discern what information was required, and whether or not that information would be made publicly available. All information that is made publicly available, even if it is not in the enterprise's annual report, was considered "disclosure" for the purposes of this study.

70. Figure 3 presents an overview of the number of explicit and implicit disclosure requirements for each market. As can be seen, these vary considerably from market to market, and may be related to the legal traditions of a given jurisdiction. Nevertheless, it may be useful to increase the number of explicit references to disclose information as an aid to both enterprises wishing to list on exchanges in these markets, as well as investors wishing to better understand the disclosure requirements of such markets.

Figure 3. Explicit and implicit disclosure requirements



III. Conclusions

71. This report is the fourth annual study of corporate governance disclosure prepared by the UNCTAD secretariat for ISAR. This study differs from earlier studies by focusing on the disclosure requirements applied to publicly listed firms by regulators and stock exchanges in the 25 economies that make up the MSCI Emerging Markets Index. The economies of the MSCI EM index were chosen as the sample for the study due to the influential role this index plays in facilitating foreign portfolio investment towards developing economies and economies in transition.

72. The main findings of the 2007 Review show that nearly all of the economies in the MSCI EM index have mandatory disclosure rules for a majority of the items in the ISAR

benchmark of good practices in corporate governance disclosure. Detailed analysis of the data shows that some categories of disclosure are more prone to disclosure rules than others. While some categories, such as ownership structure, are the subject of very high rates of disclosure requirements, other categories, such as corporate responsibility, are the subject of less mandatory rules. The data analysis also provided some insights into differences between the markets in the sample group, both in regards to the particular disclosure items required, as well as the degree of specificity of the rules regarding disclosure. The existence of "implicit" disclosure rules, for instance, was noted to exist in every market studied (even the larger developed markets) for at least some of the items under review.

73. Looking at the broader picture created by this research, the findings show a high degree of consensus among the markets studied, not only regarding the subjects of disclosure, but also regarding the use of mandatory disclosure rules. This research suggests that government regulators and stock exchanges are playing a large role in corporate governance disclosure through the use of binding disclosure rules.

74. Although the difference in methodology between the 2006 Review and the 2007 Review does not allow for direct comparisons between the findings of these two studies, the data produced by each study is somewhat complementary: the 2006 Review provides a picture of what enterprises are actually disclosing in public documents, and the 2007 Review provides a picture of what regulators are requiring the enterprises to disclose. The complementary role of this data was designed to address the question of whether or not the low rates of disclosure of some enterprises, particularly in developing countries and economies in transition, was influenced by local regulations within these markets. Likewise, this type of research can also begin to address some of the questions surrounding the relationship between disclosure rates and disclosure requirements. Tentative comparisons were made in this study between the disclosure rules of the 25 markets studied, and the disclosure practices of the enterprises from low- and middle-income countries studied in the 2006 Review. While the two data sets are not directly aligned (the 2006 data includes more markets than the 2007 data), comparisons between the data suggest some tentative conclusions. For example, while some disclosure items are widely disclosed by enterprises, the same items are not the subject of mandatory disclosure rules. This suggests that other forces, such as investor pressure, are driving disclosure practices. In contrast to this example, some items that are required by most of the markets in the 2007 Review are the subject of very low rates of disclosure among the enterprises in the 2006 Review. This may indicate that compliance with disclosure rules is weak in some markets. Future research can seek to clarify some of these points by further aligning the data and more precisely comparing the actual disclosure practices of enterprises with the disclosure requirements of the markets in which those same enterprises are based.

Annex I: List of sources by market

Argentina
- Reglamento de Cotización BCBA;
- Normas de la Comisión Nacional de Valores;
- Decree Nro. 677/01;
- Ley de Sociedades Comerciales Nro. 19.500.

Brazil
- Listing Regulations of the Novo Mercado and Levels 1 and 2 of Differentiated Corporate Governance Practices;
- Law No. 10.303, of October 31, 2001 (Corporate Law);
- Law No. 6.404 of December 15, 1976;
- Law No. 6385 of December 7, 1976 (Securities Law).

Chile
- Characteristics of the Chilean Stock Market, Bolsa de Comercio de Santiago, 2003;
- Questionnaire of the Santiago Stock Exchange, Serie Institucional N° 3, Bolsa de Comercio de Santiago, 1999;
- Law No. 18,045 (Securities Market Law);
- Law No. 18,046 (Corporations Law).

