

# Beneficial Ownership Disclosure in Asian Publicly Listed Companies

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## Foreword

A sound corporate governance infrastructure should combine transparency, accountability and integrity. This requires knowledge of beneficial ownership and ownership and control structures in listed companies. In line with Chapter 5 of the *G20/OECD Principles of Corporate Governance* concerning the development of frameworks for disclosure and transparency, the OECD Asian Roundtable on Corporate Governance (Asian Roundtable) recognises the need for an adequate regulatory framework for disclosure of beneficial ownership and control in Asian jurisdictions.

This report reviews company practices regarding disclosure of beneficial ownership and control in Asia. The report was discussed by representatives from 14 Asian jurisdictions at the 2016 meeting of the Asian Roundtable in Seoul, Korea. Established in 1999, the Asian Roundtable serves as a valuable regional platform for exchanging experiences and advancing the reform agenda on corporate governance while promoting awareness and use of the *G20/OECD Principles of Corporate Governance* in Asia. It brings together policy makers, practitioners and experts on corporate governance from the Asian region, OECD countries and relevant international organisations. The roundtables are co-organised by the OECD and an Asian host country, in partnership with the Government of Japan.

This report aims to enhance the effectiveness of regulators and contribute to a culture of transparency by companies, in the interest of protecting investors and creating confidence in markets. It is a useful reference for reform efforts, self-assessment within national systems and for peer reviews at the regional level. Beyond Asian Roundtable participating countries, the report could be an important benchmark for other APEC and ASEAN economies.

## **Acknowledgements**

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## Executive Summary

There is a broad consensus among regulators and other stakeholders that investor confidence in financial markets is contingent on the existence of an accurate disclosure regime that provides transparency in the beneficial ownership and control structures of publicly listed companies. This is particularly important in financial markets that are characterised by concentrated ownership structures, such as those in Asia. In these regions, large investors with significant voting rights may facilitate long-term growth and firm performance. Nonetheless, there is a well-documented risk that beneficial owners, with a controlling share of voting rights, may also have an incentive to divert corporate assets for personal gain.

In responding to this concern, many jurisdictions have passed legislation or introduced regulations obliging shareholders to disclose a substantial ownership of shares, usually up to the level of the ultimate beneficial owner. The rationale of such disclosure requirements seems obvious: minority investors or potential investors that have better information regarding the control and ownership structure of a firm are able to make better investment decisions.

To better understand how disclosure and transparency rules and regulations operate in practice, this report examines information disclosure strategies among the largest listed firms in ten Asian jurisdictions. Four different sources of information on ownership (annual reports, company websites, security exchange and “securities and exchange commission” websites and English language wiki-pages) that are publicly available in English are examined. One question is particularly important in this report: How easy is it for a foreign investor to quickly collect information on beneficial ownership in a listed company from these publicly available sources (without doing additional research and going through the nuisance of collecting information from less accessible resources)?

Based on the findings of this analysis, the report concludes that regulators should acknowledge the limits of the current regulatory model predicated on only mandatory disclosure. That is not to say that the current regime regarding beneficial ownership is always failing. It is widely acknowledged that disclosure of beneficial ownership should be mandated. However, the empirical analysis seems to suggest that these mandatory rules are usually not enough, since they incentivise a legalistic and minimal style of disclosure that does not achieve the intended regulatory objectives.

What should be done to improve the disclosure practices of listed companies? This empirical study provides some important clues for policy recommendations. First, the regulatory regime should require an additional description of who the ultimate beneficial owners are and how the ultimate beneficial owners own the shares of the company (e.g. through pyramid structures) in order to make the information useful for investors (particularly investors unfamiliar with the local situation). Second, accurate and accessible figures and charts of shareholdings of the ultimate beneficial owners should be provided in order to give a feel for what is going on within the company. Third, the study highlights how a small number of firms are adopting a more open approach to communication. These firms seem to recognise the financial and strategic benefits that an open approach to disclosure can create. In this context, regulators might consider complementing their focus on enforcing disclosure of ownership information with the more complex and subtle task of encouraging firms to embrace open communication by providing meaningful guidance and communication best practices.

## 1. Introduction

This report is the third in a series of studies on the disclosure of beneficial ownership of large publicly listed companies. Current thinking suggests that investor confidence in financial markets depends, to a significant degree, on an effective regulatory regime that aims at transparency in the beneficial ownership and control structures of such companies. Investors with higher quality ownership information are better situated to make reliable investment decisions about the prospects of such firms, improving the efficiency in capital allocation of financial markets.

An earlier OECD report “Disclosure of Beneficial Ownership and Control in Listed Companies in Asia” focused on the status of regulation in selected Asian jurisdictions. The report summarised questionnaire responses from ten OECD Asian Corporate Governance Roundtable jurisdictions. It described the legal and regulatory regimes and best practices governing the rules and regulations regarding the disclosure and reporting of ownership and control structures in listed companies in Asian jurisdictions. The report showed that in dealing with beneficial ownership and control issues, the responding countries have implemented an array of legal and regulatory instruments aimed at information disclosure. In most jurisdictions, these instruments are included in their securities laws and regulations (including listing rules), but can sometimes also be found in tax and company laws. Moreover, the report concluded that there was a significant degree of convergence in regulatory frameworks. Finally, the report concluded that the preliminary definition of beneficial ownership is too limited and should also include legal persons or the State.

In a second report for the World Bank, the accurateness and accessibility of disclosure was examined by looking at the annual reports of the twenty largest companies across fourteen selected jurisdictions around the world. The key takeaway from this empirical study on disclosure in annual reports was that – even in those jurisdictions that have a robust disclosure regime – the majority of firms engage in “grudging” or “boilerplate” compliance in which ownership and control structures are not adequately revealed in an accessible way. Perhaps more importantly, the study also revealed that the impact of these ownership structures on the governance of a company was often obscured, leaving investors and other stakeholders contemplating entering into a business relationship with inadequate information.

Interestingly, however, a small number of firms in the sample engaged in what we characterised as “open communication” in which information on ownership structures and its effect on governance were presented in a clear, direct and personalised form. Such firms recognised the commercial and other strategic benefits to be gained from “open communication”, and the World Bank report explored the implications of such an approach for both business and regulators. In particular, the report argued that open communication about ownership and control structures could bring multiple financial and strategic benefits for individual firms. Moreover, an open communication strategy highlights the “gap” in approach between the different types of company, alerting all stakeholders to the possible risks associated with engaging with companies that do not embrace such openness. In this way, the efficiency of the market mechanism can also be enhanced, by creating some pressure on more recalcitrant firms to engage in more meaningful communication.

The starting point for this study is the suggestion that, in the modern world, company annual reports are not the only – or the most natural – place that a potential investor would look in order to establish

accessible and reliable information on the beneficial ownership of a company. As the earlier study found, such reports do not usually provide extensive information and the limited information that is disclosed (which may not even be current) is usually presented in a formalistic and legalistic style.

It was therefore decided to conduct a further study that compares, in more detail, alternative sources of information for selected Asian jurisdictions in order to establish whether the earlier conclusions about “grudging” disclosure are generally applicable to a range of information sources. In this study, four types of source of information are discussed and analysed, notably: (i) annual reports, (ii) company websites, (iii) stock exchange and securities regulators websites and (iv) “social and online media”, in the form of English language “wiki” pages.

The report is structured as follows: to provide some context, Section 2 briefly introduces the issue of beneficial ownership, Section 3 offers an overview of the current regulatory approach to the issue (i.e., mandatory disclosure rules) and Section 4 examines the accessibility and available mechanisms for verifying the accuracy of disclosed information. Section 5 outlines the methodology adopted for the empirical analysis in this report. Section 6 provides country specific findings on disclosure for each of the different sources examined. Section 7 summarises the main conclusions, namely that existing regulatory approaches that seek to compel disclosure seem to incentivise “grudging” compliance. Finally, Section 8 offers recommendations and an alternative approach that aims to “nudge” both firms and regulators into recognising the financial and strategic benefits of accessible and open communication. Section 9 concludes.

## **2. What is Beneficial Ownership?**

By way of a preliminary definition, a beneficial owner is usually defined as the natural person who has power to exercise controlling influence over the voting rights attached to shares. Public trust in corporations and markets depends on the existence of an accurate disclosure regime that provides transparency in the beneficial ownership and control structures of companies. Beneficial ownership information is necessary to detect and prevent tax evasion, corruption, money laundering, terrorist financing, and other illicit behaviour involving one or more companies.

What is particularly important in the context of this report is that investor confidence in financial markets is contingent on the existence of an accurate regulatory disclosure regime that provides transparency in the beneficial ownership and control structures of publicly listed companies. Clearly, this regime is of significance in financial markets that are characterised by concentrated ownership structures, such as in Asia, Europe and also the United States. In these regions, large investors with significant voting rights may facilitate long-term growth and firm performance. However, there is a well-documented risk that beneficial owners, with a controlling share of voting rights, may also have an incentive to divert corporate assets and exploit opportunities for personal gain. Such actions are clearly to the detriment of minority investors and run counter to the best interests of the company. Protecting minority investors and ensuring the most efficient allocation of capital is therefore seen as a key issue in the contemporary regulation of capital markets.

In responding to this issue, jurisdictions have passed legislation, obliging shareholders to disclose substantial “beneficial ownership” of shares. The rationale of such disclosure requirements seems

obvious: by alerting minority investors or potential investors to the control and ownership structure of a firm, we enable them to make a better judgments regarding the company's operations, performance and prospects.

However, designing an effective legal framework that facilitates the disclosure of beneficial owners has not been easy. At least in their annual reports, the majority of companies engage in a “grudging” or “boilerplate” style of disclosure in which formal requirements are met, but the ultimate owner is often difficult and, in many cases, impossible to identify with any degree of certainty. Such firms signal to the market a riskier investment. In the medium to long term, there are doubts about their capacity to attract sustained rounds of new investment.

