Corporate ownership and concentration

Background note for the OECD-Asia Roundtable on Corporate Governance

20-21 October 2022

Please cite as: OECD (2022), Corporate ownership and concentration: Background note for the OECD-Asia Roundtable on Corporate Governance (October 2022), https://www.oecd.org/corporate/background-note-Asia-roundtable-corporate-ownership-and-concentration.pdf

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Introduction

This background note aims to inform the discussions at the ***OECD-Asia Roundtable on Corporate Governance*** on the main trends and issues in ownership structures and their implications for the design and implementation of corporate governance regulations. Particularly, it serves as a reference to the session that discusses trends in corporate ownership in Asia. It focuses on trends in listed company ownership structures around the world and the rise in ownership concentration, with a special focus in Asian listed companies. It addresses the importance and implications of corporate ownership by private companies, states and institutional investors in public equity markets. This note is a concise version of the working paper *"Corporate ownership, increased concentration and company groups*" (Medina, De La Cruz and Tang, 2022[1]).

During the past decade, several markets have seen an increase in ownership concentration in publicly listed companies. While this is a global development, there are important country and regional differences with respect to the different categories of shareholders that make up the largest shareholders at the company level. There are three major trends: first, the dominance of company group structures, in particular in some emerging markets; second, the growth in state ownership through various state-controlled investors; and third, the re-concentration of ownership in the hands of large institutional investors, in particular investors that follow passive index investment strategies.

Asia is no exception to these trends, however the relative importance of different categories of investors may be different. Company groups are common in the corporate Asian landscape and their importance as owners of listed companies is higher compared to global trends. Additionally, the increasing number of Asian state-owned enterprises using public equity markets through partial privatisation process, has led to a significant growth in state ownership in listed companies. In relation to institutional investors, although their presence in Asian equity markets remains small, it is expected to increase as the number of Asian listed companies included in major investable indices increases.

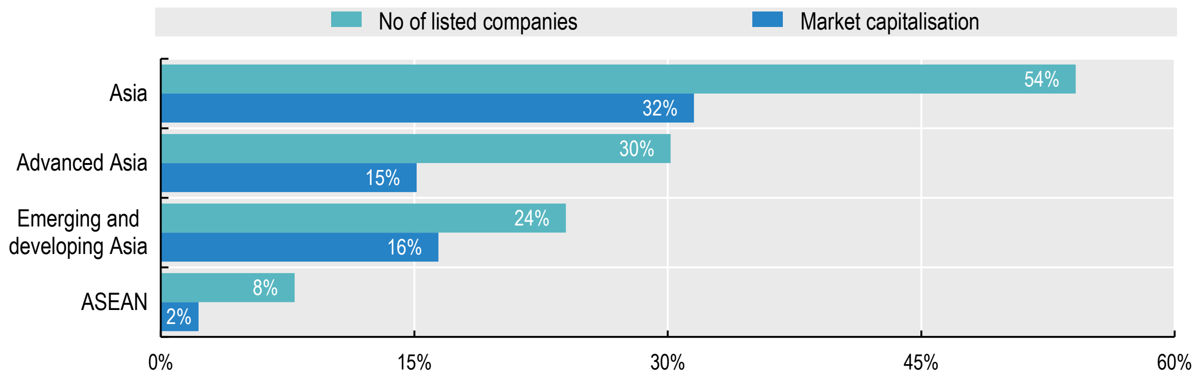
The note is organised as follows: Section 1 provides an overview of the ownership structure of listed companies; Section 2 discusses the main issues arising from having a corporation as a controlling shareholder and more importantly when listed companies are part of a company group; Section 3 describes the main issues related to the state as a controlling shareholder of listed companies and discusses the regulatory approaches to corporations under public sector control; and Section 4 discusses the re-concentration of ownership in the hands of institutional investors in some advanced markets and the main issues arising from it.

1 Ownership structure and trends in ownership concentration

Today's equity markets have two important characteristics: the prevalence of concentrated ownership in listed companies, and a wide variety of ownership structures across countries. Historically, however, most of the corporate governance debate has focused on situations with dispersed ownership, where the challenge of aligning the interests of shareholders and managers dominates. As a result, it has long been assumed that in most listed companies individual shareholders might have a too small stake to warrant the cost of taking action or making an investment in monitoring performance.

Instead, recent developments have been shaping the ownership structures of listed companies towards concentrated ownership models. The first factor contributing to this is the change in the composition of listed companies as a result of the increasing importance of Asian companies in stock markets. Between 2009 and 2021, 46% of all public equity in the world was raised by Asian companies. This is a marked increase from 22% during the 1990s. As a result, Asia as a region has become the largest equity market by number of listed companies, hosting 54% of the total number of companies globally as of end 2020. Specifically, stock exchanges in advanced Asia list 30% of the total number of global listed companies, while those in emerging and developing Asia list another 24% (Figure 1.1). Since Asian companies are characterised by having a controlling shareholder – either a corporation, family or the state – developments on a worldwide scale in terms of new listings towards Asian emerging markets have increased the dominance of controlled companies.

Figure 1.1. Asia's share in global equity markets as of end-2020



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

The second factor impacting concentration at the company level has been the rise of institutional investors. The assets under management by pension funds and insurance companies went from representing 65% of GDP in 2000 to 119% in 2019 in the OECD area. While assets under management by institutional investors have increased during the last two decades, many companies in OECD economies have left the public equity markets. In particular, there were 8 400 delistings of European companies over the 2005-21 period, over 6 000 delistings of US companies and around 1 400 of Japanese companies. For the OECD area as a whole, these delistings were larger than the number of new listings, resulting in a net decrease in listed companies every single year between 2008 and 2021 (OECD, 2022[1]). The result of these trends is that a growing amount of money from institutional investors has been allocated to a diminishing number of companies.

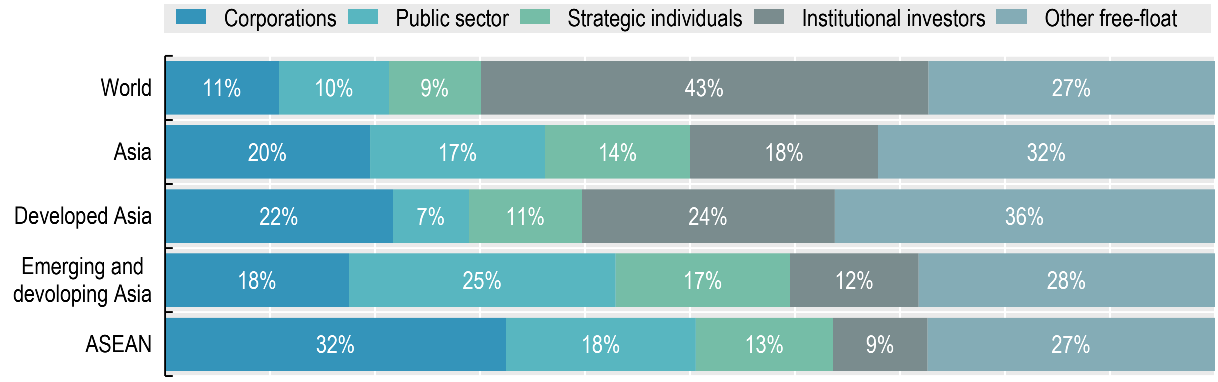
This development of institutional investors' holdings varies across regions. In the United States, the largest equity market in terms of market capitalisation, institutional investors have increased significantly their presence in the equity market. In the United States, institutional investors held less than 20% of the US equity market in the early 1970s (Fichtner, 2020[2]). Today, they hold 68%. At the same time, over the last 20 years, the number of companies listed on the US stock market declined by nearly 50% (U.S. Department of the Treasury, 2017[3]). This shows that overall, the growth in institutional investors' assets under management has also increased ownership concentration at the company level in jurisdictions where atomistic dispersed ownership was considered the norm. In Asia, institutional investors have also increased their participation in the equity market. Back in 2005, total holdings of institutional investors in India represented 4.5% of GDP compared to 21% by the end of 2020 (IMF, 2006[5]). However their presence remains limited compared to other parts of the world.

The third factor that has contributed to the increase in ownership concentration is the partial privatisation of many state-owned companies through stock market listings since the 1990s. In many cases, privatisation through stock market listings has not led to any change in control and today states have controlling stakes in a large number of listed companies, in particular in Asian emerging markets. Globally, the public sector held USD 10.7 trillion of listed equity as of end 2020, which was almost 10% of global market capitalisation.

As a result of these developments, the ownership landscape has changed into something that no longer fits the assumption of a dispersedly owned equity. To better understand the ownership structure in listed companies, investors can be classified into five categories: private corporations and holding companies ("corporations"); public sector; strategic individuals and families ("strategic individuals"); institutional investors; and other free-float including retail investors ("other free-float") (De La Cruz, Medina and Tang, 2019[4]). Globally, institutional investors are the largest investor category, holding 43% of global market capitalisation, equivalent to USD 44 trillion. Corporations, the public sector, and strategic individuals follow, with 11%, 10% and 9% of global listed equity, respectively. The category "other free-float" mainly includes direct retail investments and holdings by institutional investors that are below the disclosure thresholds.

Asian countries show a different ownership landscape compared to the global picture. Institutional investors are not the most prominent investor category in Asia, where they own only 18% of the listed equity. Instead, corporations, the public sector and strategic individuals are key investors in Asian equity markets owning 20%, 17% and 14% of the listed equity, respectively. The presence of corporations and institutional investors as owners of listed companies is much higher in companies listed in developed Asia compared to those listed on developing and emerging Asian markets. Conversely, emerging and developing Asia shows a higher ownership of the public sector and strategic individuals in listed companies. Notably, companies listed on ASEAN stock exchanges have the highest share of corporations as owners at 32%.

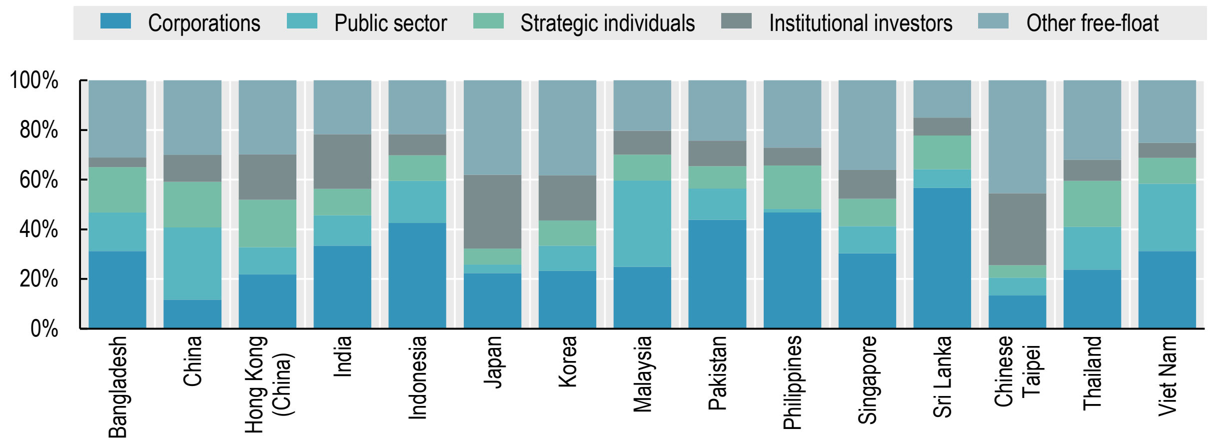
Figure 1.2. Global overview of listed companies and investor holdings, end-2020



Note: Panel A shows the market capitalisation and number of listed companies for 25 766 listed companies from 92 markets, the bubble size represents their share in global market capitalisation. Panel B shows the overall ownership distribution by owner categories.
Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg.

There are also significant differences across jurisdictions with respect to the relative importance of each category of investors. Corporations are important investors in Sri Lanka, the Philippines, Pakistan, Indonesia and India, where they own over one-third of the listed equity. The public sector is an important owner in Malaysia, China and Viet Nam, owning over 25% of the listed equity. Strategic individuals hold a significant share of the listed equity in Hong Kong (China), Thailand, China, Bangladesh and the Philippines. Institutional investors are important owners of listed equity in Japan, Chinese Taipei and India where they hold over 20% of the listed equity. In Hong Kong (China) and Korea their equity holdings account for 18% of the market capitalisation. The presence of institutional investors remains modest in mainland China, however with the progressive inclusion of A-shares in investable indices it is expected to continue growing.

Figure 1.3. Investors' holdings in Asian markets as of end-2020



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

Although the ownership structure in most markets is characterised today by a fairly high degree of concentration at the company level, there are important differences with respect to the categories of owners that make up the largest owners. Table 1.1 and Table A 4 show ownership concentration by the top three investors of all investor categories and by category. Even in jurisdictions that show the lowest level of concentration, the top three investors own on average over one-third of the listed companies' shares. Importantly, in 34 jurisdictions the average combined holdings of the top three investors represent over half of the companies' shares.

Considering only private corporate owners of listed companies, in 9 jurisdictions, the top three corporations hold on average over 25% of the shares of the company. The public sector concentrates the ownership of listed companies in fewer markets. However, in jurisdictions such as China, the top three public sector investors hold on average over 15% of the shares in listed companies. Strategic individuals concentrate on average over 20% of the shares in listed jurisdictions including Hong Kong (China), Singapore, China, Thailand and Korea. However in Asia their holdings remain limited compared to markets like the United States where institutional investors concentrate on average almost 25% in US listed companies.

