ecoDa
The European Voice of Directors

Corporate Governance Compliance and Monitoring Systems across the EU

in collaboration with

MAZARS

FOREWORD

The "comply or explain" concept has become a feature of Europe's approach to corporate governance. The European Confederation of Directors' Associations ("ecoDa") has always been a strong defender of and has also supported major improvements to monitor "the concept" effectively the governance of listed companies. ecoDa believes that corporate governance structures and procedures should apply the basic principles of good governance whilst leaving the company with the responsibility to demonstrate to the outside world that its practical implementation and 'fine tuning' fits the company's strategy, specific circumstances and challenges.

Different approaches to the role of regulators and auditors in the area of corporate governance have been proposed, or implemented, in different countries. The past initiatives undertaken by ecoDa such as its contribution to the RiskMetrics Report in 2009, its report on "comply or explain": preserving governance flexibility with quality explanations" and its related conference in 2012 have stimulated reflection around the functioning of the "comply or explain" concept.

Companies' boards have an important role to play in preparing the corporate governance statement which should discuss the areas of compliance as well as the reasons for non-compliance. This is why ecoDa is still calling for continuous improvement in the application of the 'best fit' approach.

With this new initiative ecoDa is now focusing on the implementation, monitoring and enforcement of Corporate Governance Codes in order to get an overview of the approaches adopted at national level. This survey has been designed to make a useful contribution to estimating the long-term implications of the present approach and the prospects of obtaining over time a more co-ordinated understanding and application of the code concept throughout the European Union.

ecoDa is grateful to Mazars and the European Corporate Governance Codes Network (ECGN) for having joined forces with us on this project and each has provided significant input to all aspects of the study. A specific tribute is due to Professor Lutgart van den Berghe (Chair of ecoDa's Policy Committee and Executive Director of GUBERNA) who allocated a lot of her time in drafting the questionnaire, analysing the responses and leading on the preparation of this report.

LARS-ERIK FORSGÅRDH - ECODA'S CHAIR

CONTENTS

Executive summary 2

Introduction.... 7

- Setting the scene of this project 7
- The first phase of the project 7
- Information gathered 8

Corporate governance codes for listed companies 9

- The landscape of listed companies throughout Europe 9
- Initiatives to develop a CG code for listed companies in European Countries.... 9
- Revisions of the CG code for listed companies in European countries.... 11
- Responsibility for the development of a CG code for listed companies.... 13
- Field of application 14
- Structure of the code.... 14
- Legal status of the governance code for listed companies 16
  - national choices made as to the reference code for listed companies.... 17
  - migration from (soft law) recommendations to hard law 18

Monitoring 19

- Is there an official monitoring system in place for analysing and evaluating compliance with the code?.... 19
- What other parties might be monitoring compliance with corporate governance recommendations? 22
- What is the scope of the monitoring studies? 23
  - all listed companies or not?.... 23
  - the complete CG statement or not? 23
- Special attention for "comply or explain".... 24
  - how to measure the quality of explanations? 24
  - some examples 25
  - public reports or not? 28
- Major areas of non-compliance 29
- Evolution of compliance 30

Potential effects of corporate governance monitoring,.... 32

- What sanctions?.... 32
- Effectiveness of the governance monitoring process.... 33
- The danger of box ticking 33
- Major areas of improvement 34

Appendices 37

- Appendix 1: overview of CG codes for listed companies 37
- Appendix 2: overview of codes for unlisted companies, state-owned enterprises, social profit organisations, etc. 43
- Appendix 3: Approach to disclosure in the governance statements as reported by the countries in this survey.... 47
- Appendix 4: Monitoring systems reported by EC Member States 49

EXECUTIVE SUMMARY

Introduction

ecoDa ("the European Confederation of Director Associations") recognises the importance of an effective mechanism of "comply or explain" for promoting good governance practices and supports the European Commission's Recommendation of April 9 2014 which provides guidance to improve the overall quality of corporate governance statements and the application of the "comply or explain" concept. To this end, ecoDa in close collaboration with Mazars are undertaking a three-stage project, comprising:

(I) Corporate Governance Codes and Monitoring Systems across European Union ("EU") member states;

(II) The board's role in designing an effective framework of corporate governance; and

(III) What stakeholders think of the evolution of "comply or explain" in practice.

This report contains the results of the first stage of the project and provides an overview of the mechanisms in place to monitor the level and quality of compliance with governance codes in general and with the "comply or explain" concept in particular. It covers all Member States of the EU and Norway.

Codes across the European Union

European equity markets

There are significant differences in the structure of equity markets across Europe:

- The total market capitalisation of listed companies in the UK is for example equal to 241% of the country's GDP, the highest of any in the survey, followed by Sweden at 128%. By contrast, the equivalent proportion in Lithuania is just 9%.
- The type of shareholding also varies across Europe. The 'classical' example of a stock exchange with widely dispersed shareholdings and a high degree of free float is found in the UK. On the other hand, listed companies in continental Europe and, most extremely in Central and Eastern Europe have much more stable and concentrated shareholding structures with a more limited free float. A number of countries have a model that can be classified as a 'controlling' shareholder model with the largest shareholder together with other blockholders, holding a significant 'controlling' stake in the company. Moreover, some countries also use 'control enhancing mechanisms'.

Codes across the European Union

The above differences highlight that the comparison of governance codes and the relevant monitoring systems throughout Europe has to be undertaken with care.

All but two countries have one main corporate governance code for listed companies, the others having two.

Many European countries drew on guidance internationally when developing their national corporate governance recommendations between the 1990s and early 2000s with most considering the OECD governance guidelines.

The EU impact is more recent and relates mainly to updates of the different national codes and the search for good quality explanations with regard to the application of the "comply or explain" concept as covered in the 2014 EC recommendation.

Code revisions

Over the years, all but one country have revised their codes, although the number and scope of the revisions have varied significantly between countries. The reasons for revisions include factors such as:

- coping with new challenges and changes in market conditions for listed companies;
- leveraging the lessons learned (and comments received) in applying the recommendations in practice; and/or
- responding to demands for action from stakeholders and society at large, notably reacting to particular events such as the recent financial crisis.

Responsibility for development of codes

Throughout Europe, the development of a governance code for listed companies has mostly been a combined effort between the private sector and governments/regulators. Given the broadly 'self-regulatory' approach to corporate governance adopted, the role of the private sector has been to the fore in most though not all countries.

The EU Directive of 2006 obliged each Member State to designate an official code (unless they opted to allow a choice of reference code or allowed companies to develop their own code) and this greatly improved the credibility of the 'national' governance code(s) and their reference bodies. A related consequence was that a number of countries moved responsibility for the code from private sector led initiatives towards more official government/ regulatory ones.

Scope of application of codes

The scope of applications of the code(s) also varies between countries particularly because:

- Foreign companies listed on a regulated market may be subject to the 'national' code in the country of (primary or secondary) listing, to the code of their country of incorporation, to both or to none.
- Certain types of companies may have the freedom to apply part of the national code or to develop their own corporate governance code.

Code Structure

In principle, all European countries opted for a self-regulatory approach, to a greater or lesser extent, offering sufficient flexibility for listed companies to comply with the code or explain why they deem it necessary to depart from it in places. More recently, there has been a tendency throughout Europe to take steps to embed the primarily self-regulatory approach within a wider set of mandatory requirements. This is particularly the case when it comes to the annual statutory Corporate Governance Statement. Whilst the content of such statements varies substantially across countries, and with the caveat of it being a very broad interpretation, our study revealed that approximately 60% of the countries make the whole of their code subject to disclosure in Corporate Governance Statements.

Monitoring compliance with Corporate Governance codes across EU

Comparing monitoring systems across Europe is fairly complex especially because corporate governance requirements and regulations have a wider scope than Corporate Governance Codes and the respective balance between corporate law and securities regulations as compared with the codes varies quite significantly from one country to another and may evolve over time (with elements of the code being transposed into mandatory rules).

Areas where there has been a tendency for a migration from 'soft law' recommendations to legal requirements include issues such as director independence, matters related to the audit committee, gender diversity, conflicts of interest/related parties' transactions and shareholders' rights issues.

We focused on the monitoring of compliance with corporate governance codes for listed companies but we inevitably assessed monitoring with regard to other governance requirements not least because of the legal obligation for listed companies to publish Corporate Governance Statements.

Whilst most European countries have taken initiatives to implement some form of monitoring, nearly a third, perhaps surprisingly, have not yet done so. The status given to the national monitoring system and its role is perceived quite differently across countries:

- The majority of monitoring initiatives have a voluntary character (ten in total), whereas in five cases such monitoring is backed by law; the remainder being a combination of the two approaches.
- In many countries the capital market's supervisor limits its monitoring role to checking the availability of corporate governance information, as opposed to the quality of its content, and determining whether there is any misleading or untruthful information.
- In some countries private sector reports complement the information provided by the official monitoring body or stock market regulator/supervisor. There is also a growing role for academics in monitoring activities.
- Moreover, boards of directors, auditors, governance experts, director institutes, business associations, the media and shareholders may be involved in the monitoring process.

In light of the above, it is therefore not easy to form an overall view of the different monitoring initiatives across countries.

The scope of the monitoring reports produced by the monitoring bodies is also quite different:

- Some monitor all companies while others target specific samples or types of companies.
- Not all aspects of governance compliance are studied in all cases, nor is an annual analysis necessarily undertaken. Only fifteen countries mentioned that they analysed the content of the governance report whereas in others, the monitoring was limited to checking whether the information was available without further analysing.

"Comply or Explain"

There are a number of common areas of non-compliance. The major areas of concern relate to 'transparency' issues (such as remuneration) as well as to requirements for the functioning of the board (e.g. independence, membership of board committees and board evaluation).

Although adaptations to code requirements might have taken longer than anticipated to occur, there seems to be a clear trend throughout Europe that compliance is increasing, be it at a different degree from one Member State to another, with overall a significant difference between the larger companies that lead the pack and the small and mid cap listed companies.

Respondents stressed that monitoring, dialogue and peer pressure have helped to improve adherence to the codes.

Listed companies generally prefer to be compliant since explanations are not very popular with investors and their proxy voting agencies. Making more use of the flexibility offered is therefore not only an issue for boards to address but it is equally important -if not more so- to encourage investors to tailor governance practices to the challenges at hand, rather than opting for a straight jacket that does not meet the specific needs of the company.

The responses from some countries explicitly refer to the danger of box-ticking which a pure focus on compliance reporting might entail.

The approach adopted by a particular company should not be a 'copy-paste' of the code's recommendations and peer company practices. Listed companies need rather to reflect on whether those 'standard' best practices really fit with their specific challenges and needs. In quite a number of cases a 'best fit' solution can considerably differ from the traditional best practice recipe.

Boards need to consider more carefully ahead of approving the annual governance statement which governance approach best fits their needs. A rubber stamping role will not lead to the value added a board should deliver. Boards should be brave enough to depart from the code when necessary explaining the underlying reasons for their decisions.

Shareholders and proxy voting agencies, boards and senior management should be urged to reflect that, on occasion, there needs to be consideration of alternative approaches that might better fit the company's needs at a given stage in its development cycle.

In encouraging a greater use of explanations it will, however, be important to consider fully the impact of such a change in practice and whether providing a number of explanations will make it more difficult for investors and their representatives to make an assessment of the overall quality of governance.

It will also be worthwhile to reflect on whether the national codes should generally adopt a 'one size fits all' approach with a common set of requirements for all listed companies or whether some requirements should only apply to larger listed companies. This approach has already been adopted in some jurisdictions. To the extent the code is better tailored to the circumstances of specific groups of listed companies there will be less need for them to depart from particular requirements that are not relevant to them. Ensuring codes are proportionate in their application to smaller listed companies helps them reduce the costs of regulation. An important consideration is the vital role they play in creating growth and jobs across the EU.

Quality of explanations

Discussions on the quality of explanations often take place in private between the monitoring body and the listed companies. We fully agree with the statement of the EC that more attention should be given to the promotion of high quality explanations as a critical success factor for an effective self-regulatory regime.

These European recommendations, on the quality of explanations, are too recent to have been (fully) implemented in practice but our study revealed a number of countries are starting to issue guidance with regards to the provision of high quality explanations. Although there is still room for improvement, the maturity and quality of the system have come a long way in recent years.

Media could play an important role in critically evaluating the explanations given for non-compliance by delving deeper into the disclosures by companies and offering critical comment where they consider explanations are merely boiler-plate excuses.

Sanctions

In so far as governance requirements are primarily seen as self-regulatory recommendations, the traditional penalty system of hard law is not the best route to follow. Free-wheeling on the other hand, without active monitoring offers no guarantee of good governance either, let alone for the survival of the self-regulatory approach. It is therefore in the interest of listed companies and stock exchanges that further in-depth reflections occur at the European level on how issues raised by the monitoring bodies are treated seriously with appropriate follow up action taken.

Conclusions

The 2014 Recommendation of the EC, coupled with the active involvement of the European Corporate Governance Codes Network, is creating a new impetus for reaching the desired goal as regards the effective implementation of the "comply or explain" approach. This study and the subsequent two phases of our project are also designed to contribute to the achievement of this objective and to stimulate a process of continuous improvement in all of the EU Member States.

This report presents the state of play with regards to current practice, for example stakeholders (and proxy voting agencies), regulators and the media engaging in active dialogue with listed companies, more guidance, education related to best practice and promoting and publicly recognising it. However, peer pressure and also building a credible and well-respected monitoring regime should complement this approach of the carrot rather than the stick.

It is clear that self-regulation could imply an important role for critical self-evaluation. However monitors need credibility and the role of shareholders needs to be critically analysed.

The European Commission can hopefully use this report to secure a level playing field across the EU with regards to the scope of national codes and the governance approach adopted across the various Member States. It is also hoped that the report will lead to enhanced respect for a flexible approach and support for the use of explanations when appropriate. The report seeks to encourage high quality explanations when there are departures from code provisions; to promote more focus on decision making on governance matters and to foster a more harmonized approach to monitoring the implementation of corporate governance codes across the EU.

INTRODUCTION

Setting the scene of this project

At present, there is no recent overview available describing the situation in Europe concerning the development, implementation, monitoring and enforcement of corporate governance codes. In 2009, RiskMetrics together with ecoDa, BusinessEurope and Landwell performed an initial analysis, commissioned by the EC. On 9 April 2014, the EC issued a Recommendation aiming to provide guidance to listed companies, investors and other interested parties in order to improve the overall quality of corporate governance statements and the application of the 'comply or explain' concept. In this Recommendation the EC invites the Member States to inform them of the measures taken in accordance with this Recommendation by 13 April 2015; enabling the Commission to monitor and assess the situation. The deadline was subsequently extended to 30 June 2015 to allow Member States to gather the information required by the EC.

As the ecoDa actively promotes good governance and professional board practices. It supports initiatives that foster best practices and effective support for governance recommendations and codes. Aware of the great importance of an effective 'comply or explain' mechanism for promoting good governance practices, ecoDa supports the European Commission's Recommendation. ecoDa considers it essential to understand how the self-regulatory approaches of the different European governance codes are monitored, at the level of the different Member States, within the corporate boards and by the stakeholders involved. Consequently, this project will be carried out in three consecutive steps:

I. Corporate Governance Codes and Monitoring Systems across EU member states [January 2015/September 2015].

II. The Board's role in designing an effective framework of corporate governance [starting October 2015].

III. The evolution of 'comply or explain'. What do stakeholders think? [2016-2017]

The first phase of the project

This section contains the results of Phase I alongside an analysis of Corporate Governance Codes and Monitoring Systems across Europe. The report provides an overview of the mechanisms in place to monitor the level and quality of compliance with the governance codes in general and with the 'comply or explain' concept in particular. In addition to the inventory of facts and figures around governance compliance, we also summarise the lessons learned and the challenges ahead in promoting good governance through a (partly) self-regulatory approach.

