

Endorsements

‘This book does a remarkable job providing the first in-depth analysis of global shareholder stewardship. The skill, diversity, and creativity of its contributors – combined with its thoughtful curation and insightful comparative theories – is why this book is destined to be the leading authority in the field. It is a must read for anyone interested in the regulation of financial markets, institutional investors, or corporate governance.’

Marco Becht, Professor of Finance and the Goldschmidt Professor of Corporate Governance, Solvay Brussels School; Executive Director, European Corporate Governance Institute (ECGI)

‘This book is a goldmine of information on, and insights into, one of the most important phenomena of contemporary corporate governance: shareholder stewardship. It combines an impressive number of chapters reporting about stewardship and the related soft (and, increasingly, hard) law in individual jurisdictions with a variety of sharp and profound theoretical and comparative analyses of responsible ownership and its implications for listed companies, investors and other stakeholders.’

Luca Enriques, Professor of Corporate Law, Faculty of Law, University of Oxford

‘Institutional investors face growing pressure to assume “stewardship” responsibilities through engagement with portfolio companies; “stewardship codes” have proliferated. This superbly imagined and edited volume demonstrates that the contours of “stewardship” vary widely throughout the world, depending on the persistence of controlling owners and different government efforts to deploy “stewardship” in pursuit of various economic and political objectives. The book is essential reading for those seeking to understand the evolving pattern of global corporate governance.’

Jeffrey N. Gordon, Richard Paul Richman Professor of Law, Columbia Law School

‘*Global Shareholder Stewardship* is a must-read for institutional investors with international portfolios. Its systematic analysis of stewardship code regulation in major capital markets will be of great value for practitioners. It also tackles critical questions such as the role of index funds and stewardship enforcement, and suggests ways to optimize the impact of stewardship. This is one of the books that will have a place on my desk.’

Dr. Hans Christoph Hirt, Executive Director, Head of EOS, Federated Hermes

‘An amazing book fully canvassing global shareholder stewardship. The forty-two authors go well beyond the twenty excellent country reports. They analyse the foundations – the UK Stewardship Code being the international model – and present thorough comparative essays covering topics such as corporate governance, sustainable finance, shareholder stewardship enforcement and ESG, as well as convergence and strong remaining path dependencies. A wealth of economic and legal information, to be bought and read!’

Klaus Hopt, Emeritus Professor, Max Planck Institute of Comparative and International Private Law

‘The first comprehensive and sophisticated attempt to examine the proliferation of stewardship codes in recent years, this book elucidates principal issues concerning shareholder stewardship, and at the same time reveals the subtle interaction between local corporate governance factors and the codes of individual jurisdictions. Those who aspire to achieve a mature understanding of this significant global phenomenon will find this admirable outcome of a large-scale international joint endeavour an indispensable source of reference.’

Kon Sik Kim, Professor and Dean Emeritus, Seoul National University School of Law

‘Dionysia Katelouzou and Dan Puchniak have orchestrated a masterful study, covering a sample of countries from every inhabited continent, to which they add insightful conceptual analyses. Against a backdrop of genuine urgency in addressing global-scale social challenges, from environmental degradation to climate change, coupled with the emergence of mammoth-size institutional investors, this volume provides an invaluable resource for assessing whether these investors could play a role in addressing such challenges.’

Amir Licht, Professor of Law, Harry Radzymer Law School, Reichman University

‘What if shareholders around the world are called to save companies, economies and the planet? In *Global Shareholder Stewardship*, an outstanding group of experts from a wide array of jurisdictions join forces to examine the spread of stewardship codes worldwide as the latest corporate governance trend. Refusing to take global diffusion at face value, the book digs into local manifestations of the phenomenon, unveiling remarkable diversity. A tour de force of comparative scholarship, it offers invaluable lessons for scholars and practitioners in corporate governance and transnational policymaking about the challenges and promises of adapting international developments to different national contexts.’

