TRENDS IN CORPORATE GOVERNANCE REPORTING[11]

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Abstract

The debate concerning sustainability has been present in economic literature for the last decades. However, the concept remains ambiguous for both specialists and the general public. For the last years, corporate sustainability reporting has evolved, but it has yet to use a homogenous approach, therefore making it difficult for stakeholders to use the information being reported. This study focuses on the evolution of corporate sustainability reporting on governance issues, with particular interest on two non-financial indicators: board independence and the separation of board chairman and chief executive officer. Through content analysis from both annual reports and company websites, courtesy of the firm Sustainalytics, we assessed the evolution of the above-mentioned indicators for 2894 companies based in developed and emerging Markets, as per the MSCI market classification. For the selected time period, 2011-2014, the general number of companies that publish sustainability related information has increased, attracting a similar evolution in the reporting of the two analysed indicators. This research also highlights the several countries that have demonstrated a particular concern for governance issues, as well as the laggards. We conclude by proposing a number of important attributes for possible future governance reporting standards based on best reporting companies.

Key words: Sustainable development, sustainability reporting, integrated reporting, corporate governance, board independence.

J.E.L. Classification Numbers: Q01, Q56, G30, M12.

Abbreviations: CSR: Corporate Social Responsibility; SR: Sustainable reporting; CEO: chief executive officer; GRI: Global Reporting Initiative; RI: responsible investors; IR: Integrated Reporting; EM: Emerging Market; DM: Developed Market; ESG: Environmental, Social and Governance.

1. Introduction

For a long period of time, corporations have been criticized for their environmental and social misbehaviour. Due to corporate related problems in these areas, the implementing of sustainability practices in companies has become necessary if companies want to become more attractive for their stakeholders and to improve

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their reputation. Several studies are convinced that best practices in sustainability also generate a higher corporate financial performance.

Generally speaking, sustainability refers to three major issues: environmental, social and corporate governance – also known as ESG issues. This study will approach the latter, analyzing the evolution of corporate governance reporting, with particular interest on two key performance indicators: the separation of chairman of the board and chief executive officer, and board independence.

Starting with the foundation of the joint-stock companies, corporate governance has been a historically preferred area of interest for academics, business world, government agencies and media. However, the term has not been given a unanimously accepted definition; each interested party explains the topic from their perspective, resulting in a large variety of definitions.

Best practices in governance follow either national or international regulations, or codes of good practices. In our study we emphasise the importance of governance related indicators and guidelines, designed by institutions such as the Global Reporting Initiative, the German Society of Investment Professionals and the Organisation for Economic Co-operation and Development. We focus on two indicators and their importance to stakeholders. Board independence, as well as CEO and Chair separation are needed to ensure that the company's policies and activities respond to stakeholders' needs, and are not developed for personal goals.

The second part of the study assesses the evolution of the above-mentioned indicators for almost 2900 companies included in Sustainalytics' database for a four year period. Sustainalytics is an international ESG research house with more than 20 years of experience. This research compares the evolution of corporate governance performance (reflected through the two indicators) in emerging markets to the one in developed markets. The evolution is explained in light of the new guidelines and directives issued between 2011- 2014, as well as through the popularisation of the concept of sustainability. Moreover, the study identifies the countries with best corporate governance performance as well as the laggards. We conclude by compiling a list of characteristics for possible future governance reporting standards, based on the results of the study.

2. Literature review

2.1. Sustainability Reporting

Primitive conceptualisations of sustainable thinking in economy can be traced back to 1916, when J.M. Clark defined business responsibilities as including more than what is required by law (Christofi et al., 2012). However, it was the second half of the XXth century that brought the discourse regarding business ethics to a new point in its development, following several environmental disasters in the 1980s and 1990s. It was after this point that corporate responsibility evolved from reactive actions taken by companies when faced with environmental disasters, towards proactive approaches meant to sustain global development.

In 1987, the World Commission on Environment and Development (WCED)'s report *„Our common future"* introduces and defines the concept of sustainable

development in relation to the ability of future generations to tend to their needs. At the 2005 World Summit, the different environmental, economic and social characteristics of sustainability were emphasised, serving as foundation for the later development of sustainability literature (Baden and Harwood, 2012).

Nowadays, sustainability is a popular concept, but it remains unclear whether it has the same meaning for everyone. Moreover, concepts such as "the Triple Bottom Line", "natural capitalism", "industrial ecology", "ethical footprint", "corporate social responsibility (CSR)", "corporate social performance", "responsible entrepreneurship" (Baden and Harwood, 2012; Milne and Gray, 2012) have become intertwined with the idea of sustainability so much so that both specialists and the general public find it hard to differentiate between the notions.

Whether it has been perceived by companies as a public relations opportunity, or it has found its way into the corporate value system, the concept of sustainability has gradually become part of the company's communications with stakeholders in the form of Corporate Social Responsibility (CSR) reports. Parallel to the development of sustainability literature, companies and stakeholders have begun using sustainability information for assessing risk, creating the corporate strategy, investing, deciding on whether to become an employee or buying products and services (WBCSD, 2002; Hohnen 2012).

