Executive summary

The 2023 edition of the OECD Corporate Governance Factbook presents comparative data and information on listed companies across 49 jurisdictions through the end of 2022. Updated every two years, the Factbook provides a unique tool for monitoring and supporting the implementation of the *G20/OECD Principles of Corporate Governance*. The scope of this edition has been expanded to cover the *Principles'* recommendations on a number of new topics. This includes new data on corporate governance frameworks related to sustainability, virtual and hybrid shareholder meetings, and company groups.

Global markets, corporate ownership and sustainability

Effective design and implementation of corporate governance policies require a good empirical understanding of the ownership and business landscape to which they will be applied. Chapter 1 provides context for the data collected in this edition of the Factbook with a global overview of the main developments in equity and corporate bond markets. With almost 44 000 listed companies in the world, global market capitalisation reached USD 98 trillion at the end of 2022, up from USD 84 trillion in 2017. Among key trends identified are a growing share of institutional investor ownership in publicly listed companies; a continuing shift toward leading Asian markets in the number of listed companies and initial public offerings (IPOs); an increasing proportion of capital market financing coming from secondary public offerings (SPOs); and a long-term growth trend in non-financial firm corporate bond issuances (although this eased somewhat in 2021-22).

Chapter 1 also analyses corporate sustainability-related policies and practices and reveals how, reflecting increased investors' attention to sustainability issues, all surveyed jurisdictions have established relevant provisions, specific requirements or recommendations with respect to sustainability-related disclosure. Only half of jurisdictions have explicit provisions on board responsibilities for sustainability-related policies. Newly collected information on regulatory frameworks on ESG rating and data providers indicate that only a few jurisdictions, mostly within the EU, have so far adopted such frameworks.

The corporate governance and institutional framework

The quality of the institutional, legal and regulatory framework is an important foundation for implementing the *G20/OECD Principles*, requiring effective supervision and enforcement that market participants can rely on. Against this background, Chapter 2 highlights how reforms in corporate governance remain a priority and were implemented in over 70% of Factbook jurisdictions in 2021-22. Corporate governance codes also continue to play an important role: almost all jurisdictions have a national corporate governance code or equivalent instrument, with varied approaches for implementing them. More than two-thirds of jurisdictions also publish a national report on companies' adherence to these codes – an increasingly common practice in recent years.

Chapter 2 also offers information on the lead regulatory institution for corporate governance of listed companies in each jurisdiction and their governance arrangements. Overall, budget autonomy is the most common safeguard underpinning authorities' independence (60% of regulators), while 17% of regulators still depend exclusively on the government's budget. All but a few jurisdictions have established governing bodies to oversee their market supervisors, generally with specific criteria for appointments and term limits.

The rights of shareholders and key ownership functions

The *G20/OECD Principles* state that the corporate governance framework shall protect and facilitate the exercise of shareholders' rights and ensure equitable treatment of all shareholders. Chapter 3 highlights a significant increase in Factbook jurisdictions allowing companies to issue multiple voting shares, departing from the "one share one vote" proportionality principle and displaying a diversity of frameworks. The chapter also shows considerable evolution in frameworks for the review of related-party transactions. Nearly all jurisdictions now require both periodic and immediate disclosure of related-party transactions. Board approval of significant transactions is also required or recommended in all but eight jurisdictions, usually with the abstention of related board members and often with a special role for the audit committee or independent directors. Shareholders also may play a role in a majority of jurisdictions, for example, for transactions above certain thresholds.

Chapter 3 offers new data on the legal frameworks for conducting virtual and hybrid shareholder meetings. As of the end of 2022, a large majority of jurisdictions had rules or recommendations on virtual and/or hybrid shareholder meetings with safeguards for ensuring equal access to information and effective participation of all shareholders in line with the revised *G20/OECD Principles*. The rise in institutional ownership of publicly listed companies is reflected in the increasing use of investor stewardship codes together with disclosure of voting policies and voting records. In comparison to institutional investors, regulations on proxy and other advisory services is still less common. Another common feature related to company ownership, with implications for shareholder rights, are company groups. The Factbook includes new findings on how jurisdictions define company groups in their legal frameworks and what elements must be disclosed. To address their complexity, more than 80% of jurisdictions require public disclosure of a range of elements related to company group structures, their ownership and intra-group activities.

The corporate board of directors

The *G20/OECD Principles* recommend that the corporate governance framework ensures the strategic guidance of the company by the board and its accountability to the company and the shareholders. Chapter 4 offers information on board structures, board independence and board-level committees, as well as risk management and implementation of internal controls. Jurisdictions explicitly requiring or recommending the establishment of sustainability committees are rare. Concerning external audit, the Factbook confirms shareholders' primary responsibility for appointing and/or approving the external auditor, although the board's involvement is also increasingly common to assist the shareholders' decision.

Along with information on board nomination, election and remuneration, the final chapter addresses the gender composition of boards and senior management, on which jurisdictions have adopted a range of approaches to promote greater gender diversity. Three-fifths of jurisdictions mandate disclosure of the gender composition of boards, whereas only approximately 30% mandate it for senior management. Mandated quotas and/or voluntary targets have yielded positive results and, in this effort, complementary or alternative measures are also foreseeable and have generated positive outcomes.

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