Table 1.1. Ownership concentration by the top 3 investors at the company level, end-2020

	Top 3 all investors (%)		Top 3 corporations (%)		Top 3 public sector (%)		Top 3 individuals (%)		Top 3 inst. investors (%)
Sri Lanka	72.2	Sri Lanka	54.2	China	16.1	Hong Kong (China)	34.7	Japan	8.2
Indonesia	71.7	Philippines	48.2	Viet Nam	11.7	Singapore	31.9	Chinese Taipei	8.0
Philippines	65.5	Indonesia	46.5	Malaysia	10.6	China	27.6	India	7.9
Singapore	61.9	Pakistan	37.5	Bangladesh	9.5	Thailand	25.1	Pakistan	7.0
Hong Kong (China)	61.7	Viet Nam	32.7	Sri Lanka	9.2	Korea	23.4	Sri Lanka	5.6
Pakistan	60.4	Malaysia	31.5	Hong Kong (China)	7.5	Indonesia	18.4	Korea	4.8
Viet Nam	56.7	India	30.5	India	7.5	Japan	18.0	China	4.4
India	55.0	Thailand	27.4	Pakistan	7.3	India	17.9	Viet Nam	4.4
Malaysia	54.9	Singapore	26.7	Indonesia	6.7	Philippines	17.5	Hong Kong (China)	4.4
Thailand	53.1	Japan	22.5	Chinese Taipei	3.7	Malaysia	17.2	Malaysia	3.9

Note: The table shows the average combined holdings of the top three investors overall and by category of investors. The table only provides information for the ten jurisdictions showing the highest levels of concentration. Information for all jurisdictions can be found in the Annex.
Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg.

2 Company groups

Company groups can support economic growth and employment through economies of scale and synergies. If adequately managed, they can foster cross-border investments and operations through multinational companies, and are useful for the safeguard of intellectual property rights. Reduced need for external finance, lower informational asymmetries, lower transaction costs and lower dependence on contract enforcement instruments are other benefits of company groups. Likewise, the incorporation of listed subsidiaries or unlisted joint ventures can stimulate entrepreneurship by better incentivising managers to innovate and have their success recognised by shareholders (OECD, 2020[5]).

Company groups have also been an increasing phenomenon in Asia due to a number of advantages. In a survey conducted in 2018 by the Ministry of Economy, Trade and Industry of Japan, four rationales were stated by parent companies for having listed subsidiaries. The benefits included improved motivation of the employees of the subsidiary, maintenance of the higher status and brand value of being a listed company, recruitment of high-quality talents in the subsidiary, and enhanced business trust with the subsidiary partners (OECD, 2020[5]). A survey undertaken by the OECD and the Securities and Exchange Board of India (SEBI) in 2021 shows that more than half of the companies surveyed organised themselves as a group due to economies of scale and efficiencies in resource allocation (OECD, 2022[6]).

Company groups face the same agency-related issues as stand-alone companies. As controlling shareholders, parent companies may tend to extract private benefits of control, to the detriment of other shareholders. Related party transactions are frequent among group members, and the more complex the group structure is, the higher the risk that these transactions will be executed in an opaque manner. Intra-group activities such as cash-pooling, joint borrowing, cross-guarantees, common branding, use of intellectual property and shared services are also frequent in company groups. Conflicts of interest may also arise when allocating new business opportunities to different group members with overlapping activities.

Non-agency-related issues also exist in company groups. In particular, the functioning of capital markets can be undermined in jurisdictions where dominant company groups have an internal capital market in place. Networks of related companies may also hamper competition when they compete in the same market or take part in the same supply chain. Furthermore, company groups are also associated with adverse effects linked to the concentration of power in fewer hands, such as lobbying and corruption.

2.1. Listed companies as a part of company groups

Corporations are significant owners of equity in Asia. Indeed, they hold 20% of the regional market capitalisation and in 8 out the 15 jurisdictions for which ownership information is available, corporations hold over 30% of the listed equity. In several of these jurisdictions non-domestic entities are owners of an important share of the listed equity (Table 2.1). For example, in Sri Lanka, Pakistan and Singapore, over 20% of the market capitalisation is owned by non-domestic corporations. In Asia it is also common that listed corporations are owned by other listed companies. The second to last column in the table below shows the share of the market capitalisation owned by another listed corporation. Jurisdictions with high overall corporate ownership have high ownership by other listed companies. This is the case in Sri Lanka, the Philippines, Pakistan and Indonesia where almost a quarter of the listed equity in each market is held by other listed corporations. Importantly, in many of these cases, this ownership correspond to domestic listed companies. This is the case notably in Philippines, where over 27% of the market capitalisation is owned by domestic listed corporations.

Table 2.1. Corporations as owners by location and listed status as of end-2020

	Share of market capitalisation owned by:				
	Corporations	Non-domestic corporations	Domestic corporations	Publicly listed corporations	Domestic public listed corporations
Sri Lanka	57%	20%	37%	43%	25%
Philippines	47%	4%	43%	30%	27%
Pakistan	44%	24%	19%	25%	8%
Indonesia	43%	17%	25%	24%	8%
India	33%	9%	24%	16%	8%
Viet Nam	31%	14%	17%	18%	9%
Bangladesh	31%	13%	18%	11%	1%
Singapore	30%	21%	9%	24%	5%
Malaysia	25%	6%	19%	10%	5%
Thailand	24%	8%	16%	17%	10%
Korea	23%	1%	22%	21%	20%
Japan	22%	2%	20%	18%	17%
Hong Kong (China)	22%	19%	3%	16%	2%
Chinese Taipei	13%	2%	12%	7%	7%
China	12%	2%	9%	4%	2%

Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg, see Annex for details.

The significant corporate ownership in the region also reflects the existence of intricate company group structures. To illustrate the complexity of company groups across different jurisdictions, Table 2.2 provides a description of their main features. The analysis focuses on the 50 largest listed companies in each jurisdiction and identifies their group structure within the universe of listed and unlisted companies covered by the OECD-ORBIS Corporate Finance dataset. The second column of the table shows the percentage of listed companies that are the ultimate parent of the group. On average, two-thirds of the listed companies are the parent company in the group. The remaining one-third of the listed companies belong to the group as a subsidiary (column 3). When the listed company is a subsidiary of the group, it is usually directly owned by the parent or at most two layers away from the parent. Among the listed companies that are not the parent of the group, on average 31% of them have another listed company as their ultimate parent (column 4), while the rest (69%) have unlisted companies as their ultimate parents (column 5). There are large differences across jurisdictions. In Indonesia, over half of the 50 largest listed companies (58%) belong to a group as a subsidiary and the rest are the parent of the group, whereas in Korea 88% are the parent company of the group structure.

Company groups also have intricate structures that involve several layers and subsidiaries incorporated across different jurisdictions. The number of layers in a group represents the longest chain between the ultimate parent firm and its subsidiaries. Thus, a higher number of layers (column 7) in a group reflects a more complicated structure. In some jurisdictions, such as India and Viet Nam, the group structure is less complex with the median number of corporate layers ranging from three to five, while in Singapore, the median number of layers in a company group is eight. The number and composition of subsidiaries also vary across jurisdictions. In Japan, this number is 92 and the subsidiaries are incorporated in 22 different jurisdictions. Conversely, in Indonesia a corporate group has typically much fewer subsidiaries (nine), incorporated in only three jurisdictions.

Table 2.2. Listed companies as part of a company group structure by jurisdiction, end-2019

	(2) Share of listed companies that are the ultimate parent of the group	(3) Share of listed companies that are a subsidiary in the group	As percentage of column (3): (4) Share of listed companies having a listed parent	As percentage of column (3): (5) Share of listed companies having an unlisted parent	As percentage of column (3): (6) Share of listed companies with a non-domestic parent	(7) No. of layers in the group structure (median)	(9) No. of subsidiaries in the group (median)	(10) No. of financial subsidiaries in the group (median)	(11) No. of jurisdictions where at least one group company was incorporated (median)
Selected Asian jurisdictions									
India	68%	32%	25%	75%	25%	5	36	6	6
Indonesia	42%	58%	28%	72%	62%	5	9	5	3
Japan	94%	6%	67%	33%	33%	6	92	7	22
Singapore	58%	42%	19%	81%	43%	8	108	58	8
Korea	88%	12%	67%	33%	17%	4	22	3	6
Viet Nam	74%	26%	23%	77%	15%	3	12	2	1
Other jurisdictions									
Belgium	70%	30%	27%	73%	27%	6	52	5	14
Brazil	60%	40%	40%	60%	45%	6	28	4	4
Chile	44%	56%	57%	43%	43%	7	24	8	7
France	76%	24%	8%	92%	17%	9	340	49	40
Germany	82%	18%	33%	67%	22%	8	162	33	31
Italy	58%	42%	19%	81%	24%	6	60	7	11
Portugal	52%	48%	0%	100%	14%	5	25	6	4
Spain	66%	34%	24%	76%	47%	6	90	14	16

Note: The table shows characteristics of the group structure for the largest 50 listed companies in each jurisdiction, except for Portugal where the largest 30 listed companies were used. Values reported from column 7 to column 11 are the median of the sample used in the corresponding jurisdiction. All related companies where the parent company holds directly or indirectly over 25% of the equity that reported positive assets are included in the analysis.
Source: OECD-ORBIS Corporate Finance dataset.

2.2. Key issues

Company groups are a prevalent way of organising corporations around the world, in particular in a number of emerging market economies. Concerning company groups, some of the most pressing issues relate to discrepancies regarding disclosure of the group structure, beneficial owners and the responsibilities of boards of directors.

2.2.1. Disclosure of key items related to company groups

Company groups are not consistently defined across jurisdictions. It can either be explicitly expressed in law of regulation, or implicitly through references to the main components of a company group such as a parent company or a set of subsidiaries. The sources of definition of company groups can include company law, securities law, listing rules, and national corporate governance among others (OECD, 2020[5]). For instance, in Korea, company groups are defined in multiple sources, including company law, listing rule, and Monopoly Regulation and Fair Trade Act. It is also important to mention that in many jurisdictions such as China there is no clear definition of company groups.

Although there is to some extent some common ground on the main transparency requirements to which company groups are subject (essentially due to the use of IFRS), important governance issues are either not mandatory or lack precision in current legal and regulatory frameworks. There is no clear consensus on the level of specificity needed in, among others, the disclosure of ownership, relationships among key shareholders, group structures and governance policies. As shown in Table 2.3, disclosure of corporate group structures is mandatory in over three-quarters of the jurisdictions, while there is no provision in seven of them. In selected Asian jurisdictions surveyed in the OECD report, only in Singapore listed companies are not required to disclose corporate group structure (Table 2.4).

Table 2.3. Mandatory and/or voluntary disclosure provisions for all listed companies

(Number of jurisdictions)	Major share ownership	Beneficial (ultimate) owners	Corporate group structures	Special voting rights	Shareholder agreements	Cross share-holdings	Share-holdings of directors
Mandatory to the regulator/authorities only	1	7			2	1	3
Mandatory to the regulator/authorities and voluntary to public	1	3	1	1			2
Mandatory to public	43	32	36	37	33	22	36
Voluntary to public		2	1		2	1	3
None		1	7	7	8	21	1
Total number of jurisdictions	**45**	**45**	**45**	**45**	**45**	**45**	**45**

Source: OECD (2020[5]), *Duties and Responsibilities of Boards in Company Groups*, https://doi.org/10.1787/859ec8fe-en.

The G20/OECD Principles state that public disclosures by listed companies should include material information on major share ownership, including beneficial owners, and voting rights (OECD, 2015[9]). As shown in Table 2.3, there is strong consensus on the importance of mandatory disclosure of major share ownership, special voting rights and directors' shareholdings. However, in two jurisdictions listed companies are not required to publicly disclose the identity of major share owners and special voting rights need not be disclosed in eight jurisdictions. In Asia, as shown in Table 2.4, all jurisdictions are required to disclose on major share ownership and only one jurisdiction is not required to disclose special voting rights. Out of 12 surveyed jurisdictions, ten of them require the mandatory disclosure of major shareholders owning more than 5%. In India, a listed company is required to disclose each promoter/promoter group's shareholding and public holding that exceeds 1% of market capitalisation. In Thailand, it is required to disclose the largest 10 shareholdings.

Importantly, in 13 out of 45 surveyed jurisdictions public disclosure of beneficial ownership of listed companies is not mandatory (Table 2.3). Not being able to identify the beneficial owner may make it difficult to fully understand what motivates a company's direction and control, as well as potentially reduce the accountability of controlling shareholders. The lack of disclosure of the ultimate beneficiaries and group structures may also be detrimental to creditors of the subsidiaries which may be vulnerable to opportunism by shareholders of these subsidiaries and the parent.

In Asia, the information about beneficial ownership is available to the public in 5 out of 12 jurisdictions. For instance, in India, a listed company is required to disclose details of significant beneficial owners including the name, nationality, unique identifier, number of shares, as well as date of acquisition of significant beneficial interest.[1] At the same time, some jurisdictions allow certain shareholders to access the information. In Australia it is required to disclose the beneficial ownership information to people who have a relevant interest in securities of the listed company (Table 2.4).

Another common way of group structure is cross-shareholding, which could be a concern for investors from a perspective of corporate governance. Many jurisdictions have put in place regulatory frameworks that contains disclosure provisions related cross-shareholding. According to Table 2.4, three Asian jurisdictions require compulsory disclosure of cross shareholdings to the public. In Japan, it is compulsory

[1] According to circular SEBI/HO/CFD/CMD1/CIR/P/2018/0000000149.

for listed companies to disclose information about the cross-shareholdings and provide rationales for maintaining each stock, as well as unwinding plans.

Table 2.4. Mandatory and/or voluntary disclosure provisions for all listed companies in selected Asian jurisdictions

Jurisdiction	Major share ownership	Beneficial (ultimate) owners	Corporate group structures	Special voting rights	Cross share-holdings	Share-holdings of directors
Australia	● (5%)	● (2) ◆	●	▲	◆ (8)	● ◆
China	● (5%)	◆	●	●	N	●
Hong Kong (China)	● (5%)	● ◆ (3)	●	●	N	●
India	● (1)	● ◆	●	●	N	●
Indonesia	● (5%)	●	●	N	N (9)	●
Japan	● (5%)	▲ ◆	●	●	●	●
Malaysia	● (5%)	◆ (4)	●	●	N	●
Singapore	● (5%)	● ◆ (5)	N	●	N	●
Korea	● (5%)	●	●	●	●	●
Chinese Taipei	● (5%)	◆ (6)	●	●	N (10)	●
Thailand	● (10 largest shareholders)	● (7)	●	●	●	●
Vietnam	●	●	●	●	N	●

Notes: The symbole in the table represents the following: ● represents “mandatory disclosure to public”, ▲ represents “voluntary disclosure to public”, ◆ represents “mandtory reporting to the regulator/authorities”, N represents that there is no relevant disclosure provisions.

