Excerpts from Corporate Governance Codes in Other Countries

- Rights and Equal Treatment of Shareholders
- Relationship with Stakeholders

September 30, 2014
The board should use the AGM to communicate with investors and to encourage their participation.

E.2.1. At any general meeting, the company should propose a separate resolution on each substantially separate issue, and should in particular propose a resolution at the AGM relating to the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a ‘vote withheld’ is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

E.2.3. The chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM and for all directors to attend.
1. Rights and Equal Treatment of Shareholders

【General Shareholder Meetings 2/8】

German Corporate Governance Code

2 Shareholders and the General Meeting

2.2 General Meeting

2.2.1 The Management Board submits to the General Meeting the Annual Financial Statements, the Management Report, the Consolidated Financial Statements and the Group Management Report. The General Meeting resolves on the appropriation of net income and the discharge of the acts of the Management Board and of the Supervisory Board and, as a rule, elects the shareholders' representatives to the Supervisory Board and the auditors.

Furthermore, the General Meeting resolves on the Articles of Association, the purpose of the company, amendments to the Articles of Association and essential corporate measures such as, in particular, inter-company agreements and transformations, the issuing of new shares and of convertible bonds and bonds with warrants, and the authorization to purchase own shares. It can resolve on the authorization of the remuneration system for the members of the Management Board.

2.2.2 When new shares are issued, shareholders, in principle, have pre-emptive rights corresponding to their share of the equity capital.

2.2.3 Each shareholder is entitled to participate in the General Meeting, to take the floor on matters on the agenda and to submit materially relevant questions and proposals.

2.2.4 The chair of the meeting provides for the expedient running of the General Meeting. In this, the chair should be guided by the fact that an ordinary general meeting is completed after 4 to 6 hours at the latest.
German Corporate Governance Code

4.2 Composition and Compensation

4.2.3 ...The Chairman of the Supervisory Board shall outline once to the General Meeting the salient points of the compensation system and then any changes thereto.

5.4 Composition and Compensation

5.4.6 Compensation of the members of the Supervisory Board is specified by resolution of the General Meeting or in the Articles of Association. Also to be considered here shall be the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees. ...
The shareholders' meeting is a decision-making body for the areas stipulated by law; it is also a privileged moment for the company to engage a dialogue with its shareholders. Its sessions must be not only the occasion when the managing bodies report on the corporation's business and on the operation of the Board of Directors and the specialised committees (audit, compensation, etc.), but also an opportunity for a genuine and open dialogue with the shareholders.

The Board of Directors must take care not to infringe upon the specific powers of the shareholders' meeting if the transaction that it proposes is such as to modify, in fact or in law, the corporate purpose of the company, which is the very basis of the contract founding the corporation.

Even when no change in the corporate purpose of the company is involved, the Board of Directors must refer the matter to the meeting of shareholders if the transaction relates to a material part of the group's assets or businesses.

21 Director's Compensation

21.1 It shall be recalled that the method of allocation of directors’ compensation, the total amount of which is determined by the meeting of shareholders, is set by the Board of Directors.
24 Information on Executive Directors' Compensation and The Awarding Policy for Share Options and Performance Shares

...Comprehensive information must be provided to shareholders so that they can have a clear view, not only of the individual compensation paid to executive directors, but also of the policy applied by the company in order to determine the compensation paid.

24.3 Consultation of shareholders on individual executive directors’ compensation

The Board must present the compensation of executive directors at the annual General Meeting. This presentation must cover the elements of the compensation due or awarded at the end of the closed financial year to each executive director:

- the fixed part;
- the annual variable part and where necessary the multi-annual variable part with the objectives that contribute to the determination of this variable part;

[Omitted]

This presentation should be followed by an advisory vote by shareholders. It is recommended that at the shareholders' vote, one resolution is presented for the Chief Executive Officer or the Chairman of the Management Board and one resolution for the Deputy Chief Executive Officers or for the other members of the Management Board. When the ordinary shareholders' meeting issues a negative opinion, the Board, acting on the advice of the compensation committee, must discuss this matter at another meeting and immediately publish on the company's website a notice detailing how it intends to deal with the opinion expressed by the shareholders at the General Meeting.
3. “Sovereign” power

[Five considerations on functions of ‘shareholders’]

1. *Are the shareholders informed of the major foreseeable risks that might threaten the sustainability of the company?*

   Over and above the question of legal risk disclosure requirements, the point to be watched consists in assessing whether the existing governance system would enable shareholders to be properly informed in the event of risks threatening the sustainability of the company.