To this end, we address the following questions:

- What type of governance recommendations have been developed and by whom?
- How is the compliance with the code being monitored and by whom? Are there criteria for good explanations?
- How has compliance with the code evolved over recent years? What are major areas of non-compliance? What about the quality of explanations?
- What are the potential effects of governance monitoring?
- What are the areas for further consideration?

We hope this Study will support the national and European authorities and governance monitors, allowing them to draw meaningful and timely conclusions in their search for effective governance of listed companies. We would also like to provide listed companies and their monitors and supervisory bodies with interesting examples of best practices developed in other Member States.

The findings of this first research report will additionally form the basis of the more in-depth review of the process of compliance and the quality of explanations in Parts II & III.

The information gathered

Since the monitoring exercises of Member States are quite varied in approach, responsibilities, methodologies and data available, it is important to ensure a consistent approach. To this end, a standard questionnaire was developed.

The questionnaire was completed by working groups in 29 countries (the 28 EU Member States plus Iceland and Norway) in early 2015. The working groups were comprised of corporate governance experts from ecoDa, Mazars and the ECGN. We are extremely grateful to those working groups for allowing us to have such a broad coverage of replies.

The questionnaire was divided into two parts: Part I whose main aim was to collect the facts and Part II which contained qualitative questions on the subject matter. This last section was not obligatory and ECGN's contribution was to Part I of the study.

Although not all of the questions have been answered by each of the countries studied, we are able to deliver a fairly complete view on the European situation with regards to compliance methodology and practices.

This report summarises the main observations and lessons learned based on the individual countries' replies. A more detailed set of tables and replies will be made available on both the ecoDa and Mazars websites. Furthermore, the complete information set for each country and question will be sent to the European Authorities in order to allow them to have access to any specific issue they may potentially wish to analyse further.

Although all 29 countries were given the option to review the report before finalisation, it should be mentioned that the different countries' answers have not been challenged in detail to ensure complete consistency of approach across all jurisdictions. The impact of a particular country's code may vary depending on national legal systems and on culture and tradition with respect to self-regulation. Within the boundaries of this ecoDa/Mazars project we are only able to provide a general oversight of the replies received, bearing in mind that some answers may be somewhat subjective in certain areas or need specific interpretation in others.

CORPORATE GOVERNANCE CODES FOR LISTED COMPANIES

The landscape of listed companies across Europe

Before a more in depth analysis of how different European countries have been developing their Corporate Governance Code(s) for listed companies and how they have taken initiatives to monitor compliance with them, it is worth briefly describing some features of listed companies in different European countries in order to set the project in context. The replies received do not provide us with a complete picture nor give sufficient detail across all Member States, however, based on the information provided (in addition to macro-economic data), some interesting conclusions can be drawn.

An initial indicator of the importance of listed companies for the economy of the different Member States is the ratio of total market capitalisation compared to the national GDP [8]. It is clear that in relative terms, listed companies are by far the most important in the UK (241%), followed by Sweden (128%), with a number of Central and Eastern European countries at the other end of the spectrum, for example Lithuania (9%), Estonia (10%), Bulgaria (12%) and Hungary (12%).

Not only is the relative weight of listing quite different across Europe but the type of shareholding also varies significantly across EU Member States. The 'classical' example of a stock exchange with widely dispersed shareholding and a high degree of free float is found in the UK. On the other hand listed companies in continental European countries and, most extremely in Eastern European countries, have a much more stable and concentrated shareholding structure and consequently a free float that is much more limited. Extreme examples are Latvia (free float on average below 25%), Croatia (33%) and Hungary (38%). Countries like Italy (simple mean 37%, weighted mean 55%), Spain (42%) and Belgium (55%) also have, on average, a relatively low free float in their listed companies.

Moreover, a number of countries have a model that can be classified as a 'controlling' shareholder model with the largest shareholder holding percentages of 20% or more which together with other blockholders, hold a significant 'controlling' stake in the company. This is not only the case in those countries with a relatively low free float but also for countries which use 'control enhancing mechanisms' like Sweden (where 67% of the companies have at least one owner that holds more than 20% of the votes).

Although the data we received was incomplete, the information gathered allows us to draw the conclusion that the development of corporate governance codes and the related monitoring systems have to be analysed with care, given the huge diversity across Europe as regards listings.

Initiatives to develop a Corporate Governance Code for listed companies in different European countries

In the questionnaire we tried to get an overview of the development of the Corporate Governance Code(s) for listed companies in each of the Member States (as well as in Norway). Most countries have one main code of corporate governance for listed companies, the exceptions being France and Portugal which each have two. In France there is, in addition to the main reference code (AFEP-MEDEF), a second code developed predominantly for smaller and mid-sized listed companies (by Middlenext). In Portugal a second code was developed by the private sector but until now, none of the listed firms have adopted it.

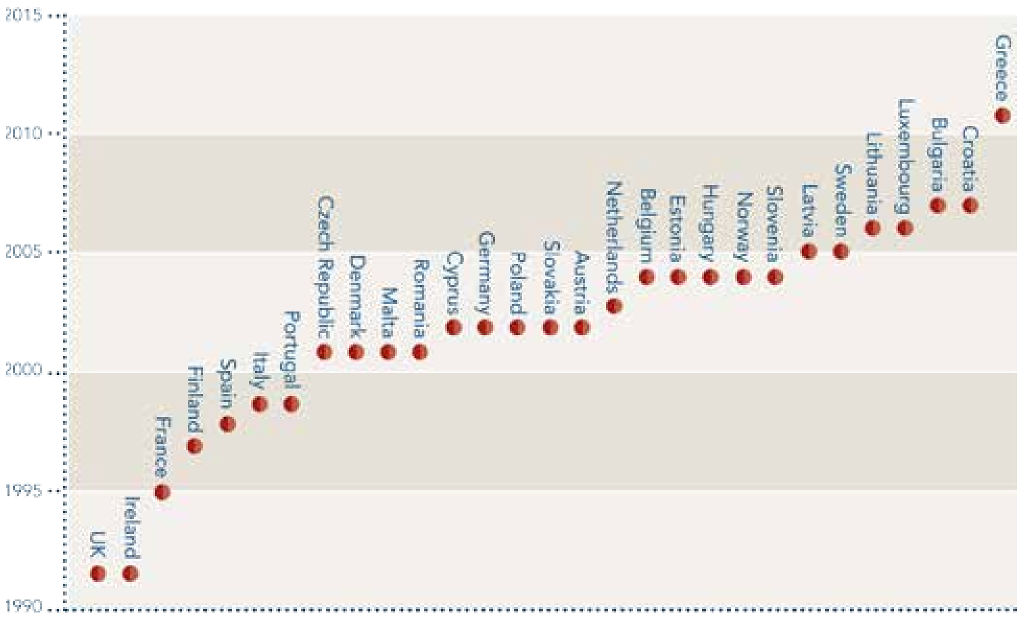
8 Based on information provided in the questionnaires.

For a detailed overview of the governance code(s) in each country please see Appendix 1.

For completeness, it should be mentioned that besides the Corporate Governance Code for listed companies, quite a number of European countries have developed additional Codes for unlisted companies, state-owned enterprises, social profit institutions and other organisations. An overview of these codes is provided in Appendix 2.

As illustrated in the figure below, most of the European Corporate Governance Codes for listed companies were originally developed in the 1990s to early 2000s. The figure records the first year of the 'officially' recognised code for listed companies and, as such, is not representative of the starting date of the first initiatives to develop a self-regulatory approach towards corporate governance [9].

Year of Corporate Governance Code adoption



The UK took the lead in developing a code for listed companies based on the concept of 'comply or explain'. This is not surprising in light of it being the most developed capital market in Europe. Therefore, the UK can be seen as leading the subsequent development of governance codes in other European countries. Many sought guidance internationally in developing their national corporate governance recommendations though the following countries apparently did not take an international reference specifically into consideration: Estonia, Germany, Hungary, Norway, Poland, Spain, Sweden and UK. From the Figure below we can observe that most inspiration came from the OECD governance guidelines. When referring to other countries' codes, the UK came across as the most prominent reference. The EU regulation played a less prominent role in the initial stage of code development. Taking the timeline into consideration and the fact that the EU, in contrast to the OECD has never developed its own code, this observation should not surprise us.

The European impact is much more present when we look at the use of the 'comply or explain' concept; this approach, originally developed in the UK, was

9 As an example of initiatives to develop governance codes, before those official ones, we can refer to the case for example of the Netherlands and Belgium. In the Netherlands the first Corporate Governance Code was developed in 2003. However, in 1997 recommendations on Corporate governance in the Netherlands were developed by a committee chaired by Peters (referred to as the Peters' Code). In Belgium three codes for 'listed' companies (respectively edited by the stock exchange, the stock market supervisor and the business federation) existed years before one integrated code was agreed upon in 2004.

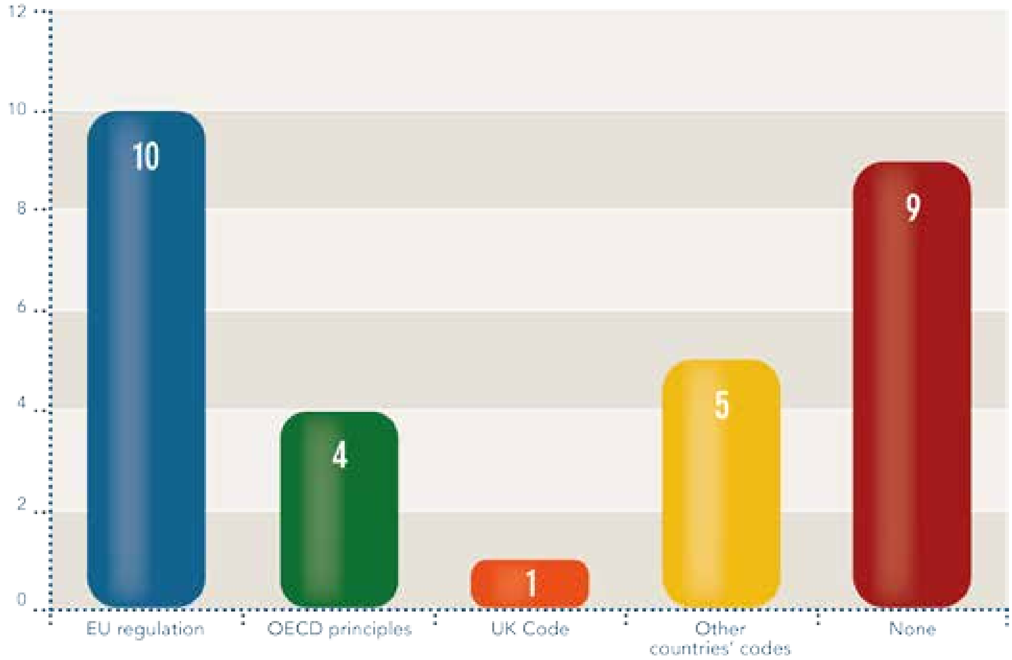
officially introduced by the European Directive of 2006/46/EC [10]. This directive combined the flexibility of the self-regulatory approach of governance codes with the legal obligation of transparency (in the corporate governance statement of the annual report) and accountability (the obligation to explain when not in compliance with the code's recommendations).

Revisions of the Corporate Governance Code(s) for listed companies in different European countries

Over the years, all but one country have revised their reference codes (with the exception of Slovakia whose Code dates back to 2002). Although the median number of revisions is two, there are quite a number of countries having five to seven and even ten revisions (Germany). However, there is insufficient information to infer the significance of the revisions.

As can be seen from the figure below, the EU regulation played a more prominent role in updating or revising the national corporate governance codes than in their original development. Furthermore, the replies revealed that code developers are increasingly looking to other countries and other international codes and best practices when revising their national corporate governance code for listed companies.

Was there a code used to update the national code?



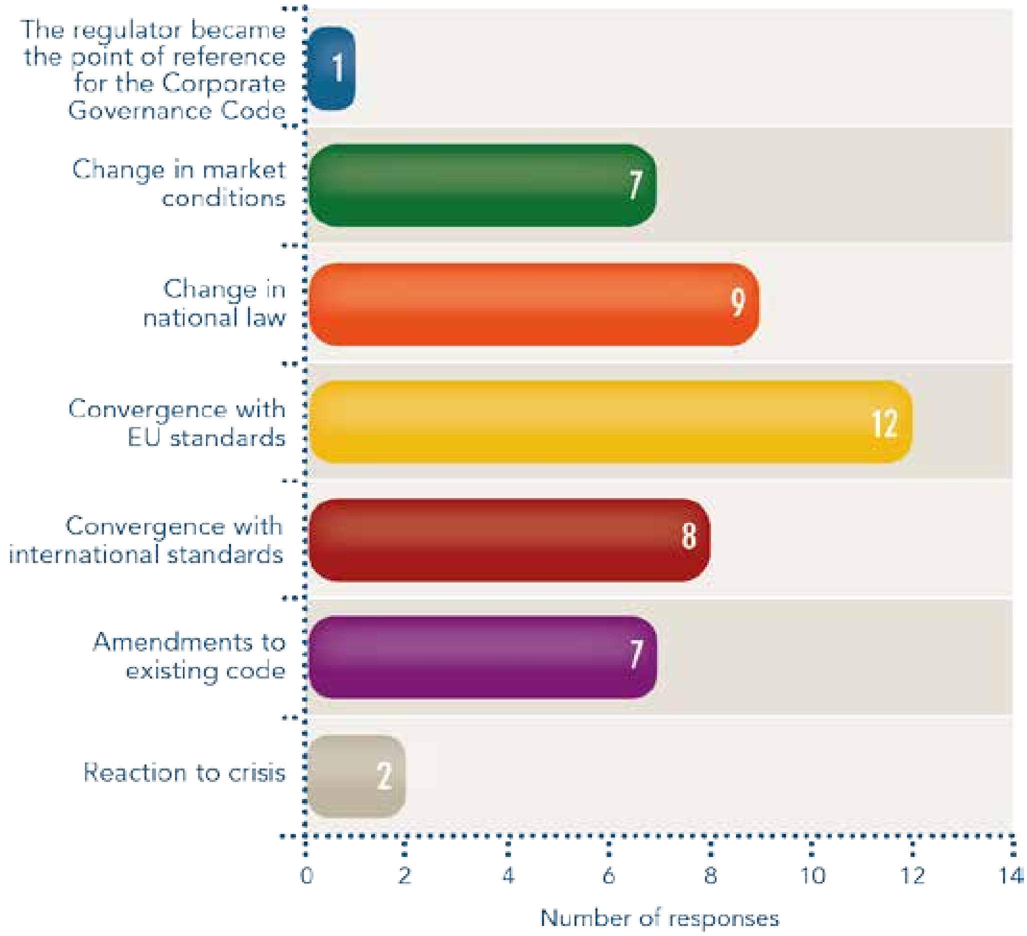
This becomes all the more clear when analysing the reasons for such adaptations; these go far beyond a regulatory update. Our study revealed a rather diverse set of reasons behind the revisions:

- to (better) converge with European and international standards;
- to take into account legal and/or regulatory change at the national level;
- to cope with new challenges and market conditions facing listed companies;

10 Directive 2006/46/EC requires that listed companies refer to a code in their corporate governance statement and that they report on their application of that code on a 'comply or explain' basis. This approach means that a company choosing to depart from a Corporate Governance Code has to explain which parts of the Corporate Governance Code it has departed from and the reasons for doing so. This principle was repeated in Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

- to take into consideration the lessons learned (and comments received) in applying the recommendations in practice; and
- to respond to special demands from stakeholders and society at large (especially after the financial crisis).