In what follows, it is suggested that it is time to acknowledge the limitations of the existing regulatory system to disclosure and contemplate smarter disclosure rules and other options that might complement the current rules-based regime. Although strict mandatory disclosure rules have an important role to play in relation to anti-money laundering or corporate corruption, simply ratcheting up the disclosure requirements in order to compel information disclosure seems unlikely to be effective and merely encourages grudging compliance and new forms of circumvention.

Indeed, the earlier OECD report on beneficial ownership and control showed that even with a disclosure regime in place there are a number of strategies that companies employ for concealing the true identity of the ultimate beneficial owner of a company's shares. Examples of the strategies, which were also used in the Panama Papers saga, are the use of pyramid structures and chains of local and particularly offshore corporate vehicles. The availability of multiple strategies for concealment creates a perception that the regulatory framework – and particularly the disclosure regime – is failing to adequately and accurately address the issue of beneficial ownership and control.

Nonetheless, an interesting finding of this and earlier studies is that a small number of companies with concentrated ownership structures go beyond what they are obliged to reveal by the disclosure rules. Such companies present additional information and this additional information is presented in an accessible, engaging and sometimes even personalised style. The suggestion here will be that this approach – which could be characterised as “open communication” – is an effective means of generating investor confidence and new relationships that can add value to a business.

This paper suggests that the current approach of merely providing ownership information needs to be complemented by a regulatory regime that focuses on encouraging and empowering companies to better communicate with the market by adopting more open, imaginative and individualised disclosure policies. This will highlight the “gap” in approach between the two types of companies and alert investors to the risks associated with investing in companies that do not employ such openness. By doing so, the operation of the market mechanism can be accelerated further reinforcing the need for meaningful disclosure.

Before turning to these issues, it is worth briefly considering the agency problems that have been identified in different types of securities markets and the underlying rationale for rules requiring greater disclosure of control structures.

In markets that are characterised by small, and widely dispersed shareholdings – i.e., liquid trading

markets – the focus of the corporate governance discussion has been on creating mechanisms that are intended to curtail agency problems, notably those that arise between self-interested management and passive investors. These problems are usually explained by the “vertical agency relationship” in which the managers are the agents and the shareholders are the principals. This type of agency problem stems from shareholders being disengaged from the task of monitoring and, if necessary, disciplining management. The “separation of ownership and control” provides management with the opportunity to take advantage of their informational advantage regarding a company’s strategies, policies and prospects, without the risk of being detected.

In the concentrated ownership – or “blockholder” systems – the scale of the “vertical agency problem” is mitigated because some investors tend to hold a disproportionately larger stake in listed companies. Such investors have both the incentive and capacity to monitor and discipline management.

With regard to blockholder systems, a distinction can be made between two types of listed firms. Firstly, there are institutional investor “controlled” companies, in which the substantial voting rights and cash-flow rights are identical and based on the proportion of total shares held. These institutional investors, generally referred to as “outside blockholders”, make listed companies susceptible to a three-way conflict between controlling shareholders, managers and minority shareholders. Since outside blockholders usually mitigate the problems related to managerial opportunism, it is not surprising that policy makers and regulators focus on possible conflicts that may occur in the “horizontal agency relationship” between outside blockholders (and the managers who have an incentive to respond to their demands) and passive minority investors.

Note that in the current financial world, institutional investors are inclined to focus on short-term returns. The short-term stance of the outside blockholders’ investment strategy exposes the minority shareholders to opportunistic behavior. The fact that outside blockholders have increasingly used derivative instruments and short-selling techniques in order to make profits, merely serves to compound the “horizontal agency problem” between outside blockholders and minority investors.

Secondly, there are those listed companies, such as the many family-owned – and sometimes even state-owned – companies, with “inside blockholders”, who actually hold management positions or serve on the board of directors of the companies in which they invest. “Vertical agency problems” are irrelevant in this context, but “horizontal agency problems” are a major concern in listed companies with sizeable inside blockholders.

In this context, the controlling shareholders may employ several strategies to extract resources and assets from firms that they control, thereby significantly increasing horizontal agency costs. Obvious risks include: (1) dilutive share issues, (2) insider trading, (3) withholding important information from prospective investors, (4) allocation of corporate opportunities and business activities and (5) abusive related party transactions.

Disclosure rules are seen as an effective solution to these risks and the rationale behind such disclosure requirements seems clear: disclosure and transparency regarding material changes in control and ownership structures allows investors and other stakeholders to have a better understanding of a company’s prospects and capital allocations.

### 3. The Legal and Regulatory Landscape

In dealing with beneficial ownership and control issues, countries have implemented an array of legal and regulatory provisions aimed at information disclosure. In most jurisdictions, these provisions are included in their securities laws and regulations, including the listing rules of stock exchanges. This section will briefly summarise some of the main features of the current legal framework for ensuring disclosure of beneficial ownership.

At the core of most disclosure laws is a definition of the beneficial owner. In general terms, a beneficial owner is usually defined as the natural person who is entitled to the benefits accruing from the ownership of securities, and/or has power to exercise controlling influence over the voting rights attached to the shares. In the context of this report, this definition is too limited, since a significant number of listed companies are owned and controlled by governments (so-called state-owned enterprises or listed multinationals that are characterised by a widely-dispersed shareholder base).

Different jurisdictions fill out this basic conception of beneficial ownership in various ways. In some jurisdictions, the definition of beneficial ownership is restricted to certain benefits, most obviously the pecuniary benefits attached to the shares. In contrast, other jurisdictions define a beneficial owner as the ultimate owner of the deposited securities who is entitled to all rights, benefits, powers and privileges and is subject to all liabilities, duties and obligations in respect of, or arising from, the deposited securities. Despite the differences, it is fair to say that there is a significant degree of convergence regarding the disclosure of beneficial ownership in the various legal and regulatory systems around the world.

Broadly speaking, three groups of natural persons/legal entities are required to disclose beneficial ownership information. The first group consists of directors and chief executives/senior officers regardless of their actual shareholding percentage. The second group includes substantial shareholders which are classified by a minimum shareholding percentage, usually fixed at 3%, 5%, 10% or sometimes as high as 25%. Finally, listed companies are often required to disclose information about the names of their major shareholders (and usually also the beneficial owners).

In general, disclosure of beneficial ownership is mandated first from the (potential) beneficial owners themselves. These persons (including their authorised nominees) have the obligation to report the relevant information about their beneficial ownership in the company, which in turn, should record such information in its register of shareholders, prospectus, and/or periodical reports (if and where applicable).

Here it should be noted that most jurisdictions distinguish between *de jure* and *de facto* beneficial ownership. Because it is the rule rather than the exception to look at *de facto* beneficial ownership in addition to *de jure* beneficial ownership, a crucial issue is the content of such *de facto* ownership. Applying such an approach will result in shares held under the name of third parties also being counted under the control of the beneficial owner.

The first and most straightforward category is when the shareholders are natural persons. Applying the concept of *de facto* beneficial ownership results in the securities held by a person's spouse and/or

children being counted as securities held by that person. This is a common practice adopted in most jurisdictions around the world.

The second category is when another company holds the shares of a listed company. The *de facto* approach would certainly require disclosure being made beyond the level of the signatory of the “institutional” shareholder, but the key issue here is how far the disclosure could reach. Is a beneficial owner recognised at the first, second, or the ultimate layer of beneficial ownership of shares in listed companies? Although most jurisdictions do mandate the disclosure to be made to the level of ultimate beneficial owner(s), their answers to this question still vary a great deal in terms of the technical particularities about how to reach the ultimate beneficial owners. One example is the threshold of shareholding that would constitute “control” in a company. In the earlier OECD report, the threshold varied from 20% to 33%.

The third category consists of owners who employ control-enhancing mechanisms to attain voting/control rights in excess of the cash flow rights. Typically, such mechanisms include pyramid structures, cross-shareholdings, dual class shares and non-voting shares, derivative products of shares (depository receipts), and shareholder coalitions, agreements and other “acting in concert” arrangements. Certainly, while using mechanisms to enhance control in general is not uncommon, one jurisdiction can differ from another in terms of the extent of regulatory acceptance of these mechanisms, resulting in one or more of them being illegal or, at least, somehow conditioned in certain countries.

Once disclosure rules are in place, the next consideration is to ensure that the information is clear, accurate and easily accessible.

#### **4. The Accessibility and Accurateness of Disclosure**

In the previous Section, we saw how the rules and regulations tend to acknowledge that both beneficial owners and listed companies are under a general obligation to disclose. Unsurprisingly, they must do this in an accurate and timely manner by, for instance, making changes to the shareholders’ register, the articles of association and/or the prospectus. Moreover, jurisdictions usually require reports to be filed and public announcements to be made when changes in beneficial ownership arrangements occur through an acquisition or disposal of securities. Finally, beneficial ownership and control information usually must be included in annual reports, shareholder circulars and other periodical reports. In order to ensure that the information is easily accessible to and verifiable by investors and other stakeholders, most jurisdictions require that the reports are made available through company websites and often through the websites of the national stock exchanges and/or securities regulators.

Three different regulatory approaches are available to ensure the accuracy of the information provided by companies:

1. The disclosed information can be compared with earlier and/or later reports, and/or with the information received from other sources.

2. Regulatory authorities are often empowered to investigate and verify the disclosed information.
3. The correctness, reliability, timing and accuracy of the information is ensured by imposing different forms of liability – including criminal liability - for the failure to comply with the disclosure rules and regulations.

Clearly, these three regulatory approaches are not mutually exclusive, and many jurisdictions adopt some combination of approaches.

These approaches to ensuring access to accurate information appear sound in theory, but questions remain. Indeed, despite the regulatory regime, companies use a plethora of strategies to conceal the true identity of the ultimate beneficial ownership positions. This raises a number of questions: How does disclosure of beneficial ownership and control work in practice? Other obvious questions that need to be explored include: Do the regulatory approaches result in the disclosure of useful information or have they merely created a “check-the-box” attitude in which firms disclose the information in a formalistic way in order to meet the minimum requirements set by law? Where can you *actually* find the best information on the ultimate beneficial owner? And for potential overseas investors unfamiliar with the local situation, how easy is it to find the information and how complete is the information regarding the beneficial ownership structures?