2. *Do the shareholders really choose the directors?*

   The point to be watched consists in assessing whether the shareholders are actually placed in a position to exercise their power to appoint directors by making credible, properly informed choices. (cf. Recommendation R9)

**The Board of Directors: MiddleNext Recommendations**

R 14: Directors’ compensation

Recommendation: The distribution of attendance fees, the global amount of which is determined by the general meeting, should be determined by the Board on the basis of the attendance record of the directors and the time they dedicate to the function.
1. Rights of shareholders

Corporate governance for listed companies should protect the rights of shareholders. Corporate governance has been structured with the primary focus on shareholders …For the purpose of fulfilling their responsibilities as the element at the core of corporate governance, shareholders shall be authorized to exercise various rights in managing a company. This should include the right to participate and vote in general meetings of shareholders on basic decisions of the company, including elections and dismissals of directors and auditors, fundamental corporate changes, the basic right to share various profits such as dividends, and the special right to make derivative lawsuits and injunction of activities in contravention of laws, regulations and other rules. That these rights as established by law should be protected and secured is the underlying condition for the proper function of corporate governance in conjunction with shareholders’ awareness of their rights.

Issues requiring attention

Listed companies shall direct their attention to the following issues in order to protect the rights of shareholders:

① Respect of shareholders’ basic rights

a Respect of voting rights

i Development and improvement of an environment in which shareholders exercise voting rights appropriately;

ii Development and improvement of an environment in which shareholders are inclined to participate in general meetings of shareholders;

iii Mutual communication with shareholders at the general meetings of shareholders;

b Return of profit to shareholders
OECD Principles of Corporate Governance

The Rights of Shareholders and Key Ownership Functions

Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.

Some capital structures allow a shareholder to exercise a degree of control over the corporation disproportionate to the shareholders’ equity ownership in the company. Pyramid structures, cross shareholdings and shares with limited or multiple voting rights can be used to diminish the capability of non-controlling shareholders to influence corporate policy. …
1. Rights and Equal Treatment of Shareholders

【Convocation Notice and Electronic Voting 1/3】

【Convocation Notice and Electronic Voting】

● OECD Principles of Corporate Governance

II The Rights of Shareholders and Key Ownership Functions

C.4. [Omitted]

...The objective of facilitating shareholder participation suggests that companies consider favourably the enlarged use of information technology in voting, including secure electronic voting in absentia.

III The Equitable Treatment of Shareholders

A.4 Impediments to cross border voting should be eliminated.

...In combination with business practices which provide only a very short notice period, shareholders are often left with only very limited time to react to a convening notice by the company and to make informed decisions concerning items for decision. This makes cross border voting difficult. The legal and regulatory framework should clarify who is entitled to control the voting rights in cross border situations and where necessary to simplify the depository chain. Moreover, notice periods should ensure that foreign investors in effect have similar opportunities to exercise their ownership functions as domestic investors. To further facilitate voting by foreign investors, laws, regulations and corporate practices should allow participation through means which make use of modern technology.
The UK Corporate Governance Code

Section E: Relations with shareholders

E.2: Constructive Use of the AGM

E.2.4. The company should arrange for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting. For other general meetings this should be at least 14 working days in advance.

German Corporate Governance Code

2.3 Invitation to the General Meeting, Postal Vote, Proxies

2.3.1 At least once a year the shareholders' General Meeting is to be convened by the Management Board giving details of the agenda. A quorum of shareholders is entitled to demand the convening of a General Meeting and the extension of the agenda. The convening of the meeting, as well as the reports and documents, including the Annual Report, required by law for the General Meeting are to be made easily accessible to the shareholders on the company's internet site together with the agenda, unless they are sent directly to the shareholders. If a postal vote is offered, the same shall apply to the forms which are to be used for it.

2.3.3 The company should make it possible for shareholders to follow the General Meeting using modern communication media (e.g. Internet).
1. Rights and Equal Treatment of Shareholders

【Convocation Notice and Electronic Voting  3/3】

● Singapore Code of Corporate Governance

16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.