(1) In India, all listed entities are required to disclose each promoter/promoter group’s shareholding, irrespective of how much they hold, and public (non-promoter’s) shareholding that exceeds 1% or more of shares of listed company. (SEBI Circular CIR/CFD/CMD/13/2015)

(2). In Australia, there are general provisions applicable to listed companies in Chapter 6C of the Corporations Act. These provisions require disclosure to the market by persons who have a ‘relevant interest’ in securities of the listed company amounting to a ‘substantial holding’. They also enable listed companies or ASIC (either of its own volition or on request of a shareholder) to direct a person to disclose if they have a ‘relevant interest’ in securities of the listed company (the ‘tracing provisions’). A ‘relevant interest’ is broadly defined in the Corporations Act and is centred around whether a person holds or has power to control voting or disposal of the securities, so will often capture beneficial ownership. Under the tracing provisions there is no minimum holding required before the direction can be issued. Once this information is obtained from a direction by ASIC it may be provided to the listed company. The listed company must record the information about the relevant interest in a register within two business days of receipt. This register is available for inspection by any person.

(3). In Hong Kong (China), Section 653H of the Companies Ordinance requires every company to keep a significant controllers register (“SCR”) containing the particulars of all individuals and legal entities that have significant control over the company. A person has significant control over a company if, for example, the person directly or indirectly holds more than 25% of the issued shares or voting rights of the company, or the person has the right to exercise or actually exercises significant influence or control over the company. The SCR is open for inspection by law enforcement officers upon demand.

(4). In Malaysia, under section 56 of Companies Act 2016, any company may require its shareholders to indicate the persons for whom the shareholder holds the voting share by names and other particulars if the shareholder holds the voting shares as trustee.

(5). In Singapore, the disclosure to public is mandatory only to the extent of deemed interests held by directors and substantial shareholders.

(6). In Chinese Taipei, financial institutions and banks are required to report their beneficial owner or ultimate controlling party to the authority in accordance with “Instructions for Reporting Voting Shares in Accordance with Paragraph 2, Article 16 of Financial Holding Company Act” and the “Instructions for Reporting Voting Shares in Accordance with Paragraph 2, Article 25 of Banking Act.”

(7). In Thailand, as of February 2022, the Anti-Money Laundering Office (AMLO) of Thailand has prepared the draft Beneficial Owner Information Act in accordance with relevant FATF recommendations and is currently in the process of conducting public hearing on the draft Act. Under the draft Act, legal entities (i.e., companies, partnerships, cooperatives, non-profit organisations and groups of persons) and legal arrangements (i.e., foreign private trust) will be required to inform AMLO of their beneficial owners. Listed companies, however, are exempted from the draft Act as they are required to make such disclosure in report forms issued under the Securities and Exchange Act B.E. 2535 (1992).

(8). In Australia, cross-shareholding may be disclosable under the substantial holding disclosure provisions in Section 671B, of the Corporation Act, where a subsidiary has a ‘relevant interest’ in securities representing more than 5% in its parent.

(9). In Indonesia, cross-shareholding is prohibited.

(10). In Chinese Taipei, a financial holding company is required to disclose cross-shareholdings for the fincnaial holding company itself and its subsidiaries.

Source: OECD (2022[89]) *Good Policies and Practices for Corporate Governance of Company Groups in Asia*.

In addition, transparency around shareholder agreements is not mandatory in 12 jurisdictions out of the 45 surveyed jurisdictions (Table 2.3). In Asia, the disclosure of shareholder agreements is compulsory in China, India, Korea and Singapore, but not compulsory in for example Indonesia. Shareholder agreements bind a group of shareholders to act in concert with a view to constituting an effective majority or the largest single block of shareholders. These agreements typically include issues related to the selection of board members and the chair (OECD, 2020[5]).

2.2.2. Duties and responsibilities of board members in company groups

The primary concern is to whom does a board director owes his/her duty of care. The G20/OECD Principles state that a key principle for board members working within the structure of a group of companies is that "[…] even though a company might be controlled by another enterprise, the duty of loyalty for a board member relates to the company and all its shareholders and not to the controlling company of the group" (annotation to Principle VI.A) (OECD, 2015[9]). In accordance with the Principles, many jurisdictions follow this classic fiduciary approach, as, directors' duties of care and loyalty are exclusively towards the company on whose board the directors sit. Common law jurisdictions such as Hong Kong (China), Ireland, Israel, New Zealand, the United Kingdom and the United States fall into this box (OECD, 2020[5]). For instance, in Ireland legislation specifies that the directors of a subsidiary have to operate the subsidiary as an autonomous entity, and even though they may take into account the interests of the parent company, if any conflict of interest arises, they must act in the interests of the subsidiary of which they are board members (ISB, 2014[7]).

Besides jurisdictions that follow the classic fiduciary approach, there are jurisdictions that adopt special frameworks as they recognise exceptions for certain group companies and explicitly regulate such exceptions. There has also been jurisdictions where efforts has been made to reconcile the classic approach to the group context without explicitly creating a separate group company regime modifying directors' duties and/or to whom they are owned. In Japan and India, governments have made efforts to establish self-regulatory protocols. In 2018, the Securities and Exchange Board of India established that listed parent companies owning a large number of unlisted subsidiaries should monitor the group's governance through a dedicated group governance unit of the parent's board (SEBI, 2018[8]). In a recent survey undertaken by the OECD and SEBI, 17% of the Indian companies surveyed responded that they have a group governance policy (OECD, 2022[6]). In 2019, Japan's Ministry of Economy, Trade and Industry published Group Guidelines encouraging company groups to optimise the business portfolio with the aim of improving the entire corporate group's value. Notably, it excluded from the definition of independent director any person related to the parent company in the previous ten years (OECD, 2020[5]).

In most jurisdictions, the general duties of directors to oversee risk management encompass at least some measures of oversight of risks to which material subsidiaries and other group companies may be exposed. However, in over 40% of the jurisdictions covered by the OECD analysis of company groups, there is no explicit requirement for the board of a parent company to oversee or monitor risk management policies and systems within the group distinct from the general requirements of oversight for the company itself (OECD, 2020[5]). In China, Hong Kong (China) and Japan, all categories of risk are pursuant to duties of directors under provisions of general application (Table 2.5). Apart from the surveyed universe, other Asian jurisdictions have regulations in place for a parent company to oversee risk from subsidiaries. For instance, in Thailand, a listed company is required to have in place oversight systems to oversee and monitor subsidiaries' business activities. Chinese Taipei also has a regulation in place requiring a listed company to oversee risks of subsidiaries.[2] The board's responsibility to monitor risk could also be specified in other sources such as a corporate governance code. In Thailand, the corporate governance code recommends

[2] For Chinese Taipei, Article 39 of the Regulations Governing Establishment of Internal Control Systems by Public Companies and Article 4 of Sample Template for XXX Co., Ltd. Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises.

that the board should consider the results of internal controls and risk management in its subsidiaries and affiliated companies.

Table 2.5. Explicit requirements to oversee, monitor and/or evaluate the implementation systems and policies within the group related to risk management of certain risks

Jurisdictions	Financial risks	Operational risks	Compliance risks	Sustainability risks	Supply chain due diligence risks	Market risks
China	●	●	●	●	●	●
Hong Kong (China)	●	●	●	●	●	●
India	▲	▲	▲	▲	▲	▲
Indonesia	N	N	N	N	N	N
Japan	●	●	●	●	●	●
Korea	▲	◆	◆	N	N	N
Singapore	◆	◆	◆	◆	◆	◆

Note: The symbols on the table represents the following: ● represents "Only pursuant to duties of directors under provisions of general application", ◆ represents "Only pursuant to provisions of special application to company groups and their member companies", ▲ represents both, N represents that there is no relevant disclosure provisions.
Source: OECD (2020[5]), *Duties and Responsibilities of Boards in Company Groups*, https://doi.org/10.1787/859ec8fe-en.

Another issue relates to the responsibilities of directors during financial distress, in particular the extent to which shadow or de facto directors are considered responsible for misconduct in a group company. Differences across countries in this regard have implications for the predictability of outcomes during insolvency proceedings and, by extension, possibly also for the availability of credit and terms of access.

2.2.3. Related party transactions: Definitions, approval and enforcement

As company groups are set up to overcome market frictions and exploit synergies, engaging in related party transactions (RPTs) is a normal part of business. However, this may increase the scope for abusing the rights of other shareholders and, if not properly regulated, may jeopardise market confidence. In company groups, as for a controlling shareholder in stand-alone companies, the parent company may intend to extract private benefits of control at the expense of subsidiaries and minority shareholders.

The legal and regulatory approach taken to address related party transactions uses a combination of measures such as disclosure requirements and the procedures for approval by board and/or shareholders. RPTs are defined and regulated in domestic regulation and depending on jurisdictions, related parties are defined in, for example, company law, civil codes, securities law, accounting standards, stock exchange listing rules and corporate governance codes. Of the 50 jurisdictions covered by the *OECD Corporate Governance Factbook 2021* (hereafter 'OECD Factbook') (OECD, 2021[9]),[3] 49 define related parties through law and regulations, the exception being Portugal which defines related parties through its Corporate Governance Code. Only two other jurisdictions apart from Portugal define related parties through their corporate governance codes in addition to law and regulations, namely China and Finland. Stock exchange rules define related parties in six jurisdictions, namely Australia, China, Latvia, Malaysia, New Zealand and Singapore. Additionally, related parties are defined through accounting standards in nine jurisdictions.[4]

There has been a convergence across jurisdictions with respect to the disclosure of RPTs. Most jurisdictions require ex-post disclosure of RPTs in the annual financial statements following International

[3] Including all OECD, G20 and Financial Stability Board members as well as Malaysia and Peru.

[4] Including China, Finland, Greece, Hungary, India, Latvia, Poland, Portugal and the United States.

Accounting Standards (IAS24) or a local standard similar to IAS24. For instance, of the 50 jurisdictions covered by the OECD Factbook, 82% (41 jurisdictions) follow the IAS24 standard. In five other jurisdictions – China, India, Japan, Indonesia and the United States – a local standard is used instead. In four jurisdictions (Hong Kong (China), Singapore and Switzerland), either IAS24 or a local standard is required for disclosure (OECD, 2021[17]). In addition to disclosure in the financial statements, 82% of the jurisdictions require periodic annual disclosure of RPTs and 80% require immediate disclosure for some specific transactions. This is a significant development, given that only 53% of jurisdictions had an immediate disclosure requirement in 2019.

Some of the most relevant issues related to managing RPTs in company groups include definition and disclosure, the role of independent directors in approving RPTs and enforcement tools available to minority shareholders. In dealing with each of these elements, countries have adopted varying approaches depending on circumstances, political considerations and in some cases history.

Defining materiality for the purpose of screening transactions for approval remains a challenge, with indications that there is scope to improve both quantitative and qualitative criteria. This is a key issue on which there is no consensus across jurisdictions. Furthermore, it is not only numerical thresholds that can differ in identifying material transactions but also the party against which it is measured, whether the parent company, the group or the related party and the company balance sheet items. In addition, jurisdictions also use complementary criteria to screen transactions such as the terms of the transactions (e.g. at market terms) and/or whether the transaction is recurrent. For instance, in Korea, when a transaction during the quarter with a single related party reaches 5% of the larger of the company's total capital, company's capital stock or KRW 5 billion. In such case, companies are required to call a board meeting for a resolution and disclose the purpose of the transaction, trading party, scale and condition, among others.[5]

In a large majority of jurisdictions, the board is charged with making decisions about related party transactions. However, a controlling shareholder can exert significant influence on the board of directors, therefore limiting the role of the board and particularly that of independent directors in the RPT approval process. In many jurisdictions, independent directors play a key role in approving RPTs and a key issue arises whenever the definition of independent director is weak. In practice, it is frequent that independent directors owe their position to the controlling shareholder, generating, in some cases, conflicts of interest whenever the independent director is confronted with situations where they have to protect minority shareholders' interests.

One approach taken to address this issue is to strengthen the definition of independent directors. Some jurisdictions require a higher share of independent directors whenever the chair of the board is a representative of the controlling shareholder or an executive director. A different approach has been to ensure independence through the nomination process. In Italy and Israel, for example, some of the independent directors are also elected with the votes of minority shareholders. However, this could possibly give disproportionate power to minority shareholders, particularly in markets where there are low levels of free-float (OECD, 2018[10]).

Shareholder approval of related party transactions is generally regarded as a complement to board approval, but it is often limited to large transactions and to those transactions recognised by the board as out of market terms. At the same time, ex-ante approval, despite appearing more effective in screening RPTs and protecting uninterested shareholders (if interested shareholders cannot vote), is not required in most cases and could delay the decision-making process. Ex-ante shareholder approval, however, may be especially attractive when the cost of private litigation to compensate the damage caused by the transaction is prohibitive (OECD, 2012[11]).

[5] According to the Monopoly Regulation and Fair Trade Act Article 11(2).

Minority shareholders seeking challenge or redress, within reasonable limits, should be given the opportunity to do so, according to the G20/OECD Principles. Shareholder approval of some material transactions has been one approach to prevent the occurrence of abusive RPTs. However, having all RPTs approved by shareholders is cumbersome and sometimes impractical. Moreover, in some jurisdictions enforcement tools available to minority shareholders to overturn a related party transaction remain weak. Minority shareholders are generally given a special role in the approval of transactions that can clearly damage them. However, for the remaining transactions, minority shareholders will have to use class actions, derivate suits or just rely on the judicial system for redress in cases when they consider that the related party transaction was abusive (OECD, 2012[11]).

