

## THE CAMBRIDGE HANDBOOK OF SHAREHOLDER ENGAGEMENT AND VOTING

The global economy is driven by companies that create wealth. Of the various stakeholders that influence the fortunes of a company, the role played by shareholders is pivotal. In return for financing a company's activities, shareholders have a say on how it should be organized and how its activities should be structured. They do this primarily through voting and engagement. The mechanisms governing their participation allow shareholders to decide significant aspects of a company's structure, ranging from who governs it to how much its directors are paid. However, different countries take different approaches to how shareholders vote and engage, and how far their rights stretch. This pioneering book examines the voting and engagement of shareholders in nineteen different jurisdictions (including the United States and China), and discusses how the shareholders of companies participate in corporate life through voting and engagement. Comparative and international in scope, it illustrates with vivid examples how the approaches taken by jurisdictions around the world align and differ.

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# The Cambridge Handbook of Shareholder Engagement and Voting

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## Preface

Shareholder engagement and voting are considered pivotal features of corporate governance across nations. Relationships between shareholders and companies are broadly governed by corporate laws and corporate governance codes. The decision-making in a company is generally left to the wisdom of directors and managers of companies by shareholders. The problem relating to shareholder engagement and voting gets acknowledged when corporate governance standards are framed and, therefore, efforts are made to improve shareholder engagement and voting to ensure that shareholders can participate in decision-making and take informed decisions. Different means and methods for engagement and voting are provided by corporate laws and corporate governance codes to shareholders to protect their interests and add value to decision-making. Against this background, the *Handbook* re-examines shareholders' position and role and presents readers with a comparative view regarding the exercise of voting rights by different classes of shareholders through a variety of instruments. The *Handbook* employs a fully comparative approach for which the chapter authors were provided with guidelines containing a specific set of theoretical and practical questions. It seeks to provide a broader understanding of current issues and provides information about practices adopted for improving shareholder engagement in companies in select jurisdictions covered in the book.

The *Handbook* is divided into four Parts. Part I covers eight Asian jurisdictions, including China (Mainland), Hong Kong, India, Indonesia, Japan, Singapore, South Korea and Taiwan. Part II addresses Australia and North America including the jurisdictions of Australia, Canada and the United States. Part III contains jurisdiction-specific studies on eight European economies, namely Denmark, France, Germany, Greece, Italy, Norway, the Netherlands and the United Kingdom. Each of the chapters in Parts I, II and III focuses only on one jurisdiction. Part IV covers three comparative chapters which provide answers to the main central question of the *Handbook* along with the concluding chapter.

The writing process of the *Handbook* involved two international conferences held in 2019 and 2020, respectively, at National Law University Delhi and virtually at the Chinese University of Hong Kong's Faculty of Law, in collaboration with Tilburg University, the Netherlands. The process also coincided with the Covid-19 pandemic, which presented our contributors with great difficulties and challenges. The editors acknowledge the hard work of all chapter contributors and would like to express their gratitude to them.

The editors want to give their formal acknowledgements to the Scheme for Promotion of Academic and Research Collaboration (SPARC), Ministry of Human Resource and Development, Government of India, the Hong Kong SAR Research Grants Council (General Research Fund CUHK-14613616), the Chinese University of Hong Kong's Faculty of Law,

Tilburg Law School (Tilburg University) and the National Law University Delhi for their support in completing this work. They are also thankful to Yurong Huang and Sirui Han for their excellent editorial assistance, and to all other research associates and support colleagues. The editors would also like to express their profound gratitude to Joe Ng at Cambridge University Press for his unwavering support.

The editors have consistently worked for almost two years presenting the *Handbook* to a wider readership. Each of the four co-editors has contributed equally to the editorial work. The editorial team is happy to present to you *The Cambridge Handbook of Shareholder Engagement and Voting*.



## In Memoriam

The corporate and insolvency law community of scholars are saddened by the news of Roman's passing in July 2022, succumbing to illness shortly after completion of his contribution to this book. Roman was an intellectual giant, successfully combining his sociological and legal background to present ground-breaking work in comparative and international aspects of corporate and insolvency law. His empirical scholarship, with a special interest in the Chinese and East Asian legal systems, remains highly influential. Roman's contribution to Australian corporate law was invaluable. He was the founding editor of the *Australian Journal of Corporate Law* (1991–2007) and a foundational member of the Society of Corporate Law Scholars (formerly the Corporate Law Teachers Association). A quietly kind man and an independent thinker, colleagues learned a great deal from Roman, who will be sorely missed.

It was a privilege to work with Roman on this book chapter. I am grateful for his intellectual insights, which have made our book chapter much better than it might otherwise have been.

Anil Hargovan  
Also on behalf of the Editorial Team  
20 July 2022

## Abbreviations

ACCR	Australian Centre for Corporate Responsibility
ACSI	Australian Council of Superannuation Investors
AFEP	Association française des entreprises privées (French Association of Private Enterprises)
AG	Aktiengesellschaft
AGM	annual general meeting
ASEAN	Association of South East Asian Nations
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AoA	articles of association
AoI	articles of incorporation
AUM	assets under management
BCIMC	British Columbia Investment Management Corporation
BGB	Bürgerliches Gesetzbuch (German Civil Code)
BGH	Bundesgerichtshof (Federal Court of Germany)
BMAA	Business Mergers and Acquisitions Act
BoC	board of commissioners
BoD	board of directors
CAHL	China Assets Holdings Ltd
CAIML	China Assets Investment Management Ltd
CBCA	Canada Business Corporations Act
CCASS	Central Clearing and Automated Settlement System
CDP	Central Depository
CEO	chief executive officer
CGFC	Corporate Governance of Financial Companies Act
CII	Council of Institutional Investors
CKI	Cheung Kong Infrastructure Holdings Ltd
CLF	Consolidated Law on Finance
CLFRC	Company Legislation and Framework Committee
CMS	controlling minority structure
CPA	Chartered Professional Accountants (Canada)
CPPIB	Canadian Pension Plan Investment Board
CSA	Canadian Securities Administrators
CSR	corporate social responsibility

