



# The Role of Institutional Investors in Corporate Governance

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# Agenda

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# G20/OECD Principles of Corporate Governance

The revised ***G20/OECD Principles of Corporate Governance*** reflect recent evolutions in capital markets and corporate governance policies and practices.

They recommend that institutional investors **disclose their policies** for corporate governance with respect to their investments:



The corporate governance framework should **facilitate and support institutional investors' engagement with their investee companies**. Institutional investors acting in a fiduciary capacity should disclose their policies for corporate governance and voting with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights. **Stewardship codes may offer a complementary mechanism to encourage such engagement.**

*Subprinciple III.A.*

They also recommend transparency by **proxy advisors and ESG rating providers on conflicts of interest** and on their **methodologies**:

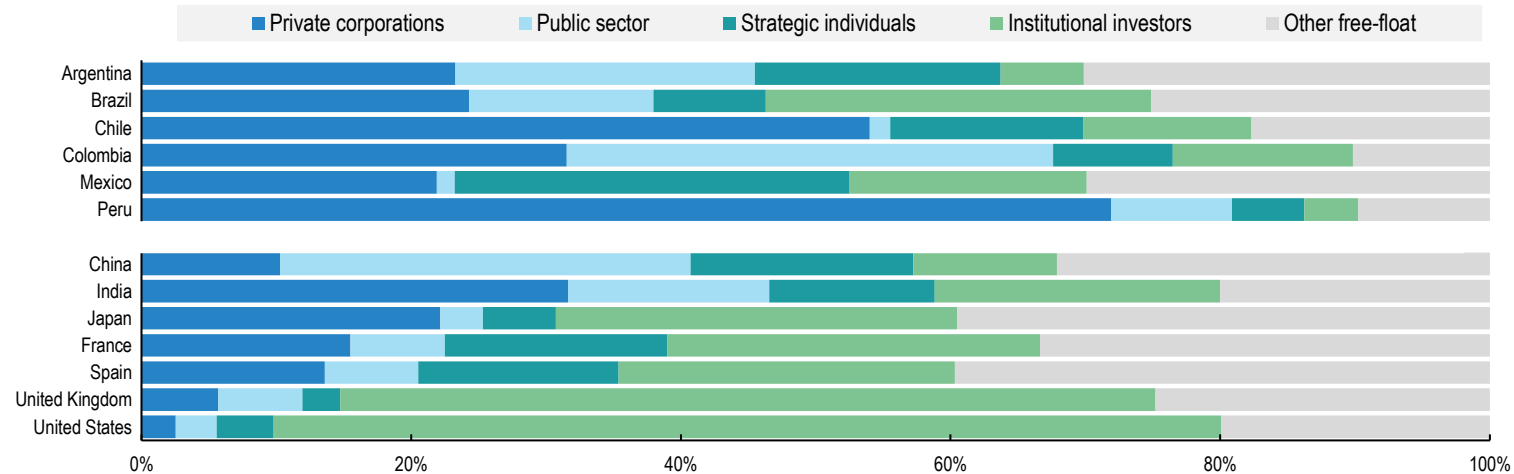
The corporate governance framework should require that entities and professionals that provide analysis or advice **relevant to decisions by investors, such as proxy advisors, analysts, brokers, ESG rating and data providers, credit rating agencies and index providers, where regulated, disclose and minimise conflicts of interest that might compromise the integrity of their analysis or advice.**