CSR reports, also named sustainability reports, have first been publicised as an integrated part of the annual report. The 1990s marked the emergence of separate reports for several large companies (Milne and Gray, 2013). At present, the Global Reporting Initiative (GRI) website features CSR reports for more than 6100 companies and organisations. GRI is the first and most used global sustainability reporting framework, developed through a multi-stakeholder approach. It provides companies with guidelines on reporting and assurance of the data disclosed. (Hohnen, 2012) The present GRI 4 guidelines include core metrics and sector specific metrics structured around economic, environmental and social aspects such as: economic performance, procurement practices, energy and water consumption, waste and emissions, labour practices and work safety, collective bargaining, non-discrimination, anti-corruption policies, customer health and safety. (GRI, 2013)

As sustainability reporting (SR) has evolved from what is called "SR 1.0" to the present "SR 2.0" (Hohnen, 2012), so have the many definitions of the concept, such as:

- „We define sustainable development reports as public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions" (WBCSD 2002, p 7)
- „The information should not be restricted to the financial aspects of the undertaking's business, and there should be an analysis of environmental and social aspects of the business necessary for an understanding of the undertaking's development, performance or position" (EU, 2013, art.26)

- „Sustainability reporting at the enterprise level... aims to represent an entreprise's environmental, social and economic performance and the relate impacts on the world around it" (ICAEW 2004, p. 12)
- „we have defined sustainability reports as reports that include quantitative and qualitative information on their financial/economic, social/ethical and environmental performance in a balanced way" (KPMG, 2002, p.7).

Nowadays, sustainability reporting has become the foundation for responsible investors (RI), although it still faces several challenges: the sustainability reports are often not integrated with the financial reports, failing to provide a link between sustainability and the company's general strategy (van Zyl, 2013); there is no comparability of data from one company to another or from one sector to another; not all companies assure their sustainability related disclosures, which means that the accuracy and completeness of data reported cannot be guaranteed for the user. (Hohnen, 2012)

A solution for the above mentioned problems is thought to be Integrated Reporting (IR), which links sustainability with the core strategy of a company. The International Integrated Reporting Council (IIRC) believes that a company should explain to its stakeholders how it will create value over time, and it can do so only by using both qualitative and quantitative data in its communication. (IIRC, 2013)

According to KPMG (2012), the integrated report has several features that might help or impede communication with stakeholders: defining quantitative and qualitative materiality thresholds, assuring the integrated data, connecting financial elements with non-financial ones. Integrated reporting principles can improve governance data disclosure, according to the stakeholders' interests: board composition, the process of decision taking, aligning board remuneration with performance, and others.

2.2. Corporate governance

Corporate governance has become an important issue for more than three decades but especially after the financial crisis. The literature provides a variety of definitions which include words like: manage, direct, govern, regulate or control. There is also the conception that definition of corporate governance depends on the person defining the term (Fadun, 2013). For example, the Cadbury Committee emphasizes that corporate governance entails how companies ought to be run, directed and controlled (Cadbury Report, 1992), while Shleifer and Vishny (1997) define corporate governance from a financier perspective, as mechanisms which ensure that suppliers of finance to corporations get a return on their investment.

Thereby, corporate governance is not just a simple term, it is a complex process, by which company objectives are established, achieved and monitored. It is also concerned with the relationships and responsibilities between a company's board, management team, shareholders and other relevant stakeholders of a company (Fadun, 2013). Additionally, it encompasses the relationships and responsibilities between a company, the environment and society. Nonetheless, there is widespread perception that good corporate governance processes are likely to create an

environment that is conductive to success; they can assist economic growth, identify emerging problems earlier and promote investor confidence.

Regulations regarding corporate governance provide a framework for good practice to which companies adhere. Corporate governance requirements and practices are different from country to country and are typically influenced by an array of legal domains, such as company law, securities regulation, accounting and auditing standards, insolvency law, contract law, labour law and tax law (OECD, 2004). Some countries prefer a mandatory approach to legislation while others emphasize a voluntary code of conduct.

Codes of good governance practice can be seen as a set of "best practice" recommendations regarding the behaviour and structure of the board of directors of a company. The most well-known of these codes is the one produced by the Organization for Economic Co-operation and Development (OECD, 2004) and has proven to be a model for other codes adopted by countries around the world.

It is worth mentioning that, in addition to country level corporate governance regulations or codes, it is considered best practice for each company to have its own code of corporate governance. This is meant to strengthen the corporate governance best practices imposed or suggested by the country where it operates and also to describe additional own commitments to corporate governance.

We can say that opinions are divergent over the wisdom of creating a code of best practices for corporate governance, versus drafting a set of laws. While codes almost always function on the principle of "comply-or-explain, and are principles-driven, corporations are held legally liable and must comply with regulations that are more typically rules-driven.

The most relevant examples for the two different approaches are the United Kingdom and United States (ICAEW, 2007). While the latter may be said to be typified by the principles-based approach, the U.S. tends toward a rules-based approach. Much of this difference is due to the different share owning regimes in the two countries: Britain has a cohesive shareowner culture, with relatively fewer institutions which typically have larger stakes, and the United States, by contrast, has numerous private shareowners and ownership is itself more dispersed.

With regards to emerging markets, the most common approach is that corporate governance codes are formulated using models from developed markets. There is also a risk associated with this practice as concepts and practices that are well-established and accepted in developed markets could inappropriate for emerging markets. Additionally, in many emerging countries, codes (other than purely voluntary best practice guidance) are implemented by regulators or other quasi-regulatory bodies (World Bank, 2008).