The G20/OECD Principles state that all shareholders should have the opportunity to obtain effective redress for violation of their rights. They also suggest that in jurisdictions where enforcement of the law is weak, it is desirable to strengthen ex-ante rights of shareholders to avoid ex-post redress. Ex-ante actions to deter abusive related party transactions include board oversight and shareholders' approval. Ensuring effective ways for shareholders to obtain legal redress (ex-post) would also have significant influence on deterring abusive related party transactions.

Class action suits and derivative suits are the two main legal means for shareholder redress. In several jurisdictions derivative suits are permitted but class action suits are not. Moreover, while a derivative suit indirectly provides redress for shareholders, compensation stemming from a successful outcome would belong to the company and not shareholders directly, making derivative suits unattractive if shareholders must cover litigation costs during the process. Moreover, in the case of a successful outcome, the shareholders will benefit only in proportion to their holdings in the company (OECD, 2009[12]).

3 The public sector as controlling shareholder

The importance of listed companies under public sector ownership has increased worldwide during the past two decades, mostly reflecting the listing of minority stakes of state-owned enterprises (SOEs) as a first step toward or as an alternative to complete privatisation. A recent study shows that emerging and developing markets have listed around 1 300 SOEs over the past two decades (World Bank, 2021[13]). The increase in state ownership of listed companies has also been driven by the growth in sovereign wealth funds (SWFs), public pension funds and other state-controlled investment vehicles.

Around the world, a significant number of listed companies are controlled by the state, defined as companies in which any government owns 25% of the shares directly or indirectly.[6] By the end of 2020, 1 677 listed companies had the state as a controlling shareholder, representing a total value of USD 11.6 trillion or the equivalent of 11% of global market capitalisation. These listed firms under state control are often among the largest listed firms in their jurisdictions, for example representing 93% of market capitalisation in Saudi Arabia, 44% in China, and 41% in Norway. Importantly, these companies make up 13% of the MSCI Emerging Market Index, which is tracked by an important number of global institutional investors.

For the state, listing an SOE can offer many benefits. Being subject to monitoring by outside investors as well as the stricter governance and transparency requirements applied to listed corporations may improve SOEs' performance. In addition, the funds obtained from partial listings may alleviate pressures on public finances while keeping control of the listed SOEs. For example, the proceeds Brazil collected from divesting more than 160 SOEs during the 1990s and early 2000s helped the government to reduce its public debt by 8% of GDP. In Singapore and Türkiye, the proceeds have been reinvested into the economy, including large infrastructure projects (World Bank, 2021[13]).

Some corporate governance challenges may arise. Listed SOEs normally take the form of joint stock corporations and are thus subject to the classic agency issues present in privately owned listed companies. Moreover, the state as a controlling shareholder may hold particular ownership objectives linked to public policy, which can give rise to new forms of "private benefits" of control.

[6] The definition of control is based on equity shareholdings and the minimum cut-off to be considered a controlled company is if any single public sector owner holds at least 25% of the equity. The selection of 25% of the equity as a cut-off is based on the fact that most jurisdictions require at least 75% of the votes cast by shareholders to pass a special resolution. Thus a shareholder with more than 25% of the votes can block special resolutions, and is considered as a majority shareholder. This definition may differ from the one provided by the OECD SOE Guidelines where an SOE is "any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership, should be considered as an SOE". Importantly, the OECD SOE Guidelines state: "The Guidelines apply to enterprises that are under the control of the state, either by the state being the ultimate beneficiary owner of the majority of voting shares or otherwise exercising an equivalent degree of control."

3.1. State as a controlling shareholder

In Asia, the partial privatisation of many state-owned companies through stock market listings has contributed to making Asian stocks markets more dynamic and attractive. It is notable that in Asia, and in many Asian emerging markets in particular, privatisation through stock market listings has not led to any change in control. Today states have controlling stakes in a large number of listed companies. By the end of 2020, states own 17% of the market capitalisation in Asia and 10% of global market capitalisation.

Table 3.1 shows the public sector ownership by four different investor types. The first type of public sector investor includes both central and regional governments that hold stakes in publicly listed companies. The second type corresponds to public pension funds, which manage mandatory pension schemes or/and retirement savings of public sector employees. The third type is sovereign wealth funds (SWFs) that serve as central state ownership agencies with controlling or non-controlling stakes in publicly listed companies. They include savings funds, stabilisation funds and pension reserve funds. The fourth type is financial and non-financial SOEs that hold shares in listed corporations. In emerging and developing Asia, central and local governments are the largest public sector investor type, accounting for 73% of all public sector holdings in listed equity, followed by SOEs and SWFs. This picture is different in advanced Asia where SWFs are the largest public sector owners (33%), ahead of public pension funds (31%).

Table 3.1. Public sector holdings as of end-2020

	Public sector holdings (USD million)	As share of public sector holdings			
		Governments	Public pension funds	Sovereign wealth funds	State-owned enterprises
Advanced Asia	*660 280*	*24%*	*31%*	*33%*	*12%*
Emerging and developing Asia	*4 607 152*	*73%*	*2%*	*13%*	*12%*
Bangladesh	2 525	75%	0%	0%	25%
China	3 984 075	76%	1%	14%	9%
Hong Kong (China)	30 692	99%	0%	0%	1%
India	275 936	52%	0%	0%	48%
Indonesia	75 727	92%	1%	0%	7%
Japan	134 774	56%	4%	0%	40%
Korea	252 993	8%	77%	13%	3%
Malaysia	140 155	18%	41%	12%	29%
Pakistan	5 247	75%	1%	0%	24%
Philippines	1 852	7%	90%	0%	3%
Singapore	170 216	0%	0%	87%	12%
Sri Lanka	733	29%	49%	0%	22%
Chinese Taipei	71 604	48%	4%	48%	0%
Thailand	79 917	61%	8%	0%	31%
Viet Nam	40 985	80%	0%	10%	10%

Note: As public pension funds may hold equities indirectly through asset managers, the shareholdings of public pension funds may not be fully reflected in the analysis and therefore may be underestimated.
Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg.

Table 3.2 provides an overview of the magnitude of listed companies controlled by the public sector. As noted above, any company in which at least one ultimate parent is a government which owns 25% of the shares is classified as controlled by the state. By the end of 2020, 1 677 listed companies globally had the state as a controlling shareholder. Of this number, 1 315 companies were listed on Asian stock exchanges with a total market capitalisation of USD 7.4 trillion. These listed firms under state control are often among the largest listed firms in their jurisdictions, for example representing about 44% of the listed equity in China, 43% in Malaysia and 39% in Viet Nam. The average public sector ownership in these companies in each market is shown in Table 3.2 and corresponds to the ownership of all public sector investors and not necessary to only one government. Notably, the controlled firms have an average public sector ownership over 50% of the listed equity.

Table 3.2. Listed companies in Asia under state control as of end-2020

	Market cap. of state controlled companies (USD million)	No. of listed companies under state control	Average state holdings[7]	State-controlled listed companies (share of total market capitalisation)	State-controlled listed companies (share of total number of companies)
China	5 434 950	773	50%	44%	26%
Malaysia	180 573	59	57%	43%	12%
Viet Nam	62 040	37	52%	39%	21%
Indonesia	125 977	46	65%	26%	9%
Singapore	113 108	17	47%	26%	6%
Thailand	121 267	18	51%	24%	5%
Bangladesh	8 483	11	64%	23%	11%
Pakistan	7 539	12	67%	17%	9%
Hong Kong (China)	686 252	194	53%	15%	12%
India	285 769	101	68%	11%	9%
Sri Lanka	664	5	49%	5%	8%
Chinese Taipei	63 864	9	37%	4%	3%
Japan	245 175	16	46%	4%	0%
Korea	54 178	16	54%	3%	1%
Philippines	306	1	38%	0%	1%

Source: OECD Capital Market Series dataset, FactSet, Refinitiv, Bloomberg, see Annex for details.

The state as a controlling shareholder could have direct and indirect political influence on publicly traded companies that may not be aligned with minority shareholders' interests. Although the state's influence can be somewhat alleviated by being listed and subject to general regulations applicable to any other listed company, the risk of being exposed to political influence remains. From the economic point of view, this can translate into operational inefficiencies and weaker profitability (e.g. political influence can result in excess employment or excess capacity in a certain firm), to the detriment of other shareholders. Therefore, minority shareholder interests risk being superseded by political motives if the ownership and regulatory frameworks do not have sufficient safeguards.

State influence in listed companies will also depend on whether the state is a direct shareholder or indirect shareholder via entities such as public pension funds, SWFs and financial government institutions. When the state is an indirect owner, its influence may be limited as the presence of intermediary owners may create a buffer (Okhmatovskiy, 2010[14]). Conversely, when the state owns listed firms directly, it is more likely to intervene with their operational management (Deng et al., 2020[15]). In some cases, states as owners can still exercise significant operating control in a firm under some situations without holding a significant portion of its shares (e.g. through special voting rights or provisions in the corporate bylaws). In

[7] The state holdings correspond to the average within the companies identified as being under state control.

France, the *action spécifique* gives considerable power to the government, such as making the relevant minister's approval compulsory for investors to surpass a certain threshold of shareholding.

According to the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (hereafter 'SOE Guidelines'), the state should exercise its ownership function in an informed and active way, and avoid both passive ownership and excessive control (OECD, 2015[16]).

Listed SOEs are typically subject to general regulations applicable to any other listed company, but may be subject to specific provisions. For example, state-owned enterprises created by specific laws or decrees may have additional conditions and requirements assigned (e.g. transparency), or they can be subject to special legal requirements (e.g. public procurement rules) or to the oversight of other state actors, such as the parliament or the comptroller's office.

Table 3.3 provides a comparison of governance regimes for a group of countries. In all jurisdictions, listed SOEs are subject to general corporate and securities law governing other listed firms. Some jurisdictions also have corporate governance principles specifically for SOEs. Regarding stock exchange regulations, listed SOEs are normally treated in the same way as any other listed companies, except in Brazil, which has a programme tailored to listed SOEs. It is important to mention that the cross-listing of SOEs on non-domestic stock exchanges is a widespread phenomenon.

Many countries included in the table have centralised the state's ownership functions of listed SOEs. The ownership function is defined as an entity that exercises the power, responsibility, or steering ability to (1) appoint boards of directors; (2) set and monitor objectives; and (3) vote company shares on behalf of the government (OECD, 2018[18]). Austria, Saudi Arabia and Singapore have created holding companies to exercise the ownership rights of all or a significant portion of their SOEs and separate the ownership function from other state roles. In China, Indonesia and Korea, the state ownership function is exercised by a central state agency or ministry.

In line with the SOE Guidelines, most OECD jurisdictions publicly disclose their policies on state ownership. In this context, a number of governments have self-imposed restrictions on board membership to professionalise the boards of listed SOEs and allow them "to exercise objective and independent judgement". For example, Brazil, Colombia and Norway have set explicit restrictions on having politicians or government officials as board members. None of the Asian jurisdictions covered in Table 3.3 have set such restrictions.

Some jurisdictions confer special governance rights, such as golden shares, to long-term shareholders (e.g. loyalty shares in Italy and France). The state as long-term owner may therefore be granted special voting rights for shares of listed SOEs. For example, in France all listed companies are allowed to grant double voting rights to shares held for at least two years. In 2014, the *Loi Florange* automatically assigned these rights, which allowed the state to keep its influence on listed SOEs while divesting some shares from its portfolio. In Japan, the government retains special government rights in certain SOEs (Milhaupt and Pargendler, 2017[17]).

Table 3.3. Governance regime for listed SOEs

	Subject to general Corporate and Securities Laws	Non-binding Principles of Corp. Gov. for SOEs	Stock exchange regime for SOEs	Special governance rights for state shareholder	Use of disparate voting rights for shares of listed SOEs	Publicly disclosed policy on state ownership	Restrictions on board membership by politicians/Gov. officials	Special rules on compensation for SOE managers	Centralised state ownership of SOE shares	State holding company for SOEs	Cross-listing of SOE shares
Selected Asian Jurisdictions											
China	●	○	○	●	○	●	○	●	●	○(2)	●
India	●	○	○	○	○	●	○	○	○	○	●
Indonesia	●	○	○	○	○	○	○	○	●	○	●
Japan	●	○	○	●	○	○	○	○	●	○	●
Korea	●	○	○	○	○	●	○	●	●	○	●
Singapore	●	○	○	○	○	●	○	○	●	●	●
Other jurisdictions											
Argentina	●	●	○	●	○	○	○(1)	●	○	○	●
Austria	●	●	○	●	○	○	○	●	●	●	○
Brazil	●	○	●	●	●	●	●	○	○	○	●
Colombia	●	●	○	○	○	●	●	○	●	○	●
France	●	○	○	●	●	●	○	●	●(3)	○	○
Germany	●	●	○	●	○	●	○	●	○	○	○
Italy	●	●	○	●	●	○	○	○	●	○	○
Norway	●	●	○	○	○	●	●	●(6)	●	○	●
Poland	●	●	○	●	○	●	○	○	○	○	○
Russia	●	○	○	○	○	●	○	○	●(4)	○	●
Saudi Arabia	●	○	○	●	○	●	○	○	●(5)	●	○
Türkiye	●	○	○	○	○	○	○	○	○	○	○
United States	●	○	○	○	○	○	○	○	○	○	○

Notes: (1) In 2018, the Argentinian Government published "State-owned companies for growth", but it has not been continued in subsequent years; (2) Despite SASAC being classified as a holding company by (Milhaupt and Pargendler, 2017[17]), SASAC mainly plays a supervisory role and does not collect profits from SOEs, thus here it is not classified as a holding company; (3) and (4) with minor exceptions; (5) Saudi Arabia has centralised only part of its SOE portfolio; (6) the Norwegian state as a shareholder has several expectations (but not requirements) on compensation for SOE managers.

Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters; Milhaupt and Pargendler (2017[17]), Governance Challenges of Listed State-Owned Enterprises around the World, http://ssrn.com/abstract_id=2942193; OECD (2018[18]) Ownership and Governance of State-Owned Enterprises: A Compendium of National Practices, https://www.oecd.org/daf/ca/ownership-and-governance-of-state-owned-enterprises-a-compendium-of-national-practices.htm; OECD (2020[19]) Organising the State Ownership Function, https://www.oecd.org/corporate/organising-state-ownership-function.pdf; OECD (2020[20]) Implementing the OECD Guidelines on Corporate Governance of State-Owned Enterprises: Review of Recent Developments; https://doi.org/10.1787/4caa0c3b-en; OECD (2022[21]), Ownership and Governance of State-owned Enterprises: A Compendium of National Practices 2021, https://www.oecd.org/corporate/ownership-and-governance-of-state-owned-enterprises-a-compendium-of-national-practices.htm; National sources.

3.2. Key issues

The increasing importance of state ownership in listed companies presents several challenges for their corporate governance framework. States are a particular type of owner with different objectives than those of others shareholders, and these objectives can greatly influence corporate governance practices in companies. The state's role as regulator may bring a competitive advantage to companies under its control. At the same time, these companies may pursue non-commercial objectives at the expense of other private shareholders. As boards play a fundamental role in the governance of these companies, the mechanism for board nomination and appointment process is of significant importance. Concerning state ownership, some of the most pressing issues discussed by the OECD Working Party on State Ownership and Privatisation Practices (WPSOPP) and addressed in the SOE Guidelines relate to ensuring a level playing field, the misalignment of commercial and non-commercial objectives, ensuring equal treatment of shareholders, and board nomination and appointment.

3.2.1. A level playing field

With the growing importance of SOEs in the economy, increasing emphasis has been placed on how to ensure competitive neutrality – a level playing field – between SOEs and non-SOEs. Competitive neutrality emphasises that "all enterprises are provided a level playing field with respect to a state's ownership, regulation or activity in the market" (OECD, 2021[22]). Achieving competitive neutrality is both of political and economic importance. The economic rationale lies in the fact that ensuring a level playing field can enhance efficiency in resource allocation in the economy and hence contribute to productivity and economic growth. The political rationale lies in the role of the government in ensuring that economic actors are "playing fair" while also safeguarding that public services are being provided. As SOEs move closer towards full commercialisation and becoming listed, they are made subject to similar regulatory treatment as other private enterprises. However, SOEs are often competing with private enterprises on an unequal footing, as they may benefit from privileges unavailable to their private competitors, including better access to financing, regulatory or tax preferentialism, and selective subsidies. They may also face greater constraints on efficiency due to characteristics related to their governance described above, including uncompensated directives to pursue non-commercial objectives not imposed on their private sector competitors. Such unequal treatment distorts competition and thwarts entrepreneurship (Capobianco and Christiansen, 2011[23]).

SOEs often benefit from preferential access to different kinds of financing sources. Regarding debt financing, SOEs in most countries access market-based financing.[8] However, state ownership carries a perceived state guarantee, which normally leads to improved access to and conditions in credit markets (Geng and Pan, 2021[24]). Moreover, state ownership in banks is significant around the world (La Porta, Lopez-de-Silanes and Shleifer, 2002[25]). In jurisdictions where state-owned banks play a dominant role in the financial market, SOEs are often prioritised in the allocation of credit (Brødsgaard and Li, 2013[26]). Very few countries currently have mechanisms in place to ensure there is no preferential financing for SOEs. For equity financing, SOEs also have access to the state budget as a form of recapitalisation. During crises, when equity injection is much needed, these public companies are often prioritised over private ones (OECD, 2020[27]).

In addition to superior access to financing sources, SOEs may also have access to government subsidies not available to their private competitors. Even though several economies do not allow outright state aid for the commercial activities of SOEs (e.g. within the EU Single Market), in reality exceptions may occur,

[8] In a number of countries, SOEs are able to access debt financing from the state treasury. However, this access is normally limited to individual SOEs or a subset of SOEs. Very few countries, such as the United Kingdom, provide most SOEs loans directly from the state source.

and state aid is sometimes granted to sustain the operations of SOEs, particularly when they are in distress (OECD, 2012[28]). Further, SOEs often have access to nationally owned land and other natural resources free of charge or at very low costs. In addition, the favourable tax regimes as well as certain tax exemptions granted to SOEs are also equivalent to selective government subsidies (Capobianco and Christiansen, 2011[23]).

Through various policy means and as regulators, the state holds significant power regarding who can enter into certain industries. For example, SOEs in some countries are subject to a lighter regulatory approach than private enterprises in certain activities such as the financial industry (OECD, 2012[28]). Meanwhile, in many industries that have undergone privatisation processes such as telecommunications and airlines, SOEs still have significant relationships with politicians in their role as regulators, which also distorts competition (Wisuttisak and Rahman, 2020[29]).

To tackle the above issues, the SOE Guidelines make recommendations to ensure a level playing field in markets. It is recommended to have a clear separation between the state's ownership function and other state functions. Moreover, SOEs undertaking economic activities should be subject to the general laws, tax codes and regulations that are imposed on private enterprises. There should be no discrimination between SOEs and their competitors when establishing laws and regulations.

Regulatory and competition authorities have an important role to play in ensuring a level playing field. A number of jurisdictions have pursued competitive neutrality through various policies such as establishing mechanisms to identify and eliminate unfair advantages, including with respect to public procurement, financing, taxation and regulatory neutrality. Regarding the latter, these jurisdictions assess competition and regulatory approaches, and SOEs may be subjected to compensatory payments where regulatory advantages apply. Australia, Slovenia and Switzerland report having established requirements for such compensatory payments (OECD, 2018[18]).

To ensure market consistency of financing, governments have taken several measures to ensure neutral terms of debt access. For instance, in New Zealand the loan documentation for SOEs is required to disclaim explicitly that the Crown does not guarantee the debt repayment. The European Commission also verifies whether certain public bodies are subject to any advantages in access to debt financing. In China, the State Council issued the Guiding Opinions on Promoting the Healthy Development of Small and Medium-Sized Enterprises, indicating the importance of competitive neutrality related to access to permits, operations and other aspects of the business (Xinhua News Agency, 2019[30]) (State Council Information Office, 2019[31]).

3.2.2. Commercial versus non-commercial objectives

The objectives of the state as owner can differ from those of other shareholders when listed SOEs pursue any non-commercial objective. The rationale for the state to engage in commercial activities can include: "(i) monopolies in sectors where competition and market regulation is not deemed feasible or efficient; (ii) market incumbency, for instance in sectors where competition has been introduced but a state-owned operator remains responsible for public service obligations; (iii) imperfect contracts, where those public service obligations that SOEs are charged with are too complex or malleable to be laid down in service contracts; (iv) industrial policy or development strategies, where SOEs are being used to overcome obstacles to growth or correct market imperfections" (Christiansen, 2013[30]).

State-owned enterprises are therefore expected to pursue both commercial and non-commercial objectives in many cases. Listed SOEs are assumed to pursue non-commercial objectives to a more limited degree due to the need to respect the interests of all shareholders. According to a survey of 32 countries, the most common objective of SOEs is to support national economic and strategic interests, as well as to supply specific public goods and services. Indeed, besides profitability targets, SOEs may prioritise other goals such as maintaining social stability or improving employment (OECD, 2018[18]). For instance, in 2020, China's State-owned Assets Supervision and Administration Commission of the State Council (SASAC) specifically required that SOEs hire at least the same number of employees as in 2019 to preserve the employment rate (SASAC, 2020[31]). Moreover, out of political concerns, listed SOEs can be required to provide subsidised infrastructure or other services to other countries, which may be harmful to their profitability. An important driver of the recent increase in the number of multinational SOEs are political incentives to establish subsidiaries abroad (Cuervo-Cazurra et al., 2014[32]).

A main concern is the lack of sufficient separation between commercial and non-commercial objectives. The incentives under which some SOEs operate in key sectors lead to excess capacity that becomes difficult to eliminate, with potentially heavy costs for the home country in terms of efficiency and excessive debts. For companies, this translates into lower profitability, innovation and competitiveness.

If this pursuit of non-commercial objectives was carefully balanced to match any subsidies and other advantages granted to SOEs, there might be no concerns about a level playing field. However, in practice it more often than not leads to distortions. Although exits/bankruptcies of inefficient firms are the expected result of competition, this is not often the case for SOEs. Driven by motivations such as sustaining employment or retaining political patronage and sinecures, a large number of SOEs are kept alive instead of being winded down. This leads to inefficient allocation of resources and prevents more productive firms from entering the market (OECD, 2017[33]).

Between 2012 and 2016, the net return on capital for listed SOEs was lower than for private listed companies in both advanced and emerging economies. And, since 2002, profit margins for listed SOEs in emerging markets are lower than for private listed companies, consistent with excess capacity issues. Debt levels are also higher in listed SOEs than in private listed companies in advanced economies (OECD, 2017[33]).

In addition, because the state can be the controlling shareholder in a number of companies, there is a risk that the government could interfere with the operations of certain companies to improve the overall performance of the state's portfolio. A government could encourage listed SOEs to provide services that are detrimental to their profitability but benefit other companies in the state portfolio, for example through related party transactions and procurement decisions that favour SOEs over other service providers.

The SOE Guidelines recommend that governments develop and communicate the rationale for owning an individual SOE, an ownership policy that defines the overall objective and the government's role in corporate governance, as well as the implementation strategy. Consistent with this recommendation, many jurisdictions have explicit ownership rationales through legislation or government policies/decisions. These rationales are reviewed on a regular basis (OECD, 2018[18]). For instance, in Germany the Ministry of Finance publishes an annual report on the state's enterprise ownership. In addition, it compiles every two years the "Report of the Federal Ministry of Finance on the evaluation of the important federal interest". In Finland, the government issues a resolution on state ownership policy following each parliamentary election.

Another remedy to this problem has been to rely on the separation of commercial and non-commercial activities of SOEs. It is important for the government to compensate SOEs for non-commercial objectives. For example, the EU's Transparency Directive requires that SOEs separate costs and assets between commercial and non-commercial activities. Over 60% of countries surveyed by the OECD requested that SOEs separate the accounts of commercial and non-commercial activities, and that countries compensate the companies that deliver public services (OECD, 2018[18]).

3.2.3. Equal treatment of shareholders

The protection of shareholder rights is one of the key elements of corporate governance. The SOE Guidelines say that the state should ensure that all shareholders are treated equally and that they have equal access to corporate information. There are various rights that should be guaranteed equally to shareholders, including voting rights, the right to receive dividend payments, to access information on the company's activity, and to participate in shareholder meetings, among others. Ensuring this equal treatment is crucial considering that state owners and other shareholders might have different objectives. As discussed in Section 3.1, listed SOEs are often entrusted with social and political objectives in addition to profitability targets. States, as controlling shareholders, may often pursue non-commercial goals that diverge from the interest of minority shareholders.

State ownership is also more complex considering that the state is not only a shareholder, but also a regulator and legislator. Unless these roles are carefully separated within the public administration they can increase the state's power as shareholder, giving the state an unfair advantage over other shareholders. As states "wield bigger sticks and carrots" than other private shareholders, the state has more leverage to impose its objectives on companies. At the same time, there is the constant challenge of managing conflicts between the state's role as owner of companies and its other roles. Driven by its interest as a shareholder, the state could develop legislation and regulations for the benefit of its ownership in these companies.

The state also has superior access to information compared to other shareholders. The SOE Guidelines recommend that SOEs should develop an active policy of communication and consultation with all shareholders. However, the state – whether through ownership rights conferred by law or its role as a regulator – can generally access a wider source of data records compared to private shareholders.

The listing of SOEs is largely the result of states' privatisation efforts and, in many cases, the state may want to preserve its influence over the company despite its divestment decision. To achieve this, several governments have put in place shares that grant special prerogatives (golden shares). For instance, in Brazil, a few listed SOEs allow the state to hold veto powers over certain issues (OECD, 2021[34]).

Another difficulty is the fact that the legislation in most jurisdictions is not well designed to address misconduct, such as self-dealing action, when committed by the state as a controlling shareholder. When a private controlling shareholder engages in self-dealing, it normally involves economic benefits that can be measured and there is legislation that can be used in the ruling. Government ownership raises issues such as sovereign immunity as governments are partly immune from legal suits (Kahan and Rock, 2011[35]). The fact that such misconduct mostly involves the pursuit of political or policy goals, instead of measurable economic ones, can further complicate the process.

To support the equal treatment between state shareholders and private shareholders, the SOE Guidelines recommend that where SOEs are required to pursue non-commercial objectives, adequate information about these objectives should be available to non-state shareholders at all times. Regulators and related organisations have taken several initiatives in this direction. For instance, in Estonia, since 2018, listed SOEs are exempted from requirements in the State Assets Law to report back to the government certain information that is not required in stock market regulations, such as minutes of supervisory board meetings. In Indonesia, the OJK Corporate Governance Roadmap regulates the formation of a corporate governance task force. One of the six working groups of the task force is responsible for discussing the gaps on equal treatment of shareholders, and prepare a comprehensive analysis and recommendations for the Roadmap. All recommendations are later presented to the Board of Commissioners of OJK (OJK, 2014[36]).