*Subprinciple III.D.*

# Institutional ownership (i)

## INVESTOR HOLDINGS

at country level, end-2022



Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

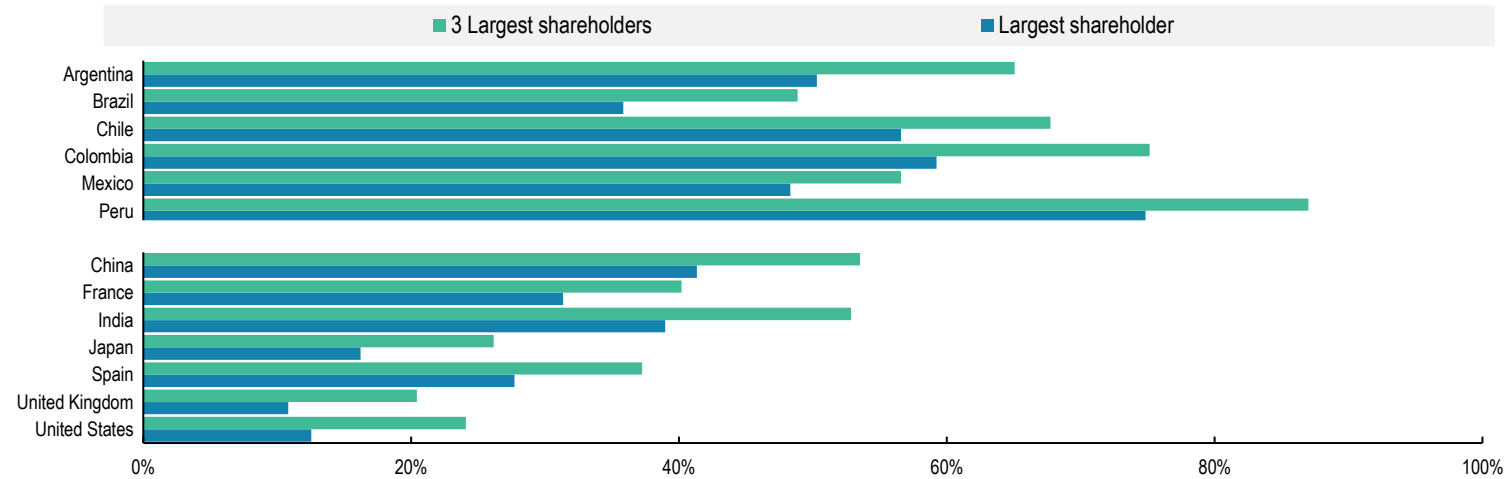
▶ In 2022, **institutional investors** were the most relevant shareholders in several regions.

▶ In **Latin America**, **private corporations** are prominent investors, owning almost one-third of the region's listed equity.

▶ In **Brazil**, **institutional investors** hold **29%** of the listed equity, making them the main category of investors.

# Institutional ownership (ii)

## OWNERSHIP CONCENTRATION BY MARKET



Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

▶ The **ownership structure** of listed companies is becoming **progressively concentrated globally**.

▶ Concentration is particularly **prominent** in **Latin American** markets, where at least 60% of all listed companies in each market have three owners holding more than 50% of the equity capital.

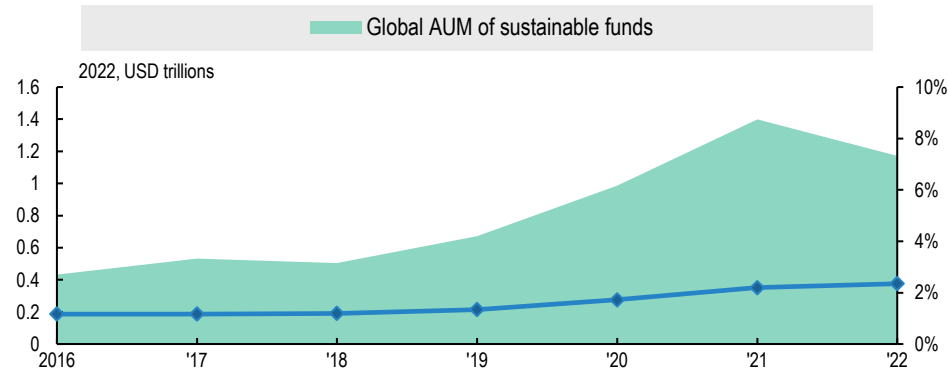
# Institutional investment strategies

- ▶ All types of investors, whether they follow **active** or **passive** investment strategies, have relevant roles to play in contributing to well-functioning capital markets and efficient price discovery.
- ▶ **Passive strategies** are gaining traction globally. By using technology and offering competitive fees, these strategies might facilitate **broader investor participation** in the capital markets.
- ▶ The reliance of **institutional investors** on economies of scale can present challenges: **equity concentration; less market efficiency**.