In order to address some of these questions, we now turn to the empirical study of disclosure in selected jurisdictions, starting with an introduction to the methodological approach adopted in this study.

## 5. A Note on Methodology

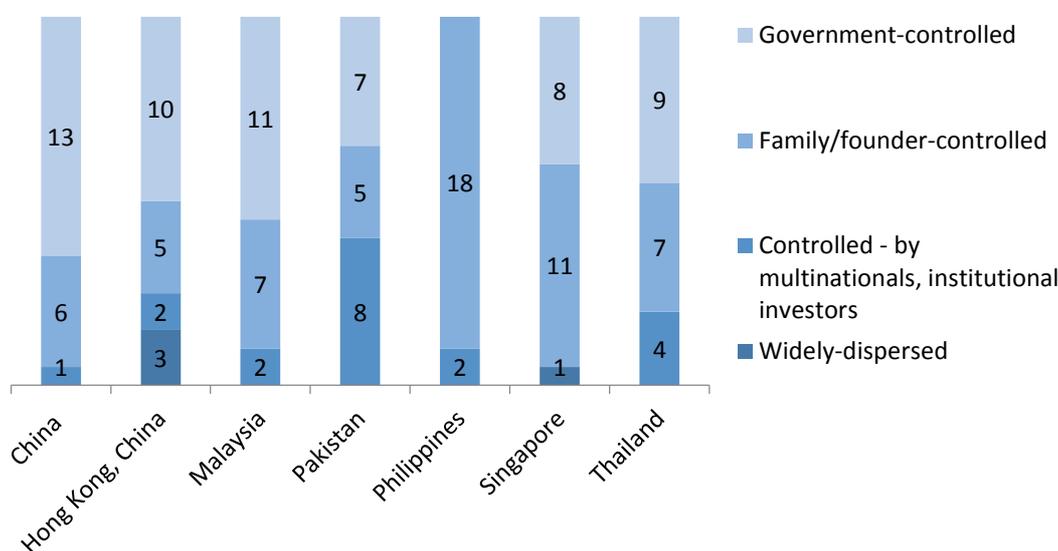
The earlier World Bank study on disclosure of beneficial ownership focused on the narrow question of information disclosure in annual reports. That study was one part of a larger project that focused on annual reports only and the content of such reports. In particular, different elements of such reports were examined empirically, notably corporate governance statements, financial statements, related party transactions and beneficial ownership.

The aim of this study is to dig deeper into the issue of beneficial ownership disclosure by examining multiple possible sources for such information and comparing those sources across several jurisdictions. The intention is to ask whether the findings of the study of annual reports are generalisable to other possible sources of information on beneficial ownership.

In order to achieve this goal, the information disclosures of the top twenty firms across seven selected jurisdictions were examined. The seven selected jurisdictions include the People’s Republic of China (hereafter “China”); Hong Kong, China; Malaysia; Pakistan; the Philippines; Singapore; and Thailand. The top twenty firms selected to be included were the largest firms in each jurisdiction according to market capitalisation on the local stock index as of 29 May 2015. In China, the list of the top twenty firms with the largest market capitalisation was derived from both the Shanghai and Shenzhen Exchanges. Among the twenty firms, sixteen were from Shenzhen and four from Shanghai,

after excluding the firms that were overlapping with the Hong Kong, China dataset (due to a dual-listing in Hong Kong, China).

**Figure 1. Ownership Structures in the Researched Jurisdictions**



With regard to the choice of jurisdictions there were a number of considerations. First, since this study is a follow-up to the earlier OECD report “Disclosure of Beneficial Ownership and Control in Listed Companies in Asia”, it was preferable to focus on the jurisdictions which were included in the questionnaire survey conducted in 2014-2015. What was interesting is that the selected jurisdictions showed significant differences when taking the prevailing ownership structures into account. Clearly, most jurisdictions could be characterised as blockholder systems. However, there were significant differences between the ownership structures. In China, for instance, state-owned enterprises play a pivotal role, whereas the Philippines market is clearly “dominated” by family-owned companies. Moreover, as indicated in *Figure 1*, Pakistan has a relatively large number of multinational-controlled companies.

The decision was made to focus on the largest listed companies in the selected jurisdictions. The reason for this is simple. The aim of this study is not to examine the issue of whether companies comply with local transparency and disclosure rules, but rather to examine *how* companies present information on beneficial ownership. The assumption is that the largest companies within each jurisdiction are most likely to be in compliance with the rules, partly because it is those firms that are most likely to be subjected to a higher degree of regulatory scrutiny. The fact that many of the selected firms are frequent winners of “best-in-class” corporate governance awards (according to the disclosed information in the annual reports) is a clear indicator that this assumption is probably correct. In general, this is less likely to be true of smaller, less scrutinised firms, raising concerns that those firms are simply not complying with the rules.

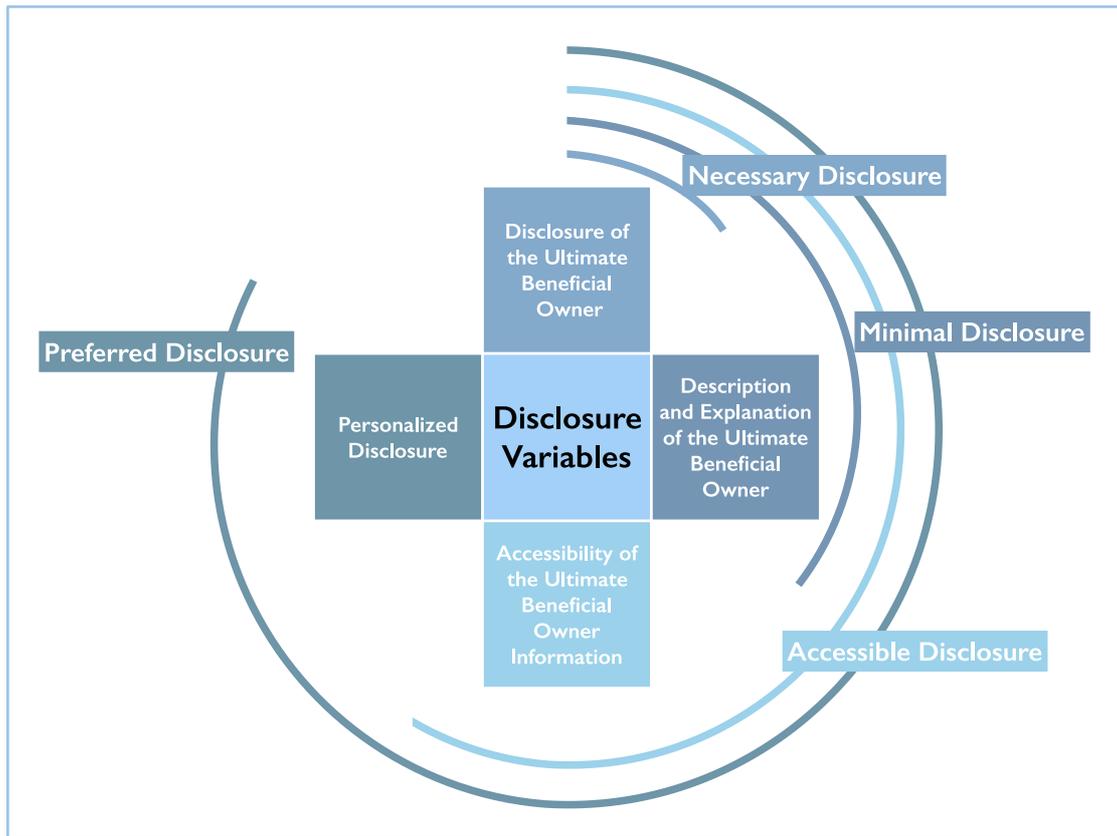
In this study, four sources for the information of each of the twenty companies in the seven jurisdictions were examined:

1. *Company Annual Reports*. The 2015 editions of the annual reports were examined.
2. *Company Websites*. The study focused on the ownership information on the company's websites, particular attention was given to the "investor relations" sections of the respective websites.
3. *Stock Exchange and Securities Regulator Websites*. Publicly available information on stock exchange and websites or securities regulator websites were also analysed.
4. *English-language "wiki" pages*. As a final step, a "non-official" possible source of information was included in the study. Since we live in an age of social media and networked technologies, the last source of information that was selected was English language wiki pages for each of the companies in the study. Such web pages are produced on a voluntary basis by third parties. The hypothesis that was explored was whether such pages provided a more accessible and meaningful source of information than the companies themselves or regulators.

In analysing each of the above four sources of information for each company in each of the selected jurisdictions, we asked four questions about the presence or absence of four different variables (see also *Figure 2*):

1. *Name of Ultimate Beneficial Owner*. Is the name of the ultimate beneficial owner revealed? This could be a person (natural or legal) or the state. If "only" the name of the ultimate beneficial owner is disclosed the company is included in the "necessary disclosure" category.
2. *A Description or Explanation of the Ultimate Beneficial Owner*. Is there a description of the owner or an explanation of who the ultimate beneficial owner is? Is more information given than simply a name? A positive answer means that the company could be included in the "minimal disclosure" category.
3. *Accessibility of Information*. Is the information easily accessible? Is it instantly visible? The "accessible disclosure" category consists of companies for whom the beneficial ownership structure is disclosed through visually accessible charts and figures.
4. *A Message Connecting Ownership with Control*. Is there a more personalised message explaining what the owner wants from their ownership? What are the intentions of the owner and how is the ownership connected to the owners' "personal" goals and objectives? Is the information available to judge whether the ownership is an active or passive "investment"? How do the ownership goals impact upon the governance of the company? Clearly, a more "personalised" message would provide investors and other stakeholders with the most effective information. This category is referred to as "preferred disclosure".

**Figure 2. The Variables and Categories of Disclosure**



The highlights of the analysis and complete study results will be discussed in the next Section.