3.2.4. Board nomination and appointment in listed SOEs

The responsibility for board nomination and appointment in SOEs generally belongs to the government. Depending on the ownership model (centralised, decentralised or dual models involving two ministries), this responsibility can fall either on an ownership agency, one ministry or several ministries (OECD, 2018[18]). According to the SOE Guidelines, in exercising ownership rights, it is important to ensure a well-structured and transparent nomination framework to facilitate a rule-based process. This can be achieved by putting in place a formal nomination process which is subject to public scrutiny. In the most "advanced" jurisdictions the procedures rely on private sector best practices including external consultants and draw on databases of directors (OECD, 2013[37]). Such mechanisms can reduce the risk of political intervention in the nomination process and enhance the government's capacity to identify nominees based on skills and qualifications. As they are mostly operated on a commercial basis, listed SOEs should have best practices similar to those of private companies.

Achieving transparency and efficiency in board nomination and appointment in listed SOEs has long been one of the most contentious policy challenges in the reform of SOEs. Undue political intervention in the selection process remains a problem, undermining effective competition and leading to inefficient outcomes. In many cases, directors are appointed and retained based on their political allegiances instead of technical competences (World Bank, 2014[38]). Such politically motivated appointments are often associated with poor corporate governance, as well as inefficiencies and reduced performance. In many jurisdictions, it is still common for government officials to sit on the SOE board, which can harm its performance. In particular, the compensation of these officials is not normally tied to company performance, meaning officials may lack incentive to contribute to value creation by the firm. In pursuit of their political career, they may prioritise non-commercial goals such as retaining employment instead of pursuing profitability.

Importantly, having politicians and government officials who exercise significant political powers over SOEs on the company boards can lead to conflicts of interest. When politicians serve on the board, there may be doubts as to their ability to perform their role as regulator and at the same time serve the company. To mitigate such conflicts of interest, countries have implemented measures such as preventing politicians from taking roles on SOE boards. Indeed, there is a growing consensus that ministers, state secretaries, or other political officials should not serve on SOE boards (OECD, 2018[18]). For instance, in Norway, serving politicians are restricted from serving on SOE boards. In China, both incumbent and newly retired officials are banned from serving as independent directors of listed SOEs.

In like manner, other jurisdictions have taken measures to professionalise SOE boards, ensuring board members have the right mix of skills and experience to exercise their responsibility in a professional and efficient way. A number of practices have been adopted, such as seeking expertise from recruitment agencies and establishing a candidate pool based on rigorous qualification criteria. For instance, in Sweden the board nomination process involves a working group that analyses the expertise needed based on the company's operations, current situation and future challenges, as well as the current board composition. Two recruitment agencies are then hired to undertake the recruitment process. There has also been an increased emphasis on the technical qualifications of the board. According to OECD research, almost all countries surveyed have established minimum qualification criteria for board members (OECD, 2018[39]).

Another mechanism that could benefit the nomination process is setting up a board nomination committee. As recommended by the SOE Guidelines, board nomination committees can help identify potential suitable candidates and structure the nomination process. Indeed, as the board is best placed to decide what type of profile it needs to complete the team, such arrangements can help identify potential suitable candidates and improve efficiency.

The SOE Guidelines also focus on the involvement of non-state shareholders in the board election process. As the government is often the only controlling shareholder in listed SOEs, it is critical to ensure that the rights of minority shareholders are respected. The participation of these minority shareholders not only ensures that their benefits are protected through the process, it can also bring additional expertise to the board, which contributes to the board's efficiency. Thus it is important to establish mechanisms to facilitate the participation of non-state shareholders in the board nomination and election process.

4 Re-concentration of ownership in the hands of institutional investors

In recent decades, most advanced markets have seen significant shifts in the relative importance of the different categories of investors. The most prominent feature is the increased importance of various forms of institutional ownership at the expense of direct ownership by individual households. This shift is most pronounced in the United Kingdom, where direct ownership by households in 2018 fell to 13.5% with different categories of institutional investors, notably insurance companies and pension funds, being the dominant category of owners. Japan has also seen a marked decrease in equity directly held by households, from around 30% in 1980 to 18% in 2021. The same is true in the United States, where households, which were relatively significant owners of public equity until the 1980s, have progressively been replaced by institutional investors as the dominant owners of publicly listed companies.

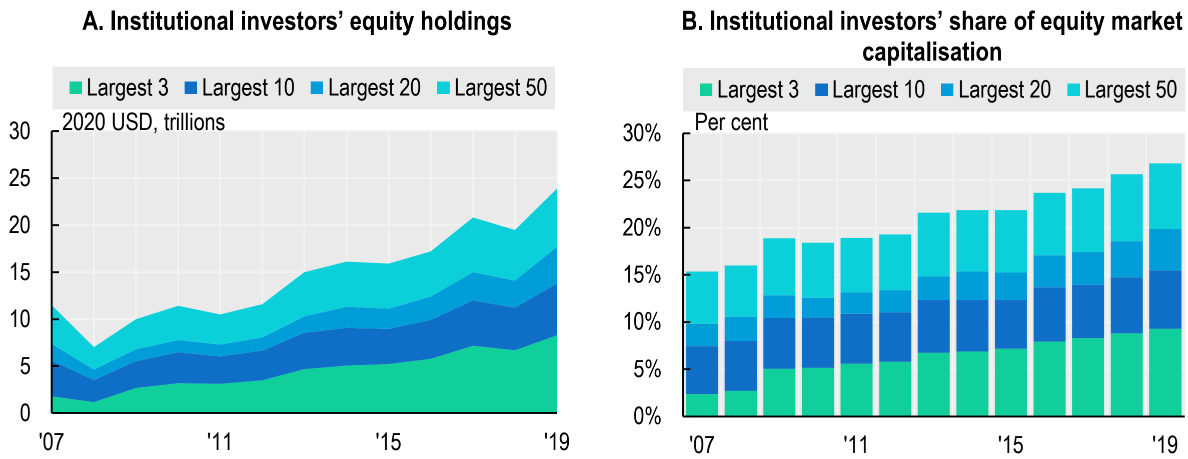
This trend has been coupled with a large number of delistings from the stock markets in OECD economies. There were 8 400 delistings by European companies during the 2005-21 period, over 6 000 delistings by US companies, and around 1 400 by Japanese companies. These delistings have not been matched by new listings in most markets, resulting in a net loss of listed companies in every single year between 2008 and 2020. Notably, in 2021, the trend was reversed with more than 300 new listings against 200 delistings. In Europe, the number of delistings surpassed the new listings every year since 2008. However, in Asia, net listings were positive in every year between 2005 and 2021, resulting in a considerable net increase in the total number of listed companies (OECD, 2022[1]).

These trends, together with the fact that many institutional investors allocate their assets following investable indices, have resulted in an increasing amount of resources being allocated to fewer companies. The impact has been stronger in developed markets where the decline in the number of listed companies has been significant and the domestic market's share in global indices is higher. For example, the MSCI World Index, a global investable equity index, weights the US market 67%, which has contributed to a notable concentration of ownership in the hands of institutional investors at the company level in the US market.

4.1. Trends in institutional investors ownership

One important driver behind the increased importance of institutional investors as corporate owners (such as pension funds and to some extent investment funds), has been political decisions to promote and transform pension systems towards funded plans and the establishment of mandatory and voluntary private pillars in many countries. As a result, the assets under management (AUM) by pension funds and insurance companies went from representing 65% of GDP in 2000 to 119% in 2019 in the OECD area. At the same time, their allocation to listed equity has grown at a similar pace over the past decade. The total holdings of the largest 50 institutional investors in the stock market doubled in absolute terms between 2007 and 2019, from USD 12 trillion to USD 24 trillion. The three largest institutional investors have increased their holdings of publicly listed equity from around USD 1.8 trillion in 2007 to USD 8.3 trillion in 2019, equivalent to 9.3% of global market capitalisation.

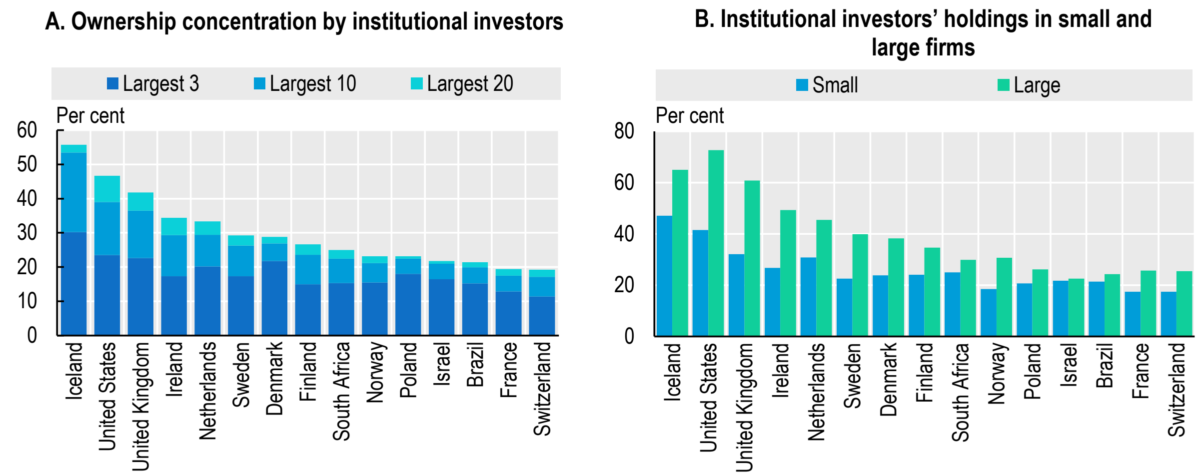
Figure 4.1. Global holdings by the largest 50 institutional investors



Source: OECD-ORBIS Corporate Finance dataset, Thomson Reuters Datastream.

The significant increase in institutional investors' AUM and the fact that a large portion of their assets tracks or replicates stock markets indices have led to institutional ownership concentration, particularly in large firms. As most indices are weighted by market capitalisation, they tend to favour large companies over small ones. Therefore, the holdings of investors that follow these indices are concentrated in fewer and larger companies. Panel A of Figure 4.2 shows the average combined holdings of the largest 3, 10 and 20 institutional investors at the company level in each market. In Iceland, the United States, the United Kingdom, Ireland, the Netherlands and Sweden, the combined ownership of the top 20 institutional investors represents at least 30% of the listed equity in each company.

Figure 4.2. Ownership concentration and holdings in small and large firms, end-2020



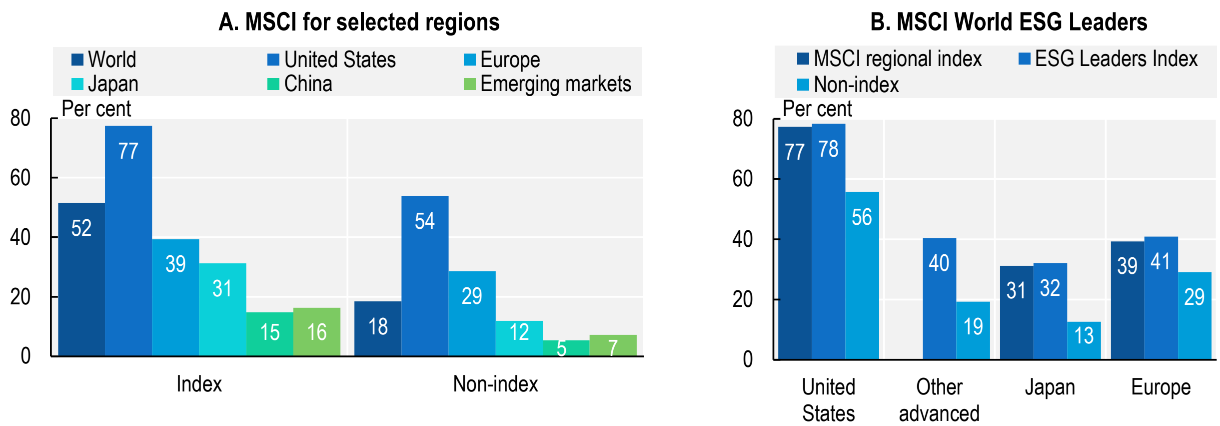
Note: Small companies correspond to companies with a market capitalisation below the median of the jurisdictions. Large companies correspond to companies with a market capitalisation above the median of the jurisdictions.
Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg.

A closer look at institutional investor ownership at the company level reveals that there are large differences between their holdings in large versus small companies. Large companies are defined as those with market capitalisation above the median level in each jurisdiction, and small companies correspond to those with a market capitalisation below the median level in each jurisdiction. In each jurisdiction, the institutional investors' holdings are on average higher in large companies compared to small companies. Differences are wide in two of the largest equity markets, the United States and the United Kingdom, where institutional investors hold on average 30 percentage points more in large firms compared to small firms.

In recent years, there has been a growing use of investable indices by institutional investors. This increased use of indices, along with the growing share of corporate equity they own, has led to important differences with respect to institutional ownership between companies included in a major index and those not included. In addition, because most indices weight companies according to their market capitalisation and free-float levels, being a large firm with higher free-float, all else equal, will result in a higher weighting in the index. As shown in Figure 4.3, companies included in the MSCI indices show a higher average institutional ownership than non-index companies. The average difference in institutional holdings between MSCI World Index companies and non-index companies is 33 percentage points. Similarly, the average differences in institutional holdings between companies included in regional MSCI indices and non-index companies go from 9 percentage points in China to 24 percentage points in the United States. For emerging markets companies, those included in the MSCI Emerging Markets Index have on average 16% institutional holdings compared to 7% for companies not included.

The fact that institutional investors follow index investment strategies and that indices favour large firms results in an increasing volume of funds being allocated to the same companies. As shown in Figure 4.2 Panel B, their preference for large companies is strong. Indices built on other criteria, such as environmental, social and governance (ESG), select an even smaller number of companies from the same pool of companies that are already included in major indices. The investment bias resulting from index investing leaves smaller and growth firms off the radar of institutional investors.

Figure 4.3. Institutional investor holdings in indexed versus non-indexed companies, end-2020



Note: No regional index was available for other advanced markets.
Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg, MSCI Constituents Information (as of December 2020).