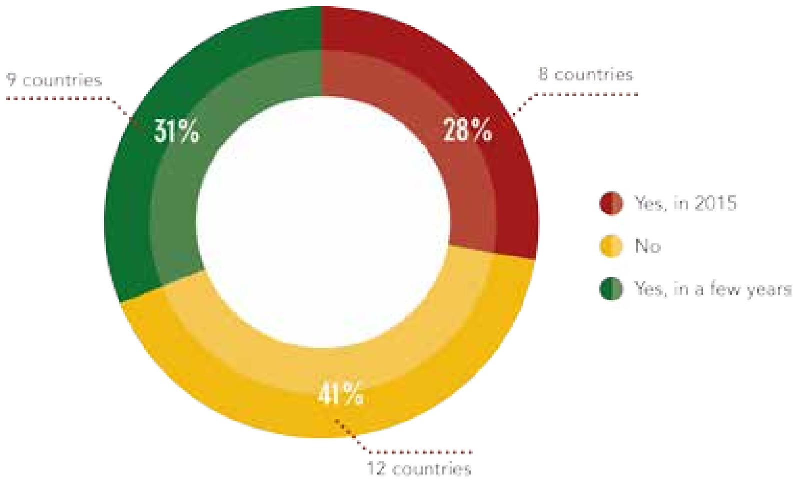
What was the reason that triggered a revision to your Code?



These reasons for updating the corporate governance codes for listed companies indicate that there has been considerable international influence on the decision to do so. The growing number of international recommendations and regulations (partly as a response to the financial crisis), help explain the increasing international impact. However, the internationalisation of the investor base might also be a driver of more international alignment (also between neighbouring countries, as was the case for example in Belgium, Cyprus, Finland and Luxembourg). Whereas regulatory changes can oblige code developers to adapt their recommendations ex-post, the increased focus on national and international best practices also shows that a more pro-active drive for continuous improvement and better governance is prevailing in Europe.

At the European level the recommendation of the EC in 2014 on the 'comply or explain' concept has not yet been (fully) implemented in country codes. Apparently quite a number of countries plan to amend their recommendations over the coming year(s): 17 countries have plans to revise their code in line with EU recommendation (eight plan to do so by the end of 2015); 12 countries say no revision is foreseen.

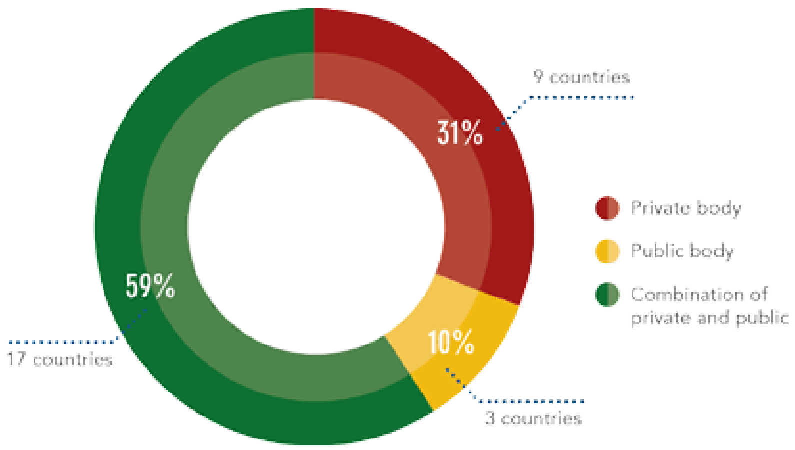
Are EU members planning to revise their codes?



Responsibility for the development of a Corporate Governance Code for listed companies

The initiative to develop a corporate governance code for listed companies has mostly been a combined effort between the private sector and governments/regulators; (see Appendix 1 for a complete overview). However, the degree of involvement of governments/regulators is somewhat different across the countries in the survey. Moreover, in a number of countries it was a purely private sector initiative (Austria, Denmark, Finland, France, Greece, Italy, Luxembourg, Norway and Romania) while in three countries (Cyprus, Malta and Portugal) it was a purely governmental/regulatory responsibility (see figure below).

Who has been involved in the development of the Code?



Typically, parties involved from the private sector include representatives from listed companies (the issuers), business associations (of companies and of investors) and governance experts. In the majority of the cases, representatives from the stock exchanges have played an important role in the development of governance codes. Representatives from the government/regulators include financial supervisors of the capital market whilst in some countries government representatives also play an important role.

In their search for broader societal support, numerous countries increased the original group of parties involved in the further development and supervision of the Corporate Governance Code by including a wider range of stakeholders (as happened in France or Belgium). The formal obligation, brought in by the European Directive (Directive 2006/46/EC) that each Member State had to designate an official code (unless they opted to allow for a free choice of reference code) greatly helped the credibility of the 'national' governance code(s) and their reference bodies. In a number of countries the responsibility moved from a private initiative to a more formal official body (as in the UK and the Czech Republic).

The revisions of the codes in each country were predominantly made by the bodies responsible for developing the first edition, except in three cases: Denmark, Poland and Sweden.

Field of application

The 'national' governance code(s)'s field of application is defined differently from one Member State to another.

One element of diversity is the extent to which foreign companies listed on a regulated market are subject to: the 'national' code of the country of (primary or secondary) listing; the code of their country of incorporation; to both or to none. This could be an important point of attention for the European Commission, in order to make sure that there are no gaps in corporate governance application resulting from the origin of incorporation.

However, even when there was only one reference code, the inquiry revealed that in a number of countries listed companies have not only the flexibility of departing from the code (when providing an explanation), but some categories of companies may be permitted to apply only part of the code. These differences should be taken into consideration when undertaking international comparisons relating to the application of the 'comply or explain' concept. The situation, however, is rather complex and the information gathered at this stage is not sufficient to nuance the analysis appropriately. That said, it could certainly be a further issue for consideration by the European Commission when looking into the creation of a level playing field for governance compliance.

Another distinction is that between a 'Premium' listing and other (less regulated) parts of the capital market. Code requirements are mainly oriented towards the 'regulated' part of the market, leaving different degrees of governance requirements for the less regulated parts of the capital market. Again this could lead to an element of unequal competition across capital markets.

Based on our inquiry we can conclude that applying the national governance code is not mandatory for all listed companies in all countries. Where there are exceptions these mainly relate to:

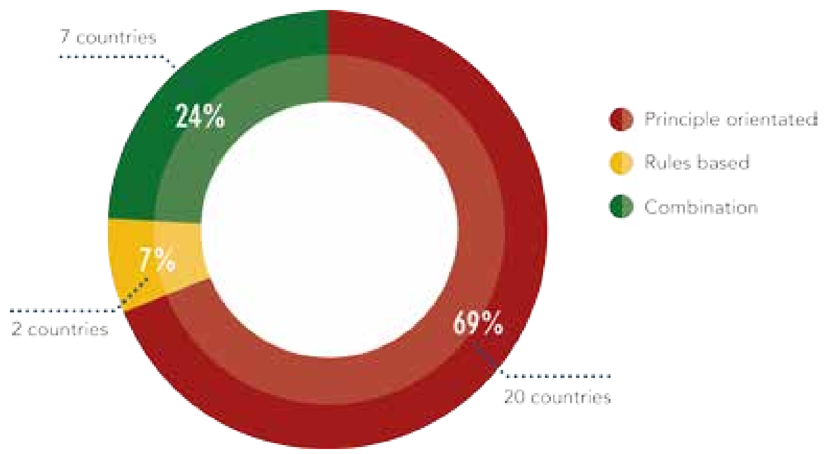
- the choice made as to the 'reference' code for listed companies;
- especially as regards foreign companies that are allowed to apply their home country code (provided that they respect the 'comply or explain' concept);
- companies without a full listing;
- some special regimes, e.g. for small and mid-sized listed companies.

Structure of the codes

Analysing how corporate governance codes for listed companies are structured revealed complex differences across Europe.

Since there is no standard set for developing a corporate governance code, some codes have been structured in a relatively general way - laying down a set of general principles (a principles-based approach) leaving companies the flexibility to develop their governance structures and practices according to the general principles of the code. Other code developers have opted for developing a set of rules that more strictly define how a corporate governance framework should be structured and applied in practice (a so-called rules-based approach). In their replies, most countries stated they have opted for a principles-based Code, except for Greece and Austria that defined its approach as a rules-based. Seven countries are stated to have a combination of the two including Belgium, Finland, Hungary, Norway and Sweden (see figure below).

How is your code structured?



This highlights the different approaches across Europe yet it does not reveal the complex reality behind those 'general' categories. Firstly, from the analysis of the replies received, it is clear that even the interpretation of the dichotomy between principles-based versus rules-based is not at all clear cut. A more in-depth analysis of their replies has proven that all combine principles as well as rules, albeit to a varying degree.

In principle, all European countries opted for a more or less self-regulatory approach. To reach the flexibility needed, the concept of 'comply or explain' was chosen, offering sufficient flexibility for listed companies to comply with the code or explain why they deem it necessary to depart from it. This self-regulation has increasingly been embedded into legal rules, not least because the European 2006/46/EC Directive obliged Member States to establish a legal regime for the disclosure of governance practices. More and more countries have also transposed some parts of their governance code into hard law making it increasingly difficult to give a clear overview of where flexibility is still permitted or where regulation has taken it away. This makes comparisons between the structures of the governance codes even more difficult, some opting for completely eliminating all strict regulation from them whilst others still including the legal requirements in their code. A number of countries have adapted [11] or will update [12] their code to make this distinction more straightforward.

The way the general disclosure regulation is applied in practice is far from harmonised. At European level, a number of formats are used for the governance statement; making comparisons across countries rather difficult. Moreover, comparisons across companies within countries are still not straightforward. There are some notable exceptions, including Bulgaria, Croatia, Cyprus, Lithuania, Portugal, Malta and Spain. These countries prescribe a standard questionnaire or report format which all listed companies have to fill out on an annual basis. In other countries there are standardised forms available (Denmark, Italy, Slovenia) either for the whole corporate governance report though companies are free to choose whether to use them, or there is a formal format that only applies to a specific part of the code (such as disclosure on remuneration, as is the case in France and Belgium- despite the formal format not being compulsory in Belgium). Hungary has a 'mixed' approach; there are no prescriptions for the format of the corporate governance statement, but there is a standard questionnaire for the 'comply or explain' disclosure format.

Overall and with the caveat of interpretations being fairly general, our study revealed that approximately 60% of the countries form their whole code subject to disclosure in the Corporate Governance Statement. The remainder make only part of it subject to public disclosure (disclosure usually being limited to the recommendations). Another significant difference is that part of the code may not always be obligatory for certain types of listed companies. This is often the case for companies listed on a non-regulated (or less regulated) market. In other cases, small and mid-sized companies (listed on a regulated market) benefit from a more flexible system and may not be obliged to follow all of the recommendations. They have more flexibility and/or are not obliged to disclose the degree of compliance on certain aspects [13] of the code.

When combining the difference in the structure of the governance codes with the different approaches to disclosure in the governance statements, it becomes clear how difficult it is to formulate general statements at European level as to the degree of implementation of governance codes. Some of the specific approaches reported by the countries in this study are included in Appendix 3 to this report.

Legal status of the Corporate Governance codes for listed companies

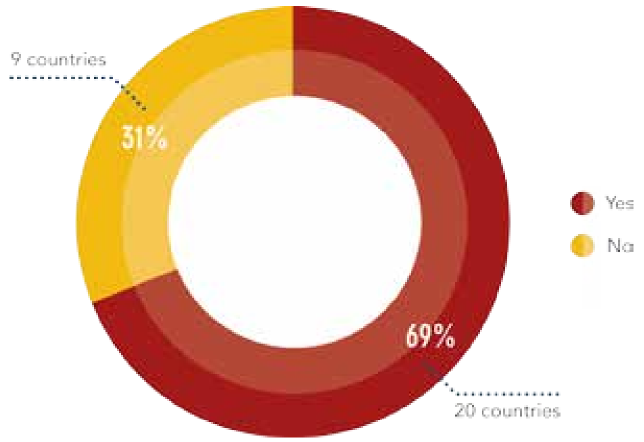
The European Directive of 2006 obliged Member States to ensure their listed companies publish an annual corporate governance statement as part of their annual reporting; in which they disclose the governance code they follow and the extent to which they follow this code alongside explaining any departures from the expectations of the code. Most countries have passed national legislation to ensure listed companies adhere to this European Directive and develop an annual governance statement. From the figure below it can be seen that whilst in the majority of the European countries (more than two thirds of the total) this obligation has been embedded in national law, in the remaining ones this has not yet happened.

11 This is for example, the case in Belgium with the legal requirements being put in italic to make a clear distinction with the other recommendations which are subject to the 'comply or explain' principle.

12 This is for example, the case in Finland, where the code includes recommendations which in the meantime have become mandatory, no longer allowing companies to depart from the recommendation. It is their intention to separate all recommendations from the mandatory dispositions.

13 Examples in this respect are France (Middlenext Code), UK, Greece and also, for a small number of topics, Portugal.

Is the obligation to respect this Code (within a 'comply or explain' context) embedded into national law?



How can we explain the initial contradictory observation that all Member States follow the EU 2006 Directive whilst one third answer no to the question relating to whether listed companies in their country publish information on the way they apply the code and 'explain' departures from it? One explanation we found through further investigation of what happens in practice is that some European countries follow the OECD code which does not foresee a 'comply or explain' approach, therefore, companies are not familiar with the need to explain departures from their Code, though they do follow the EU recommendation to publish a governance statement. Further analysis of the situation in each of the Member States concerned falls outside the scope of this European overview but seems to us to be a necessary issue for follow up by EU authorities.

National choices made as to the 'reference' code for listed companies

The EU offered Member States three possible routes in its European Directive (1) Member States could oblige all listed companies to follow the 'national' governance code (which they therefore had to formally approve as the national reference code); (2) Member States could require their listed companies to either follow the national code or to opt to apply another international governance code for listed companies; or (3) the listed companies had the freedom to develop their 'own' governance code.

In reality it is clear that most countries (20/29 replies) opted for route (1) and made it compulsory for their listed companies to adopt formally the national governance code as the only reference code for compliance reporting. Seven countries currently offer the possibility to either follow a national code or opt to apply another international governance code, for example Bulgaria (with the OECD code as the alternative), Czech Republic, France (with the Middlenext Code as well as the AFEP-MEDEF Code), Latvia, Luxembourg and Portugal. Two special cases, Greece and Slovenia, combine all of the available options. According to the response to the questionnaire, Slovenia offers all three possibilities, whilst Greece has one reference code and each listed company is allowed to develop its own code.