2.3. Corporate governance indicators

More and more initiatives were implemented to standardize the measurement of non-financial performance, to define the so called key performance indicators. Although a binding list of key performance indicators (KPI) for corporate governance that applies to all sectors worldwide was not yet published, there are

several standards developed by national and international institutions to provide guidance on how corporate governance could be measured. In Table 1 are several examples of corporate governance KPI, observing their vast variety. The first two columns shows the ones described by institutions like Global Reporting Initiative (GRI,2013) and German Society of Investment Professionals (DVFA,2008), while the last column in the table shows the most frequent corporate governance indicators used in Central and Eastern European (CEE) Countries (USAID, 2009) .

Table 1. Examples of corporate governance key performance indicators

GRI	DVFA	USAID
Governance structure and composition	Contributions to political parties	Corporate governance structure
Highest governance body's role in setting purpose, values, and strategy	Anti-competitive behavior, monopoly	Compliance with a corporate governance code
Highest governance body's role in evaluating economic, environmental and social performance	Corruption	Audit related information
Highest governance body's role in risk management	Litigation payments*	Policy on shareholder rights
Highest governance body's role in sustainability reporting	Dimension of Pending Legal Proceedings*	Internal code of business conduct/code of ethics

* KPIs which apply to certain sectors only
Source: Global Reporting Initiative (GRI), Society of Investment Professionals in Germany (DVFA), United States Agency for International Development (USAID)

2.4. Board Independence. Separation between chairman and CEO

The board of directors is often considered as the most prominent actor in corporate governance (ECGI, 2011), which is regulated in the corporation laws. The board duties are to determine the strategic and tactical directions, and to establish and monitor policies and practices introduced to ensure compliance with obligations.

The board structure used by a company differs depending on the jurisdiction of the company. The most common models are one-tier (e.g. UK, US, Australia) and two-tier (e.g. Germany and the Netherlands), using use the terms *board* to refer to the supervisory board and *key executives* refers to the management board (OECD, 2004). There are also some hybrid structures, which differ from the previous two (e.g. Japan).

Generally, shareholders are in charge for electing directors to oversee the operation and performance of the business on their behalf. The directors are accountable to the shareholders. Thereby, the board should have the ability to exercise independent judgments.

Independence criteria are outlined in national related regulations, codes of corporate governance best practices or stock exchange listing rules. According to the New York Stock Exchange (NYSE) listing rules, listed companies are required to have a majority of independent directors. A board member is considered

independent only if for example has no "material relationship" with the listed company, has not been an employee of the company within the last three years nor is s/he an immediate family member of an employee, among others.

Effective oversight of companies by strong and competent independent boards is acknowledged as a basic element of good corporate governance. This begins with splitting the positions of chairman of the board and chief executive officer. If the two roles are combined in one person, it represents a considerable concentration of power and allows the inherent conflict of self-oversight. Combining the roles of chairman and CEO, in effect, combines the supervision functions with operational ones, blurring their distinct responsibilities.

3. Research Methodology

This study uses the content analysis method to portray the evolution of corporate sustainability reporting for 2894 companies: 679 from emerging markets (as by the MSCI market classification), and 2215 operating in developed markets. Throughout the time frame, 2011 -2014 we look at two qualitative indicators: board independence and separation of chair and CEO. Content analysis is a social science research technique used to analyse qualitative data from documents used in communication (Krippendorff, 1989). The method aims to make valid inferences about a company's context, based on the qualitative data found in the corporate public documents, such as CSR reports and corporate websites.

This study uses data from Sustainalytics' database. Sustainalytics is an international ESG research and analysis firm who specialises in providing data for responsible investors worldwide. With a tradition of more than 20 years, Sustainability provides ESG analysis services to financial institutions, asset managers, pension funds, international organisations, private companies and the academic environment.

The population data comprises 4703 companies listed in stock exchanges worldwide, that Sustainalytics has analysed monthly starting in January 2010 or later. The data collection method did not change over the years; however, previous to September 2011 the company kept track of less than 80 EM companies. Due to a new EM project finished in 2011, Sustainalytics added close to 620 new EM companies to its platform. From both EM and DM, throughout the 2010- 2014 time frame, its database increased with almost 3000 new companies.

In order to observe the comparative historical evolution of CSR reporting in EM and DM for the two governance indicators, we narrowed the population selected by the following criteria:

- Using MSCI's list of EM and DM countries (Appendix A), we eliminated all the companies that were based in other countries;
- Considering Japan's unique regulated board structure and the lack of comparability to one tier or two tier boards, we also decided to eliminate all Japanese companies;

- For regional reasons, 5 companies in the Oil and Gas sector were added to the database but did not receive any score on governance indicators. Consequently, they were also removed from this study's population data;
- Lastly, due to the increased research universe over the last years, we included in this study only the companies that were constantly analysed between September 2011 and April 2014 (32 monthly observations for each company).