The total number of investable indices climbed to 3.05 million in 2020, with equity indices representing 76.6% of the total. This means that the number of equity indices is almost 60 times the number of listed companies available for investment (IIA, 2021[40]). The set of products offered by index providers is vast and covers different market segments and regions. However, given that their methodology for company inclusion considers free-float and market capitalisation as part of the main criteria, these indices tend to select the largest companies with the higher free-float within segments and regions.

4.2. Key issues

Ownership concentration in the hands of institutional investors, in particular asset managers, gives these investors important power in corporate decisions. Whether they exercise their rights and duties with investee companies or not, the issue has become a matter of public policy since it affects the functioning of capital markets and the allocation of resources in the economy at large. This power, if not used to engage with companies and to monitor management, will shift to management. Since ownership concentration in the hands of institutional investors is mostly observed in markets where there is no other large controlling shareholder, investors' lack of engagement will affect the internal corporate governance of the company. Also important, their use of index-based strategies may impact the price formation process at the market level. Overall, three issues concerning the re-concentration of ownership in the hands of institutional investors have been identified: the level of engagement with investee companies, the investment bias towards large companies, and reduced information to the market.

4.2.1. Level of engagement with investee companies

Ownership concentration was conceived as a governance tool whereby investors will monitor management and exercise their vote instead of just exiting the investment. However, when ownership concentration rests in the hands of institutional investors, it may not result in more monitoring and more voice. The fact that institutional investors are managing other people's money and receive compensation for their services that may not be related to the performance of the AUM may reduce their incentives to engage with investee companies. The fact that they can only capture a small fraction of their engagement activities while having to bear the full cost is at the core of their reduced incentives to engage and monitor investee companies.

The revenue model of institutional investors is usually a percentage of assets under management. The clear incentive here is to compete to increase the inflow of funds to raise revenues. However, this does not necessarily imply that the right incentives are in place to engage with companies and increase value since it can be done instead through marketing. Ideally these investors will choose to raise the value of the companies in the portfolio to increase their size of AUM. However, they cannot reap the full benefits of engagement whereas the benefits from marketing strategies can be fully appropriated (Rock, 2018[41]).

In addition, the broad classification "institutional investors" includes different categories of investors and, more importantly, these investors differ in their business models and investment strategies, leading to different motives. Traditional institutional investors such as pension funds, investment funds and insurance companies are influenced by a different set of factors than alternative institutional investors and asset managers. Therefore, if engagement is not part of their business model and investment strategy, asking them to engage may not be an effective approach (Çelik and Isaksson, 2013[42]).

What may be less evident is that reduced engagement can have significant effects on their voting behaviour at shareholder meetings. Evidence shows that institutional investors may tend to support management proposals. Such behaviour may shift power to management, possibly destabilising the checks and balances within the internal corporate governance structure. In fact, the three largest US passive fund families are increasingly likely to vote in favour of management proposals, while mutual funds tend to vote according to proxy advisors (Boone, Gillan and Towner, 2020[43]).

Equally important, since institutional investors offer exposure to diversified portfolios at low cost, there is a risk that the number of companies they invest in may surpass their ability to engage in a cost-efficient way. Large asset managers like BlackRock and Vanguard invest in over 10 000 companies each (BlackRock, 2020[44]; Vanguard, 2020[45]), and pension funds like CalPers and Norges Bank Investment Management invest in 10 551 and 9 123 companies, respectively (CalPers, 2020[46]; Norges Bank, 2020[47]). Voting shares in so many companies becomes a major task and the legal pressure to vote may turn engagement into a compliance function.

Furthermore, in an attempt to benefit from the scale of their business, large asset managers tend to divide the teams responsible for portfolio management from stewardship. Stewardship teams relative to the number of companies invested in are small, and although they rely on the support of proxy advisers, engagement may remain insufficient (Table 4.1). A concern is that the compensation structure of governance professionals is not typically related to companies' performance, creating misaligned incentives (Rock, 2018[41]).

Equally important, the use of indices has an impact on the amount and quality of institutional investors' engagement with investee companies. These investors follow either an active strategy or a passive strategy. The ones who follow an active strategy typically have a universe from which they may pick stocks and a benchmark index against which their performance is tracked. The fact that their performance is benchmarked against an index will make them select a similar portfolio composition than that of the index. If the fund manager decides to sell or increase the holdings in one particular stock that is part of the benchmark index, it will increase the tracking error[9] of the fund. However, fund managers do have some incentives to engage with individual companies when the fee structure compensates them for outperforming the index.

The index funds[10] that follow a passive strategy mimic the index composition rather than try to beat the benchmark. Because they do not promise to beat the index, research in individual companies may be necessary only in companies representing a higher weight in their portfolio. Further, in general transactions only occur when the index rebalances its composition and weights. These reduce the management cost compared to an actively managed fund. Indeed, the current cost of an actively managed fund is around 100 bps compared to only 4 bps for an S&P 500 Index fund. Therefore, engagement incentives will be reduced when managers follow a passive strategy. On the one hand, they have no motivation to exercise their voice because it is costly and, on the other, they will not be able to sell a stock for as long as it is contained within the benchmark.

Table 4.1. Asset managers' stewardship teams

Asset managers	Stewardship team 2020	Additional staff in ESG roles in 2020	Stewardship team 2017	Additional staff in ESG roles in 2017
BlackRock	47	86	26	22
Vanguard Group	35	0	20	0
UBS Asset Management	8	14	0	0
State Street Global Advisors	12	6	9	3
Allianz Global Investors	9	38	6	28
JPMorgan Asset Management	11	0	8	0
Capital Group	18	18	19	0
Goldman Sachs AM International	5	50	2	14
Amundi	5	25	0	0
T Rowe Price	4	7	4	4

Source: Financial Times, companies' websites.

Several regulators have implemented stewardship codes in response to institutional investors' reduced engagement as evidenced by the global financial crisis. Likewise, industry-based guidelines and other regulations have proliferated as a means to incentivise institutional investors to increase engagement. For instance, among the 50 jurisdictions covered by the *OECD Corporate Governance Factbook 2021*, 19 jurisdictions have put in place either regulations or laws to enforce the disclosure of voting policies for

[10] Including ETFs

institutional investors, 17 have developed stewardship codes/principles that recommend the disclosure of voting policies, and 5 have regulations or laws as well as principles/codes to promote disclosure (OECD, 2021[9]). Since 2014, eight Asian jurisdictions – Japan (2014), Malaysia (2014), Hong Kong (China) (2016), India (2019), Korea (2016), Singapore (2016), Chinese Taipei (2016), and Thailand (2017) – have adopted stewardship code to promote institutional investor engagement (Fukami, Blume and Magnusson, 2022[48])

Institutional investors' engagement can be improved, and solutions are emerging. One approach has been the one taken by the UK Financial Reporting Council (FRC), which pioneered the introduction of stewardship codes in 2010. To improve the use of the code, since 2016, the FRC undertakes an evaluation of all signatory statements to identify best practice reporting against the stewardship code. The exercise distinguishes between signatories that report satisfactorily and those that need further improvement. The evaluations have led to a substantial improvement in the quality of the statements (Financial Reporting Council, 2016[49]).

Another emerging approach comes from asset managers themselves. In October 2021, BlackRock announced that it will give ultimate owners, such as big pension funds and other sophisticated institutional clients, the right to vote their (indirectly owned) shares at annual meetings starting in 2022. Approximately 40% of the USD 4.8 trillion index-tracking equity assets will be eligible to cast proxy votes. Currently, BlackRock stewardship teams are responsible for this task, and they will continue to vote proxies on behalf of the clients that prefer to continue delegating it to them (Barrons, 2020[50]). Further, BlackRock has stated that it is "committed to exploring all options to expand proxy voting choice to even more investors" such as individual investors (The Wall Street Journal, 2021[51]). It remains to be seen whether the initiative to allow institutional clients to vote their shares will be effective in encouraging engagement with companies, and help address concerns expressed by some about asset managers' voting power.

More regulatory efforts may be on the way. In September 2021, the US Securities and Exchange Commission (SEC) proposed a rule that would enhance the information mutual funds, exchange-traded funds and certain other funds report about their proxy votes. The proposal would also require institutional investment managers to disclose how they voted on executive compensation or so-called "say-on-pay" matters (SEC, 2021[52]).

Considering that an index investment product replicates the market index and offers to provide exposure to market risk (or systematic risk), therefore it is assumed that individual companies' idiosyncratic risks should be diversified away. Engagement activities with individual companies pursuing idiosyncratic gains are precisely the kind of risks that diversification should eliminate. In this sense, maximising the adjusted return of the entire index portfolio by reducing the systematic risk may also be an option. Therefore, efforts to reduce the systematic risk of the entire index portfolio instead of reducing the total risk of individual stocks may be desirable. For many managers, such an approach may be consistent with their diversification and cost-minimisation strategy (Gordon, 2021[53]). The question therefore arises of whether index managers should be expected to engage with individual companies on idiosyncratic issues or if they should support and sometimes advance shareholder initiatives that will reduce systematic risk of the entire index portfolio (e.g. climate-related initiatives).

4.2.2. Investment bias towards large companies

Institutional investors generally use indices in their asset allocation process. On the one hand, index investing has brought large benefits in terms of diversification for households' investments and a reduction in management fees. On the other hand, the shift from direct retail investment to institutional investors has created a bias that favours large companies in public equity markets.

New indices normally re-classify the same universe of listed companies according to different characteristics or criteria. As mentioned in Section 4.1, the total number of investable indices is almost 60 times the number of investable listed companies. This could be a problem when considering that the number of companies that list their shares on public markets has decreased in recent years and that an increasing amount of resources is allocated to the same groups of companies.

Index providers normally select as constituent firms those with a high market capitalisation and higher levels of free-float. The preference for larger and liquid firms also extends to larger and liquid markets since index providers also apply filter criteria for the countries to be included in a particular index. For example, for its Developed and Emerging Market indices, STOXX selects countries that have a market capitalisation that is equal to or greater than the 20th percentile of the market capitalisation of the countries covered by STOXX. Further, STOXX screens countries by market liquidity. To be eligible, countries must have a total value of shares traded equal or greater than the 40th percentile in the case of Develop market indices, and equal or greater than the 30th percentile in the case of Emerging Market indices (STOXX, 2021[54]). The investment bias resulting from index investing may not only leave small and illiquid markets off the radar of institutional investors, but more importantly it may also turn smaller and growth firms practically invisible to them.

4.2.3. Reduced information to the market

The G20/OECD Principles recommend that "stock markets should provide fair and efficient price discovery as a means to help promote effective corporate governance". From a market-wide perspective, informed investors, such as institutional investors, also play a role in producing new and unique information to the market. However, the fact that some investors follow passive investment strategies may reduce their ability to perform their monitoring function and thus the production of information to the market.

In 2020, the amount of funds managed via passive index funds and ETFs reached a record USD 8.2 trillion, accounting for 48% of total equity investment via funds (Investment Company Institute, 2021[55]). The reduced amount of information contained in prices can affect the price formation process and ultimately impact the allocation of resources in the economy. Concerns have also been raised that the mechanical investment rules of index investors (e.g. rebalancing their portfolio on a quarterly basis when the index provider rebalances the index) also can amplify trading patterns, destabilise prices and increase the co-movement in the return of index companies (Sushko and Turner, 2018[56]).

The increase in ETF and passive funds ownership has also led to a decrease in pricing efficiency, and the extent to which stock prices reflect firm specific information has decreased (Israeli, Lee and Sridharan, 2017[57]). Moreover, the increase in ETF ownership has led to a decline in the number of analysts covering a particular firm. Meanwhile, more indexing has reduced trading of individual stocks, resulting in higher trading costs and lower liquidity. ETF holdings are also said to have introduced persistent distortions from fundamentals at the individual asset level (Bhattacharya and O'Hara, 2018[58]).

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Annex A. Ownership information by jurisdiction

Table A 1. Listed companies and market capitalisation, end-2020

Market	Total market capitalisation (USD million)	Total market capitalisation covered (USD million)	Share of market capitalisation covered	Number of listed companies	Number of companies covered	Share of number of companies covered
Asian jurisdictions						
Bangladesh	46 031	37 488	81%	324	98	30%
China	13 029 553	12 299 626	94%	4 166	2 937	70%
Hong Kong (China)	4 783 387	4 668 597	98%	2 348	1 665	71%
India	2 573 728	2 550 497	99%	4 309	1 179	27%
Indonesia	493 269	487 616	99%	701	517	74%
Japan	6 778 005	6 766 617	100%	3 815	3 759	99%
Korea	2 173 366	2 140 044	98%	2 364	1 811	77%
Malaysia	436 929	421 398	96%	923	491	53%
Pakistan	50 161	45 310	90%	445	141	32%
Philippines	267 158	264 709	99%	250	176	70%
Singapore	448 603	439 496	98%	567	278	49%
Sri Lanka	15 854	12 641	80%	265	61	23%
Chinese Taipei	1 605 123	1 452 941	91%	947	260	27%
Thailand	513 741	506 442	99%	560	397	71%
Viet Nam	187 866	159 861	85%	748	178	24%
Other jurisdictions						
Australia	1 767 837	1 611 790	91%	1 805	838	46%
Austria	123 727	123 553	100%	55	49	89%
Belgium	347 993	334 678	96%	108	80	74%
Canada	2 100 898	2 045 890	97%	1 231	819	67%
Chile	177 704	176 772	99%	175	129	74%
Colombia	103 894	102 009	98%	48	34	71%
Denmark	616 909	615 548	100%	123	87	71%
Estonia	3 350	3 211	96%	17	10	59%
Finland	319 259	318 651	100%	123	105	85%
France	2 870 369	2 789 587	97%	397	335	84%
Germany	2 421 821	2 403 179	99%	801	462	58%
Greece	49 138	47 078	96%	142	58	41%
Hungary	27 073	26 886	99%	33	21	64%
Iceland	11 932	11 566	97%	19	18	95%
Ireland	94 015	93 918	100%	24	22	92%
Israel	210 435	198 282	94%	398	204	51%
Italy	730 529	729 868	100%	227	197	87%
Lithuania	5 464	5 240	96%	25	15	60%
Mexico	385 966	368 069	95%	124	97	78%
Netherlands	1 110 264	1 103 827	99%	96	77	80%
New Zealand	132 058	124 964	95%	118	81	69%
Norway	325 605	323 201	99%	210	169	80%
Poland	175 912	172 898	98%	400	204	51%
Portugal	85 155	85 037	100%	38	29	76%
Slovenia	8 949	8 116	91%	32	12	38%
Spain	686 833	685 613	100%	159	127	80%
Sweden	1 053 344	1 044 236	99%	555	310	56%
Switzerland	1 933 137	1 903 375	98%	233	208	89%
Turkey	230 954	222 928	97%	333	215	65%
United Kingdom	3 195 019	3 147 088	98%	1 424	1 159	81%
United States	44 509 526	43 877 826	99%	4 407	4 046	92%

Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg.