Mariana Pargendler, Professor of Law at Fundação Getulio Vargas School of Law in São Paulo

‘*Global Shareholder Stewardship* is an excellent compendium of codes around the world today. The 2003 ICGN Statement on Institutional Shareholder Responsibilities clarified the important role of investors in holding companies to account for preserving and enhancing long-term sustainable value, ultimately contributing to strong economic growth, prosperous societies and a healthy environment. Nearly two decades later, this book confirms that stewardship is now mainstream and vital in global capital markets to mitigate risk, while also creating long-term sustainable value.’

Kerrie Waring, Chief Executive Officer, International Corporate Governance Network (ICGN)

GLOBAL SHAREHOLDER STEWARDSHIP

This is the first in-depth comparative and empirical analysis of shareholder stewardship, revealing the previously unknown complexities of this global movement. It highlights the role of institutional investors and other shareholders, examining how they use their formal and informal power to influence companies. The book includes an in-depth chapter on every jurisdiction which has adopted a stewardship code and analyzes stewardship in the world's two largest economies without codes. Several comparative chapters draw on the rich body of jurisdiction-specific knowledge, to analyze stewardship comparatively from multiple interdisciplinary perspectives. Ultimately, this book provides a cutting-edge and comprehensive understanding of shareholder stewardship, which challenges existing theories and informs many of the most important debates in comparative corporate law and governance.

Dionysia Katelouzou is Reader at the Dickson Poon School of Law, King's College London and a Research Associate at the Centre of Business Research at the University of Cambridge. Dionysia writes and teaches comparative and transnational corporate law and governance and the regulation of financial institutions. She has earned a reputation for her interdisciplinary legal research, has been involved in policy-related projects and is the recipient of multiple teaching awards and research grants.

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Global Shareholder Stewardship

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DK

To my family, past and present

DWP

To my wife Norah and son Malakai

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Foreword

The adage that one should ‘never make predictions, especially about the future’ has been credited variously to the famous physicist Niels Bohr and baseball legends Yogi Berra and Casey Stengel.¹ Like moths to a flame, however, academics often act as amateur prognosticators. I succumbed to temptation with early work in what is now an extensive literature on stewardship, arguing that the initial UK Stewardship Code, issued in 2010, was unlikely to foster substantially greater shareholder involvement in corporate governance.² This prediction has been largely borne out, with respect to both the original UK Code and a modestly revised version issued in 2012.³

A second prediction logically followed on from a forecast that the UK Code would be a shareholder activism bust, namely that the UK Code – the world’s first⁴ – would fail to be influential internationally. Indifference elsewhere would have been a departure from past trends. The Cadbury Corporate Governance Code, issued in 1992, served as a model for the development of corporate governance codes around the world.⁵ The UK also was a ‘say on pay’ pioneer, becoming in 2002 the first of numerous jurisdictions to vest shareholders with a vote on remuneration of their executives.⁶ Surely, though, if the UK Code was destined to be a shareholder activism non-event, the UK Code would barely cause a ripple outside Britain.

When I attended the Global Shareholder Stewardship Conference organized by Dionysia Katelouzou and Dan Puchniak in September 2019, it was immediately obvious that I had dodged an academic bullet by failing to commit publicly to this second prediction. At the conference, which would serve as the departure point for *Global Shareholder Stewardship*, speakers from more than twenty countries gave papers discussing stewardship initiatives in their jurisdictions. A recurrent theme was the influence that the UK Code had had on such initiatives. Against the odds, then, yet another British corporate governance innovation had had a meaningful global impact.

In addition to reaffirming the UK’s ongoing outsized influence on cross-border corporate governance trends, the present volume is an exemplar of well-executed multi-participant comparative legal scholarship. *Global Shareholder Stewardship* contains twenty-two jurisdiction-specific chapters that offer detailed analysis of stewardship developments ‘on the ground’,

¹ Brian R Cheffins, *The Public Company Transformed* (OUP 2018) 344.

² Brian R Cheffins, ‘The Stewardship Code’s Achilles’ Heel’ (2010) 73 *Modern Law Review* 1004.

³ Davies, *The UK Stewardship Code 2010–2020*, Chapter 2.

⁴ Katelouzou and Puchniak, *Global Shareholder Stewardship*, Chapter 1.