The new sample that verified all our criteria comprises 2894 companies, 679 of which from emerging markets and 2215 from developed markets. For each of the companies, the database comprises 32 monthly observations. Unlike most databases used in sustainability literature, ours provides more observations, being comparable only to KPMG's 2013 Survey of Corporate Responsibility Reporting that covers 4100 companies across 41 countries. KPMG uses the same source of information: Annual or CSR Reports and corporate websites, analysed from mid-2012 to mid-2013 (with some 2011 exceptions).

As seen in Appendix A, the companies analysed in this paper represent the 21 EM countries and 22 DM countries (Japan not being taken into account). Best represented are China and Taiwan for emerging markets (15.61% of the total EM companies and 13.55% respectively) and United States (41.81% of the total DM countries) and Canada (10.25%). Regarding sectors, the best represented ones (percentage out of the total number of companies in the study) are, in order: Banks (9.43%), Utilities (6.01%), Real Estate (5.48%), Diversified Financials (4.79%), Oil and Gas Producers (4.73%).

The worst represented countries (aside from the eliminated Japan) are for EM: Peru, Czech Republic, Hungary and Colombia, and for DM: New Zealand, Portugal, Israel, Belgium and Norway – each representing less than 1% out of the total EM/ DM companies used. The sectors with the lowest representation in our database are Containers & Packaging, Homebuilders, Building Products and Paper & Forestry (each covering less than 0.6% out of the total industries)

The purpose of this analysis is to provide a dynamic comparison of the evolution of sustainability reporting in emerging and developed markets, from September 2011 to April 2014. To this end, we used monthly Sustainalytics data that analysed reports from 2894 companies that have disclosed their sustainability information for the entire period of time. We focused on two corporate governance indicators: separation of board Chair and CEO roles, and board independence.

The first indicator pertains to whether the positions of chairman of the board and chief executive officer are combined or not. Having the same person fulfil both roles is not considered corporate governance best-practice because it gives too much to a single executive, making proper supervision of the CEO and other executives difficult. For this indicator we have scored the company disclosures using the categories presented in Table 2.

The second indicator verifies the independence of board members, either by using corporate information on board independence (where it exists), or by comparing the available biographical information to Sustainalytics independence criteria, that pertain to nomination, other current positions in the company or outside the

company, shareholding and compensation. For this indicator, we have scored the information available as shown in Table 3.

Table 2. Scoring categories for the separation of board chair and CEO Roles

Score	Category description
100	The CEO and the chairman of the board are two separate individuals.
50	The company does not report on this matter.
0	– The CEO and the chairman of the board are the same person, or – The CEO and the chair are different persons, but the chairman of the board is a former CEO of the company.

Source: Adapted from Sustainalytics' framework

Table 3. Scoring categories for the board independence indicator

Score	Category description	
	One-tier board	Two tier-board
100	Two-thirds or more of board members are independent	Up to one Supervisory Board member is non-independent
75		Two Supervisory Board members are non-independent
50	Data for this company is not yet available	Data for this company is not yet available
25	Between one-half and two-thirds of the board members are independent	More than two Supervisory Board members are non-independent
0	The majority of board members is non-independent	The majority of board members is non-independent

Source: Adapted from Sustainalytics' framework

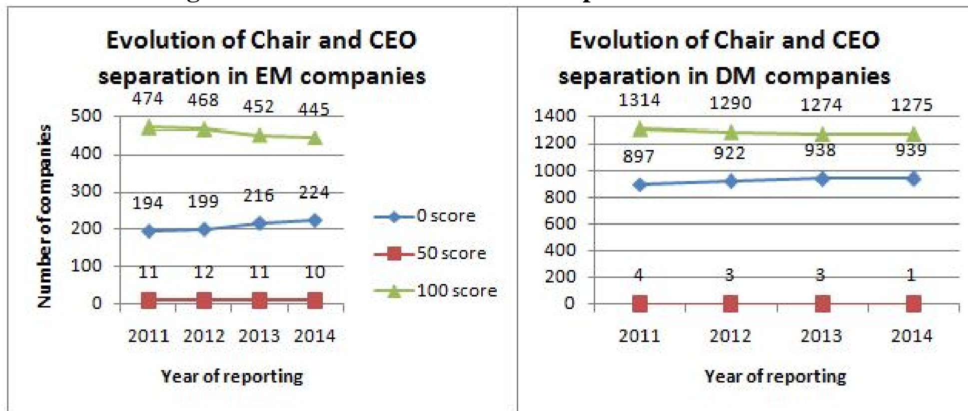
Board independence can be determined by the number of independent members of the Supervisory Board for two-tier boards or the percentage of independent members of the Board of Directors for one-tier boards, aside from employee representatives. The latter is obtained with the following algorithm: Percentage of independent members = [number of directors who are considered independent according to the standards that apply to the company / (total number of directors – number of employee representatives)].

4. Findings and Discussion

We assessed all the 2894 companies on the two above-mentioned indicators, considering one observation per year (in September 2011, September 2012, September 2013 and April 2014). First, we analysed the evolution of Chair and CEO separation in both EM and DM companies. As can be seen in Fig.1, both in EM and in DM, the number of cases for the 100 score category, which represents separation of Chair and CEO has a tendency to decrease. Consequently, the category with 0 score, which includes companies where the CEO and chairman of

the board is the same person, has a positive tendency over the analysed period of time.