CSISC	China Securities Investor Services Centre
CSRC	China Securities Regulatory Commission
DCC	Dutch Civil Code
DCGC	Dutch Corporate Governance Code 2016
DCGK	German Corporate Governance Code
DCS	dual-class shares
DGCL	Delaware General Corporation Law
DVR	differential voting rights
EDF	Électricité de France
EFAMA	European Fund and Asset Management Association
EGM	extraordinary general meeting
ESG	environmental, social and governance
ESP	environmental, social and political
EU	European Union
FDI	foreign direct investment
FII	foreign institutional investor
FISCMA	Financial Investment Services and Capital Markets Act
FSC	Financial Services Commission / Financial Supervisory Commission
FSCMA-E	Enforcement Decree of the FSCMA
FY	financial year
GCA	Greek Company Act
GL	Glass, Lewis & Co.
GM	general meeting
GmbH	Gesellschaft mit beschränkter Haftung
GMS	general meeting of shareholders
HCGE	High Committee of Corporate Governance
HCMC	Hellenic Capital Market Commission
HKET	Hong Kong Economic Times Holdings Ltd
HKSCC	Hong Kong Securities Clearing Company
HKSCCN	Hong Kong Securities Clearing Company Nominees
HKSE	Hong Kong Stock Exchange
ICL	Indonesian Company Law
ICSA	Institute of Chartered Secretaries and Administrators
IDX	Indonesia Stock Exchange
IFA	independent financial adviser
IGOPP	Institute for Governance of Public and Private Organizations
INED	independent non-executive director
IPO	initial public offering
IPT	interested party transaction
ISS	Institutional Shareholder Services
JPY	Japanese yen
KCC	Korean Commercial Code
KCGI	Korea Corporate Governance Improvement Fund
KGaA	Kommanditgesellschaft auf Aktien
KLCA	Korea Listed Companies Association
KMP	key managerial personnel
KOSDAQ	Korea Securities Dealers Automated Quotations

*List of Abbreviations*

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KOSPI	Korean Composite Stock Price Index
KRW	Korean won
KRX	Korea Exchange
KSD	Korea Securities Depository
KSEI	Kustodian Sentral Efek Indonesia
KT&G	Korea Tobacco & Ginseng Corporation
LLC	limited liability company
LLSV	La Porta, Lopez-de-Silanes, Shleifer and Vishny
M&A	merger and acquisition
MBO	management buy-outs
MCA	Ministry of Corporate Affairs (India)
MEDEF	Movement of the Enterprises of France
METI	Ministry of Economy, Trade and Industry (Japan)
MOEA	Ministry of Economic Affairs (Taiwan)
MOF	Ministry of Finance (Taiwan)
MOJ	Ministry of Justice (Japan)
MoM	majority of the minority
NBIM	Norway Government Pension Fund Global
NCLT	National Company Law Tribunal
NGO	non-governmental organization
NOK	Norwegian kronor
NPC	National People's Congress
NPCSC	National People's Congress Standing Committee
NPS	National Pension Service (Korea)
NSSF	National Social Security Fund
NTD	New Taiwan dollar
OECD	Organisation for Economic Cooperation and Development
OJK	<i>Otoritas Jasa Keuangan</i> (Indonesian Financial Services Authority)
OSOV	one-share-one-vote
OTE	Hellenic Telecommunications Organisation
OTPP	Ontario Teachers' Pension Plan
P&PG	promoter and promoter group
PAF	proxy advisory firm
PDG	President-directeur-général
PDPD	People's Solidarity for Participatory Democracy
PRC	People's Republic of China
Q&A	question and answer
QFII	Qualified Foreign Institutional Investor
RMB	Chinese renminbi
RPT	related-party transaction
SA	Société Anonyme
SCA	Sociétés en commandite par actions
SE	Societas Europaea
SEA	Securities and Exchange Act (Taiwan)
SEB	Securities and Exchange Board of India
SEC	US Securities and Exchange Commission
SEHK	Stock Exchange of Hong Kong

SFC	Securities and Futures Commission
SFIPC	Securities and Futures Investors Protection Center
SGX	Singapore Exchange
SHSE	Shanghai Stock Exchange
SIAS	Securities Investors Association (Singapore)
SOEL	Law No. 19 of 2003 Concerning State-Owned Enterprises
SRD	Shareholder Rights Directive
SRD II	Revised Shareholder Rights Directive
SRI	socially responsible investment
SSGA	State Street Global Advisors
SVR	superior voting rights
SZSE	Shenzhen Stock Exchange
TSX	Toronto Stock Exchange
TSX-V	TSX Venture Exchange
TWSE	Taiwan Stock Exchange
UCITS	undertakings for collective investment in transferable securities
UG	Unternehmergeinschaft
UK	United Kingdom
USA	United States of America
USD	United States dollar
VEB	Association for Securities Holders
VBDO	Shareholder Association for Sustainable Development (Dutch)
WpÜG	Wertpapierübertragungsgesetz