⁵ Brian R Cheffins, ‘Corporate Governance Reform: Britain as an Exporter’ (2000) 8 *Hume Papers on Public Policy* 10, 12–14.

⁶ Randall S Thomas and Christoph Van der Elst, ‘Say on Pay Around the World’ (2015) 92 *Washington University Law Review* 653, 655.

oriented around thoughtful guidance that Katelouzou and Puchniak have provided as editors. There are also eight insightful chapters dealing with key general stewardship themes, one of which is an excellent introductory overview chapter that the editors have co-written.

In their introductory chapter, Katelouzou and Puchniak go well beyond offering a capable roadmap for what follows. For instance, having informed the reader that ‘stewardship is far more complex than originally understood’, they identify an intellectual upside to this potentially disappointing news, maintaining that ‘understanding the drivers and consequences of the complexity is where valuable insights are gained’.⁷ Katelouzou and Puchniak then draw skilfully on the findings from the reports from individual jurisdictions that comprise the bulk of *Global Shareholder Stewardship* to offer various such insights. The tone thus is set perfectly for the illuminating chapters which follow.

One topic that Katelouzou and Puchniak handle deftly in their introductory chapter is the seemingly paradoxical combination of the UK Code underperforming domestically while being influential globally. Katelouzou and Puchniak argue that while superficially the UK Code has done much to shape stewardship initiatives elsewhere, there is in fact ‘a mirage of global uniformity based on the UK Model of stewardship’,⁸ with stewardship initiatives elsewhere being weak in comparison. They point out, for instance, that nearly half of the stewardship codes that *Global Shareholder Stewardship* canvasses were generated by fully private organizations rather than being promulgated by a governmental body or a quasi-governmental regulator such as the UK’s Financial Reporting Council. Moreover, most stewardship codes around the world are ultimately fully voluntary, lacking a mechanism equivalent to a Financial Conduct Authority Handbook provision that puts UK asset managers under an onus to disclose their approach to stewardship.⁹

Why has the ostensible mimicking of the UK stewardship model resembled a ‘mirage’? Katelouzou and Puchniak argue that a desire to convey a commitment to global norms of good corporate governance ‘without significantly changing how [a] jurisdiction’s corporate governance actually works in practice’ has played an important role.¹⁰ They correspondingly reason pessimistically that stewardship has emerged as ‘a malleable, inexpensive tool, co-opted by institutional investors and governments to serve their own self-interests’.¹¹

The generally gloomy assessment that Katelouzou and Puchniak offer of the stewardship enterprise seemingly does not auger well for a major recent stewardship trend, this being a strong focus on environmental, social and governance (ESG) factors. If stewardship designed to prompt shareholder activism has underwhelmed, the ESG variant seemingly is destined to suffer the same fate. Katelouzou and Puchniak shy away, however, from offering a pessimistic verdict, saying that ‘ESG-focused stewardship may comport with the business models of an increasingly large portion of institutional investors’.¹² Perhaps. One has to wonder, though, what stewardship codes will really add to the ESG mix when such codes apparently have done little to prompt increased activism by institutional investors well aware of the theoretical governance case in favour of shareholder-oriented stewardship.

The foregoing quibble regarding ESG and stewardship does not detract in any way from a major academic accomplishment. For those largely unfamiliar with the corporate governance

⁷ Katelouzou and Puchniak, *Global Shareholder Stewardship*, Chapter 1.

⁸ *ibid.*

⁹ COBS 2.2.3R (06/12/2010).

¹⁰ Katelouzou and Puchniak, *Global Shareholder Stewardship*, Chapter 1.

¹¹ *ibid.*

¹² *ibid.*

version of stewardship, *Global Shareholder Stewardship* provides an excellent multi-jurisdictional introduction. Those already well versed in the stewardship literature will learn valuable lessons from the richly detailed chapters on individual jurisdictions and from the perceptive chapters that provide stewardship context. *Global Shareholder Stewardship*, in sum, is an outstanding example of comparative corporate governance/corporate law scholarship. Enjoy.