Migration from (soft law) recommendations to hard law

In addition to legally embedding the national corporate governance code, many[14] countries have been transferring parts of its recommendations into law over the years.

Based on the responses to our questionnaire we concluded that the general content of the national governance codes has in overall terms remained within the scope of the 'comply or explain' approach. However, a number of topical items have been transposed into mandatory requirements and set into hard law. This is especially the case for issues such as remuneration, director independence, composition and operation of the audit committee, gender diversity, conflicts of interest/related parties' transactions and shareholders' rights. Some of these transpositions into law are the consequence of European legislation (e.g. shareholder rights, audit committees) or European recommendations (e.g. directors' independence and director remuneration) whereas other instances result from national political initiatives, not least in response to societal pressure (like executive remuneration and gender diversity).

Some additional elements have been integrated into law for the banking industry (board composition, board review, say on pay, chairman of the board) predominantly as a result of specific European legislation for financial institutions.

This combination of hard and soft law may make it more difficult for listed companies to clearly see the scope of the 'comply or explain' approach and may lead to (sometimes conflicting) overlaps between the provisions in the code and the law. This has prompted some Member States to develop interesting overviews or inventories of legal and recommendatory national sources, as in the cases of Portugal and Denmark. In Belgium, initiatives were taken to develop one report that integrated the soft law requirements of the corporate governance code with all relevant governance laws. However, this initiative failed as it proved a complex task due to the widely dispersed set of laws that directly or indirectly relate to the governance of listed companies. Despite this failing, the code developers reached a mid-way solution in the Belgian Code by highlighting all the legal elements that were transposed into law before 12 March 2009 in italics. Listed companies are warned that the flexibility offered by the 'comply or explain' concept does not extend to the items in italic where hard law leads to mandatory requirements.

14 The replies to this question should be treated with care since some of the legal changes as to governance requirements have been required by European Directives and therefore should have been implemented in all countries. We therefore did not make use of the replies given since more in-depth research might be needed to correct the answers provided.

MONITORING

Is there an official monitoring system in place for analysing and evaluating compliance with the Corporate Governance Code?

Our survey revealed that corporate governance requirements and regulations have a wider scope than the contents of corporate governance codes. Moreover, the relative importance of (1) legal dispositions (e.g. in corporate law and in securities regulations); (2) the impact of Listing Rules; and (3) Corporate Governance Codes may vary from one country to another and may evolve over time (with Code requirements being transposed into mandatory rules). Each of these three types of disposition may have its own set of monitoring systems whilst some might be overlapping as well. In these circumstances it is rather difficult to compare monitoring systems across European countries. In this report we try to focus our attention on the monitoring of compliance with the corporate governance codes for listed companies. However, we will inevitably delve into other governance requirements, not least because of the legal obligation for listed companies to report on corporate governance matters.

The corporate governance codes for listed companies combine self-regulation (offering flexibility based on the 'comply or explain' concept) with mandatory transparency on the corporate governance practices in general and on the respect of the 'comply or explain' approach more specifically (based on the EU regulation that obliges Member States to establish mandatory reporting). This mandatory requirement implies that the regulator/supervisor of the stock exchange can/will have to check whether such information is available. Furthermore, the stock exchange authorities can exercise a certain degree of monitoring, e.g. through checking that Listing Requirements have been followed. Moreover, the self-regulatory approach embedded in the governance codes for listed companies assumes, either explicitly or implicitly, that the shareholders act as the final monitors of the governance quality of the companies in which they invest.

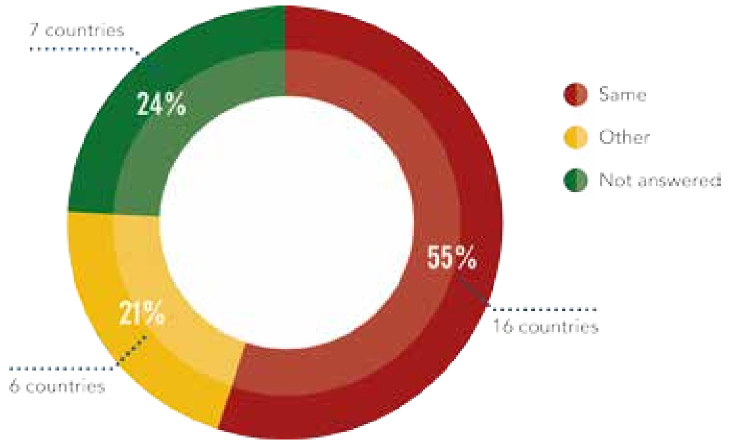
We inquired to what extent 'specific' governance monitoring systems existed in the European countries. Most countries have taken initiatives in this respect, the exceptions being four countries, namely Czech Republic, Latvia, Norway and Slovenia. A summary of the responses received to this question is included in Appendix 4 to this report.

As Appendix 4 highlights, there are diverse approaches to monitoring compliance with corporate governance recommendations by listed companies. The UK is an interesting example in that annual monitoring has four main purposes: (1) to provide an assessment of corporate governance and stewardship in the UK; (2) to report on the quality of compliance with, and reporting in line with the Corporate Governance Code and the Stewardship Code; (3) to assess the quality of engagement between companies and shareholders; and (4) to indicate to the market where changes in governance behaviour or reporting are needed. In countries like Greece, it is more a monitoring of corporate governance in general rather than a monitoring of the code which takes place.

In most countries the body responsible for the development of the corporate governance code for listed companies also performs a monitoring role (see figure below). In six EU Member States a specific body has been created for the monitoring of the code: for example the Dutch Corporate Governance Monitoring Committee or that in Sweden, where the body responsible for the development of the corporate governance code differs from the body responsible for its implementation, monitoring and for further developments.

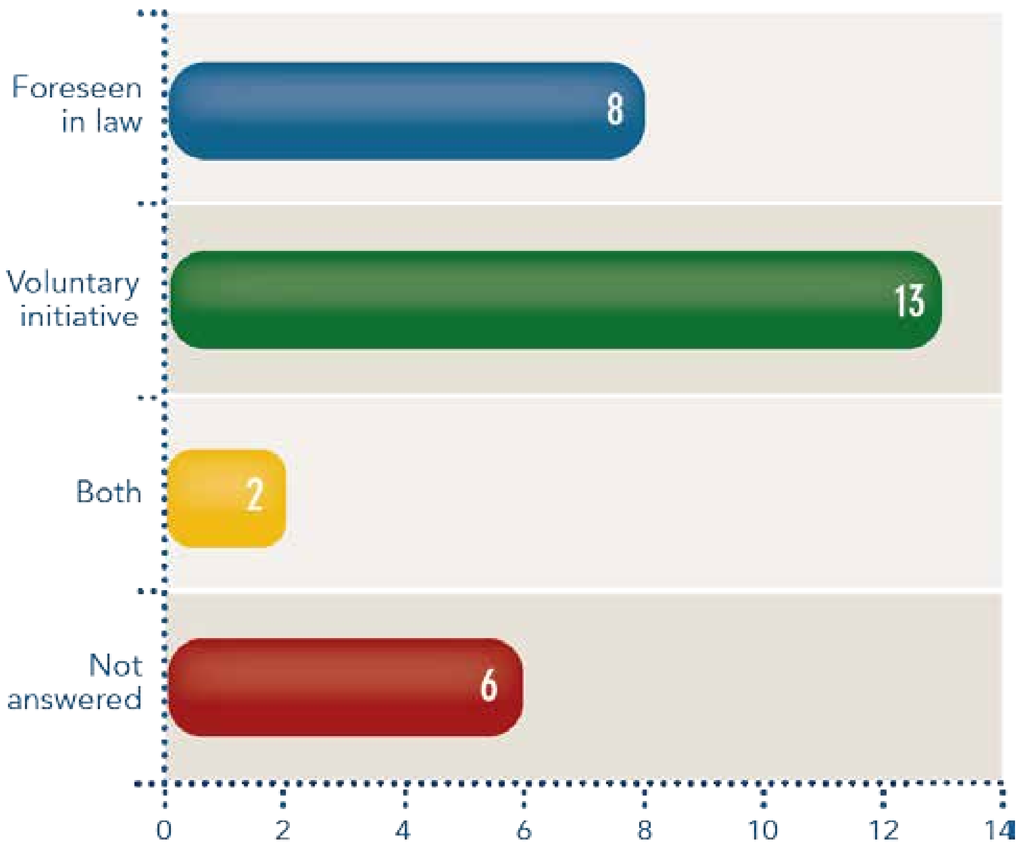
In addition to the monitoring done by the AMF as the securities' regulator, France recently established a 'High Committee' in charge of monitoring the implementation of its Code. When the body responsible for the monitoring is different from the body responsible for code development, interaction between the two bodies may be explicitly organised as is the case in Finland.

Is the monitoring body the same body that developed the Corporate Governance Code?



The status given to the national monitoring system as well as their specific role is perceived somewhat differently across countries. According to the responses in our inquiry (see figure below), the majority of monitoring initiatives have a voluntary character (thirteen in total) whereas in nine cases such monitoring are required by law, with two countries having a combination of private and governmental/regulatory initiatives. Five countries have not replied to this question, a number of which apparently have no monitoring body in place.

What is the status attributed to this monitoring body?



Private sector reports may complement the information provided by the official monitoring body or stock market regulator/supervisor (as in Belgium, France, Portugal and Italy[8]). Private studies have a greater role for monitoring purposes if the public authorities do not cover the quality and content of corporate governance statements. In numerous countries the capital markets supervisor limits its monitoring role to checking the completeness of information and determining whether there is any information that may be misleading, untruthful or even false.

It is also interesting to highlight the growing role of academics as in Germany where there is a formal delegation to the Berlin Center of Corporate Governance (BCCG) at the Technische Universität Berlin or the Netherlands where the Corporate Governance Monitoring Committee often sends tenders for monitoring studies to university institutes. Other countries where universities play a role in the monitoring process are Italy and the UK. Part of the field work may also be done by consulting firms (as is the case in Italy, Portugal, Sweden and the UK).

Given the different types of monitoring exercises, it is not easy to draw an overall comparative view of the different monitoring initiatives in each country. However, some of the following practices may act as interesting examples for consideration by Member States:

- The Swedish experience is a best practice example of clearly defining the respective roles of governance monitors. Sweden has clearly defined the co-operation between the two main monitoring bodies by allocating and formalising their specific roles: the Swedish Corporate Governance Board assesses the functioning of the code as such on a macro level whilst the stock exchange assesses individual company compliance.
- A comparable approach operates in Greece [9] with a public monitoring report focusing on the overall observations of governance compliance by listed companies whereas the Hellenic Corporate Governance Council provides individual feedback to the companies on a confidential basis (with a proprietary report for each company). To this end, they are developing an on-line scorecard which incorporates a set of scoring and rating criteria as well as validation procedures.
- An interesting practice to refer to is the one developed by the Financial Reporting Council (FRC) in the UK: they organise regular meetings with all of the interested groups as part of their monitoring work.
- Portugal offers another example of collaboration between private sector players and academics. The private monitoring report is an initiative of the Portuguese Issuers' Association, in cooperation with the Católica School of Business & Economics. This joint venture produces an independent analysis, providing overall market-level information as well as individual company analyses. This report not only offers an annual evaluation of compliance with the code but also provides a Corporate Governance Index and Rating which provides a benchmark element for determining the evolution of Portuguese companies in this area.

8 In Italy, the Corporate Governance Committee develops the monitoring report with reference to multiple outside sources: one of those is the report of Consob. The Consob Report not only serves as reference for the Corporate Governance Committee's report, it is also provides an analysis of some Code recommendations.

9 All references made in this report to the corporate governance of listed companies in Greece and its monitoring should be interpreted with care, since corporate governance monitoring is still in its developmental phase. A pilot monitoring programme has only recently been applied to the top three listed companies. Apparently the corporate governance system is far below the national and international standards that are in place.

- Another interesting example in defining the respective roles of monitoring initiatives can be found in Belgium where the supervisor of the capital market (the FSMA) monitors the availability of the governance information in the governance statement, as well as compliance with those parts of the Code that have become mandatory, leaving the monitoring of the self-regulatory elements of the Code to the self-regulatory body, i.e. the Commission Corporate Governance (which delegates the monitoring study to a private consortium of the business federation VBO-FEB and the directors' institute GUBERNA).

What other parties are monitoring compliance with Corporate Governance recommendations?

As a rule, the respondents recognise the role of other governance actors in the monitoring process with boards of directors playing an important part as well as auditors and governance experts (who are in fact often included in the network or the specific body responsible for monitoring). There are only a few countries that explicitly make reference to the board of directors. Belgium and Luxembourg state in their more detailed guidance on compliance with the Corporate Governance Code that each derogation has to be submitted to the board of directors, which needs to agree upon the explanations to be included in the public governance statement. In Finland, it is explicitly mentioned that if the General Meeting is to take a decision related to a departure from the Code, it is often appropriate for the Board of Directors (or a board committee) also to explain the alternative actions taken. In the Nordic countries, the board of directors plays an active role in approving the corporate governance report and hence approving the content as such.

Another practice worthwhile mentioning is found in Portugal, where the internal and external auditors of listed companies must be satisfied with the content of the corporate governance report. In Germany the auditor must audit whether the governance declaration conforms with § 161 Aktiengesetz (Stock Corporation Act). The audit content of the declaration is, however, not part of this legal audit.

It is important to note the role played by other actors, such as chambers of commerce (Finland) and business associations (in many countries these business federations play a central role in developing self-regulatory initiatives and promoting monitoring initiatives). In some of the European countries, director institutes and professional service firms also perform some kind of monitoring role.

Everywhere the media plays an important role in echoing the observations made by all those monitoring bodies (Germany explicitly refers to the role of the media in this respect).

However, one striking observation is that only two countries make explicit reference to the shareholders as a governance monitor (i.e. Denmark and Germany) and one country implicitly refers to shareholders (the UK, in defining the 'penalty' powers). There was no explicit suggestion in the EC Recommendation as to what 'other' types of monitors might be mentioned and no explicit reference to shareholders was made (although they are often referred to as (the market) monitors in the official governance codes [10]). However, given

10 See for example principle 1 of the Dutch Code that explicitly mentions a role for shareholders:

"Shareholders take careful note and make a thorough assessment of the reasons given by the company for any non-application of the best practice provisions of this code. They should avoid adopting a 'box-ticking approach' when assessing the corporate governance structure of the company and should be prepared to engage in a dialogue if they do not accept the company's explanation. There should be a basic recognition that corporate governance must be tailored to the company-specific situation and that non-application of individual provisions by a company may be justified."

the rich set of examples 'spontaneously' cited by respondents as monitoring agents, it remains remarkable that so few references are made to shareholders, given the basic assumption underlying the self-regulatory approach, that shareholders have an important and possibly decisive role to play in monitoring compliance with the governance codes.