Fig 1. Evolution of chair and CEO separation in EM and DM



Source: author's results

To emphasise the best practice countries we calculated, for each of the 4 years, the percentage of companies scoring 0, 50 and 100, detailed by country. As can be seen in Appendix B, Denmark, Austria, Israel, Chile and South Africa are best reporters on this indicator. Denmark is the only country in which, out of the 21 companies analysed, all disclose that the CEO is separated from the chairman of the board. This is linked to the Danish Committee on Corporate Governance recommendations "that the members of the executive board of a company [should] not be members of the board of directors of the same company". Thereby, the duality of corporate governance structure eliminates the possibility of a single person holding both the chair and CEO positions in the same company. South Africa's presence among the leaders, can be explained by the requirement issued by the Johannesburg Stock Exchange Limited for listed companies to "apply or explain" the King III. Published in 2009, the King Code for Governance in South Africa states as principle 2.16. that "The board should elect a chairman of the board who is an independent nonexecutive director. The CEO of the company should not also fulfil the role of chairman of the board."

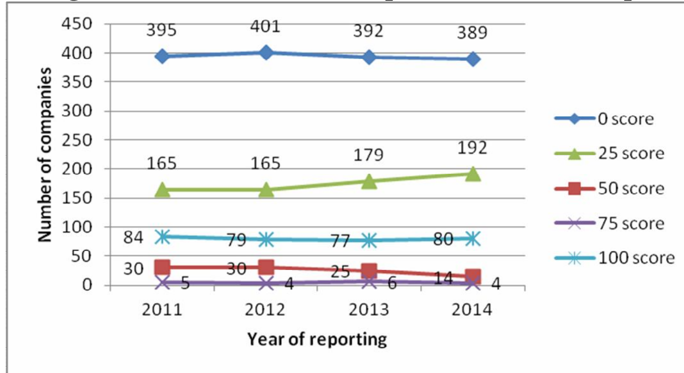
The laggards are Peru, Egypt and United States. Although the U.S. Securities Exchange Commission requires NYSE or NASDAQ companies to have a majority of independent board members, most American companies choose that the Chair remains non-independent, being the same person as the CEO.

In the last 4 years, 6.12 % of the EM analysed companies have disclosed a decline in the rate of chair and CEO separation, as well as 2.97% of DM companies. The reasons behind this might include changes in the nomination procedure for director/ executive candidates, as well as sector specific issues.

Contrary to sustainable reporting evolution, which shows a positive evolution throughout 2011- 2014, the quality of reporting for chair and CEO separation and for board independence in emerging markets can be considered constant, at best. In

the future, we expect it to have a positive trend, because of the newly implemented standards, guidelines and directives, as well as because of an increasing concern for responsibility in the investors' community.

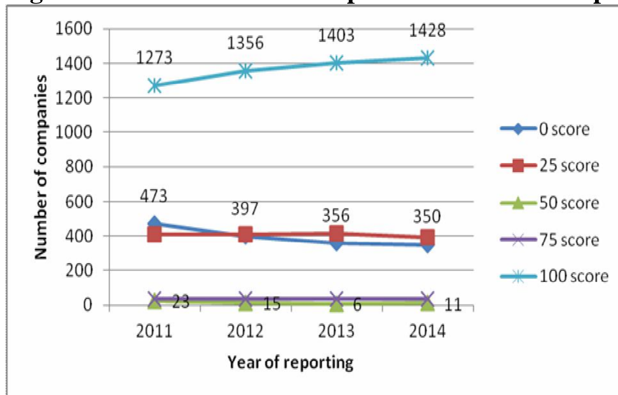
Fig 2. Evolution of board independence in EM companies



Source: author's results

However, in light of new guidelines and directives, such as the GRI G4, ISO 26000 and Directive 2013/34/EU, the developed markets trend for reporting on board independence is positive throughout the analysed period of time: an increase of 12.18% from 2011 to 2014, in having at least two-thirds of board members independent, or, for two-tier boards, a maximum of one Supervisory Board member non-independent. Moreover, in 2014, almost all analysed companies in DM (99.5%) report on their board independence, the number of non-reporters decreasing over the last 4 years with more than 50%. Some companies even provide full biographies for their directors on the corporate website, making it easier to assess board independence and conflict of interest.

Fig 3. Evolution of board independence in DM companies



Source: author's results

The best reporting countries for board independence are the U.S.A. (with an average of 83.5% of the 926 American companies that were included in the best reporting category for board independence), the Netherlands (averaging 80% of 70 companies with best-practices on board independence) and Canada (on average, 73.5% out of 227 companies in the 100 score category). The best evolution for this indicator can be seen at Austria (from 23% of companies being best reporters in 2011 to 50% in 2014) and Ireland (from 52% in 2011 to 90% in 2014).
The laggards include Hong Kong, Philippines and Turkey. Unlike Philippines and Turkey, Hong Kong is considered a developed market, and the average 82% of the 79 analysed companies can be linked to Chinese influence over the Hong Kong market. Out of the 21 Turkish companies, on average, 95% report that the majority of board members is not independent. For Philippines, 94% of its 17 companies do the same. As can be seen in Appendix C, board independence is a local problem especially in Asia and Latin America, regardless of the stage of market development.
Using the results of this study as a starting point, we believe that in order to not only comply with best-practices, but also to surpass them, a standard for board disclosure should address the following:

- An explanation of board structure (one-tier or two-tier) and a list of attributions for each structure and member;
- Directors' biographical details;
- Use of "independent/ non-independent" terms when referring to Board members, as well as disclosure of a recognized standard/ list of criteria used by the company to asses independence;
- Directors' remuneration policy - including whether a part of executive remuneration is explicitly linked to sustainability performance targets;
- Assessment of the independence of Remuneration Committee members;
- Whether the board of other committees are responsible for ESG issues, and how these committees are linked to the company board.