Brian R. Cheffins
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Acknowledgements

What started off in 2018 as a small academic dream has materialized into an exciting intellectual odyssey that reveals what this book coins ‘*Global Shareholder Stewardship*’. This book project shatters the narrow, myopic, and inaccurate prior understanding of UK-centric shareholder stewardship. The result is a multi-jurisdictional, pluralistic, and truly global understanding that illuminates the complexities, challenges, and possibilities of one of the most intriguing corporate governance and financial regulatory mechanisms of our time.

To state the obvious, such a global intellectual odyssey could not have been achieved without global collaborations. The foundations of this book were built on a unique gathering – the Global Shareholder Stewardship Conference – held at King’s College London (KCL) in 2019 which, for the first time, brought together corporate law experts, regulators, and practitioners from each of the twenty jurisdictions with a stewardship code – and other major economies without a code – to undertake an in-depth contextual, comparative and empirical analysis of shareholder stewardship. Global Shareholder Stewardship would not have come to be properly understood without the participants of the conference and, most importantly, each of the authors in this book. The book’s authors – a remarkable group of intellectual leaders which we have had the honor of working together with – are the source of all the ideas that are in the exciting pages that follow. At this point we can only say two words to the authors: Thank you!

However, intellectuals cannot live on ideas alone and books do not emerge out of thin air. We are grateful to the British Academy’s Partnership with the Department for Business, Energy, and Industrial Strategy, the European (SRG1819\190891), the Social Research Council (ESRC) Social Science Impact Fund, the Dickson Poon School of Law (KCL) and the Transnational Law Institute (KCL) for funding the inaugural Global Shareholder Stewardship Conference. We are also grateful to the National University of Singapore Faculty of Law (NUS Law) – particularly the Centre for Asian Legal Studies (CALS) and the EW Barker Centre for Law and Business (EWBCLB) for generously supporting this book project as well as the King’s Undergraduate Research Fellowship scheme (2020–21). Our sincere thanks also go to the European Corporate Governance Institute (ECGI) which supported the inaugural Global Shareholder Stewardship Conference and highlighted the research in our project. As in most academic projects, research assistants were invaluable in producing this book – and we were particularly blessed with magnificent ones. We acknowledge and sincerely thank Jordan Ng Qi Le from NUS Law for his exceptional work as the lead research assistant throughout this project – which exceeded our highest expectations and was at the core of the book’s production. In addition, we are grateful to Ivan Tan Ren Yi from NUS Law for his exceptional research assistant work on the China, Asia, and comparative chapters. Further, we are grateful to Jean Ang, Koh

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Last, but not least, we thank you for taking the time to read this book. We hope that you enjoy reading it as much as we enjoyed working on it.

Dionysia Katelouzou, London, March 2022
Dan W Puchniak, Singapore, March 2022

Abbreviations

iMDB	iMalaysia Development Berhad
ABRAPP	National Association of Pension Funds (Brazil)
ACSI	Australian Council of Superannuation Investors
AEX	Euronext Amsterdam
AFC	1997 Asian Financial Crisis
AFM	Dutch Financial Supervisory Authority
AGM	annual general meeting
AIF	alternative investment fund
AIFM	alternative investment fund managers
AIFMD	Alternative Investment Fund Managers Directive
AIMC	Association of Investment Management Companies
AIMG	Australian Investment Managers Group
AMEC	Association of Capital Markets Investors (Brazil)
AMNT	Association of Member Nominated Trustees
AMX	Amsterdam Midkap Exchange
ANBIMA	Financial and Capital Markets Association (Brazil)
APIMEC	Association of Capital Markets Analysts and Investment Professionals (Brazil)
ARUG II	<i>Aktionärs-Richtlinie-Umsetzungsgesetz</i> (Second Shareholders' Rights Directive)
ASEAN	Association of South East Asian Nations
ASIC	Australian Securities and Investments Commission
ASISA	Association for Saving and Investment South Africa
Assodire	Association of Responsible Investors (Italy)
ASX	Australian Securities Exchange
ATP	<i>Arbejdsmarkedets Tillidspension</i> (Labour Market Supplementary Pension)
AuM	assets under management
BaFin	Federal Financial Supervisory Authority (Germany)
BATSETA	Principal Officers Association
BEA	Bank of East Asia
BEIS	Department for Business, Energy and Industrial Strategy (UK)
BNDES	Brazilian Development Bank
BNDESPAR	BNDES Participações S.A.
BTS	Bangkok Mass Transit System
BVI	Bundesverband Investment und Asset Management e.V. (German Investment Funds Association)