China
- 新股票上市规则解读（汇总稿）(2005–01–21) Interpretation of Listing Rules of the Shanghai Stock Exchange (summary);
- 上海证券交易所股票上市规则(2004年修订) Shanghai Stock Exchange Listing Rules (amended in 2004);
- Securities Law of the People's Republic of China (revised in 2005);
- Company Law of the People's Republic of China (revised in 2005).

China, Taiwan Province of
- 上市上櫃公司治理實務守則 Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies;
- Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Listed Companies;
- Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Listed Companies;
- Securities and Exchange Act;
- Company Act.

Columbia
- Código de Comercio;
- Código de mejores prácticas corporativas: Código País.

Czech Republic
- Section III of the Exchange Rules of the Prague Stock Exchange;
- Act No. 591/1992 Sb. on Securities;
- Commercial Code No. 513/1991 ("Obchodní zákoník").

Egypt
- Egyptian Code of Corporate Governance (2005);
- Listing Rules of the Cairo Alexandria Stock Exchange.

Hungary
- Corporate Governance Recommendations, Budapest Stock Exchange, 2004;
- Regulations of the Budapest Stock Exchange for listing, continued trading and disclosure;
- Act CXLIV of 1997 on Business Associations (Companies Act);
- C Act of 2000 on Accounting.

India
- Listing Agreement for Equity, Bombay Stock Exchange.

Indonesia
- Regulation Number I-A Listing Requirements, Jakarta Stock Exchange;
- Regulation Number I-E Concerning the Obligation of Information Submission, Jakarta Stock Exchange;
- Bapepam Rules Number VIII.G.11;
- Bapepam Rules Number VIII.G.2.

Israel
- Company Law 5759-1999;
- The Securities Law.

Japan
- Security Listing Regulations, Tokyo Stock Exchange (TSE);
- Principles of Corporate Governance for Listed Companies, TSE;
- Criteria of Listing, TSE;
- Listing Guides for Foreign Companies, TSE;
- Securities Listing Regulations, TSE;
- Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security and the Like, TSE;
- New Legislative Framework for Investor Protection, Financial Services Agency;
- Law Concerning the Promotion of Business Activities with Environmental Consideration by Specified Corporations, Ministry of the Environment;
- The Whistle Blower Protection Act.

Jordan
- Directives for Listing Securities on the Amman Stock Exchange, 2004;
- The Securities Law, 2002;
- The Companies Law No. 22 of 1997.

Republic of Korea
- Stock Market Disclosure Regulation, 2006, Korea Exchange (KRX);
- Stock Market Operational Guidelines on Fair Disclosure, 2005, KRX;
- Stock Market Listing Regulation, 2005, KRX;
- Enforcement Rule of Stock Market Listing Regulation, 2006, KRX;
- Commercial Act, Republic of Korea.

Malaysia
- Best Practices in Corporate Disclosure, Kuala Lumpur Stock Exchange (KLSE);
- Statement on Internal Control – Guidance for Directors of Public Listed Companies, KLSE;
- Listing Requirements for Main Board and Second Board, KLSE;
- Malaysian Code on Corporate Governance, Securities Commission Malaysia.

Mexico
- Ley General de Sociedades Mercantiles;
- Ley del Mercado de valores;
- Code of Best Corporate Practices, 2006, Bolsa Mexicana de Valores (BMV);
- Corporate Governance Code for Mexico, 2002, BMV;
- Code of Professional Ethics of the Mexican Stock Exchange Community, BMV.

Morocco
- General Rules of the Stock Exchange (Casablanca-Bourse);
- Loi N° 17-95 Relative aux Societes Anonymes.

Pakistan
- General Rules of the Karachi Stock Exchange;
- Listing Regulations of the Karachi Stock Exchange:
- Code of Corporate Governance, Securities and Exchange Commission of Pakistan.

Peru
- Reglamento de inscripción y exclusión de valores mobiliarios en la Bolsa de Valores de Lima;
- Ley General de las Sociedades;
- Reglamento de Hechos de Importancia, Información Reservada y Otras Comunicaciones;
- Reglamento de Propiedad Indirecta, Vinculación y Grupos Económicos;
- Reglamento de Oferta Pública de Adquisión y de Compra de Valores por Exclusión;
- Reglamento de Información Financiera y Manual para la Preparación de Información Financiera;
- Manual para la Preparación de Memorias Anuales y Normas Comunes para la determinación del contenido de Documentos Informativos.