Conclusions

Throughout this study on corporate governance, we have tried to highlight the importance of sustainability, and more specifically, corporate governance issues. We begin this study with a literature review of sustainability and sustainability reporting, focusing on explaining the concept of corporate governance, underlying its characteristics, importance and measurement possibilities.
Moving forward, we analyse the corporate governance performance for almost 2900 companies from emerging markets and developed markets (as by the MSCI market classification). Throughout the time frame 2011 -2014, we look at two qualitative indicators: board independence and separation of chair and CEO.
The findings indicate that for both EM and DM companies, there is a slow increasing trend to choose the same person for chairman and CEO, instead of separating the two powers. The reasons behind this might include changes in the

nomination procedure for directors or executive candidates, sector specific issues. From a company's perspective, having a majority of independent board members (as imposed by stakeholders) can counterbalance the negative influence of giving a single person a high degree of authority.
Analysing corporate reporting by country, the findings reveal that countries like Denmark and South Africa are best performers on this indicator. This can be explained by the existence and implementation of national corporate governance codes that recommend separation of powers between the two authorities. One of the worst performers on this indicator is United States. Although there are regulations requiring companies to have a majority of independent board members, most American companies choose that the Chair remain non-independent, being the same person as the CEO. This is also facilitated by the unitary board structure characteristic to U.S. companies.
The findings related to the board independence indicator show that, while for EM companies the performance is rather constant during the period considered, for DM companies the situation improved considerably. At the same time, while EM companies are generally associated with a small percentage of independent directors, almost 50% of the DM companies score the highest, which expresses a high degree of independence in the governing body. Their performance can be explained by the increasing degree of concern for this issue that leads to the adherence to the new guidelines and directives, such as the GRI G4, ISO 26000 and Directive 2013/34/EU. For EM companies we can argue that the situation is due to the controlling shareholders, part of them with significant governmental ownership, who nominate their own directors.
The results of this study show that the best performer countries for board independence are the U.S.A., the Netherlands and Canada, while the laggards include Hong Kong, Philippines and Turkey. Although Hong Kong is considered a developed market, the mainland Chinese influence is evident.
We conclude our paper offering several proposals for possible future governance reporting standards based on best reporting companies' analysis.

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Appendix A. Analysed companies by country, using MSCI market classification

MSCI Classification	Country	Number of companies analysed
Emerging Markets	Brazil	69
	Chile	12
	China	106
	Colombia	6
	Czech Republic	3
	Egypt	9
	Greece	8
	Hungary	4
	India	67
	Indonesia	26
	Malaysia	36
	Mexico	22
	Peru	2
	Philippines	17
	Poland	22
	Russia	26
	South Africa	41
	South Korea	67
	Taiwan	92
	Thailand	23
	Turkey	21
	TOTAL	**679**

MSCI Classification	Country	Number of companies analysed
Developed Markets	Australia	168
	Austria	30
	Belgium	15
	Canada	227
	Denmark	21
	Finland	18
	France	124
	Germany	150
	Hong Kong	79
	Ireland	21
	Israel	13
	Italy	33
	Japan	0
	Netherlands	70
	New Zealand	6
	Norway	17
	Portugal	10
	Singapore	33
	Spain	47
	Sweden	36
	Switzerland	47
	United Kingdom	124
	United States	926
	TOTAL	**2215**

Appendix B. Evolution of CEO and chair separation for EM and DM countries, 2011-2014

(percentage)

	2011			2012			2013			2014			No of companies	Market
	0	50	100	0	50	100	0	50	100	0	50	100		
0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
Australia	8,9	0,0	91,1	8,9	0,0	91,1	11,3	0,0	88,7	11,9	0,0	88,1	168	DM
Austria	0,0	0,0	100,0	0,0	0,0	100,0	3,3	0,0	96,7	10,0	0,0	90,0	30	DM
Belgium	26,7	0,0	73,3	26,7	0,0	73,3	13,3	0,0	86,7	26,7	0,0	73,3	15	DM
Canada	30,0	0,4	69,6	31,7	0,9	67,4	32,6	0,0	67,4	32,6	0,0	67,4	227	DM
Denmark	0,0	0,0	100,0	0,0	0,0	100,0	0,0	0,0	100,0	0,0	0,0	100,0	21	DM
Finland	22,2	0,0	77,8	22,2	0,0	77,8	22,2	0,0	77,8	27,8	0,0	72,2	18	DM
France	48,4	0,0	51,6	50,8	0,0	49,2	54,8	0,0	45,2	58,1	0,0	41,9	124	DM
Germany	13,3	0,0	86,7	13,3	0,0	86,7	12,7	0,0	87,3	12,7	0,0	87,3	150	DM
Hong Kong	30,4	0,0	69,6	31,6	0,0	68,4	36,7	0,0	63,3	40,5	0,0	59,5	79	DM
Ireland	33,3	0,0	66,7	33,3	0,0	66,7	38,1	0,0	61,9	42,9	0,0	57,1	21	DM
Israel	0,0	0,0	100,0	0,0	0,0	100,0	0,0	0,0	100,0	7,7	0,0	92,3	13	DM
Italy	12,1	0,0	87,9	15,2	0,0	84,8	15,2	0,0	84,8	12,1	0,0	87,9	33	DM
Netherlands	2,9	0,0	97,1	4,3	0,0	95,7	2,9	2,9	94,3	2,9	1,4	95,7	70	DM