● ICGN Global Governance Principles

8.0 General meetings

8.2 Notice

The board should ensure that the general meeting agenda is posted on the company’s website at least one month prior to the meeting taking place. The agenda should be properly itemised and include the date and location of the meeting as well as information regarding the issues to be decided at the meeting.

8.4 Vote mechanisms

The board should promote efficient and accessible voting mechanisms that allow shareholders to participate in general meetings either in person or remotely, preferably by electronic means or by post, and should not impose unnecessary hurdles.
In some countries, companies employ anti-take-over devices. However, both investors and stock exchanges have expressed concern over the possibility that widespread use of anti-take-over devices may be a serious impediment to the functioning of the market for corporate control. In some instances, take-over defences can simply be devices to shield the management or the board from shareholder monitoring. In implementing any anti-takeover devices and in dealing with take-over proposals, the fiduciary duty of the board to shareholders and the company must remain paramount.
1. Rights and Equal Treatment of Shareholders

German Corporate Governance Code

3 Cooperation between Management Board and Supervisory Board

3.7 In the event of a takeover offer, the Management Board and Supervisory Board of the target company must submit a statement of their reasoned position so that the shareholders can make an informed decision on the offer.

After the announcement of a takeover offer, the Management Board may not take any actions, until publication of the result, that could prevent the success of the offer, unless such actions are permitted under legal regulations. In making their decisions, the Management and Supervisory Boards are bound to the best interests of the shareholders and of the enterprise.

In the case of a takeover offer, the Management Board should convene an extraordinary General Meeting at which shareholders discuss the takeover offer and may decide on corporate actions.

TSE “Principles of Corporate Governance for Listed Companies”

1 Rights of shareholders

Listed companies shall direct their attention to the following issues in order to protect the rights of shareholders:

2 Due consideration to the infringement of rights of existing shareholders

a Enhanced disclosure of information to shareholders in situations where specified shareholders have excessive control that is not in proportion to the ownership ratio, and the rights of other shareholders are substantially infringed.

b Securing fair treatment of and enhanced information disclosure to shareholders in cases where the ownership distribution of the company is, or will be, changed.
VI. The Responsibilities of the Board

D. The board should fulfil certain key functions, including:

6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

It is an important function of the board to oversee the internal control systems covering financial reporting and the use of corporate assets and to guard against abusive related party transactions. These functions are sometimes assigned to the internal auditor which should maintain direct access to the board. Where other corporate officers are responsible such as the general counsel, it is important that they maintain similar reporting responsibilities as the internal auditor.

In fulfilling its control oversight responsibilities it is important for the board to encourage the reporting of unethical/unlawful behaviour without fear of retribution. The existence of a company code of ethics should aid this process which should be underpinned by legal protection for the individuals concerned. In a number of companies either the audit committee or an ethics committee is specified as the contact point for employees who wish to report concerns about unethical or illegal behaviour that might also compromise the integrity of financial statements.
German Corporate Governance Code

4 Management Board

4.3 Conflicts of Interest

4.3.4 All members of the Management Board shall disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Management Board thereof. All transactions between the enterprise and the members of the Management Board as well as persons they are close to or companies they have a personal association with must comply with standards customary in the sector. Important transactions shall require the approval of the Supervisory Board.

5 Supervisory Board

5.5 Conflicts of Interest

5.5.2 Each member of the Supervisory Board shall inform the Supervisory Board of any conflicts of interest, in particular those which may result from a consultant or directorship function with clients, suppliers, lenders or other third parties.
In its report, the Supervisory Board shall inform the General Meeting of any conflicts of interest which have occurred together with their treatment. Material conflicts of interest and those which are not merely temporary in respect of the person of a Supervisory Board member shall result in the termination of his mandate.

Advisory and other service agreements and contracts for work between a member of the Supervisory Board and the company require the Supervisory Board's approval.

**France “Corporate Governance Code of Listed Corporations”**

**8 Minority Shareholders**

When a corporation is controlled by a majority shareholder (or a group of shareholders acting in concert), the latter assumes a specific responsibility to the other shareholders, which is direct and separate from that of the Board of Directors. The majority shareholder must take particular care to avoid possible conflicts of interest, to secure transparency of the information provided to the market, and to fairly take all interests into account.