Moreover, the research allows for the identification of best practices based upon what the analysed listed companies are doing right now in terms of information disclosure. These practices focus not only on the type of information that is being disclosed, but also the style and method of such disclosure. The report will thus enable policy makers and regulators to focus on communicating to the business community that by adopting such “best practice” a firm will be better placed to engage more effectively with the market. Such an approach offers the most effective means of minimising risk to investors and ensuring the best allocation of resources in financial markets.

What is interesting in this regard is that when an earlier version of this report was presented at the OECD Asian Roundtable on Corporate Governance in Seoul, Korea in October 2016, three other countries showed an interest in the disclosure practices of their largest publicly listed companies. These countries were India, Indonesia and Korea. Since the disclosure of beneficial ownership has recently attracted significant political and regulatory attention both in these respective countries and abroad, an analysis of the disclosure practice of the top ten of the largest publicly listed companies in these countries is included in Section 8 of this report. The focus was particularly on the information available on the companies’ websites and in their annual reports in January 2017. This would give an indication about the impact of these discussions/regulations on the companies’ disclosure behavior.

## 6. Disclosure in Practice

This section presents the country specific data derived from the empirical study. For each of the seven jurisdictions under review, we present the type of disclosure for each source of information in turn (i.e., annual reports, company websites, stock exchange and securities regulators websites, and English-language wiki pages). Each section also includes “best practices” and ends with some country specific conclusions.

### 6.1 China

Companies that are listed in China generally fall into the accessible disclosure category, suggesting that law matters in terms of affecting company practice. Undoubtedly, China Securities Regulatory Commission (CSRC) rules and regulations are the main drivers of the disclosure practice of Chinese listed companies. The *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports* (2014 Revision) contain detailed and stringent rules about the format in which the beneficial ownership information has to be disclosed (Article 40 of the Standards). The results are therefore not surprising. As *Table 1* shows, most Annual Reports include the necessary (name of the ultimate beneficial owner) and minimal (description of the ultimate beneficial owner) information about the actual controlling owners and their relationship with the respective companies.

**Table 1. China: Beneficial Ownership and Annual Reports**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	95%	95%	80%	0%
Shenwan Hongyuan Group	■	■	■	
Guosen Securities	■	■	■	
Ping An Bank				
Gree Electric Appliances	■	■	■	
Hangzhou Hikvision Digital Tech	■	■	■	
BOE Technology Group	■	■	■	
Midea Group	■	■	■	
GF Securities	■	■		
China Vanke	■	■	■	
Wanda Cinema Line	■	■	■	
Suning Commerce Group	■	■	■	
East Money Information	■	■	■	
Leshi Internet Information & Technology	■	■	■	
BYD	■	■	■	
Avic Aircraft	■	■	■	
Wuliangye Yibin	■	■	■	
Agriculture Bank of China	■	■		
China Merchants Bank	■	■	■	
China South Locomotive & Rolling Stock	■	■	■	
Industrial Bank	■	■		

It should be noted, however, that these statements risk becoming standardised and somewhat “meaningless”. Indeed, most companies comply with the recently introduced rules and regulations without going beyond the “boilerplate” compliance. For instance, only 10 percent of the companies in our dataset have a reference to the ownership structure on their website (see *Table 2*), and such references are not what you would expect in the digital and networked age in which an online footprint becomes more and more important. The references found merely offer a simplified summary of what is found in the annual reports.

Companies in China should embrace the online disclosure of ultimate beneficial ownership information. It provides them with the opportunity to keep the information up-to-date. For instance, the website of BEO technology Group provides quarterly updates, making the information more relevant than the information found in the Annual Report. Still, the Annual Report provides more detailed information, such as an explanation about “acting in concert” arrangements and shareholders agreements, a description of the controlling shareholder and the actually controlling shareholder/ultimate beneficial owner, and a chart depicting the ownership structure.

**Table 2. China: Beneficial Ownership and Company Websites**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	10%	5%	0%	0%
Shenwan Hongyuan Group				
Guosen Securities				
Ping An Bank				
Gree Electric Appliances				
Hangzhou Hikvision Digital Tech				
BOE Technology Group	■	■		
Midea Group				
GF Securities				
China Vanke				
Wanda Cinema Line				
Suning Commerce Group				
East Money Information				
Leshi Internet Information & Technology				
BYD				
Avic Aircraft				
Wuliangye Yibin				
Agriculture Bank of China				
China Merchants Bank				
China South Locomotive & Rolling Stock	■			
Industrial Bank				

The annual reports of Chinese listed companies thus provide a fairly comprehensive overview of the ownership structure (up to the ultimate level of beneficial ownership). What is missing, however, is more “personalised” information and communication about the ownership of the company. The text used in the annual reports is mostly boilerplate and repetitive. The question then is whether there are other sources of information investors and other stakeholders can use to get a better idea about the owners’ goals and objectives as well as their impact on the governance and performance of the company.

A first possible source of information are the websites of the stock exchanges and securities regulators, since these institutions are usually involved in collecting this type of information. Unfortunately, however, these websites are more focused on explaining rules and regulations. As for company specific information, the stock exchange websites in China have references and links to the annual reports of the company. Certainly, it can be useful to have the annual reports of the Chinese listed companies at your fingertips. However, the English version of the stock exchanges websites are often slow and difficult to navigate.

**Table 3. China – Beneficial Ownership and Wikipedia**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	85%	85%	0%	12.5%
Shenwan Hongyuan Group	■	■		
Guosen Securities	■	■		
Ping An Bank	■	■		
Gree Electric Appliances	■	■		
Hangzhou Hikvision Digital Tech	■	■		Partly
BOE Technology Group				
Midea Group	■	■		
GF Securities				
China Vanke				
Wanda Cinema Line	■	■		Partly
Suning Commerce Group	■	■		
East Money Information	■	■		Partly
Leshi Internet Information & Technology	■	■		Partly
BYD	■	■		Partly
Avic Aircraft	■	■		
Wuliangye Yibin	■	■		
Agriculture Bank of China	■	■		
China Merchants Bank	■	■		
China South Locomotive & Rolling Stock	■	■		
Industrial Bank	■	■		

Somewhat surprisingly, a more intuitive and interactive tool to gather knowledge about the ownership and control structures of Chinese listed companies is Wikipedia and its related “sister” websites. Not only do these websites often provide a clear and succinct description of the ultimate beneficial owners of a company, they also allow investors and other stakeholders to “click through” (via hyperlinks) to other related pages giving a more complete and “personalised” view of the owner. It should come as no surprise that this is particularly true if the companies are founder-controlled or family-controlled. It should be noted, however – and this is highlighted by *Table 3* - that the information provided by sites such as Wikipedia only offers a partial solution to this need for more personalised information. The Wikipedia information is of a somewhat general character and does not provide specific, precise information related to the ownership position.

In conclusion, China shows that rules do matter, but they seem to have created a “box ticking” attitude in which firm communication strategies are focused on simply meeting the minimum standards required by law. The result is that more “personalised” and helpful information is missing. Of course, more online research might provide investors and other stakeholders with a deeper perspective and greater insight as to the ownership structure and owners of particular companies. However, it would be preferable to have this information readily available on the “investor relations” websites of the companies.

Let us next consider whether companies that are listed in countries that occupy the “top spots” in the corporate governance rankings in Asia also perform best when it comes to transparency and disclosure in the area of beneficial ownership and control.

## 6.2 Hong Kong, China

According to the Asian Corporate Governance Association (ACGA), Hong Kong, China (together with Singapore) ranks first in corporate governance in Asia (see *Table 4*). It is, therefore, interesting to consider whether the four variables of disclosure examined in this study (i.e., name of the ultimate beneficial owner, description, accessibility and personalised disclosure) are present in the communications of the largest companies listed on the Hong Kong stock exchange.

**Table 4. ACGA Corporate Governance Ranking (2014)**

	Ranking	2010 Score	2012 Score	2014 Score
1	Hong Kong, China	65	66	65
1	Singapore	67	69	64
3	Japan	57	55	60
4	Thailand	55	58	58
4	Malaysia	52	55	58
6	Chinese Taipei	55	53	56
7	India	48	51	54
8	Korea	45	49	49
9	China	49	45	45
10	Philippines	37	41	40
10	Indonesia	40	37	39

*Source: Asian Corporate Governance Association*

Unsurprisingly, the name of the beneficial owner was present in the majority of the annual reports (see *Table 5*). These companies formalistically revealed the ultimate beneficial ownership structure (approximately 82.5 percent of the companies in our sample). However, they often did so in a dry and literal, boilerplate-style that did not reveal much beyond the bare bones of ownership structures.

**Table 5. Hong Kong, China: Beneficial Ownership and Annual Reports**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	82.5%	55%	25%	0%
<b>HSBC Holdings</b>	■			
<b>Tencent</b>				
<b>China Construction Bank</b>	■	■		
<b>China Mobile</b>				
<b>AIA Group</b>	■			
<b>Industrial and Commercial Bank of China</b>	■	■		
<b>Bank of China</b>	■	■		
<b>HKEx</b>	■			
<b>CKH Holdings</b>	■	■		
<b>Ping An Group</b>	■	■	■	
<b>China Life</b>	■	■	■	
<b>CNOOC</b>				
<b>SHK Properties</b>	Partly			
<b>PetroChina</b>	■	■	■	
<b>Sinopec</b>	■	■	■	
<b>CLP Holdings</b>	■	■	■	
<b>Hang Seng Bank</b>	■	■		
<b>BOC Hong Kong</b>	■			
<b>HK &amp; China Gas</b>	■	■		
<b>China Overseas</b>	■			

Moreover, such firms adopted a legalistic style when presenting the information that provided little indication as to *who* was the controlling owner and *how* such control impacts upon the governance and directions of that firm. It also appeared that a certain degree of expertise or local knowledge was often required to “de-code” the information, as it was usually presented in a technical (footnote heavy) style rather than in a more reader-friendly manner. For example, only 25 percent of the companies included figures or charts in their annual reports.