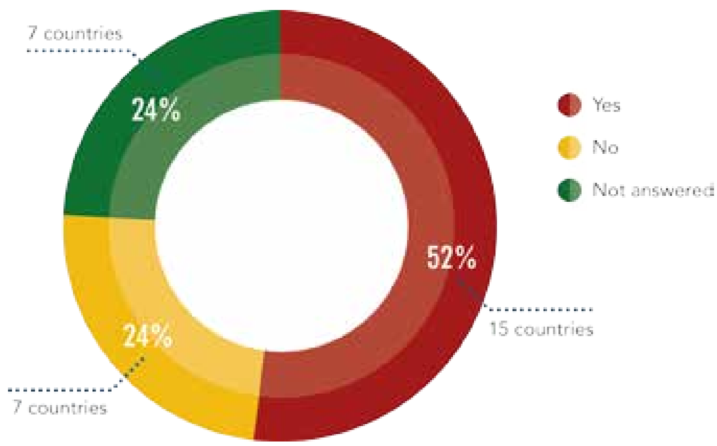
What is the scope of the monitoring studies?

The scope of the different monitoring reports is quite different: some target all companies, whilst others focus on specific samples or types of companies . Moreover, sometimes not all aspects of governance compliance are studied, and an annual analysis is not always undertaken.

All listed companies or not?

A majority of the official monitoring exercises take all listed companies into consideration (see figure below). An interesting approach is developed by the Swedish Stock Exchange: they target the whole set of listed companies but on a rotational basis (assessing one third of the companies every year). In other instances, however, only a sample of listed companies is chosen or rather the largest set of listed groups. This is often the case with private sector monitoring studies that limit the scope to the companies listed on the main stock index. Another approach is to make the selection by reference to their market capitalisation whilst a third group of countries opt for a 'pick and choose' approach (e.g. starting with some high profile companies or state-owned enterprises). In France, the AMF makes a selection combining the two approaches: a sample of 60 companies within the 120 largest public companies. The High Committee's review covers the SBF 120 index companies.

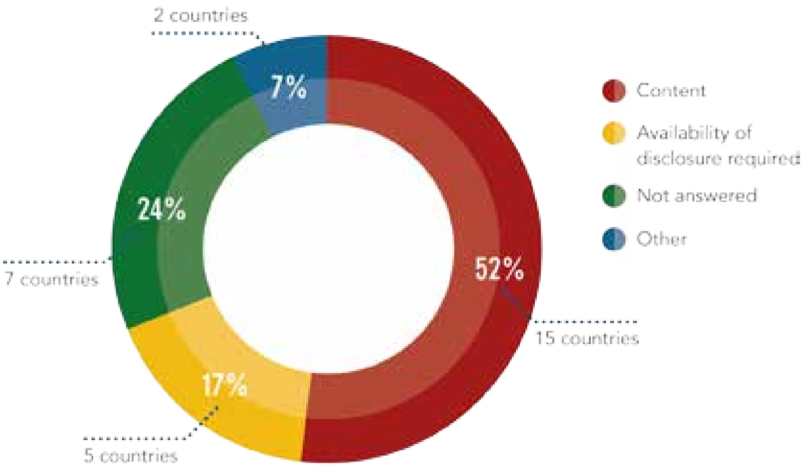
Are all listed companies studied in the monitoring?



The complete corporate governance statement or not?

In the majority of cases, these monitoring studies encompass the complete corporate governance statement. However, how this should be interpreted in practice is far from straightforward. Only 15 countries mentioned that they analysed the content of the governance report (see figure below), whereas countries such as Austria, Estonia, Hungary and Luxembourg mentioned that the monitoring was limited to checking whether the information was available (without further analysing the content of the governance report, let alone checking on the quality of the explanations). Occasionally, countries specifically focus on certain items. In addition, the monitoring bodies may conduct additional interviews or make further inquiries.

Is the monitoring analysis limited to checking the availability of the disclosure required or does monitoring also imply an analysis of the content?



Special attention for 'comply or explain'

Although monitoring studies might include some information on the 'comply or explain' concept, a more in-depth focus on the explanations provided and the quality of them is not a given across Europe. Most countries include a more detailed overview of the governance recommendations from which there are departures in their general monitoring report. Monitoring bodies may use the discussion of the annual report and of the governance statement of individual companies to highlight the quality of explanations given and the improvements they consider necessary. Meetings between the stock exchange and the issuers are also sometimes used to discuss the quality of the governance statements and the explanations given. However, a systematic and more thorough analysis of the quality of such explanations is often lacking and is certainly only a recent point of attention.

Moreover, there is no standard European framework for measuring the quality of such explanations. Of course, the Risk Metrics study (at the request of the European Commission[11]) as well as the recent European Recommendation (9 April 2014) provides some interesting indicators for a more harmonised approach towards such quality measurement. Some individual Member States have also been developing more specific guidance and recommendations to ensure explanations that are sufficiently robust to withstand critical evaluation from monitoring organisations and shareholders. We therefore looked more deeply into the different aspects of this monitoring exercise, not least because it touches upon the critical success factors of the 'comply or explain' approach and more generally upon the success (or even survival) of the flexibility such self-regulatory initiatives offer.

How to measure the quality of explanations?

The Risk Metrics report (2009) has played a role in trying to define the quality of the explanations. They classified all explanations into five categories: (1) Repetitive: explanations that state only the fact of non-compliance or indicate some departure from the recommendation; (2) Limited: companies do not explain the reasons for their non-compliance but include additional, specific information on what they consider an alternative procedure, pursuing the same goal as the Code recommendation; (3) General: companies indicate a general disagreement with the recommendation without identifying a company-specific solution; (4) Transitional: companies indicate that the code provision from which

11 Study on Monitoring and Enforcement Practices in Corporate Governance in the Member States", RiskMetrics Group, ecoDa, BusinessEurope, Landwell http://ec.europa.eu/internal_market/company/docs/ecgforum/studies/comply-or-explain-090923_en.pdf they currently depart will be applied at a later stage; (5) Specific: the company describes its specific situation and explains why these circumstances prevent it from complying fully with the recommendation.

In its Recommendation of 9 April 2014, the European Commission alluded to the need for qualitative explanations to be clear, accurate and complete. It did not include a proposal for quality categories but rather provided additional guidance for establishing the annual governance statement (the statement should clearly indicate each of the specific recommendations the company does not comply with) whilst simultaneously introducing a transparency obligation regarding the decision process (describing how the decision to depart has been taken) as well as the alternative measure(s) taken to ensure that the company is complying with the principle/spirit of the code. Details of temporary departures need to include a time frame for full compliance with the code's requirement(s).

These European recommendations are too recent to have been fully implemented in practice. It is therefore too early to observe how the monitoring practices will be adapted in response to them. However, we do see some best practices that have been developed earlier that go a long way to fulfilling the European recommendations (such as the guidance given in Belgium, Finland and Spain). Moreover, nine countries already prescribe that in case of non-compliance the explanation should encompass the alternative solution used instead (some explicitly mentioning that alternatives need to be given, where relevant).

Given that the monitoring of the quality of explanations is so crucial for the further development of European Corporate Governance, we will explore some of the (best) practices of European countries in more detail.

Some examples of criteria for measuring the quality of explanations for departures from the governance code's requirements can be found in the table below:

A first observation is that today, the practices of countries that already analyse the quality of explanations considerably differ across Europe. Some countries focus more on the veracity of the explanations (true, statically proven, plausible, possible) like in Germany while other countries distinguish the quality of the explanations by their validity (explanation given or not) and their degree of relevance (repetitive, limited, general, transitional, specific). There is still not a uniform approach but there is a clear trend to improve the analysis and to develop additional guidelines, not in the least in accordance with the recommendations of the EU (9 April 2014). It is interesting to note that one respondent (Sweden) questions the value of such guidelines and fears that they might lead to boiler-plate explanations.

COUNTRY	CRITERIA FOR MEASURING THE QUALITY OF EXPLANATIONS FOR DEPARTURES FROM THE GOVERNANCE CODE'S REQUIREMENTS
Belgium	The monitoring report of 2014 analysed all departures reported in the governance statements of listed companies and identified the five areas in which most occurred. In a second step, all explanations given were analysed and their quality checked against three different classification methods: (1) the international classification used by the Risk Metrics Group; (2) the Recommendation of the European Commission of 9 April 2014 and (3) the 'Practical rules for high-quality explanations' from the Belgian Corporate Governance Committee (2012). The Belgian guidance is very much in line with the European Commission Recommendation, with the exception that there is no obligation to define an alternative measure, nor an obligation to be transparent as to the decision process.

COUNTRY	CRITERIA FOR MEASURING THE QUALITY OF EXPLANATIONS FOR DEPARTURES FROM THE GOVERNANCE CODE'S REQUIREMENTS
Croatia	There are three quality categories with 'A' being an adequate (sufficient) explanation, 'N' a not informative explanation (not giving appropriate information, but more or less a typical general answer) and 'O' for each explanation that is missing.
Finland	A guideline[12] on qualitative explanations has been issued that is largely aligned with the European Recommendation (with some additional reflection on the decision process). Besides describing the need for clear and comprehensive explanations regarding the degree of and reason for departing from certain Code requirements (and clearly mentioning the number and heading of the relative recommendation), companies need to present the alternative solution adopted. As for many of the recommendations, it may be helpful for the company to describe the procedure through which it has arrived at the decision to depart from the Code. If the General Meeting is to take a decision related to a departure from the Code, it is often appropriate for the Board of Directors (or a board committee) also to explain the alternative measures taken to compensate for the departure.
France	France has not developed a categorisation of explanations, however the conditions for a qualitative explanation are defined in the AFEP-MEDEF Code: "The explanation to be provided when a recommendation has not been applied must be comprehensible, relevant and detailed. It must be substantiated and adapted to the company's particular situation and must convincingly indicate why this specific aspect justifies an exemption; it must state the alternative measures that have been taken if applicable, and must describe the actions that allow the company to comply with the aims of the relevant measure within the code". Recently a 'High Committee' was formed to further expand the focus on monitoring the compliance with the AFEP-MEDEF Code, in addition to the official monitoring taken care of by the capital market's supervisor AMF. In its most recent annual report the High Committee has given some examples of what could be a meaningful explanation.
Italy	The EU recommendations are largely embedded in the Corporate Governance Code (especially the new main principle IV), requiring issuers to clearly state in their corporate governance report which specific recommendations, laid down in the principles and criteria, they have departed from and, for each departure: a) to explain how the company has departed from a recommendation; b) describe the reasons for the departure, avoiding vague and formalistic expressions; c) describe how the decision to depart from the recommendation was taken within the company; d) where the departure is limited in time, explain when the company envisages complying with a particular recommendation; e) if it is the case, describe the measures taken as an alternative to the relevant recommendations with which it has not complied and explain how such alternative measures achieve the underlying objective of the recommendation or clarify how they contribute to the good corporate governance of the company. Moreover, some specific recommendations have been provided in the 2014 Corporate Governance Committee Report, analysing the quality of explanations provided by issuers in the case of non-compliance with some specific

12 *http://cgfinland.fi/files/2012/01/Guideline_comply-or-explain_en.pdf*

COUNTRY	CRITERIA FOR MEASURING THE QUALITY OF EXPLANATIONS FOR DEPARTURES FROM THE GOVERNANCE CODE'S REQUIREMENTS
Italy *(continued)*	recommendations of the Code. In particular, the Committee evaluated the quality of the explanations provided in specific cases of non-compliance: adoption of the Code; board evaluation (information on the board evaluation process; quality of information; quality of explanations in cases of non-compliance); lead independent director (explanations for not appointing a lead independent director when expected); meetings of independent directors; the application of independence criteria (quality of explanations in case of non compliance; application of one or more criteria having regard more to the substance than to the form); board committees (establishment/composition); remuneration policy (the provision of a cap on the variable component and the quality of explanations in case of non compliance); transparency and completeness.
Ireland	Listed companies are required to apply the UK code and therefore the features described above apply. In addition, the Irish Corporate Governance Annex sets out guidance that listed companies should apply in order to provide meaningful explanations.
Latvia	The Latvian Nasdaq OMX Riga has developed specific guidelines for preparing the 'comply or explain' statements, based on the revision of the Corporate Governance statements. Latvia is addressing the quality of explanations when comments are provided to the issuers. However, there are no particular categories developed to measure the quality of the explanations. If, however, the explanation just states that the principle is not in the line with the law such explanation is not deemed acceptable and companies are consequently asked to revise their governance practices and statements.
Luxembourg	Companies that do not fully implement one or more of the recommendations are obliged to submit details of every deviation to the Board of Directors, for the Board to approve. The company is then required to explain these decisions in its Corporate Governance Statement.
The Netherlands	The Monitoring Committee has given guidance in 2011 on the quality of explanations. This guidance is to a large extent in line with the recommendation of the EU on the quality of explanations.
Portugal	The CMVM issued a Regulation (4/2013) stating in its Article 1 that 'Issuers should explain in an effective, justified and reasoned way, the rationale for non-compliance with the recommendations set out in the Corporate Governance code. They must also demonstrate the adequacy of the alternative solution adopted, proving that this solution may be materially equivalent to recommendation compliancy'. CMVM analyses the quality of the explanations provided by checking their compliance with the legal principle that all information must be comprehensive, truthful, current, clear, objective and lawful in accordance with Article 7 of the Portuguese Securities Code. The quality of explanations is categorised as follows: 'no explanation provided', 'insufficient explanation' and 'adequate explanation'.

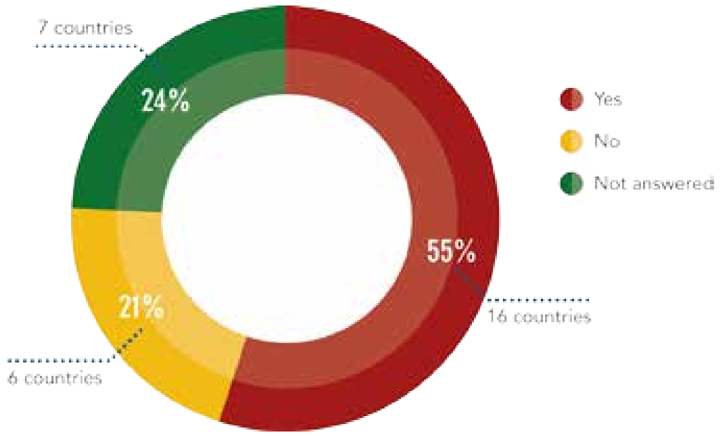
COUNTRY	CRITERIA FOR MEASURING THE QUALITY OF EXPLANATIONS FOR DEPARTURES FROM THE GOVERNANCE CODE'S REQUIREMENTS
Slovenia	Slovenia have recently (summer 2015) completed the first complete analysis of the explanations for departures from the Code's requirements as reported in the CG report within the annual report. This exercise was carried out by the Ljubljana stock exchange (LJSE) and the SDA given that an official monitoring body has not yet been established. During 2012, a partial analysis was previously carried out for ten companies.
Spain	An approach has been developed, comparable to that of Belgium: the CNMV has been analysing the quality of the explanations for the ten recommendations with the lowest compliance scores. The explanations were then classified into the five categories of the Risk Metrics study referred to earlier.
Sweden	The annual monitoring research includes an assessment of the quality of the explanations for departing from code requirements. Quality is defined in terms of "information value" and three quality levels are foreseen: 'Good', 'Acceptable' and 'Insufficient or None'. These assessments are subject to a certain degree of subjectivity but, since they have been set out in the same format since 2006, trends may be observed with a reasonable degree of reliability. In addition there are some 'handbooks for the application of the code' published on the market, in which more elaborate guidelines are available. However, the Corporate Governance Board is somewhat wary of such guidelines for fear that they might lead to 'boiler-plate' explanations of little information value in each particular case. Therefore the Corporate Governance Board is unwilling to specify in too much detail how explanations are to be formulated.
United Kingdom	The UK Code sets out in the 'comply or explain' section a number of features of meaningful explanations, in order to provide a benchmark for companies when providing explanations and shareholders when assessing them. These are as follows: that the explanation should set out the background; provide a clear rationale for the action being taken; and describe any mitigating activities. Where departure from a particular provision is intended to be for a limited time, the explanation should indicate when the company expects to conform with the provision[13]. In 2015, the FRC plans to develop an additional communication on 'comply or explain' to remind both companies and investors that simply complying without giving due consideration to what is appropriate and relevant, reduces the flexibility this approach aims to achieve.