0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
New Zealand	0,0	0,0	100,0	0,0	0,0	100,0	16,7	0,0	83,3	16,7	0,0	83,3	6	DM
Norway	0,0	5,9	94,1	5,9	0,0	94,1	5,9	0,0	94,1	5,9	0,0	94,1	17	DM
Portugal	20,0	0,0	80,0	30,0	0,0	70,0	40,0	0,0	60,0	40,0	0,0	60,0	10	DM
Singapore	12,1	0,0	87,9	12,1	0,0	87,9	12,1	0,0	87,9	9,1	0,0	90,9	33	DM
Spain	46,8	0,0	53,2	48,9	0,0	51,1	51,1	0,0	48,9	51,1	0,0	48,9	47	DM
Sweden	5,6	0,0	94,4	5,6	0,0	94,4	8,3	0,0	91,7	16,7	0,0	83,3	36	DM
Switzerland	34,0	0,0	66,0	40,4	0,0	59,6	40,4	0,0	59,6	40,4	0,0	59,6	47	DM
United Kingdom	8,1	0,0	91,9	10,5	0,0	89,5	8,9	0,0	91,1	7,3	0,0	92,7	124	DM
United States	68,4	0,2	31,4	69,0	0,1	30,9	69,1	0,1	30,8	67,7	0,0	32,3	##	DM
Brazil	27,5	0,0	72,5	27,5	0,0	72,5	26,1	0,0	73,9	27,5	0,0	72,5	69	EM
Chile	0,0	0,0	100,0	0,0	0,0	100,0	8,3	0,0	91,7	8,3	0,0	91,7	12	EM
China	33,0	1,9	65,1	34,9	0,9	64,2	39,6	0,9	59,4	40,6	1,9	57,5	106	EM
Colombia	0,0	0,0	100,0	0,0	0,0	100,0	16,7	0,0	83,3	0,0	0,0	100,0	6	EM
Czech Republic	33,3	0,0	66,7	33,3	0,0	66,7	66,7	0,0	33,3	66,7	0,0	33,3	3	EM
Egypt	66,7	0,0	33,3	66,7	0,0	33,3	66,7	0,0	33,3	66,7	0,0	33,3	9	EM

0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Greece	25,0	0,0	75,0	50,0	0,0	50,0	62,5	0,0	37,5	62,5	0,0	37,5	8	EM
Hungary	25,0	0,0	75,0	25,0	0,0	75,0	25,0	0,0	75,0	25,0	0,0	75,0	4	EM
India	52,2	0,0	47,8	53,7	0,0	46,3	53,7	0,0	46,3	49,3	0,0	50,7	67	EM
Indonesia	11,5	0,0	88,5	11,5	0,0	88,5	11,5	0,0	88,5	11,5	0,0	88,5	26	EM
Malaysia	13,9	0,0	86,1	13,9	0,0	86,1	13,9	0,0	86,1	13,9	0,0	86,1	36	EM
Mexico	22,7	0,0	77,3	27,3	0,0	72,7	27,3	0,0	72,7	22,7	0,0	77,3	22	EM
Peru	100,0	0,0	0,0	100,0	0,0	0,0	100,0	0,0	0,0	100,0	0,0	0,0	2	EM
Philippines	29,4	0,0	70,6	29,4	0,0	70,6	23,5	0,0	76,5	23,5	0,0	76,5	17	EM
Poland	9,1	0,0	90,9	9,1	0,0	90,9	9,1	0,0	90,9	4,5	0,0	95,5	22	EM
Russia	7,7	0,0	92,3	7,7	0,0	92,3	7,7	0,0	92,3	15,4	0,0	84,6	26	EM
South Africa	0,0	0,0	100,0	0,0	0,0	100,0	2,4	0,0	97,6	7,3	0,0	92,7	41	EM
South Korea	56,7	7,5	35,8	55,2	10,4	34,3	65,7	9,0	25,4	68,7	9,0	22,4	67	EM
Taiwan	31,5	4,3	64,1	31,5	4,3	64,1	33,7	4,3	62,0	40,2	2,2	57,6	92	EM
Thailand	8,7	0,0	91,3	8,7	0,0	91,3	8,7	0,0	91,3	8,7	0,0	91,3	23	EM
Turkey	9,5	0,0	90,5	9,5	0,0	90,5	9,5	0,0	90,5	9,5	0,0	90,5	21	EM

Appendix C. Evolution of board independence in EM and DM countries, 2011- 2014

(percentage)