Here it should also be noted that the Hong Kong, China dataset included companies with a widely dispersed shareholder base. Unsurprisingly, these companies have adopted a “boilerplate” disclosure strategy. It is often impossible for these companies to give more information about the institutional investors that hold a significant number of their shares. Yet, if institutional investors pursue a more active role in the operation of the company (or give this impression by owning, for instance, approximately ten percent of the outstanding shares), it could very well be argued that, similar to companies with a controlling shareholder, these “activist investors” (and the company) might see some value in thinking “out of the box” and going beyond the what is required as boilerplate compliance and embrace a more substantive disclosure approach. This issue will be considered further below.

Since annual reports are the main source of information regarding ownership and control structures in Hong Kong, China establishing the beneficial ownership information of Hong Kong, China companies was not always easy. Downloading and trawling through a 200+ pages Annual Report in order to identify the ultimate beneficial owner was often a time-consuming exercise as the websites were slow and the information was not always readily accessible (see *Table 6*).

**Table 6. Hong Kong, China: Beneficial Ownership and Company Websites**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	5%	5%	0%	0%
HSBC Holdings				
Tencent				
China Construction Bank				
China Mobile				
AIA Group				
Industrial and Commercial Bank of China				
Bank of China				
HKEx				
CKH Holdings				
Ping An Group				
China Life				
CNOOC				
SHK Properties				
PetroChina				
Sinopec				
CLP Holdings	■	■		
Hang Seng Bank				
BOC Hong Kong				
HK & China Gas				
China Overseas				

In order to increase the speed, accessibility and precision in finding the identity of the ultimate beneficial owners, it is again (like in China) necessary to find other resources. The Hong Kong Stock Exchange website provide a number of tools to find significant shareholders in its listed companies. Particularly, the “Shareholding Disclosures” option appears to be an accessible tool. However, it revealed the name of the *shareholders*, their addresses, shareholdings and percentage of the issued and/or tradable shares. Also, it adopted a very legalistic format and, since the focus was on shareholders, there was a risk that any information about the ultimate beneficial owners would not be 100% accurate. It was, therefore, often necessary to use Wikipedia to establish more information. To be sure, the information about ownership found on Wikipedia is often murky, but at least it points users in the right direction (see *Table 7*).

**Table 7. Hong Kong, China: Beneficial Ownership and Wikipedia**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	82.5%	82.5%	0%	15%
<b>HSBC Holdings</b>				
<b>Tencent</b>	Partly	Partly		Partly
<b>China Construction Bank</b>	■	■		
<b>China Mobile</b>	■	■		
<b>AIA Group</b>				
<b>Industrial and Commercial Bank of China</b>	■	■		
<b>Bank of China</b>	■	■		
<b>HKEx</b>				
<b>CKH Holdings</b>	■	■		Partly
<b>Ping An Group</b>	■	■		Partly
<b>China Life</b>	■	■		
<b>CNOOC</b>	■	■		
<b>SHK Properties</b>	■	■		Partly
<b>PetroChina</b>	■	■		
<b>Sinopec</b>	■	■		
<b>CLP Holdings</b>	■	■		Partly
<b>Hang Seng Bank</b>	■	■		
<b>BOC Hong Kong</b>	■	■		
<b>HK &amp; China Gas</b>	■	■		Partly
<b>China Overseas</b>	■	■		

### 6.3 Malaysia

At first glance, the disclosure practices in Malaysia appear to be similar to those found in China and Hong Kong, China. Indeed, the most accessible and reliable source of information is the annual reports (see *Table 8*).

What is remarkable, however, is that the nature of the ultimate beneficial owner (i.e., government, family, founder or multinational) is not always clear. Information about the ultimate beneficial owners was sometimes indirectly determinable by meticulously examining the Annual Report. It was sometimes possible to guess who the ultimate beneficial owners actually are. This was particularly so when such individuals also held senior management positions or directorships. However, from the perspective of a foreign investor, trying to gather meaningful information in English, such “indirect” disclosure cannot provide reliable information. For instance, it was not always clear for foreign investors that a particular entity or entity name was connected or related to a family or government.

There is an interesting difference between China and Hong Kong, China, on the one hand, and Malaysia, on the other. The largest companies in Malaysia were more frequently using their websites to disclose ownership information to the market (see *Table 9*). The websites “only” offer a summary overview of the information in the annual reports and are not very interactive, but it saves the time of downloading and going through the annual report. Moreover, it provides companies with the opportunity to update the information on a more regular basis.

**Table 8. Malaysia: Beneficial Ownership and Annual Reports**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	80%	55%	0%	0%
<b>Public Bank</b>	■	■		
<b>Tenaga Nasional</b>	■			
<b>Malayan Banking</b>	■			
<b>CIMB Group Holdings</b>	■			
<b>Axiata Group</b>	■			
<b>Sime Darby</b>	■			
<b>Digi.com</b>				
<b>Genting</b>				
<b>Maxis</b>	■	■		
<b>Petronas Chemicals Group</b>	■	■		
<b>Petronas Gas</b>	■	■		
<b>IOI Corporation</b>	■	■		
<b>IHH Healthcare</b>				
<b>Telekom Malaysia</b>	■	■		
<b>Genting Malaysia</b>				
<b>MISC</b>	■	■		
<b>Kuala Lumpur Kepong</b>	■	■		
<b>AMMB Holdings</b>	■	■		
<b>British American Tobacco</b>	■	■		
<b>PPB Group</b>	■	■		

The website of the stock exchange Bursa Malaysia is another example of Malaysia embracing the Internet and online resources more than their Chinese or Hong Kong, China counterparts. The website contained an interactive mechanism to search through the “company announcements”, including “changes in shareholdings” and “changes in substantial shareholding positions. Moreover, by entering the company name and the requested categories and subcategories the website provided an overview of announcements containing ownership and control information. Unfortunately, however, the information in such overviews was not always very detailed. The result is that investors and other stakeholders are often better off with an analysis of the information available on Wikipedia (*Table 10*).

**Table 9. Malaysia: Beneficial Ownership and Company Websites**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	45%	35%	0%	0%
<b>Public Bank</b>				
Tenaga Nasional	■			
<b>Malayan Banking</b>				
<b>CIMB Group Holdings</b>				
Axiata Group	■	■		
Sime Darby	■			
<b>Digi.com</b>				
<b>Genting</b>				
Maxis	■	■		
<b>Petronas Chemicals Group</b>				
Petronas Gas	■	■		
<b>IOI Corporation</b>				
<b>IHH Healthcare</b>				
Telekom Malaysia	■	■		
Genting Malaysia				
MISC	■	■		
Kuala Lumpur Kepong	■	■		
AMMB Holdings	■	■		
British American Tobacco				
PPB Group				

**Table 10. Malaysia: Beneficial Ownership and Wikipedia**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	70%	70%	0%	10%
<b>Public Bank</b>	■	■		<b>Partly</b>
Tenaga Nasional				
<b>Malayan Banking</b>				
<b>CIMB Group Holdings</b>				
<b>Axiata Group</b>				
Sime Darby	■	■		
Digi.com	■	■		
Genting	■	■		
Maxis	■	■		<b>Partly</b>
<b>Petronas Chemicals Group</b>	■	■		
Petronas Gas	■	■		
<b>IOI Corporation</b>	■	■		<b>Partly</b>
<b>IHH Healthcare</b>	■	■		
Telekom Malaysia				
Genting Malaysia	■	■		
MISC	■	■		
Kuala Lumpur Kepong				
AMMB Holdings	■	■		
British American Tobacco	■	■		
PPB Group	■	■		<b>Partly</b>

## 6.4 Pakistan

The largest listed companies in Pakistan engage in what could be characterised as a grudging style of disclosure in which the formal reporting requirements are met, but the ultimate beneficial owner is difficult to identify (see *Table 11* and *Table 12*). What is interesting here is that there seems to be a certain amount of herd behavior; that is to say, if it is difficult to find the information in one company, then other companies seem to adopt a similar minimal style of compliance (for instance, the disclosed information fails to explain the nature and relationship between the controlling shareholders, the ultimate beneficial owners and the company). Also, acting-in-concert arrangements are not always clear from the disclosed information. This seemed to be a particular issue in Pakistan where companies appear to assume that certain information about shareholders and beneficial owners can be regarded as “local” or “public” knowledge.

**Table 11. Pakistan: Beneficial Ownership and Annual Reports**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	55%	35%	0%	0%
<b>Habib Bank</b>	■			
<b>MCB Bank Ltd</b>				
<b>Spot</b>				
<b>Oil &amp; Gas Devel</b>	■	■		
<b>Fauji Fert,</b>				
<b>Hub Power Co.</b>				
<b>Pak Petroleum</b>				
<b>United Bank</b>	■			
<b>Engro Corp.</b>	■	■		
<b>Lucky Cement</b>				
<b>Pakistand State Oil Company</b>	■	■		
<b>Nestle Pak</b>	■	■		
<b>Pak Oilfields</b>				
<b>Kot Addu Power</b>	■	■		
<b>Dawood Hercules</b>	■			
<b>D.G.K. Cement</b>				
<b>Bank Al-Habib</b>				
<b>National Bank</b>	■	■		
<b>Fauji Cement</b>	■	■		
<b>K-Electric</b>				
<b>Indus Motor</b>	■			

Of course, the local investors do not always need very detailed information in order to figure out *who* is the ultimate beneficial owner. If an investor or other stakeholder does not have *any* knowledge or background information about controlling entities in Pakistan, Wikipedia is again a useful source to obtain a better understanding about the information than that provided in, for instance, the annual accounts (see *Table 13*). Wikipedia can, at least in part, fill gaps in local knowledge.