Public reports or not?

As shown in the figure below, it is surprising to note that five countries do not make their monitoring reports publicly available (this is the case in Bulgaria, Estonia, Greece, Hungary and Malta). However, Bulgarian listed companies individually report on the 'comply or explain' approach in their annual reports (compliance reporting is embedded in scoreboards). To some extent the lack of public information may also be due to the fact that these countries limit their monitoring to checking the availability of information, without going into a deeper analysis of the content of the governance reports.

12 The FRC also published in 2012 a paper called 'What constitutes an explanation under "comply or explain"?' https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/What-constitutes-an-explanation-under-comply-or-ex.pdf.

Are reports available that disclose the outcome of the monitoring studies?



In the majority of cases overall market reports are publicly available whereas individual information is kept confidential. This individual information may, however, be used to enter into dialogue with companies that need further improvement in their governance and/or governance reporting. An interesting example in this respect was cited by the Bulgarian representative: the private monitoring body selects some 10 to 15 listed companies (those with the largest market capitalisation) and interviews representatives of their boards in order to verify the reasonableness of their self-evaluation.

As part of a virtuous learning circle it would be interesting to make more information publicly available. Public transparency could enhance the peer pressure to improve a corporation's corporate governance as well as its governance reporting.

Major areas of non-compliance

Whilst there are some notable 'monitoring' differences amongst European countries (to some extent linked to the difference in code requirements and to the fact that a detailed analysis of compliance with each type of requirement is not a given in all Member States), there are quite a number of common areas of non-compliance. The major areas of concern relate to 'transparency' issues and to requirements for the functioning of the board and its relations with management and shareholders.

By far the most important domain of non-compliance is the disclosure of the remuneration of executive and non-executive directors on an individual basis and in all of its main components. Some countries point to the fact that this disclosure is still very sensitive and companies are not willing to disclose this information. Others state that such reluctance is due to social reactions and media pressure on executive director remuneration.

The independence requirement offers challenges in applying them as prescribed. This holds especially for the degree of independence required for board committees (a majority of independent directors) and to a somewhat lesser degree for the board in general (often a less stringent requirement than a majority being expected to be independent). The definition of independence may also pose problems in practice; this is especially the case with respect to the maximum term for an independent board mandate and some countries also point to the difficulty of defining 'significant business relationships'. On a broader level the composition requirements for a board of directors may also pose significant problems in practice (such as for example a quota for female directors).

The obligation to establish board committees for audit and especially for remuneration and nomination, also poses some problems with compliance, certainly in those countries where there are many small and mid-sized companies listed on the stock exchange.

A domain that is still in its infancy with regards to compliance is the evaluation of the effectiveness of the board of directors, its committees and of its composition. Evaluation of individual directors is a far reaching goal to achieve in many companies.

Conflicts of interest and related parties transactions may pose additional problems.

Other specific domains that have been noted in some of the countries relate to shareholder issues such as: disclosure of shareholders rights, pre-meeting information to be made available to shareholders and information to be provided on take-over bids.

It is also interesting to note the observation made by Finland: it is stated that companies may well misunderstand the Code, providing an explanation of all practices adopted whether or not they are a departure from the expectations of the Code. Research in Belgium has also revealed that companies are often not well aware of all details about the synchronisation between their governance practices and the Code requirements. This misunderstanding goes in both directions, as described by the Finnish example. This must certainly be a point for further consideration with regard to improving further the compliance with the Code requirements.

Evolution of compliance

Before analysing the evolution of national compliance reports, we should issue a clear warning as to the lack of compatibility between these reports in terms of the statistics provided across the different EU Member States.
As aforementioned, such measurement is not available throughout the EU (some countries lacking an in-depth monitoring of compliance reports) nor do countries that measure the degree of compliance use the same type of yardstick. Some countries distinguish between companies that have a 100% compliance record, or any % below; other countries look at the number of explanations given or departures from the code; still, another approach is to look at all recommendations and calculate for each the degree of compliance. Comparisons over time within a country may also be hampered because the codes have been adapted over time and/or the sample of listed companies has changed over the course of the years. To study the evolution of the record of compliance, we will therefore focus on the main trends observed across countries over the last couple of years.

It is clear that adaptations to a company's governance structures and processes take time. Furthermore, a number of companies may be faced with one or more barriers to full disclosure and, independent decision-making or may be reluctant to follow the code's expectations. Most countries (16 out of 23) note that compliance is increasing but differences persist between larger and smaller listed companies, the larger ones taking the lead in a full compliance tendency. One country's response stated 'there is still room for improvement but it is getting better each year'. It is also mentioned that there is a significant increase in compliance, especially in newly listed companies – when comparison is made with the policies previously applied. Newly listed companies apparently do not want to depart from the prescriptions of the governance code or are nervous about doing so. More generally speaking, the tendency is that listed companies, and especially the larger ones, try to be compliant, as explanations are not very popular with investors and their proxy voting agencies or the wider public.

We should therefore emphasise the remark from Sweden: they are concerned that too much compliance could be 'disquieting' – companies should be encouraged to make use of the flexibility offered by the 'comply or explain' principle. This statement makes it clear that monitoring exercises should clearly distinguish between the aim of 'applying' the corporate governance code, rather than 'compliance' with it, as this is only one of two options, the other being to clearly explain with well-founded arguments that it is in the best interests of the company to apply an alternative solution to reach the same goal of good governance. To this end the monitoring approach developed in Portugal is worth discussing: to promote a more reliable correspondence with the logic of 'comply or explain' and to avoid 'box-ticking', percentages are avoided and the quality of explanations is closely analysed. Although, in some cases, companies may express non-compliance with certain recommendations, if they explicitly present alternatives and duly justified solutions considered as functionally equivalent to the implicit objective of each of the referred recommendations, they are subject to a valuation equivalent to a 'comply'. As already mentioned, the new CMVM Recommendation emphasises the importance of the quality of explanations, establishing a material equivalence to recommendation compliancy.

As to the explanations given, it seems that the overall quality of explanations has marginally increased, even if it is still early to assess the impact of the new EU recommendation. Nine out of the twelve countries that monitor the quality of explanations reported that it is improving. Many companies have been coping with a new system, even a new philosophy, towards flexibility coupled with the duty of well-founded explanations. But maturity in this respect seems to be growing. There has been a move away from (only) boilerplate language towards more bespoke explanations for non-compliance with specific code provisions. However, a number of countries consider that the overall picture is not progressing as well as hoped for, hence a more pronounced focus on the quality of explanations. As stated before, this is the main point of attention. Flexibility should indeed be used but only if well thought through and supported with relevant arguments.

POTENTIAL EFFECTS OF CORPORATE GOVERNANCE MONITORING

What sanctions?

As described in the chapter on monitoring bodies, there are multiple actors monitoring the compliance with governance laws, regulations and governance codes, from the public sector as well as from the private sector. When monitoring is taken care of by a formal body, it has to report either to the government, Parliament or the stock exchange. Regulators/governmental organisations might also have disciplinary powers and can sanction companies publicly (the so-called name and shame approach). On the other hand, private sector monitors do not have such disciplinary powers, except as regards organising private discussions with corporate leaders if they deem it necessary. When monitoring is not formalised it does not prevent the monitoring body assisting private stakeholders and society at large. An example is to be found in France where the 'High Committee', set up as a private initiative by AFEP and MEDEF (code developer), obliges companies to mention in their annual report the opinion given by the High Committee on governance compliance. If they do not comply with it, the Committee can start a public name and shame approach .

It is clear that the question on sanctions has to be treated differently if one looks at the monitoring of formal regulations and governance requirements as compared with the monitoring of the self-regulatory elements of the governance codes. Most of the sanctions are imposed in a public setting where, for example, supervisors of the stock exchange are able to apply sanctions where incorrect or misleading information has been published. Pursuant to the EU Directive the governance statement should be a separate section of the annual report. However, it is up to the Member States to decide whether to impose specific sanctions if such information is lacking. Director liability may be at stake in the case of missing information or, even worse, misleading or false information.

'Official' sanctions have apparently not been imposed so far, at least not on the use of the 'comply or explain' option. Personalised letters and dialogue are largely preferred, broadly consistent with soft law. Constructive dialogues are developing with companies, taking the form of guidance letters and/or feedback (this has been the case for example in Belgium – where the chairman of the board is contacted and in Spain - where letters have been sent to the Secretary of the Board). In addition, peer pressure can be an effective tool for improving compliance with self-regulatory requirements. Some countries also try to stimulate and promote best practice by creating a virtuous learning circle and sharing information. Examples in this respect are the organisation of seminars and conferences for promoting the 'comply or explain' concept by monitoring bodies (for example in Belgium, Croatia, France, Hungary and Latvia) or the organisation of awards to promote outstanding governance practices (e.g. in Croatia (for the best relationship with investors), in Estonia (focusing on good investor relations and good governance – based on 160 evaluation criteria), in Sweden (for the best corporate governance reporting), the Baltic States (Estonia, Latvia & Lithuania are promoting good governance by the Baltic Market Awards project) and Slovakia (the voluntary monitoring by the Central European Corporate Governance Association ("CECGA") results in awards for the best governance reporting practices)).

Effectiveness of the monitoring exercises

The approach followed by constructively promoting best practice and governance has been effective. Even without sanctions, most countries have witnessed a significant improvement in the quality of governance reporting. Some respondents stressed the fact that monitoring helped to improve the respect of the codes. Such positive evolution can for example be attributed to actions taken to initiate a dialogue with the aim of convincing the listed companies to rectify unsatisfactory explanations (as was the case in many countries). Also awards for the 'Best Corporate Governance Report' might stimulate a gradual improvement in corporate governance reporting.

Others explicitly use the lessons learned from the monitoring studies to modify their code (as in France and Belgium), identifying where recommendations seem to be problematic to comply with (cited by Germany), lead to unintended consequences (Greece), or where further guidance and support might be necessary to reach the goal of good governance practices (see for example additional guidance notes developed by the Belgian Corporate Governance Commission).

An interesting focus can be found in the UK, where the compliance is monitored and areas are identified where there might be room for improvement with regards to the attitude towards governance and behaviour. However, such evaluation of corporate governance behaviour is explicitly excluded in the monitoring task of the Stockholm Stock Exchange (as is evaluating compliance from the perspective of the investors).

The danger of box-ticking

Some countries explicitly refer to the danger that box-ticking, i.e. a pure focus on compliance reporting, might entail. This is for example the case in Sweden where a certain reluctance exists with regard to the development of further guidance on the 'quality' of explanations. It is feared that setting a number of criteria for good explanations will quickly lead to a higher degree of 'box ticking' because companies will make sure they formally follow the criteria laid down without further reflection on whether the resultant explanations are valid for them and lead to a tailored governance solution. The Swedish Corporate Governance Board considers the actual compliance statistics disquietingly high, fearing that too high a degree of compliance may lead to the code in reality becoming mandatory regulation whereby it would risk losing its function as an instrument of continually improving the quality of corporate governance by always being ahead of general practice. In fact, the Swedish Corporate Governance Board actively encourages companies to make use of the flexibility provided by the 'comply or explain' whenever they consider that a code provision is not well-suited for their particular purpose - as long as this departure is adequately reported and arises from the right motivation. In the same line of thinking, Norway explicitly refers to the fact that, in overall terms, the larger listed companies do not want to depart from the Code. Moreover, for a long time the 'comply or explain' concept has been understood in Norway to mean the application of the Code had to be explained in full, i.e. the companies explained both when they followed the Code and when they departed from it.

The danger of 'box-ticking' is not only perceived as a threat, more and more attention is being paid to alleviate this problem. An interesting example in this respect is Germany, where the Code now clearly states that a well justified deviation from a Code recommendation may be in the interests of good corporate governance. In Belgium, the monitoring joint venture between GUBERNA and VBO-FEB has made an explicit plea for a thorough reflection on a company's governance structures and processes. The aim should not be to 'copy-paste' the Code's recommendations and peer companies' practices but rather to identify whether those 'standard' best practices really fit with the specific challenges and needs of the company. Analysing the governance statements and combining this public monitoring exercise with in-depth interviews with corporate leaders of listed companies has revealed that in a number of cases a 'best fit' solution can considerably differ from the traditional best practice recipe. The fact that the reference for corporate governance codes are best practices that are generally tailored to a 'classical' listed company of a certain size and shareholding structure might lead to a handicap for those companies that are not yet at that scale or that have a quite different shareholding model. The more a-typical the business model of a company, (e.g. innovative companies) the less the standard solution might be relevant or even feasible. The smaller the companies, the more oversized some governance recipes might be. To find the suit that best fits their needs, while at the same time making clear that the practices adopted also lead to respecting the main governance principles, obliges boards to reflect much more carefully when approving their annual governance statement. Here again, a rubber stamping role will not lead to the optimum governance approach, nor to the long-term success of the company that the board should promote. The board should be brave enough to make the right choices and have the confidence to explain fully the underlying reasons for the approach adopted and to show that such an approach is able to contribute to good governance practices as well.

The following statement, however, proves the challenges ahead in some of the EU countries: 'companies are copy-pasting the statements, nobody is checking the content, not even shareholders'.

Major areas of improvement

One of the lessons learned in this study is that there is certainly room for improvement, yet there are already quite a number of best practices which could inspire other countries. Whilst some countries will have to reflect on the best route by which to establish a monitoring organisation, others might have to fine tune the different monitoring initiatives and take advantage of, and maybe streamline, the use of available resources and expertise. Similarly, whilst some countries have already developed detailed guidance regarding explanations, others still have to start analysing the governance reports in more detail. Attention should also be given to methods for improving the monitoring role of shareholders. The initiatives the European Commission is taking to stimulate a greater degree of stewardship by shareholders are an important step in this respect. However, we should not forget the widely different landscapes of shareholding across European listed companies. Governance recipes should be highly tailored to the issue at hand which may be quite different in a model with low free float and highly concentrated shareholding as compared with a model with an open shareholding and a high free float. The third part of this ecoDa/Mazars project will look more fully into the vision of shareholders as regards compliance with governance codes and recommendations.