Table A 2. Ownership by investor category as share of market capitalisation, end-2020

	Corporations			Public sector			Individuals			Institutional investors		
	Non-domestic	Domestic	*Total*	Non-domestic	Domestic	*Total*	Non-domestic	Domestic	*Total*	Non-domestic	Domestic	*Total*
Asian jurisdictions												
Bangladesh	13%	18%	31%	9%	7%	16%	0%	18%	18%	2%	2%	4%
China	2%	9%	12%	0%	29%	29%	1%	17%	18%	3%	8%	11%
Hong Kong (China)	19%	3%	22%	10%	1%	11%	11%	8%	19%	15%	3%	18%
India	9%	24%	33%	1%	11%	12%	0%	11%	11%	13%	9%	22%
Indonesia	17%	25%	43%	1%	15%	17%	1%	10%	10%	8%	1%	8%
Japan	2%	20%	22%	2%	2%	3%	0%	6%	6%	15%	15%	30%
Korea	1%	22%	23%	2%	8%	10%	0%	10%	10%	15%	3%	18%
Malaysia	6%	19%	25%	2%	32%	35%	2%	9%	10%	7%	3%	10%
Pakistan	24%	19%	44%	1%	12%	13%	0%	9%	9%	5%	5%	10%
Philippines	4%	43%	47%	1%	1%	1%	0%	17%	17%	6%	1%	7%
Singapore	21%	9%	30%	1%	10%	11%	4%	7%	11%	9%	2%	12%
Sri Lanka	20%	37%	57%	2%	6%	7%	1%	12%	14%	7%	0%	7%
Chinese Taipei	2%	12%	13%	2%	5%	7%	1%	5%	5%	25%	4%	29%
Thailand	8%	16%	24%	2%	16%	17%	0%	18%	18%	6%	3%	8%
Viet Nam	14%	17%	31%	2%	26%	27%	0%	10%	10%	5%	1%	6%
Other jurisdictions												
Australia	2%	3%	5%	2%	0%	2%	0%	6%	6%	16%	11%	27%
Austria	7%	14%	21%	4%	19%	23%	1%	5%	6%	15%	8%	23%
Belgium	12%	14%	26%	2%	2%	3%	0%	7%	7%	33%	2%	35%
Canada	2%	4%	6%	1%	2%	4%	0%	3%	4%	23%	24%	46%
Chile	18%	36%	54%	1%	0%	1%	0%	13%	13%	6%	6%	12%
Colombia	7%	25%	32%	1%	34%	35%	0%	3%	3%	6%	10%	16%
Denmark	0%	9%	10%	2%	8%	10%	0%	2%	2%	27%	9%	36%
Estonia	4%	31%	35%	1%	16%	17%	0%	14%	14%	7%	4%	11%
Finland	1%	3%	5%	2%	15%	17%	0%	9%	9%	21%	10%	31%
France	5%	15%	20%	3%	4%	6%	1%	13%	14%	21%	6%	27%
Germany	4%	11%	15%	4%	3%	7%	1%	8%	10%	23%	7%	30%
Greece	16%	8%	25%	2%	9%	11%	0%	14%	14%	14%	2%	16%
Hungary	7%	14%	21%	2%	2%	5%	0%	5%	6%	26%	6%	32%
Iceland	0%	8%	9%	0%	1%	1%	1%	5%	7%	16%	51%	66%
Ireland	1%	5%	6%	3%	5%	8%	0%	4%	4%	48%	1%	49%
Israel	4%	15%	19%	1%	0%	1%	0%	19%	19%	14%	17%	31%
Italy	3%	10%	13%	3%	8%	11%	0%	11%	11%	25%	4%	29%
Lithuania	24%	3%	27%	4%	39%	43%	1%	9%	10%	2%	0%	2%
Mexico	14%	5%	19%	2%	0%	2%	0%	34%	34%	13%	7%	20%
Netherlands	14%	6%	20%	3%	0%	3%	1%	3%	4%	37%	3%	40%
New Zealand	1%	4%	6%	2%	17%	19%	0%	5%	5%	16%	5%	20%
Norway	4%	6%	10%	1%	28%	29%	2%	7%	9%	18%	12%	30%
Poland	14%	3%	17%	1%	13%	14%	2%	12%	14%	19%	16%	35%
Portugal	6%	30%	37%	12%	1%	13%	0%	9%	10%	21%	2%	22%
Slovenia	5%	8%	14%	3%	31%	34%	0%	0%	0%	7%	1%	8%
Spain	7%	6%	13%	4%	3%	7%	1%	15%	16%	24%	2%	25%
Sweden	2%	11%	12%	2%	4%	6%	1%	12%	12%	19%	19%	38%
Switzerland	1%	5%	6%	3%	3%	6%	1%	5%	6%	26%	6%	33%
Turkey	13%	25%	38%	16%	9%	25%	0%	9%	9%	5%	4%	9%
United Kingdom	4%	2%	6%	5%	1%	6%	1%	2%	4%	32%	29%	60%
United States	2%	1%	3%	2%	1%	3%	1%	4%	6%	11%	57%	68%

Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg.

Table A 3. Corporate ownership by listed companies as share of market capitalisation, end-2020

	By listed companies	By unlisted companies
	Asian jurisdictions	
Bangladesh	11%	20%
China	4%	8%
Hong Kong (China)	16%	6%
India	16%	18%
Indonesia	24%	19%
Japan	18%	4%
Korea	21%	2%
Malaysia	10%	14%
Pakistan	25%	18%
Philippines	30%	17%
Singapore	24%	7%
Sri Lanka	43%	14%
Chinese Taipei	7%	6%
Thailand	17%	7%
Viet Nam	18%	13%
	Other jurisdictions	
Australia	3%	2%
Austria	13%	8%
Belgium	14%	12%
Canada	2%	4%
Chile	38%	16%
Colombia	25%	7%
Denmark	2%	7%
Estonia	4%	32%
Finland	1%	3%
France	12%	8%
Germany	11%	4%
Greece	15%	10%
Hungary	13%	9%
Iceland	3%	6%
Ireland	0%	6%
Israel	11%	8%
Italy	5%	8%
Lithuania	23%	5%
Mexico	17%	2%
Netherlands	17%	3%
New Zealand	2%	3%
Norway	7%	3%
Poland	14%	3%
Portugal	28%	9%
Slovenia	6%	7%
Spain	8%	5%
Sweden	3%	10%
Switzerland	3%	3%
Turkey	25%	13%
United Kingdom	2%	4%
United States	2%	1%

Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg.

Table A 4. Ownership concentration by the top 3 investors at the company level, end-2020

	Top 3 investors	Top 3 corporations	Top 3 public sector	Top 3 individuals	Top 3 institutional investors
Asian jurisdictions					
Bangladesh	43.8%	22.1%	9.5%	12.1%	2.9%
China	52.7%	10.8%	16.1%	27.6%	4.4%
Hong Kong (China)	61.7%	18.1%	7.5%	34.7%	4.4%
India	55.0%	30.5%	7.5%	17.9%	7.9%
Indonesia	71.7%	46.5%	6.7%	18.4%	2.2%
Japan	41.2%	22.5%	0.9%	18.0%	8.2%
Korea	47.7%	21.7%	2.4%	23.4%	4.8%
Malaysia	54.9%	31.5%	10.6%	17.2%	3.9%
Pakistan	60.4%	37.5%	7.3%	13.9%	7.0%
Philippines	65.5%	48.2%	1.4%	17.5%	2.0%
Singapore	61.9%	26.7%	3.6%	31.9%	3.1%
Sri Lanka	72.2%	54.2%	9.2%	11.6%	5.6%
Chinese Taipei	33.8%	21.6%	3.7%	9.7%	8.0%
Thailand	53.1%	27.4%	3.3%	25.1%	3.1%
Viet Nam	56.7%	32.7%	11.7%	12.4%	4.4%
Other jurisdictions					
Australia	34.2%	12.8%	0.9%	15.1%	14.0%
Austria	59.7%	25.0%	11.0%	16.5%	12.7%
Belgium	50.9%	21.3%	4.1%	17.2%	13.6%
Canada	36.1%	10.1%	1.4%	15.5%	12.6%
Chile	69.4%	51.3%	1.6%	15.7%	6.8%
Colombia	69.2%	52.2%	10.3%	4.8%	9.3%
Denmark	45.4%	14.2%	3.3%	11.1%	21.7%
Estonia	56.8%	34.0%	11.0%	11.0%	6.3%
Finland	36.4%	11.6%	4.1%	16.8%	14.9%
France	57.2%	25.7%	4.4%	20.3%	12.9%
Germany	56.1%	23.3%	3.5%	22.1%	12.0%
Greece	61.2%	20.7%	8.7%	27.2%	7.2%
Hungary	56.5%	26.3%	5.3%	19.5%	11.8%
Iceland	36.2%	11.9%	1.8%	6.9%	30.2%
Ireland	40.2%	13.9%	9.5%	6.8%	17.3%
Israel	60.4%	22.6%	0.4%	28.2%	16.4%
Italy	57.8%	25.9%	5.8%	22.0%	10.1%
Lithuania	73.1%	20.7%	25.8%	28.7%	4.0%
Mexico	57.9%	15.3%	1.8%	32.3%	12.4%
Netherlands	42.4%	12.1%	1.5%	15.8%	20.1%
New Zealand	41.7%	14.0%	11.3%	12.8%	10.8%
Norway	47.2%	16.2%	5.1%	20.3%	15.4%
Poland	61.7%	19.1%	5.6%	26.0%	18.0%
Portugal	64.5%	43.7%	4.2%	16.3%	7.0%
Slovenia	52.8%	20.2%	29.4%	2.0%	4.8%
Spain	51.1%	19.9%	3.2%	25.0%	11.1%
Sweden	38.9%	10.2%	4.5%	18.6%	17.3%
Switzerland	43.8%	12.1%	7.8%	19.9%	11.4%
Türkiye	66.7%	45.2%	4.5%	15.2%	3.7%
United Kingdom	37.4%	8.1%	1.3%	14.6%	22.6%
United States	34.2%	5.7%	1.2%	10.1%	23.5%

Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg.

Table A 5. Listed companies under state control, end-2020

	Market cap. of state controlled companies (USD million)	No. of listed companies under state control	Average state holdings	State controlled listed companies (share of total market capitalisation)	State controlled listed companies (share of total number of companies
			Asian jurisdictions		
Bangladesh	8 483	11	64%	23%	11%
China	5 434 950	773	50%	44%	26%
Hong Kong (China)	686 252	194	53%	15%	12%
India	285 769	101	68%	11%	9%
Indonesia	125 977	46	65%	26%	9%
Japan	245 175	16	46%	4%	0%
Korea	54 178	16	54%	3%	1%
Malaysia	180 573	59	57%	43%	12%
Pakistan	7 539	12	67%	17%	9%
Philippines	306	1	38%	0%	1%
Singapore	113 108	17	47%	26%	6%
Sri Lanka	664	5	49%	5%	8%
Chinese Taipei	63 864	9	37%	4%	3%
Thailand	121 267	18	51%	24%	5%
Viet Nam	62 040	37	52%	39%	21%
			Other jurisdictions		
Australia	7 636	3	48%	0%	0%
Austria	40 102	7	53%	32%	14%
Belgium	11 275	4	46%	3%	5%
Canada	31 951	7	34%	2%	1%
Chile	588	2	81%	0%	2%
Colombia	42 660	4	75%	42%	12%
Denmark	93 078	2	45%	15%	2%
Estonia	904	2	51%	28%	20%
Finland	80 650	5	38%	25%	5%
France	124 056	11	47%	4%	3%
Germany	132 608	15	67%	6%	3%
Greece	9 228	9	45%	20%	16%
Hungary	68	1	75%	0%	5%
Iceland	-	-	0%	0%	0%
Israel	-	-	0%	0%	0%
Italy	72 313	11	53%	10%	6%
Lithuania	2 996	5	73%	57%	33%
Mexico	-	-	0%	0%	0%
Netherlands	-	-	0%	0%	0%
New Zealand	29 553	9	53%	24%	11%
Norway	133 434	6	54%	41%	4%
Poland	53 024	19	47%	31%	9%
Portugal	1 940	1	25%	2%	3%
Ireland	6 051	2	73%	6%	9%
Slovenia	7 706	8	40%	95%	67%
Spain	31 657	2	57%	5%	2%
Sweden	16 950	1	41%	2%	0%
Switzerland	75 616	18	57%	4%	9%
Turkey	63 810	13	65%	29%	6%
United Kingdom	39 637	6	35%	1%	1%
United States	8 507	5	44%	0%	0%
Rest of the world	10 463 032	1 591			
Total	**11 581 030**	**1769**		**11%**	**7%**

Source: OECD Capital Market Series dataset, FactSet, Thomson Reuters, Bloomberg.