**Table 12. Pakistan: Beneficial Ownership and Company Websites**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	30%	20%	0%	0%
Habib Bank				
MCB Bank Ltd				
Spot				
Oil & Gas Devel	■	■		
Fauji Fert,				
Hub Power Co.				
Pak Petroleum				
United Bank				
Engro Corp.				
Lucky Cement				
Pakistand State Oil Company	■	■		
Nestle Pak	■	■		
Pak Oilfields				
Kot Addu Power	■			
Dawood Hercules				
D.G.K. Cement				
Bank Al-Habib	■			
National Bank	■	■		
Fauji Cement				
K-Electric				
Indus Motor				

**Table 13. Pakistan: Beneficial Ownership and Wikipedia**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	80%	80%	0%	12.5%
Habib Bank	■	■		Partly
MCB Bank Ltd	■	■		
Spot				
Oil & Gas Devel	■	■		
Fauji Fert,	■	■		Partly
Hub Power Co.				
Pak Petroleum	■	■		
United Bank	■	■		Partly
Engro Corp.	■	■		Partly
Lucky Cement	■	■		
Pakistand State Oil Company	■	■		
Nestle Pak				
Pak Oilfields	■	■		
Kot Addu Power				
Dawood Hercules	■	■		Partly
D.G.K. Cement				
Bank Al-Habib	■	■		
National Bank	■	■		
Fauji Cement	■	■		
K-Electric	■	■		
Indus Motor	■	■		

## 6.5 Philippines

The largest companies in the Philippines, according to market capitalisation, are mostly controlled by family-owned conglomerates. These conglomerates, more specifically the *Ayala Group* and *Aboitiz Group*, understand the importance of adopting a slightly more “personalised” approach to the information contained in their Annual Reports (including the SEC Forms 17-A, which have to be filed pursuant to Section 17 of the Securities Regulation Code) and on their websites. These companies appear to understand that their investors and other stakeholders are not only interested in dry, formal financial statements, but are also looking for more personalised content and authenticity. Their companies present additional information, but more than that they present such information in a more accessible and personalised way. That is to say, the controlling – and ultimate – owners address their “fellow shareholders” in the Annual Reports with a mix of business facts, succession and ownership issues, as well as innovations and long-term expectations.

Although the ownership information in the annual reports and company websites is not always clear and straightforward (see *Table 14* and *Table 15*), it could be argued that local market participants know exactly how the ownership and control arrangements are structured and organised in these family-controlled companies. Moreover, foreign investors, by reading through the company’s communications, can develop an idea about the families and their interests in the listed companies.

**Table 14. Philippines: Beneficial Ownership and Annual Reports**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	75%	65%	0%	5%
<b>SM Investments</b>	■	■		
<b>Philippine Long Distance Telephone Company Common</b>	Partly	Partly		
<b>Ayala Land</b>	■	■		
<b>SM Prime Holdings</b>	■	■		
<b>JG Summit Holdings</b>	■	■		
<b>Ayala Corporation</b>	■	■		Partly
<b>Universal Robina Corporation</b>	■	■		
<b>BDO Unibank</b>	■	■		
<b>Bank of the Philippine Islands</b>	■	■		
<b>Globe Telecom</b>	■	■		
<b>Manila Electric Company</b>	Partly	Partly		
<b>Aboitiz Power Corporation</b>	■	■		
<b>Aboitiz Equity Ventures</b>	■	■		Partly
<b>Metropolitan Bank &amp; Trust Company</b>				
<b>GT Capital Holdings</b>				
<b>Alliance Global Group International Container Terminal Services</b>	■	Partly		
<b>Jollibee Foods Corporation</b>	■	Partly		
<b>DMCI Holdings</b>	Partly			
<b>Semirara Mining and Power Corporation</b>	Partly			

**Table 15. Philippines: Beneficial Ownership and Company Websites**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	27.5%	27.5%	12.5%	0%
<b>SM Investments</b>	■	■		
<b>Philippine Long Distance Telephone Company Common</b>	Partly	Partly		
<b>Ayala Land</b>	■	■		
<b>SM Prime Holdings</b>				
<b>JG Summit Holdings</b>				
<b>Ayala Corporation</b>				
<b>Universal Robina Corporation</b>				
<b>BDO Unibank</b>				
<b>Bank of the Philippine Islands</b>	Partly	Partly	Partly	
<b>Globe Telecom</b>	Partly	Partly	Partly	
<b>Manila Electric Company</b>	Partly	Partly	Partly	
<b>Aboitiz Power Corporation</b>	Partly	Partly	Partly	
<b>Aboitiz Equity Ventures</b>	Partly	Partly	Partly	
<b>Metropolitan Bank &amp; Trust Company</b>				
<b>GT Capital Holdings</b>				
<b>Alliance Global Group</b>				
<b>International Container Terminal Services</b>				
<b>Jollibee Foods Corporation</b>				
<b>DMCI Holdings</b>				
<b>Semirara Mining and Power Corporation</b>	Partly	Partly		

The Philippines Stock Exchange Electronic Disclosure Generation Technology or PSE EDGE, the fully automated system that facilitates the processing, submission, distribution and analysis of disclosure reports, undoubtedly enhances the market transparency of the respective listed companies in the Philippines. However, it does not provide an instant or visualised overview of the ownership and control structures of the listed companies. Investors, stakeholders and other interested parties have to go through “company announcements” to find the relevant bits of information.

The involvement of well-established and entrepreneurial families in the Philippines’ business market makes wiki-like websites a valuable source of “business intelligence”. Wikipedia, in combination with WikiPilipinas which mainly focuses on Philippine-related topics and issues, appeared to be remarkably detailed and useful. Predictably, the knowledge database offered – in almost 100% of the analysed cases – important and valuable insights as to the identity and nature of the ultimate beneficial owners (see *Table 16*).

**Table 16. Philippines: Beneficial Ownership and Wikipedia**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	97.5%	97.5%	0%	42.5%
<b>SM Investments</b>	■	■		
<b>Philippine Long Distance Telephone Company Common</b>	Partly	Partly		
<b>Ayala Land</b>	■	■		Partly
<b>SM Prime Holdings</b>	■	■		
<b>JG Summit Holdings</b>	■	■		Partly
<b>Ayala Corporation</b>	■	■		Partly
<b>Universal Robina Corporation</b>	■	■		Partly
<b>BDO Unibank</b>	■	■		Partly
<b>Bank of the Philippine Islands</b>	■	■		Partly
<b>Globe Telecom</b>	■	■		Partly
<b>Manila Electric Company</b>	■	■		Partly
<b>Aboitiz Power Corporation</b>	■	■		Partly
<b>Aboitiz Equity Ventures</b>	■	■		Partly
<b>Metropolitan Bank &amp; Trust Company</b>	■	■		Partly
<b>GT Capital Holdings</b>	■	■		Partly
<b>Alliance Global Group</b>	■	■		Partly
<b>International Container Terminal Services</b>	■	■		Partly
<b>Jollibee Foods Corporation</b>	■	■		Partly
<b>DMCI Holdings</b>	■	■		Partly
<b>Semirara Mining and Power Corporation</b>	■	■		Partly

## 6.6 Singapore

From the perspective of regulatory design, the insights gained from the empirical review of different disclosure strategies across multiple information sources prove to be extremely useful. Countries that rank in the top of the Asian market as far as their regulatory corporate governance framework are concerned have clear and detailed rules on the disclosure and transparency of beneficial ownership. It is, therefore, not particularly surprising that the listed companies in these jurisdictions also perform best when it comes to the disclosure of the ultimate beneficial owners of these companies (see *Table 23* and *Table 24* in the next Section). The exception is China, which does not have a “top” position in corporate governance, but as we have seen, has recently updated the disclosure rules, leading to a greater degree of compliance. What is remarkable, however, is that these companies do not generally engage in more substantive, open disclosure, suggesting that a stringent and detailed regulatory framework merely incentivises boilerplate compliance.

Table 17. Singapore: Beneficial Ownership and Annual Reports

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	77.5%	52.5%	5%	0%
Singtel	■	■	■	
Jardine Matheson Holdings				
DBS Group Holdings	■			
Jardine Strategic Holdings				
Overseas-Chinese Banking Corporation	Partly			
United Overseas Bank	■	■		
Hong Kong Land Hldgs	Partly			
Wilmar International	■	■		
Thai Beverage Public	■	■		
Keppel Corporation	■			
Capitaland	■	■		
Jardine Cycle & Carriage				
Global Logistic Prop.	■			
Singapore Airlines	■	■		
Genting Singapore	■	■		
Singapore Tech Engineering	■	■		
City Developments	■	Partly		
Singapore Exchange	■	■		
Hutchison Port Holdings	Partly			
Capitaland Mall Trust	■	■		

Table 18. Singapore: Beneficial Ownership and Company Websites

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	32.5%	12.5%	0%	0%
Singtel	■	Partly		
Jardine Matheson Holdings				
DBS Group Holdings				
Jardine Strategic Holdings				
Overseas-Chinese Banking Corporation				
United Overseas Bank				
Hong Kong Land Hldgs				
Wilmar International				
Thai Beverage Public	Partly			
Keppel Corporation				
Capitaland	■	Partly		
Jardine Cycle & Carriage				
Global Logistic Prop.				
Singapore Airlines	■	Partly		
Genting Singapore				
Singapore Tech Engineering	■	Partly		
City Developments	■			
Singapore Exchange				
Hutchison Port Holdings				
Capitaland Mall Trust	■	Partly		

**Table 19. Singapore: Beneficial Ownership and Wikipedia**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	55%	52.5%	0%	25%
<b>Singtel</b>	■	■		<b>Partly</b>
<b>Jardine Matheson Holdings</b>	■	■		<b>Partly</b>
<b>DBS Group Holdings</b>				
<b>Jardine Strategic Holdings</b>	■	■		<b>Partly</b>
<b>Overseas-Chinese Banking Corporation</b>	■	■		<b>Partly</b>
<b>United Overseas Bank</b>	Partly	Partly		
<b>Hong Kong Land Hldgs</b>	■	■		<b>Partly</b>
<b>Wilmar International</b>	Partly			
<b>Thai Beverage Public</b>	■	■		<b>Partly</b>
<b>Keppel Corporation</b>				
<b>Capitaland</b>				
<b>Jardine Cycle &amp; Carriage</b>	■	■		<b>Partly</b>
<b>Global Logistic Prop.</b>				
<b>Singapore Airlines</b>	■	■		<b>Partly</b>
<b>Genting Singapore</b>	■	■		<b>Partly</b>
<b>Singapore Tech Engineering</b>	■	■		<b>Partly</b>
<b>City Developments</b>				
<b>Singapore Exchange</b>				
<b>Hutchison Port Holdings</b>				
<b>Capitaland Mall Trust</b>				

Since Hong Kong, China and Singapore consistently retain the top positions in the ACGA ranking of corporate governance in Asia (see *Table 4*), the results in *Table 17* and *Table 18* do not need any further explanation. As was the case with Hong Kong, China the companies that are listed on the Singapore Stock Exchange generally disclose the identity of the ultimate beneficial owner. Also, both the Hong Kong Stock Exchange and Singapore Stock Exchange (through SGXNet) provide investors, stakeholders and other interested parties access to the announcements (including ownership statements) they have received from the issuers/listed companies. However, Singapore seems to differ somewhat from “Hong Kong China” companies in their use of websites. More specifically, they offer a greater degree of transparency in ownership and control structures.