On the scope of monitoring, it is interesting to point to the suggestion made by some respondents that the governance monitoring body should have the possibility of checking whether the information provided by the companies themselves represents the governance reality. This suggestion goes a step further than evaluating the validity of explanations and covers a critical check of the whole governance statement. One of the challenging questions in this respect is whether monitoring not only leads to more companies complying but whether it also leads to companies doing the right things? It is probably here that the role of the board and board evaluations will have to complement the outside review of governance structures and processes. As outsiders do not participate in board and committee meetings, they will never be able to judge the quality of such meetings, check whether directors play their role as defined and make sure decisions are made in the long-term interests of the company. It is therefore clear that board members should have an additional role to play in making sure that their governance reporting is in line with their governance practices. Countries like Sweden and Finland already make explicit reference to the role the board has to play in defending the decisions to depart from the code's recommendations and justifying the alternative mechanisms developed. The recommendation on quality of explanations developed in Belgium highlights the role of the board (and the shareholders) in this respect. Reflections on such a role for the board of directors will be included within the scope of the second phase in this ecoDa/Mazars project.

A point to be highlighted is the credibility of the monitoring organisation. This organisation should be free of potential conflicts of interest vis-à-vis listed companies. Some respondents questioned the effectiveness of the monitoring role of stock exchanges, which are supposed to evaluate critically the governance practices of their clients. On the other hand, respondents also pointed to the fact that a governance code should primarily be perceived as a self-regulatory approach thus they considered that the responsibility for the monitoring of governance should not be within the remit of public authorities (that oversee compliance with legal requirements) but rather be organised or outsourced by the self-regulatory body that developed the code. Ideally it will be a smooth collaboration between the private sector and the regulators/ governments as observed in some countries. Some reflection is therefore required with regards to the fine tuning of the responsibility for the 'governance monitoring' exercise.

Another important challenge in seeking to enhance adherence to the corporate governance recommendations is to improve the quality of explanations. It has been highlighted that this implies that companies look for clear, tailored explanations that are specific to their situation at hand, not a mere 'copy-paste' of what other companies use for their explanations.

Establishing a change in the compliance culture which promotes the use of the 'comply or explain' concept's flexibility rather than 'box ticking' is essential. It has been stated that 'box-ticking' does not guarantee that companies live up to the spirit of a recommendation. Merely complying without giving due consideration to what is appropriate and relevant reduces the flexibility which the 'comply or explain' concept aims to achieve. This flexibility implies that clear explanations are vital and indeed respondents pointed to the need for convincing listed companies that a well justified departure from a code recommendation may be in the interest of good corporate governance. Shareholders and other stakeholders, on the other hand, tend to expect companies to almost fully comply with a code, leading companies to experience pressure for compliance even if a code recommendation does not fit their specific situation.

First and foremost, investors should be convinced of the merits of flexibility in order that the governance structure or process chosen is in the best interests of the company and the specific challenges it faces. Shareholders (and the proxy voting agencies) need to be persuaded that just following a given code's recommendations might not be the best solution in all circumstances. But so does the board of directors and top management. It is often easier just to follow the recommendation than to have a thorough reflection and discussion on alternative routes that might better fit the company at a certain moment in its development cycle. At the same time society at large and the media more specifically will also need to understand that a valid explanation might be more suited than a mere copying of the code's requirements. The media could also play an important role in critically evaluating the explanations given for non-compliance. They might look more closely at companies and comment when they consider the explanations to be mere boiler-plate excuses. This is not to forget the more active role shareholders should also play in this regard.

Another point that deserves further consideration is the question of sanctions. In so far as governance requirements are primarily seen as self-regulatory recommendations, the traditional penalty system of hard law is not the best route to follow. But on the other hand free-wheeling without active monitoring does not guarantee good governance, or the survival of this self-regulatory approach. It is therefore also in the interests of listed companies and the stock exchanges that some more in-depth reflections are made, preferably at a European level, as to the best routes to ensuring that issues raised by the monitoring body are taken seriously and result in follow up action by companies. Our report highlights some best practices mostly linked to an active dialogue with the listed companies and more guidance and education, promoting and recognising best practices. However, peer pressure and building a credible and well-respected monitoring body will complement this approach of the carrot rather than the stick.

At the same time we should also bear in mind, as pointed out by one respondent, that a rigid approach to comply or explain could perhaps lead unquoted companies to be less interested in listing or even in extreme circumstances, encourage some which are listed to delist. This will certainly not be in the long-term interest of the economy in general and of growth companies in particular.

There are good grounds for optimism that the 2014 Recommendation of the European Commission, coupled with the active involvement of the European Corporate Governance Codes Network, will create a new impetus for sound principles based governance. Let us hope that this study can also contribute to promoting the goal of continuous improvement for listed company governance in all of the EU Member States.

APPENDICES

APPENDIX 1: Overview of the Corporate Governance Code(s) for listed companies in each country and the bodies responsible for their development

Overview of the Corporate Governance Code(s) for listed companies in each country and the bodies responsible for their development

COUNTRY	CURRENT CORPORATE GOVERNANCE CODE	YEAR OF THE FIRST CODE ISSUE	YEAR OF REVISIONS	RESPONSIBLE BODY	PRIVATE BODY	PUBLIC BODY	COMBINATION
Austria	Austrian Code of Corporate Governance	2002	2005 2006 2007 2009 2010 2012 2015	The Austrian Working Group for Corporate Governance is classified as 'private and informal' because, according to Austrian law, the Working Group is neither a private registered association nor a public advisory committee[14].	●		
Bulgaria	Bulgarian National Corporate Governance Code	2007	2012	Representatives from listed companies, the Bulgarian Stock Exchange, Financial Supervision Commission, State administration, NGOs and academia.			●
Belgium	The 2009 Belgian Code on Corporate Governance	2004	2009	Code developed by Committee with representatives from the Financial Services and Markets Authority (FSMA) (market regulator); Euronext Brussels (stock exchange)(private body) and the Federation of Belgian Enterprises (FEB).			●
Croatia	Kodeks korporativnog upravljanja	2007	2010	Hrvatska Agencija za Nadzor Financijskih Usluga (HANFA) and Zagrebačka burza (Zagreb Stock Exchange).			●
Cyprus	Cyprus Stock Exchange (CSE) Corporate Governance Code (CGC)	2002	2006 2009 2012			●	

14 Lachmayer, *Demokratierechtliche Analyse des Österreichischen Corporate Governance Kodex, http://media.arbeiterkammer.at/PDF/Analyse_des_Corporate_Governance_Kodex.pdf (page 10, downloaded on April 22nd,2015).*

COUNTRY	CURRENT CORPORATE GOVERNANCE CODE	YEAR OF THE FIRST CODE ISSUE	YEAR OF REVISIONS	RESPONSIBLE BODY	PRIVATE BODY	PUBLIC BODY	COMBINATION
Czech Republic	Kodex správy a řízeni společnosti založený na principech OECD (Czech Republic Corporate Governance Code)	2001	2004	Committee for Stock lead by Tomáš Jezek; Czech Republic Institute for Internal Auditors; Association for Pension funds; ČEZ, Czech Republic Telecom etc. The Committee existed only from 1 April 1998 to 31 March 2006.			●
Denmark	Recommendations on Corporate Governance	2001	2005 2008 (2 times) 2010 2011 2014	Committee on Corporate Governance https://corporategovernance.dk The committee is an independent body. The members are appointed by the Minister of Business and Growth.	●		
Estonia	Corporate Governance Recommendations	2004	2006	Tallinn Stock Exchange and Financial Supervision Authority together with experts in various economic sectors.			●
Finland	Finnish Corporate Governance Code	1997	2003 2008 2010	Securities Market Association www.cgfinland.fi	●		
France	AFEP-MEDEF Corporate governance Code for listed companies and Middlenext Code	1995	1999 2002 2007 2008 2010 2013	Working group of chairmen from the French Association of Large Companies (AFEP) and the French business confederations (MEDEF) Working group of MiddleNext, the association of mid- and small cap companies	●		

COUNTRY	CURRENT CORPORATE GOVERNANCE CODE	YEAR OF THE FIRST CODE ISSUE	YEAR OF REVISIONS	RESPONSIBLE BODY	PRIVATE BODY	PUBLIC BODY	COMBINATION
Germany	German Corporate Governance Code	2002	2003 2005 2006 2007 2008 2009 2010 2012 2013 2014	The Commission, Regierungskommission Deutscher Corporate Governance Kodex, introduced by the German Federal Minister of Justice in September 2001. Members are appointed by the German Federal Minister of Justice and for Consumer Protection. This consists of managing and supervisory board representatives of German listed companies and their stakeholders, i.e. institutional and retail investors, academics (economics, jurisprudence), auditors and a trade union federation. The Commission is totally independent from the Ministry. The declaration of conformity pursuant to § 161 Aktiengesetz (Stock Corporation Act) obliges listed companies to disclose according to the principle of "comply or explain". The code is published in the official section of the Federal Gazette.			●
Greece	Hellenic Corporate Governance Code	2011	2013	Hellenic Federation of Enterprises (SEV) and subsequently amended by the Hellenic Corporate Governance Council (HCG Council) in 2013.	●		
Hungary	Corporate Governance Recommendations (Felelős Társaságirányítási Ajánlások)	2004	2007 2008 2012	Budapest Stock Exchange (BSE) established a working group consisting of BSE, Ernst&Young, Kapolyi Law Office, Central European University in 2002. The workflow was supported by the British Know-How Fund. Several private and public organisations participated in the review and recommendation phase of the Code such as: BSE's Committee of Issuers, Ministry of Justice, University of Economic Sciences and Public Administration, MOL Plc., East-West Management Institute, Baker & McKenzie, Deloitte and the Association of Hungarian Investment Fund and Asset Management Companies. The Corporate Governance Code was approved by the Board of Directors of the BSE and it was published by the BSE in 2004.			●
Ireland	UK Corporate Governance Code & the Irish Corporate Governance Annex	1992	Multiple revisions by the FRC in the UK.	Financial Reporting Council in the UK in respect of the UK Corporate Governance Code Irish Stock Exchange plc in respect of the Irish Corporate Governance Annex and the Listing Rules relating to corporate governance.			●

COUNTRY	CURRENT CORPORATE GOVERNANCE CODE	YEAR OF THE FIRST CODE ISSUE	YEAR OF REVISIONS	RESPONSIBLE BODY	PRIVATE BODY	PUBLIC BODY	COMBINATION
Italy	The Italian Corporate Governance Code (Codice di Autodisciplina)	1999	2002 2006 2010 2011 2014 2015	Corporate Governance Committee, chaired originally by the Chairman of the Stock Exchange, and composed of experts from institutions, issuers, universities and associations. Current configuration set up in June 2011 comprises of issuers, investors and corporate associations (ABI, ANIA, Assonime, Confindustria and Assogestion), as well as the Italian Stock Exchange (Borsa Italiana S.p.A.).	●		
Latvia	Principles of Corporate Governance and Recommendations on their Implementation	2005	2009 2010	NASDAQ OMX Riga, AS - private body - http://www.nasdaqomxbaltic.com Financial and Capital Market Commission – a public body - http://www.fktk.lv/en/			●
Lithuania	The Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius	2006	2009	Issued by Nasdaq OMX Vilnius and approved by Nasdaq OMX Vilnius and Bank of Lithuania (former Lithuanian Securities Commission)			●
Luxembourg	X Principles of Corporate Governance of the Luxembourg Stock Exchange	2006	2009 2013	Luxembourg Stock Exchange (LuxSE) in collaboration with representatives of listed companies	●		
Malta	MFSA The Code of Principles of Good Corporate Governance	2001	2014			●	
Netherlands	Dutch Corporate Governance Code	2003	2008	Initiated by a group of private and public bodies such as the Employers organisations, the Stock Exchange, Ministry of Finance and Economic Affairs. The Committee that wrote the Dutch Code comprised of representatives and board members/ representatives of public listed companies and academic experts (Committee Tabaksblat)			●

COUNTRY	CURRENT CORPORATE GOVERNANCE CODE	YEAR OF THE FIRST CODE ISSUE	YEAR OF REVISIONS	RESPONSIBLE BODY	PRIVATE BODY	PUBLIC BODY	COMBINATION
Norway	The Norwegian Corporate Governance Code	2004	2005 2006 2007 2008 2010 2012 2014	A group of 7 federations plus The Oslo Stock Exchange forms the Norwegian Corporate Governance Board. The work is funded by the 8 members.	●		
Poland	Dobre Praktyki Spółek Notowanych na Giełdzie Papierów Wartościowych w Warszawie (Code of Best Practice for Warsaw Stock Exchange Listed Companies)	2002	2005 2007 2010 2011 August 2011 (October) 2012	Instytut Rozwoju Biznesu (Institute for Business Development, subsequently Polish Institute of Directors) and Warsaw Stock Exchange, jointly created Komitet Dobrych Praktyk – Forum for Corporate Governance (Best Practices Committee – Corporate Governance Forum)			●
Portugal	CMVM Corporate Governance Code	1999	2001 2003 2005 2007 2010 2013	Portuguese Securities Market Commission (CMVM)		●	
Romania	Bucharest Stock Exchange (BVB) Corporate Governance Code and Emergency Government Ordinance no. 109/2011 regarding the corporate governance of the public companies	2001	2008	Bucharest Stock Exchange in collaboration with The Corporate Governance Institute of Bucharest Stock Exchange and capital market stakeholders	●		

COUNTRY	CURRENT CORPORATE GOVERNANCE CODE	YEAR OF THE FIRST CODE ISSUE	YEAR OF REVISIONS	RESPONSIBLE BODY	PRIVATE BODY	PUBLIC BODY	COMBINATION
Slovakia	Corporate Governance Code for Slovakia, issued by CECGA in 2008, in force	2002	2008	Central European Corporate Governance Association - CECGA (private body) in conformity with the Bratislava Stock Exchange, Ministry of Finance, Ministry of Justice and National Bank of Slovakia (public bodies).			●
Slovenia	Corporate Governance Code for listed companies	2004	2005 2007 2009	Ljubljana Stock Exchange, Slovenian Directors Association, Managers Association			●
Spain	Unified Corporate Governance Code for listed Companies in Spain (2006/2013). A new code has been released in February 2015	1998	2006 2013 2015	CNMV (Spanish Securities Market Commission). However, in the discharge of its functions in this matter, the CNMV is assisted by an expert group for advisory purposes only composed of members of the public and private sectors		●	
Sweden	The Swedish Corporate Governance Code	2005	2008 2010 2015 (order process)	The Code Group, a committee set up for this purpose by the Commission on Business Confidence and a number of organisations of the private business sector. The majority of its members were from the private sector but it was chaired by the chair of the above-mentioned governmental commission (Mr Erik Åsbrink, former Finance Minister of Sweden).			●
United Kingdom	The UK Corporate Governance Code	1992	2006 2008 2010 2012 2014	Now the Financial Reporting Council			●

APPENDIX 2: Overview of the Corporate Governance Code(s) for other types of organisations

COUNTRY	COMPANIES LISTED ON NON/ LESS REGULATED MARKET SUBJECT TO CORPORATE GOVERNANCE CODES		WHICH CODE	ADVISED TO FOLLOW A CODE?	WHICH CODE	OTHER CODES
	YES	NO				
Bulgaria		●		No		
Belgium		●		No		Code for unlisted companies (code Buysse II); code for social profit organisations; etc.
Croatia		●		Yes	The same as for the companies listed in the regulated market	The one for the listed companies is the most relevant. There is also the code for the companies which are in the major ownership of the State.
Cyprus		●		No		
Czech Republic						
Denmark		●				State Owned Companies are recommended to observe recommendations drawn up by the Ministry of Finance. Furthermore, a number of business associations have produced corresponding recommendations e.g. targeting businesses not covered by the official Code.
Estonia		●		Yes	The same as for the regulated market: Corporate Governance Recommendations	
Finland		●		No		The government has issued certain guidelines for state-owned companies to complement the national Code. Furthermore, the Finland Chamber of Commerce has issued a publication for non-listed companies.
France		●		Yes	AFEP-MEDEF Code and Middlenext Code	AFEP-MEDEF Code and Middlenext Code