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CAD	Canadian dollar
CBCA	Canada Business Corporations Act
CBIRC	China Banking and Insurance Regulatory Commission
CCGG	Canadian Coalition for Good Governance
CCP	Chinese Communist Party
CEO	chief executive officer
CGC	Corporate Governance Code (UK)
CIRC	China Insurance Regulatory Commission
CMA	Competition and Markets Authority (UK) or Capital Markets Authority (Kenya)
CMN	<i>Conselho Monetário Nacional</i> (Brazil)
CMRA	Capital Markets Regulatory Authority
CONSOB	Financial Markets Supervisory Authority (Italy)
Covid-19	Coronavirus disease 2019
CP	Canadian Pacific
CRISA	Code for Responsible Investing in South Africa
CSA	Canadian Securities Administrators
CSR	corporate social responsibility
CSRC	China Securities Regulatory Commission
CVM	Securities and Exchange Commission (Brazil)
DAX	<i>Deutscher Aktienindex</i> (German stock index)
DC	defined contribution
DCC	Dutch Civil Code
DCGC	Dutch Corporate Governance Code
DIA	Dow Jones Industrial Average
DLT	distributed ledger technology
DNV	decision not to vote
DOL	Department of Labor (US)
DRRR	Directors' Remuneration Report Regulations (2002)
DVFA	German Association of Investment Professionals
DWP	Department for Work and Pensions (UK)
EFAMA	European Fund and Asset Management Association
EGCO	Electricity Generating Public Company Limited
EGM	extraordinary general meeting
EPS	earnings per share
ERISA	Employee Retirement Income Security Act
ESG	environmental, social and governance
ETF	exchange traded fund
EU	European Union
EUR	euro
EY	Ernst & Young Global Limited
FB77	Family Business Campaign
FCA	Financial Conduct Authority
FKI	Federation of Korean Industries
FRC	Financial Reporting Council
FSA	Financial Services Agency (Japan)

FSC	Financial Services Commission (South Korea) or Financial Services Council (Australia)
FSCA	Financial Sector Conduct Authority
FSDC	Financial Stability and Development Council (India)
FSMA	Financial Services and Markets Authority (Belgium)
FSS	Financial Supervisory Services (South Korea)
G20	Group of Twenty
GCGC	German Corporate Governance Code
GDP	gross domestic product
GEPF	Government Employees Pension Fund
GFC	2008 Global Financial Crisis
GLC	government-linked company
GLIC	government-linked investment company
GPF	Government Pension Fund (Thailand)
GPIF	Government Pension Investment Fund
GRI	Global Reporting Initiative
GSIA	Global Sustainable Investment Alliance
GTSM	Gre Tai Securities Market
HDFC	Housing Development Finance Corporation
HLEG	High-Level Expert Group on Sustainable Finance
IBGC	Institute of Corporate Governance (Brazil)
ICGN	International Corporate Governance Network
IDC	Investment Decision Committee
IFC	International Financial Centre
II Council	Institutional Investors Council Malaysia
IIFA	International Investment Funds Association
ILO	International Labour Organization
IMF	International Monetary Fund
IOD	Institution of Directors Association (Thailand)
IoDSA	Institute of Directors in Southern Africa
IOSCO	International Organization of Securities Commissions
IPO	initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
ISA	individual savings account
ISC	Institutional Shareholders' Committee (UK)
ISG	Investor Stewardship Group
ISS	Institutional Shareholder Services Inc.
JSE	Johannesburg Stock Exchange
KAG	<i>Kapitalanlagegesellschaft</i> (investment fund management companies)
KCC	Korean Commercial Code
KCGS	Korea Corporate Governance Service
KCMI	Korea Capital Market Institute
KDB	Korea Development Bank
KEPCO	Korea Electric Power Corporation
KLCA	Korea Listed Companies Association
KLP	<i>Kommunal Landspensjonskasse Gjensidig Forsikringselskap</i> (mutual insurance company in Norway)