**20 Ethical Rules for Directors**

— The director is bound to report to the Board any conflict of interest, whether actual or potential, and abstain from taking part in voting on the related resolution.
2. “Supervisory” power

**Supervisory Power: Points to be watched but not subject to specific recommendations**

The Board of Directors is a collegiate body which collectively represents all the shareholders and is bound by the obligation to take account of the corporate interest of the company at all times.

**Context:** Most Small and Midcaps have large reference shareholders and/or a manager wielding preponderant influence, especially when it is the founder of the company. Emphasis should therefore be placed on the fact that the reference shareholders are likely to be the first to suffer from any poor management. However, some management decisions can harm the interests of minority shareholders, and the directors must therefore ensure that the right balance is found between the different powers. Their role therefore consists essentially in ensuring that there are no abuses and that the excessively close link between executive power and reference shareholders does not have a negative effect on the quality of governance or on that of strategic decisions, or that the founder and manager does not manage the company without taking account of the shareholders’ interests in cases where capital is diluted.
1. Rights and Equal Treatment of Shareholders

【Transactions Involving Conflict of Interest 5/7】

France “MiddleNext Governance Code for Small and Midcaps”

The Board of Directors: MiddleNext Recommendations

R 6: Introduction of Board Rules of Procedure

Recommendation: Rules of Procedure should be introduced for the Board and should cover at least the following (five) points:

- directors’ duties (ethics: loyalty, non-competition, disclosure of conflicts of interest and the duty to abstain, confidentiality etc.)

R 7: Director ethics

Recommendation: in the event of any conflict of interests arising after their appointment, a director must inform the Board, abstain from voting or taking part in its deliberations and, if necessary, resign. The absence of any information to this effect will be deemed to be acknowledgement that no such conflict of interest exists.

3. “Sovereign” Power

[Five considerations on functions of ‘shareholders’]

4. Is there the risk of harming the rights of minority shareholders?

The aim here is to avoid any practices that might lead to the interests of minority shareholders being harmed, notably on the occasion of transactions between related parties (such as regulated agreements, for example...). In this respect, the importance of the information provided to shareholders on this subject is emphasised.
ICGN Global Governance Principles

9.0 Shareholder rights

9.4 Related party transactions

The board should disclose the process for reviewing and monitoring related party transactions which, for significant transactions, includes establishing a committee of independent directors. This can be a separate committee or an existing committee comprised of independent directors, for example the audit committee. The committee should review significant related party transactions to determine whether they are in the best interests of the company and, if so, to determine what terms are fair and reasonable. The conclusion of committee deliberations on significant related party transactions should be disclosed in the company's annual report to shareholders.
1. Rights and Equal Treatment of Shareholders

**TSE “Principles of Corporate Governance for Listed Companies”**

2 Equal treatment of shareholders

Corporate governance for listed companies should ensure the equal treatment of all shareholders, including minority and foreign shareholders.

The equal treatment of all shareholders of the same class in proportion to their equity interests is an important element of corporate governance. Management, directors, auditors and controlling shareholders may find opportunities to abuse their positions to benefit themselves, and such activities are certain to cause disadvantages to investors and minority shareholders. The prohibition of abusive or fraudulent use of corporate assets or insider information by parties closely related to the company is an inevitable step to be taken both to protect investors and to maintain their confidence in the capital markets.

**Issues requiring attention:**

Listed companies shall direct their attention to the following issues in order to secure equitable treatment of shareholders:

① Development and improvement of a system to prohibit transactions against the primary interests of the company or shareholders through the abuse of concerned parties’ positions such as officers, employees, and controlling shareholders;

② Enhanced disclosure of information to shareholders in cases where concerned parties conduct actions that are likely to damage the primary interests of the company or shareholders;

③ Prohibition of special benefits provided to specified shareholders.
2. Relationship with Stakeholders

【Stakeholders】

● OECD Principles of Corporate Governance

VI The Responsibilities of the Board

…The board is not only accountable to the company and its shareholders but also has a duty to act in their best interests. In addition, boards are expected to take due regard of, and deal fairly with, other stakeholder interests including those of employees, creditors, customers, suppliers and local communities. Observance of environmental and social standards is relevant in this context.