COUNTRY	COMPANIES LISTED ON NON/ LESS REGULATED MARKET SUBJECT TO CORPORATE GOVERNANCE CODES		WHICH CODE	ADVISED TO FOLLOW A CODE?	WHICH CODE	OTHER CODES
	YES	NO				
Germany				Yes	Deutscher Corporate Governance Kodex	Deutscher Corporate Governance Kodex Public Corporate Governance Code: "Grundsätze guter Unternehmens- und Beteiligungsführung für den Bereich des Bundes"
Greece		●		No		The Hellenic Corporate Governance Council is currently developing a Corporate Governance Code for non listed entities.
Hungary		●		No		Corporate Governance Code for State Owned Companies provided by MNV Zrt. (Hungarian National Asset Management Inc.)
Ireland	●		The rules of the market require disclosure of which Corporate Governance Code the company has decided to apply or, if no code is adopted, to disclose its corporate governance arrangements.	Yes	Appropriate code to be decided by the company; in most instances the UK Code (or relevant aspects of it) is applied.	Corporate Governance Code for Credit Institutions and Insurance Undertakings published by the Central Bank of Ireland.
Italy		●	Companies listed on less regulated markets or market segments have to follow specific principles and rules defined by their listing standards. Non listed companies are not subject to any Code.	No		The Association of the Italian investment management industry issued a stewardship code ('Principles of stewardship'). The Italian Association of Non-executive and Independent Directors Nedcommunity, issued a Guideline on Corporate Governance for non-listed SMEs ('Guideline on Corporate Governance for non-listed SMEs').
Latvia		●		Yes	The same as listed companies	
Lithuania		●		Yes	Local	
Luxembourg				No		Alfi Conde of Conduct for the fund industry

COUNTRY	COMPANIES LISTED ON NON/ LESS REGULATED MARKET SUBJECT TO CORPORATE GOVERNANCE CODES		WHICH CODE	ADVISED TO FOLLOW A CODE?	WHICH CODE	OTHER CODES
	YES	NO				
Netherlands						
Norway						There is a code for companies owned by municipalities.
Poland	●		Best Practices for NewConnect Listed Companies (non-regulated market)	No		Corporate Governance Principles for Institutions Supervised by Polish Financial Supervisory Authority
Portugal		●		No		
Romania	●		BVB developed Principles of Corporate Governance for alternative trading system listed companies.	Yes	BVB Principles of Corporate Governance for alternative trading system listed companies	American Chamber of Commerce Code for Corporate Governance. There are also corporate governance codes issued at the level of specific companies listed on the regulated market managed by BVB.
Slovakia		●		No		
Slovenia	●			Yes		Corporate Governance code for State Owned Enterprises, (in development); Code Corporate Governance for non-listed entities (both with 'comply or explain' basis)
Spain		●		No		IC-A, Spanish Board Directors Association has developed voluntary codes for Listed, Unlisted companies, Not for Profit Organisations and others. These codes have had a very good impact
Sweden		●		No		In 2003 the Swedish Academy of Board Directors published its 'Guidelines to Good Board Practice', directed primarily towards non-listed SME's. The most recent major review of the guidelines was carried out in 2014.

COUNTRY	COMPANIES LISTED ON NON/ LESS REGULATED MARKET SUBJECT TO CORPORATE GOVERNANCE CODES		WHICH CODE	ADVISED TO FOLLOW A CODE?	WHICH CODE	OTHER CODES
	YES	NO				
United Kingdom	●		Other than the UK Corporate Governance Code, the Association of Investment Companies and the Quoted Companies Alliance both produce alternative versions - the former as investment companies have different board set ups and the latter to cover smaller listed companies		UK Code, adapted for their particular circumstances.	Other than the UK Corporate Governance Code, the Association of Investment Companies and the Quoted Companies Alliance both produce alternative versions - the former as investment companies have different board arrangements and the latter to cover smaller listed companies

APPENDIX 3: Approach to disclosure in the governance statements as reported by the countries in this survey

COUNTRY	APPROACH TO DISCLOSURE
Austria	Reporting in the annual Corporate Governance Report has to be done in accordance with the requirements laid down in the Austrian Commercial Code (sec 243b UGB).
Belgium	The code contains principles, provisions and guidelines and is structured under nine (general) principles, which must be respected. Provisions (some of which are further elaborated in the code's appendices) are recommendations describing how to apply the principles. Companies are expected to comply with these provisions or explain why they do not comply with them, taking into account their specific situation. The provisions are supplemented with guidelines, providing guidance on how the company could implement or interpret the provisions of the code. The obligation to 'comply or explain' does not apply to these guidelines.
Greece	The approach is rather complex because the code is oriented towards a larger audience than solely listed companies. To ensure the relevance of the code for a wide variety of companies, it is divided into two types of provisions: 'general principles', which are addressed to all companies, whether listed or not; and 'special practices', which concern only listed companies. Each general principle is followed by one or more special practice addressed to listed companies only. Special practices further develop the principles and provide more detailed and specific guidance regarding their implementation. They take into account the regulatory and ownership profile of listed companies, making governance disclosures more efficient and raising the transparency of the Greek market as a whole. The code follows the 'comply or explain' approach. Despite the flexibility of this approach, certain special practices remain less relevant to smaller listed companies. For this purpose, a list of exemptions for smaller listed companies is attached as Annex I to this code. Annexes provide guidance to assist companies in applying the code.
Hungary	The code has a structure somewhat comparable to that of Belgium's. The Corporate Governance Code is comprised of Recommendations and Suggestions. Non-Compliance with Recommendations is mandatory to explain, this is not the case for Suggestions.
Italy	The code is principles-based and involves 10 articles. These articles are divided into principles (which set best practices), criteria (which define how to carry out the best practices set out in the principles) and comments (which in some cases clarify, through examples, the scope and application of the principles and criteria, and in others, introduce some new, non-binding requirements, different from those that are set out in the related principles and criteria). 'comply or explain' is obligatory for the principles and criteria, not for the comments.
Malta	Annual reporting on corporate governance by listed companies should take the form of a two part statement. The first part should generally deal with the company's adherence to the main principles whilst the second part should deal specifically with non-compliance with any of the code provisions.
Norway	The Norwegian Code consists of a combination of principles and rules (recommendations, that must be complied with and departures from them have to be explained). There are also commentaries/explanatory notes that provide useful guidance without there being an obligation to adopt it.

COUNTRY	APPROACH TO DISCLOSURE
Poland	The approach with respect to disclosure in the governance statements is somewhat different with a clear distinction between principles-based and more rules-based parts of the Code. Section I includes Recommendations and is mainly principle-oriented, Sections II, III and IV are rules-based. The Best Practices defined in sections II, III and IV introduce rules, subject to the 'comply or explain' principle under which companies provide the market with direct information about any non-compliance with best practice with companies ensuring full compliance with the code of best practice being rewarded. The recommendations defined in section I are not subject to this principle of 'comply or explain'; instead, they embody trends concerning adequate levels of internal relations within listed companies, as well as their relations with the business environment; similar to the rules in sections II, III and IV, they are covered by annual corporate governance reporting by listed companies.
Portugal	The approach with respect to disclosure in governance statements is different. The most recent version of the CMVM Corporate Governance Code is the one issued in 2013 and currently adopted by all listed companies. This Code provides a set of recommendations to issuers of shares admitted to trading on regulated markets (situated or operating in Portugal), this includes the duty to provide and disclose information about governance practices adopted by each company. As previously mentioned, there is also a second code: the IPCG code (the most recent version is that of 2014). This code has a two-level structure: (i) the level of principles, which are not subject to a statement of compliance by the companies; and (ii) a recommendatory level. It allows companies to comply with certain principles without having to observe all the recommendations that constitute them. This Code is currently not adopted by listed companies in Portugal.
Slovenia	The Code is principle based and listed companies are required to report departures from each principle of the CG Code and explain them. Per the Article 70 of the Companies Act a CG statement is required in the annual report.

APPENDIX 4: Monitoring systems reported by EC Member States

COUNTRIES	MONITORING SYSTEM	ORGANISATION			VOLUNTARY	FORESEEN BY LAW
	NAME OF THE BODY	SECURITIES' REGULATOR	OTHER MONITORING BODY/IES	SPECIFY YOUR ANSWER:		
Austria	Supervisory Board		●	The compliance of stock corporations listed on the prime market of the Vienna Stock exchange is analysed and evaluated by the Vienna Stock Exchange. According to the Austrian Stock Corporations Act (sec96 §1) the supervisory board is responsible for monitoring the drafting and signing and whether departures from the 'comply and explain' rules are explained. According to the Austrian Commercial Code (sec269 §1) the auditor is responsible for monitoring whether a Corporate Governance Report has been drafted. An assigned third-party is responsible for the voluntary external evaluation on a three-year basis, which results in the Corporate Governance Report, if the company voluntarily complies with R-Rules nr62 (recommendation) of the Austrian Corporate Governance Code.		●
Bulgaria	The Bulgarian National Corporate Governance Commission (BNCGC)		●		●	
Belgium	Belgian Corporate Governance Committee (Private Foundation)	●		Acting within its mission of supervision of the periodic and ongoing information obligations of listed companies, the FSMA contributes to the external monitoring of the Code. It lends its moral support to the implementation of the disclosure provisions which the Code addresses to Belgian listed companies in addition to the obligations imposed by the applicable laws and regulations.	●	

COUNTRIES	MONITORING SYSTEM	ORGANISATION			VOLUNTARY	FORESEEN BY LAW
	NAME OF THE BODY	SECURITIES' REGULATOR	OTHER MONITORING BODY/IES	SPECIFY YOUR ANSWER:		
Croatia	Zagreb Stock Exchange's annual questionnaire is a primary tool for monitoring		●	The Zagreb Stock Exchange (Market Department) is responsible for a monitoring in the sense that it analyses questionnaires that are delivered to them.	●	
Czech Republic						
Cyprus	Cyprus Stock Exchange	●			●	
Denmark	NASDAQ OMX Copenhagen and FSA Governing Board	●	●			
Estonia	Financial Supervision Authority and NASDAQ OMX Tallinn (the local stock exchange)		●	The Financial Supervision Authority in cooperation with the local stock exchange (NASDAQ OMX Tallinn).	●	
UK	Financial Reporting Council (FRC)		●			●
Finland	Helsinki Stock Exchange	●	●	Helsinki Stock Exchange monitors compliance with the Code. The Financial Supervision Authority monitors that the Stock Exchange fulfils its duty to monitor the Code. Finland Chamber of Commerce conducts annual studies on the compliance of the Code and cooperates with the Stock Exchange when needed.		●
France	The Autorité des Marchés Financiers (AMF) and The High Committee of Corporate Governance	●	●	Both the AMF, the securities' regulator and the High Committee for corporate governance analyse the annual reports	●	●
Germany	Berlin Center of Corporate Governance (BCCG)		●		●	
Greece	The Hellenic Corporate Governance Council.		●		●	

COUNTRIES	MONITORING SYSTEM	ORGANISATION			VOLUNTARY	FORESEEN BY LAW
	NAME OF THE BODY	SECURITIES' REGULATOR	OTHER MONITORING BODY/IES	SPECIFY YOUR ANSWER:		
Hungary	Corporate Governance Committee of the Budapest Stock Exchange (BSE).		●	The Corporate Governance Committee of the BSE performs formal monitoring, without effective authority for sanctions. The Hungarian National Bank oversees the activity and public communication of information by listed companies (including information disclosed in the Corporate Governance Statement) however it only gets involved/imposes penalties if the quality of information disclosed may have an effect on market prices (eg. if market manipulation has occurred). Non-disclosed information (e.g. incomplete explanations) is not subject to the monitoring activity of the Hungarian National Bank.	●	
Ireland	The Irish Stock Exchange	●		The Irish Stock Exchange in its capacity as the competent authority for listing in Ireland monitors compliance by listed companies with their disclosure obligations under the Listing Rules in respect of corporate governance and, specifically, disclosures concerning the application of Code principles and compliance with Code provisions.		
Italy	The Corporate Governance Committee		●	Italy has different monitoring systems in place: the monitoring of the Corporate Governance Committee, the analysis of Assonime (the association of the Italian corporations), the report of Consob (which focus only on some statistical issues) as well as some other specific analyses provided by academic centres and the consulting industry. The Assonime-Emittenti Titoli analysis has issued its 14th edition. They are now analysing the Corporate Governance Reports issued by the boards of directors of listed companies in order to provide information about their Corporate Governance system.	●	
Latvia						

COUNTRIES	MONITORING SYSTEM	ORGANISATION			VOLUNTARY	FORESEEN BY LAW
	NAME OF THE BODY	SECURITIES' REGULATOR	OTHER MONITORING BODY/IES	SPECIFY YOUR ANSWER:		
Lithuania	Nasdaq OMX Vilnius and Supervisory authority (the Bank of Lithuania)		●	The Market Operations Department of Nasdaq OMX Vilnius performs formal monitoring. The Bank of Lithuania undertakes overviews related to Corporate Governance compliance on an ad hoc basis		●
Luxembourg	the Luxembourg Stock Exchange (LuxSE)		●		●	
Malta	The Malta Financial Services Authority (MFSA)	●				●
Netherlands	Dutch Corporate Governance Code Monitoring Committee		●	The members of the Committee are representatives of the private stakeholders and are appointed by the government (the Ministries of Economic Affairs, Finance and Justice).		●
Norway						
Poland	Warsaw Stock Exchange		●			●
Portugal	Portuguese Securities Market Commission (CMVM)	●		The supervision includes among other factors: constant supervision of the acts of individuals or entities which operate in capital markets, for the purpose of detecting unlawful acts, particularly in stock market trading; monitoring rules compliance; information disclosure, particularly on listed companies. The CMVM carries out the "on-site" supervision of the financial intermediaries and markets, centralised settlement systems and management entities. This supervision is carried out routinely both at their premises as well as through the Internet or electronic means of direct and continuous control.		●
Romania	Bucharest Stock Exchange		●	Bucharest Stock Exchange	●	
Slovakia	Central European Corporate Governance Association (CECGA) is the only monitoring body.		●	In 2012 CECGA voluntarily took charge of the monitoring, analysing and evaluating the Corporate Governance Statements in a positive way, with awards for the best companies.	●	

COUNTRIES	MONITORING SYSTEM	ORGANISATION			VOLUNTARY	FORESEEN BY LAW
	NAME OF THE BODY	SECURITIES' REGULATOR	OTHER MONITORING BODY/IES	SPECIFY YOUR ANSWER:		
Slovenia						
Spain	Spanish Securities Markets Commission (CNMV)	●				●
Sweden	Swedish CG Board and the Stockholm Stock Exchange ('Nasdaq Stockholm')		●	Code monitoring is in Sweden a combined responsibility of the Swedish Corporate Governance Board and the Stockholm Stock Exchange where the Corporate Governance Board follows up the Code application on a macro level as a basis for assessing the functioning of the Code as such and the Stock Exchange follows up the application of the Code on an individual company level.	●	

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