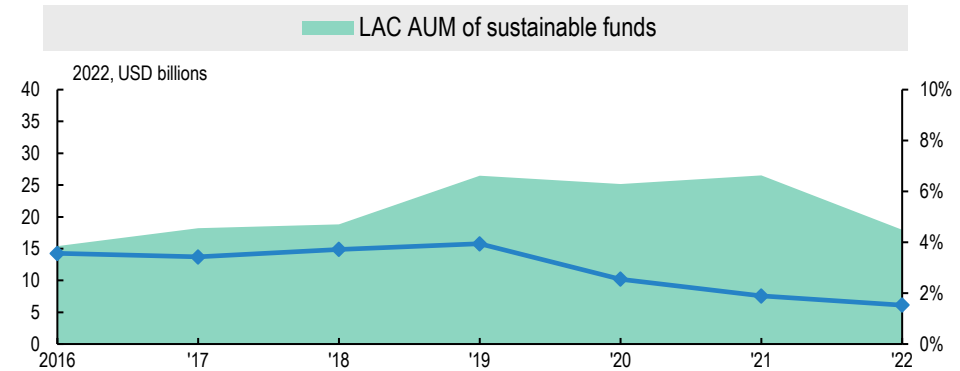
# Sustainable investment funds

## AUM OF TOTAL ETF AND OPEN-ENDED FUNDS

### GLOBAL



### LATIN AMERICA

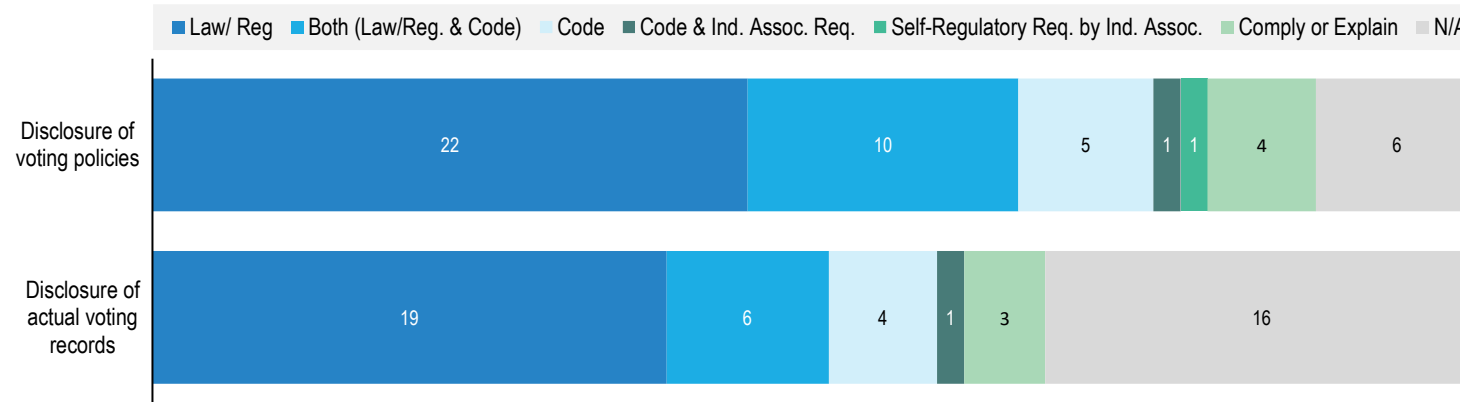


Source: Morningstar Direct, OECD calculations.

- ▶ Since 2016, **investment funds** that identify themselves as **sustainable** or **climate funds** have been receiving **increasing net inflows**, reaching USD 1 171 billion in 2022.
- ▶ In **Latin America**, although the AUM of sustainable funds increased from 2016 to 2021, the share of **sustainable funds compared to the total fund market decreased below 2%** in 2022.

# Regulatory Frameworks

## DISCLOSURE OF VOTING POLICIES AND VOTING RECORDS OF INSTITUTIONAL INVESTORS



Source: OECD (2023), OECD Corporate Governance Factbook 2023, OECD Publishing, Paris, <https://doi.org/10.1787/6d912314-en>.

- ▶ Most jurisdictions require **disclosure of voting policies and records** by institutional investors.
- ▶ Out of the **49 surveyed jurisdictions**, only 6 do not require or recommend that some institutional investors disclose their voting policies.





**Thank you for your attention!**