	2011					2012					2013					2014					Market
	0	25	50	75	100	0	25	50	75	100	0	25	50	75	100	0	25	50	75	100	
0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**
Australia	14	28	0	1	57	12	28	0	1	60	11	27	0	1	62	9	27	0	1	63	DM
Austria	50	20	0	7	23	37	13	3	10	37	30	7	0	10	53	30	10	0	10	50	DM
Belgium	60	13	0	0	27	53	27	0	0	20	47	33	0	0	20	53	27	0	0	20	DM
Canada	7	22	0	1	70	5	21	0	1	72	5	19	0	0	76	4	19	1	0	76	DM
Denmark	38	29	0	10	24	29	29	5	14	24	19	38	5	19	19	19	38	5	14	24	DM
Finland	17	22	0	22	39	17	28	0	17	39	17	33	0	0	50	28	22	0	0	50	DM
France	57	23	1	3	15	53	25	0	3	19	50	26	0	4	20	47	28	0	2	23	DM
Germany	39	17	4	5	35	35	19	4	7	36	38	16	3	7	36	41	12	4	9	35	DM
Hong Kong	82	8	0	0	10	84	9	0	0	8	82	10	0	0	8	80	14	0	0	6	DM
Ireland	24	24	0	0	52	10	14	0	0	76	0	14	0	0	86	0	10	0	0	90	DM
Israel	62	15	0	0	23	54	23	0	0	23	54	23	0	0	23	62	23	0	0	15	DM
Italy	48	27	3	0	21	48	30	0	3	18	33	45	0	6	15	30	42	3	6	18	DM
Netherlands	7	4	7	7	74	7	4	4	4	80	7	6	1	3	83	7	6	0	4	83	DM

0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
New Zealand	17	17	0	0	67	17	17	0	0	67	17	17	0	0	67	17	17	0	0	67	DM
Norway	24	18	0	6	53	18	18	0	0	65	12	18	0	0	71	12	12	6	0	71	DM
Portugal	50	30	10	0	10	70	20	0	0	10	70	10	0	10	10	70	10	0	10	10	DM
Singapore	36	33	0	0	30	27	30	0	0	42	15	39	0	0	45	15	39	0	0	45	DM
Spain	85	13	0	0	2	77	17	0	0	6	66	28	0	0	6	66	30	0	0	4	DM
Sweden	28	39	0	0	33	17	58	0	0	25	11	47	0	6	36	22	39	0	0	39	DM
Switzerland	30	11	2	9	49	15	4	2	13	66	11	13	0	6	70	11	9	0	6	74	DM
United Kingdom	13	42	0	0	45	10	44	0	1	44	9	44	0	1	46	6	44	0	1	48	DM
United States	7	13	1	0	78	4	12	0	0	84	3	11	0	0	85	3	10	0	0	87	DM
Brazil	75	16	1	4	3	75	16	1	3	4	75	14	1	3	6	72	19	1	1	6	EM
Chile	75	0	8	0	17	75	0	8	0	17	75	8	0	0	17	83	8	0	0	8	EM
China	71	13	3	0	13	75	12	3	0	9	78	13	3	0	6	82	11	2	0	5	EM
Colombia	50	33	0	0	17	50	33	0	0	17	83	17	0	0	0	50	33	0	0	17	EM
Czech Republic	100	0	0	0	0	100	0	0	0	0	67	33	0	0	0	67	33	0	0	0	EM
Egypt	67	11	11	0	11	67	11	11	0	11	67	11	11	0	11	67	11	11	0	11	EM

0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Greece	63	38	0	0	0	63	38	0	0	0	75	13	0	0	13	75	13	0	0	13	EM
Hungary	0	25	0	25	50	0	25	0	25	50	0	0	0	50	50	0	25	0	25	50	EM
India	18	66	0	0	16	18	66	0	0	16	18	67	0	0	15	16	67	0	0	16	EM
Indonesia	69	12	0	0	19	69	12	0	0	19	65	15	0	4	15	65	15	0	4	15	EM
Malaysia	67	22	0	3	8	64	25	0	3	8	56	31	0	3	11	56	33	0	3	8	EM
Mexico	45	41	5	0	9	45	41	5	0	9	41	45	0	0	14	41	45	0	0	14	EM
Peru	100	0	0	0	0	100	0	0	0	0	50	0	0	0	50	0	0	0	0	100	EM
Philippines	94	6	0	0	0	94	6	0	0	0	94	6	0	0	0	94	6	0	0	0	EM
Poland	73	23	0	0	5	73	23	0	0	5	77	18	0	0	5	68	23	0	0	9	EM
Russia	65	15	0	0	19	65	15	0	0	19	65	15	0	0	19	65	19	0	0	15	EM
South Africa	27	37	0	0	37	29	34	0	0	37	22	39	0	0	39	17	46	0	0	37	EM
South Korea	28	46	3	0	22	30	48	3	0	19	18	64	0	0	18	13	66	0	0	21	EM
Taiwan	68	4	23	0	4	68	4	23	0	4	70	4	22	0	4	77	5	11	0	7	EM
Thailand	61	35	0	0	4	61	35	0	0	4	65	30	0	0	4	57	39	0	0	4	EM
Turkey	95	5	0	0	0	95	5	0	0	0	95	5	0	0	0	95	5	0	0	0	EM