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KOFIA	Korea Financial Investment Association
KOSDAQ	Korean Securities Dealers Automated Quotations
KOSDAQA	Korean Securities Dealers Automated Quotations Listed Companies Association
KRW	Korean won
LD	<i>Lønmodtagernes Dyrtidsfond</i> (The Cost-of-Living Allowance Fund, Denmark)
LSE	London Stock Exchange
M&A	mergers and acquisitions
MiFID I	Market in Financial Instruments Directive (2007)
MiFID II	Market in Financial Instruments Directive (2018)
MOF	Ministry of Finance (China)
MSWG	Minority Shareholder Watchdog Group
NAV	net asset value
NBIM	Norges Bank Investment Management
NCA	National Competent Authorities
NCGB	Norwegian Corporate Governance Board
NED	non-executive director
NEST	National Employment Savings Trust (UK)
NGO	non-governmental organization
NPO	non-profit organization
NPS	National Pension Service (Korea)
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
NT\$	new Taiwan dollar
OECD	Organisation for Economic Co-operation and Development
OSC	Ontario Securities Commission
PBOC	People's Bank of China
PFRDA	Pension Fund Regulatory and Development Authority (India)
PIC	Public Investment Corporation
POE	private-owned enterprise
POII	private-owned institutional investor
PREVIC	National Pension Funds Authority (Brazil)
PRI	UN Principles of Responsible Investment
QFII	qualified foreign institutional investor
REIT	real estate investment trust
RG 128	Regulatory Guide 128: Collective Action by Investors
RMB	Chinese renminbi
ROE	return on equity
RPTs	related party transactions
RQFII	Renminbi qualified foreign institutional investor
SAC	Securities Association of China
SAFE	State Administration of Foreign Exchange
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SCBP	Swiss Code of Best Practice for Corporate Governance
SDGs	Sustainable Development Goals
SDX	Shareholder-Director Exchange
SEBI	Securities and Exchange Board of India

SEC	Securities and Exchange Commission
SEHK	Stock Exchange of Hong Kong
SET	Stock Exchange of Thailand
SFC	Securities and Futures Commission (Hong Kong)
SFIPA	Securities Investor and Futures Trader Protection Act
SFIPC	Securities and Futures Investors Protection Center (Taiwan)
SGX	Singapore Exchange
ShareSoc	Shareholders Society (UK)
SID	senior independent director
SIF	securities investment fund
SITCA	Securities Investment Trust and Consulting Association of the ROC
SME	small and medium-sized enterprise
SOCOSO	Social Security Organization (also known as PERKESO)
SOE	state-owned enterprise
SOII	state-owned institutional investor
SRD I	Shareholder Rights Directive
SRD II	Revised Shareholder Rights Directive
SRI	socially responsible investment
SSF	Social Security Fund (Thailand)
SSO	Social Security Office (Thailand)
SWF	sovereign wealth fund
TCFD	Task Force on Climate-related Financial Disclosures
THB	Thai baht
TIA	Thai Investors Association
TPEX	Taipei Exchange
TPR	The Pensions Regulator (UK)
TSEA	Taiwan Securities and Exchange Act (2006)
TSMC	Taiwan Semiconductor Corporation
TSX	Toronto Stock Exchange
TSXV	TSX Venture Exchange
TWSE	Taiwan Stock Exchange
UCITS	Undertakings for the Collective Investment in Transferable Securities
UK	United Kingdom
UK Code	UK Stewardship Code
UKSA	UK Shareholders Association
UKSIF	UK Sustainable Investment and Finance Association
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP FI	United Nations Environment Programme Finance Initiative
UNGP	UN Guiding Principles on Business and Human Rights
UNPRI	United Nations Principles for Responsible Investment
US	United States
USD	United States dollar
VFF	Fund and Asset Manager Association (Norway)
WVR	weighted voting rights
ZAR	South African rand