Because the empirical research (from the perspective of a “foreign investor”) mainly focuses on explicit, direct and detailed disclosure of ultimate beneficial owners, the precise nature of the beneficial owner is not always clear. Particularly, it is not always possible to distinguish between state-owned or multinational-owned companies from such “indirect” disclosure without a more informed understanding and knowledge of the local situation.

When an individual is the ultimate beneficial owner, the disclosure of Singaporean companies is clear and straightforward. For instance, Genting Singapore offers more direct information about the ultimate beneficial owner in its annual report than its listed parent company in Malaysia.

Finally (and unsurprisingly), in Singapore, Wikipedia is also a convenient source of information (see *Table 19*).

## 6.7 Thailand

When we compare the disclosure practice in Thailand to the practices in other Asian countries, it becomes clear that companies that are listed on the Stock Exchange of Thailand are less transparent with regard to their ownership and control structures than companies in other countries (see *Table 20* and *Table 21*).

**Table 20. Thailand: Beneficial Ownership and Annual Reports**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	67.5%	62.5%	5%	0%
<b>PTT Public Company</b>	■	■		
<b>Kasirkornbank</b>				
<b>Siam Cement</b>	■	■		
<b>Siam Commercial Bank</b>	■	Partly		
<b>Bangkok Bank</b>				
<b>Advanced Info Serv.</b>				
<b>CP ALL</b>	■	■		
<b>Bangkok Dusit Medical Services</b>	■	■		
<b>PTT Exploration &amp; Production</b>	Partly	Partly		
<b>Intouch Holdings</b>	Partly	Partly		
<b>Airports of Thailand</b>	■	■		
<b>PTT Global Chemical</b>	Partly	Partly		
<b>True Corporation</b>	■	■		
<b>Krung Thai Bank</b>	Partly			
<b>Total Access Communication</b>	■	■	■	
<b>Central Pattana</b>	Partly	Partly		
<b>Charoen Pokphand Foods</b>	■	■		
<b>Big C Supercenter</b>				
<b>Minor International</b>	■	■		
<b>Indorama Ventures</b>	■	■		

There are two apparent reasons for the “lower” disclosure rate:

1. Listed subsidiaries of multinationals are not always clear about the ultimate beneficial owner of the parent company.
2. It is not always evident for a foreign investor that a major/substantial shareholder is affiliated or connected with the government, a family or a multinational.

The disclosure rate would significantly increase if the information from Wikipedia is also taken into account by investors and other interested parties (see *Table 22*).

**Table 21. Thailand: Beneficial Ownership and Company Websites**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	62.5%	57.5%	7.5%	0%
<b>PTT Public Company</b>	■	■		
<b>Kasirkornbank</b>				
<b>Siam Cement</b>	■	■		
<b>Siam Commercial Bank</b>	■	Partly		
<b>Bangkok Bank</b>				
<b>Advanced Info Serv.</b>				
<b>CP ALL</b>	■	■		
<b>Bangkok Dusit Medical Services</b>	■	■		
<b>PTT Exploration &amp; Production</b>	Partly	Partly		
<b>Intouch Holdings</b>	Partly	Partly		
<b>Airports of Thailand</b>	■	■		
<b>PTT Global Chemical</b>	Partly	Partly	Partly	
<b>True Corporation</b>	■	■		
<b>Krung Thai Bank</b>	Partly			
<b>Total Access Communication</b>	■	■	■	
<b>Central Pattana</b>	Partly	Partly		
<b>Charoen Pokphand Foods</b>	■	■		
<b>Big C Supercenter</b>				
<b>Minor International</b>				
<b>Indorama Ventures</b>	■	■		

**Table 22. Thailand – Beneficial Ownership and Wikipedia**

	Disclosure Ultimate Beneficial Owner	Description of the Ultimate Beneficial Owner	Accessibility of the Information	Personalized Disclosure
	82.5%	80%	0%	15%
<b>PTT Public Company</b>	■	■		
<b>Kasirkornbank</b>				
<b>Siam Cement</b>	■	■		
<b>Siam Commercial Bank</b>	■	■		
<b>Bangkok Bank</b>				
<b>Advanced Info Serv.</b>	■	■		Partly
<b>CP ALL</b>	■	■		Partly
<b>Bangkok Dusit Medical Services</b>	■	■		Partly
<b>PTT Exploration &amp; Production</b>	■	■		
<b>Intouch Holdings</b>	■	■		
<b>Airports of Thailand</b>	■	■		Partly
<b>PTT Global Chemical</b>	■	■		
<b>True Corporation</b>	■	■		Partly
<b>Krung Thai Bank</b>	■	■		
<b>Total Access Communication</b>	■	■		
<b>Central Pattana</b>	■	■		
<b>Charoen Pokphand Foods</b>	■	■		Partly
<b>Big C Supercenter</b>	Partly			
<b>Minor International</b>				
<b>Indorama Ventures</b>	■	■		

What is positive and noteworthy in Thailand is that both the listed companies and the Stock Exchange of Thailand (SET) make much more extensive use of online strategies to disclose shareholder and ownership information. Based on the sample of this study, it is fair to say that Thailand performs with regards to the use of online resources (see *Table 24*).

However, and we have seen this also in other countries, the information on the company websites is usually a summary overview of the information found in the annual report. Also, the Stock Exchange appears to focus particularly on major shareholders (who are not necessarily the ultimate beneficial owners).

Still, this does not make the online information less important. The information on the website not only has the potential to save time and energy from the perspective of the investor, it also offers companies the opportunity to periodically update and disclose material changes in the ownership and control structures. It is only to be expected that more interactive and intuitive information will be provided on websites in the future.

**Table 23. Comparative Overview: Disclosure Annual Reports (*countries*)**

	<b>Disclosure Ultimate Beneficial Owner</b>	<b>Description of the Ultimate Beneficial Owner</b>	<b>Accessibility of the Information</b>	<b>Personalized Disclosure</b>
China	95%	95%	80%	0%
Hong Kong, China	82.5%	55%	25%	0%
Malaysia	80%	55%	0%	0%
Pakistan	55%	35%	0%	0%
Philippines	75%	65%	0%	5%
Singapore	77.5%	52.5%	5%	0%
Thailand	67.5%	62.5%	5%	0%

**Table 24. Comparative Overview: Disclosure Company Websites (*countries*)**

	<b>Disclosure Ultimate Beneficial Owner</b>	<b>Description of the Ultimate Beneficial Owner</b>	<b>Accessibility of the Information</b>	<b>Personalized Disclosure</b>
China	10%	5%	0%	0%
Hong Kong, China	5%	5%	0%	0%
Malaysia	45%	35%	0%	0%
Pakistan	30%	20%	0%	0%
Philippines	27.5%	27.5%	12.5%	0%
Singapore	32.5%	12.5%	0%	0%
Thailand	62.5%	57.5%	7.5%	0%

## 7. Disclosure: The Overall Picture

If the data is taken as a whole, i.e., the data from all seven countries and all four sources of information is taken together, what patterns are revealed? Which sources provide the most information and the most accessible information? What possible general conclusions can be reached about the different sources of information considered in this study? *Table 25* provides an overview of the data and points to some possible answers to these questions.

**Table 25. Comparative Overview – Disclosure (*sources of information*)**

	<b>Disclosure Ultimate Beneficial Owner</b>	<b>Description of the Ultimate Beneficial Owner</b>	<b>Accessibility of the Information</b>	<b>Personalized Disclosure</b>
Annual Reports	76%	60%	17%	0%
Company Websites	30%	23%	3%	0%
Stock Exchanges Websites	50%	0%	0%	0%
Wiki-pages	79%	78%	0%	19%

Five conclusions, in particular, seem to stand out from the above table.

1. Social media and online resources – as represented in this study by English-language “wikis” – are, in most cases, a better source of information on ownership and control than annual reports, company websites or stock exchange web pages.
2. Most of the main and obvious sources for finding information on beneficial ownership – namely the company’s annual reports – do not always contain helpful or accessible information. The companies do what regulations require them to do, but little else. There is a minimal level of compliance that results in formulaic and generic statements. In this respect, it could be argued that the current approach to information disclosure seems to be failing (at least from the perspective of a foreign investor who does not have specific local knowledge about the region or company).
3. The companies’ “investor relations” websites are usually not very interactive. If information is provided (which is only done in a minority of the cases), the websites are slow and once opened only give the viewer formalistic and legalised information. What is perhaps less surprising is that this information is usually highly standardised.
4. The Stock Exchange websites often provide an interactive means of going through the corporate announcements. They do not, however, give an instant overview of the current ownership and control structures of the listed companies.
5. A very small minority of firms in the sample is currently engaged in what can be characterised as a form of “open communication”. Open communication involves the adoption of a much greater degree of openness in both the style and format of information disclosure, as well as the actual content of information that is being disclosed.

A closer look at the analysis shows that adding more layers of mandatory disclosure rules does not guarantee that the disclosed information will be more effective.