Philippines
- Listing rules for the Philippines Stock Exchange (PSE);
- Financial Disclosure Checklist (Philippines Securities and Exchange Commission);
- Philippines Code of Corporate Governance.

Poland
- The Warsaw Stock Exchange Rules, 2006;
- Detailed Exchange Trading Rules, 2007 (Warsaw Stock Exchange);
- Best Practices for Warsaw Stock Exchange Listed Companies;
- The Law on the Public Trading of Securities, 2004, as amended;
- ACT on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, 2005.

Russian Federation
- Кодекс корпоративного поведения (Corporate Behaviour Code);
- Listing rules for the Moscow Interbank Currency Exchange (MICEX).

South Africa
- Stock exchange listing rules for the Johannesburg Stock Exchange;
- The King Code of Corporate Practices and Conduct 2002.

Thailand
- Disclosure Manual, 2007, Stock Exchange of Thailand (SET);
- Principles of Good Corporate Governance for Listed Companies, 2006, SET;
- SET Code of Best Practice for Directors of Listed Companies.

Turkey
- Disclosure Requirements Regarding Financial Statements (Istanbul Stock Exchange);
- Communiqué on Principles Regarding Public Disclosure of Material Events (Capital Markets Board of Turkey);
- Istanbul Stock Exchange Listing Regulation;
- The Capital Markets Law (Capital Markets Board of Turkey).

United Kingdom
- Disclosure Rules and Transparency Rules, Finance Service Association (FSA);
- FSA Handbook;
- The City Code on Takeovers and Mergers, The Panel on Takeovers and Mergers.

United States
- Final NYSE Corporate Governance Rules (303A), New York Stock Exchange (NYSE);
- Listed Companies Manual, NYSE;
- Sarbanes-Oxley Act;
- Ownership Reports and Trading by Officers, Directors and Principal Security Holders, Securities and Exchange Commission (SEC);
- Universal Internet Availability of Proxy Materials, SEC;
- Regulation S-K, SEC.

Annex II: List of disclosure items in the ISAR benchmark

No.	Disclosure item
Ownership structure and exercise of control rights	
1	Ownership structure
2	Process for holding annual general meetings
3	Changes in shareholdings
4	Control structure
5	Control and corresponding equity stake
6	Availability and accessibility of meeting agenda
7	Control rights
8	Rules and procedures governing the acquisition of corporate control in capital markets.
9	Anti-takeover measures
Financial transparency and information disclosure	
10	Financial and operating results
11	Critical accounting estimates
12	Nature, type and elements of related-party transactions
13	Company objectives
14	Impact of alternative accounting decisions
15	Disclosure practices on related party transactions where control exists
16	The decision-making process for approving transactions with related parties
17	Rules and procedures governing extraordinary transactions
18	Board’s responsibilities regarding financial communications
Auditing	
19	Process for interaction with internal auditors
20	Process for interaction with external auditors
21	Process for appointment of external auditors
22	Process for appointment of internal auditors/scope of work and responsibilities
23	Board confidence in independence and integrity of external auditors
24	Internal control systems
25	Duration of current auditors
26	Rotation of audit partners
27	Auditors` involvement in non-audit work and the fees paid to the auditors

Corporate responsibility and compliance	
28	Policy and performance in connection with environmental and social responsibility
29	Impact of environmental and social responsibility policies on the firm's sustainability
30	A code of ethics for the board and waivers to the ethics code
31	A code of ethics for all company employees
32	Policy on "whistle blower" protection for all employees
33	Mechanisms protecting the rights of other stakeholders in business
34	The role of employees in corporate governance
Board and management structure and process	
35	Governance structures, such as committees and other mechanisms to prevent conflict of interest
36	"Checks and balances" mechanisms
37	Composition of board of directors (executives and non-executives)
38	Composition and function of governance committee structures
39	Role and functions of the board of directors
40	Risk management objectives, system and activities
41	Qualifications and biographical information on board members
42	Types and duties of outside board and management positions
43	Material interests of members of the board and management
44	Existence of plan of succession
45	Duration of director's contracts
46	Compensation policy for senior executives departing the firm as a result of a merger or acquisition
47	Determination and composition of directors` remuneration
48	Independence of the board of directors
49	Number of outside board and management position directorships held by the directors
50	Existence of procedure(s) for addressing conflicts of interest among board members
51	Professional development and training activities
52	Availability and use of advisorship facility during reporting period
53	Performance evaluation process