● The UK Corporate Governance Code

Preface

8 While in law the company is primarily accountable to its shareholders, and the relationship between the company and its shareholders is also the main focus of the Code, companies are encouraged to recognise the contribution made by other providers of capital and to confirm the board’s interest in listening to the views of such providers insofar as these are relevant to the company’s overall approach to governance.
2. Relationship with Stakeholders

● German Corporate Governance Code

4.1.1 The Management Board is responsible for independently managing the enterprise in the interest of the enterprise, thus taking into account the interests of the shareholders, its employees and other stakeholders, with the objective of sustainable creation of value.

● TSE “Principles of Corporate Governance for Listed Companies”

3 Relationship with stakeholders in corporate governance

Corporate governance for listed companies should help create corporate value and jobs through the establishment of smooth relationships between the company and its stakeholders and encourage further sound management of the enterprise.

That companies sustain and improve their competitive strengths and enhance their values through the pursuit of profit on a continuous basis is a principal interest common to shareholders, but this is the result of the provision of company resources by all stakeholders. Thus, the establishment of smooth relationships with stakeholders other than shareholders based on active cooperation and constructive criticism would be in the long-term interests of enterprises.

○ Issues requiring attention:

   Listed companies should direct their attention to the following issues in order to establish smooth relationships with stakeholders other than shareholders:

   ① Cultivation of a corporate culture that respects the positions of stakeholders, and development of internal systems therefore;

   ② Timely and accurate disclosure to stakeholders of material information relating to stakeholders, and development of internal systems therefore.
VI. The Responsibilities of the Board

C. The board should apply high ethical standards. It should take into account the interests of stakeholders.

The board has a key role in setting the ethical tone of a company, not only by its own actions, but also in appointing and overseeing key executives and consequently the management in general. High ethical standards are in the long term interests of the company as a means to make it credible and trustworthy, not only in day-to-day operations but also with respect to longer term commitments. To make the objectives of the board clear and operational, many companies have found it useful to develop company codes of conduct based on, inter alia, professional standards and sometimes broader codes of behaviour.

Company-wide codes serve as a standard for conduct by both the board and key executives, setting the framework for the exercise of judgement in dealing with varying and often conflicting constituencies. At a minimum, the ethical code should set clear limits on the pursuit of private interests, including dealings in the shares of the company. An overall framework for ethical conduct goes beyond compliance with the law, which should always be a fundamental requirement.
2. Relationship with Stakeholders  【Codes of Conduct  2/3】

The UK Corporate Governance Code

Preface

4 One of the key roles for the board includes establishing the culture, values and ethics of the company. It is important that the board sets the correct ‘tone from the top’. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organisation. This will help prevent misconduct, unethical practices and support the delivery of long-term success.

Section A: Leadership

A.1: The Role of the Board

Supporting Principles

The board should set the company’s values and standards and ensure that its obligations to its shareholders and others are understood and met.

Singapore Code of Corporate Governance

1.1 The Board’s role is to:

(e) set the company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
ICGN Global Governance Principles

4.0 Corporate culture

4.1 Codes of conduct /ethics
The board should adopt high standards of business ethics through codes of conduct/ ethics (or similar instrument) and oversee a culture of integrity, notwithstanding differing ethical norms and legal standards in various countries. This should permeate all aspects of the company’s operations, ensuring that its vision, mission and objectives are ethically sound and demonstrative of its values. Codes should be effectively communicated and integrated into the company’s strategy and operations, including risk management systems and remuneration structures.

4.6 Behaviour and conduct
The board should foster a corporate culture which ensures that employees understand their responsibility for appropriate behaviour. There should be appropriate board level and staff training in all aspects relating to corporate culture and ethics. Due diligence and monitoring programmes should be in place to enable staff to understand relevant codes of conduct and apply them effectively to avoid company involvement in inappropriate behaviour.
2. Relationship with Stakeholders

【Diversity】

● The UK Corporate Governance Code

Preface

3 Essential to the effective functioning of any board is dialogue which is both constructive and challenging. The problems arising from “groupthink” have been exposed in particular as a result of the financial crisis. One of the ways in which constructive debate can be encouraged is through having sufficient diversity on the board. This includes, but is not limited to, gender and race. Diverse board composition in these respects is not on its own a guarantee. Diversity is as much about differences of approach and experience, and it is very important in ensuring effective engagement with key stakeholders and in order to deliver the business strategy.