Does this mean that the correct response is for regulators to do nothing? This type of argument can seem legitimate, particularly if one claims that social/online media and wiki-type information sources will become better anyway.

Yet, even though relying on social media and online “wikis” has certain benefits (such as the ease to find relevant information, the availability in more languages, the clear and comprehensive content, and the instant links to further sources of information that facilitates further verification), the drawbacks of such information as a source for “control and ownership information” appear to outweigh the benefits.

Four weaknesses/shortcomings of such information appear particularly relevant:

Firstly, the content does not usually provide a technical description of *how* the ultimate beneficial owners own the shares of the company (e.g., through pyramid structures) as well as their role in the governance of the company. Indeed, identifying the ultimate beneficial owner does not necessarily reveal the actual governance structure or strategies that are employed by the ultimate owner, and it is this information that is of most interest to investors.

Secondly, the credibility of the persons contributing to the online encyclopedia can be questionable. However, it should be noted that the “wisdom of the crowd” appears to become more and more accurate and trustworthy.

Thirdly, the accuracy of the information contained in the online articles also has to be verified by other information. This is particularly the case when such articles are based on potentially outdated sources.

Fourthly, the delayed timing between a change in the ownership and control structure and the Wikipedia update is significant, i.e., the “wiki-update” necessarily lags behind the update in ownership.

Thus, the next step involves asking *what* strategies regulators might consider in order to ensure that the market will receive up-to-date, reliable and accessible information. Also, what should regulators do to convince companies of the potential benefits offered by more open forms of communication, particularly in the context of communicating information on beneficial ownership and its effect on control structures? These steps will be addressed in the next Section.

## 8. What's Next?

First and foremost is the need for detail and clarity in the information on ultimate ownership and its relationship with control and governance within the company. This might seem obvious, but the grudging or boilerplate disclosure-type approaches to compliance reveal that a relatively large number of firms do not even meet this minimal threshold of disclosure. Of course, knowing exactly how much information to share is never going to be easy (partly due to competition and security considerations), but both firms and regulators need to be more aggressive in pursuing openness.

More regulatory and political attention to the disclosure of beneficial ownership appears to only have a moderate impact so far. Consider Indonesia. In 2013, the OECD Experts Forum on Corporate Governance in Indonesia worked towards improving corporate governance practices in Indonesia, specifically focused on the disclosure of beneficial ownership and control. The dialogue resulted in a report entitled “Disclosure of Beneficial Ownership and Control in Indonesia: Policy Options for Indonesia”. This report has been instrumental in supporting the development of policies, regulations and practices in the area of disclosure and transparency of the ultimate beneficial owners. Yet, an assessment of the disclosure practices of the ten largest publicly listed companies in Indonesia (see *Table 26*) shows that only six of them accurately disclosed the identity of the ultimate beneficial owner. Here it should be noted that these six companies were all state-owned and government-controlled firms. It was positive to see that these government-controlled companies had clear and accessible information on their websites or annual reports.

**Table 26. Top-10 Largest Publicly Listed Companies in Indonesia, India and Korea**

India	Indonesia	South Korea
Indian Oil Corporation	Bank Central Asia	Samsung Electronics
Reliance Industry	Hanjaya Mandala Sampoerna	Hyundai Motor
Tata Motors	Telekomunikasi Indonesia	POSCO
State Bank of India	Astra International	Kia Motors
Bharat Petroleum Corporation	Bank Rakyat Indonesia	Hyundai Mobis
Hindustan Petroleum Corporation	Bank Mandiri	LF Chem
Rajesh Exports	Unilever Indonesia	Hyundai Heavy Industries
Oil and Natural Gas Corporation	Perusahaan Gas Negara	Samsung Life Insurance
Tata Steel	Gudan Garam	Shinhan Financial Group
Tata Consultancy Services	Bank Negara Indonesia	SK Hynix

This trend is confirmed by an analysis of the top-10 publicly listed companies in Indian “Economic Times 500 Companies” 2016-list (see *Table 26*). India has proposed new legislation on beneficial ownership in the Companies (Amendment) Bill, 2016. This would require all legal entities to disclose make details about their true identities of the beneficial owners of all legal entities. To be sure, listed companies in India have a statement showing shareholding patterns available on their websites. These quarterly statements provide a plethora of information about the ownership structures of these companies. Yet, it is for foreign investors not always clear how the ownership and control structures work in practice. This is perhaps different for the government-controlled companies (five of our ten listed companies).

The disclosure practice of the largest publicly listed companies in Korea (see *Table 26*) shows that increased attention and discussions about this topic are insufficient. The complicated and circular

ownership structures are best understood by consulting online researches and wiki-pages. Regulatory intervention appears to be necessary.

What then are the next steps for regulators to consider?

### **8.1 First Step: Accessible Information**

The first step in improving the accuracy of transparency and disclosure is to package the information in a form that is as accessible as possible. For instance, the use of visuals in the presentation of information is vital, as is a clear (i.e. non-legalistic) style of writing.

Moreover, the use of sophisticated charts and figures helps ensure that information is available to all relevant investors and stakeholders as well as potential investors and stakeholders.

Clearly, this type of approach seems particularly relevant in the connected age in which companies now operate. Social media and investor relations' websites offer multiple opportunities for more imaginative, interactive and intuitive information dissemination. We found some clear examples of this type of disclosure on the websites of state-owned enterprises in Indonesia. The quarterly updates on the ownership structures of publicly listed companies in India also show that the companies' websites become a more and more crucial source when it comes to disseminating information about the ultimate beneficial ownership and control structures

Regulators need to do more to assist investors and other stakeholders in obtaining current and up-to-date information. An obvious example of a regulator making a non-standardised and clear statement about the ownership and control structure of a listed company can be found on the website of CONSOB, the Italian securities regulator. CONSOB's website offers all kind of information from the listed companies in Italy. For instance, the website has links to the ownership structure, share capital, and major shareholders.

### **8.2 Second Step: Personalised Information**

The style of disclosure matters enormously. It is important to think about the potential audience (e.g., current investor, prospective investor – professional or otherwise – etc.) and to try to speak to *all* of the different constituencies in an engaging and personalised manner.

The legalistic forms of writing that currently dominate this area need to be abandoned in favor of more direct and honest forms of expression. Moreover, information on control structures needs to be embedded in a clear and distinctive narrative about the past, present and future direction of the firm and the governance structures of that company. Narrative creates a context that is vital in generating confidence and a willingness to engage. The current prevalence of a more legalistic style merely communicates evasiveness and seems unlikely to be effective in building or sustaining the necessary degree of trust. A responsible owner understands that the key challenges confronting his/her company – for example, the questions of succession – need to be addressed directly and should not be obscured or hidden.

The French food services and facilities management firm, *Sodexo*, provides a good example of how this type of personalised, visual and clear, integrated report has been used effectively. The firm's

founder, Pierre Bellon, has used dual class shares to guarantee long-term control. Nevertheless, the company has presented its reports in an open and visually attractive way that goes way beyond the regulatory requirements. For instance, Bellon has been very open in focusing on the succession issue, in particular the question of which one of his children would succeed him. The suggestion is that by openly confronting such a sensitive issue he was able to create trust and this trust ensured investors remained confident in the firm's prospects, in spite of the governance concerns that might (from the conventional perspective) otherwise deter them from making an investment in such a company.

### 8.3 Third Step: Alternative Media

There are many alternative means that can now be used as platforms for communicating. For instance, an increasing number of company leaders now communicate with investors via an "annual letter" and, in many cases such letters have become more important to investors as a source of information than the annual reports. Again, such letters work best when written in a highly personalised and honest style (e.g., a controlling shareholder communicating openly with other shareholders). Finally, social media and other online media (such as blogs) are becoming more and more important as a forum for disclosing information about a company. There are many new opportunities and possibilities for more imaginative forms of information dissemination.

A well-documented example of a company that has adopted this type of approach is Warren Buffet's Berkshire Hathaway. Warren Buffet's annual letters to shareholders are considered a "must-read" for anyone with an interest in the corporate world. What is perhaps most interesting is that these letters not only provide investors and other stakeholders with last year's financial information and future developments and growth prospects but also include business advice and insights. It is therefore not surprising that these letters attract enormous attention on social media. They have created significant hype, which makes the communication even more personalised, open, and effective. It is hardly surprising, therefore, that tech moguls, such as Jeff Bezos (*Amazon*) and Larry Page (*Google, Alphabet*) have also embraced this type of strategy.

The above elements are merely indicative and need to be developed further based on empirical research on current best practices. What is clear, however, is the overarching concept and direction of an open communication strategy. Clear and accessible information on ultimate ownership and its relationship with governance needs to be located within a coherent and meaningful narrative of the firm's current situation and future direction. In this way, information can become an important resource that firms leverage in order to build more inclusive relationships with stakeholders.

## 9. Conclusion

The key conclusions from this report are twofold. First, regulators should acknowledge the unintended effects of a regulatory model that is based solely on mandatory disclosure of beneficial ownership. Such a model tends to incentivise a formalistic and minimalistic style of disclosure that does not achieve the initial regulatory objectives. This empirical study clearly shows that, in many cases, online media can provide more useful information than the “official” sources.

Secondly, the empirical study highlights how a small, though increasing number of firms are recognising the benefits of more open communication. Some companies are being proactive and imaginative in building open communication strategies that maximise the financial and strategic opportunities that such openness can create.

In this context, it would be advisable for regulators to re-think their strategies to focus on the more complex and subtle task of encouraging firms to embrace open communication and providing guidance regarding best practices in such communication strategies. This is not to suggest that disclosure rules should be repealed, instead they should be complemented with regulatory strategies that show how the lack of open communication and transparency is a “missed opportunity” for many firms.

Ultimately, the task of adopting more open forms of communication regarding ownership and control is contingent on the buy-in of leaders and other key stakeholders within the firm. Firm leaders should understand the advantages that meaningful disclosure can offer in terms of attracting the investors and “talent” necessary to develop the products and services that will allow them to have the best opportunity to be successful in the hyper-competitive, global markets that characterise the economy today.



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