● German Corporate Governance Code

4 Management Board

4.1 Tasks and Responsibilities

4.1.5 When filling managerial positions in the enterprise the Management Board shall take diversity into consideration and, in particular, aim for an appropriate consideration of women.
5 Supervisory Board

5.1 Tasks and Responsibilities

5.1.2 The Supervisory Board appoints and dismisses the members of the Management Board. When appointing the Management Board, the Supervisory Board shall also respect diversity and, in particular, aim for an appropriate consideration of women. …

5.4 Composition and Compensation

5.4.1 ...The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.

Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report. …
6. Membership of the Board of Directors: Guiding Principles

6.3 Each Board should consider what would be the desirable balance within its membership and within that of the committees of Board members which it has established, in particular as regards the representation of men and women, nationalities and the diversity of skills, and take appropriate action to assure the shareholders and the market that its duties will be performed with the necessary independence and objectivity. It should publish in the reference document the objectives, methods and results of its policy in these matters.

6.4 With regard to the representation of men and women, the objective is that each Board shall reach and maintain a percentage of at least 20% of women within a period of three years and at least 40% of women within a period of six years from the shareholders' meeting of 2010 or from the date of the listing of the company’s shares on a regulated market, whichever is latter. Directors who are permanent representatives of legal entities and directors representing employee shareholders are taken into account in order to determine these percentages, but this is not the case with directors representing employees.

When the Board comprises fewer than nine members, the difference at the end of six years between the number of directors of each gender may not be in excess of two.
2. Relationship with Stakeholders

● Singapore Code of Corporate Governance

2.6 The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company.

● ICGN Global Governance Principles

3.2 Diversity

The board should disclose the company’s policy on diversity which should include measurable targets for achieving appropriate diversity within its senior management and board (both executive and non-executive) and report on progress made in achieving such targets.
2. Relationship with Stakeholders

【ESG】

● OECD Principles of Corporate Governance

V Disclosure and Transparency

A. Disclosure should include, but not be limited to, material information on:

2. Company objectives.

In addition to their commercial objectives, companies are encouraged to disclose policies relating to business ethics, the environment and other public policy commitments. Such information may be important for investors and other users of information to better evaluate the relationship between companies and the communities in which they operate and the steps that companies have taken to implement their objectives.

● Singapore Code of Corporate Governance

1.1 The Board's role is to:

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

● ICGN Global Governance Principles

1.2 Responsibilities

The board is accountable to shareholders and relevant stakeholders and is responsible for protecting and generating sustainable value over the long term. In fulfilling their role effectively, board members should:

b) monitor the effectiveness of the company’s governance practices, environmental practices, and social practices, and adhere to applicable laws;
E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.

Unethical and illegal practices by corporate officers may not only violate the rights of stakeholders but also be to the detriment of the company and its shareholders in terms of reputation effects and an increasing risk of future financial liabilities. It is therefore to the advantage of the company and its shareholders to establish procedures and safe-harbours for complaints by employees, either personally or through their representative bodies, and others outside the company, concerning illegal and unethical behaviour. In many countries the board is being encouraged by laws and or principles to protect these individuals and representative bodies and to give them confidential direct access to someone independent on the board, often a member of an audit or an ethics committee. Some companies have established an ombudsman to deal with complaints. Several regulators have also established confidential phone and e-mail facilities to receive allegations. While in certain countries representative employee bodies undertake the tasks of conveying concerns to the company, individual employees should not be precluded from, or be less protected, when acting alone. When there is an inadequate response to a complaint regarding contravention of the law, the OECD Guidelines for Multinational Enterprises encourage them to report their bona fide complaint to the competent public authorities. The company should refrain from discriminatory or disciplinary actions against such employees or bodies.
The UK Corporate Governance Code

Section C: Accountability

C.3: Audit Committee and Auditors

C.3.5. The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee’s objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Singapore Code of Corporate Governance

12.7 The Audit Committee (“AC”) should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC’s objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company’s Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.
ICGN Global Governance Principles

4.3 Whistleblowing

The board should ensure that the company has in place an independent, confidential mechanism whereby an employee, supplier or other stakeholder can (without fear of retribution) raise issues of particular concern with regard to potential or suspected breaches of a company’s code of ethics or local law.