Global Corporate Governance Trends for 2024

Corporate governance is dynamic. Boards and the businesses they oversee face new challenges and opportunities—and new demands from their stakeholders—each year. To help you and your companies stay ahead of the curve in 2024 and beyond, RRA annually brings together the best thinking from our leadership advisors and a diverse array of influential governance thought leaders. With thanks to those experts, we are pleased to share our ninth annual report on what to watch in 2024.

Corporate governance and demands on corporate leaders vary significantly from country to country, but four topics stand out as most important to businesses and their boards across the globe in 2024:

1. Disruptive innovations: AI & other technologies rise to the forefront

Advancements in AI, quantum computing, and other technologies—coupled with growing information security and privacy threats—are front of mind for business leaders and stakeholders. While many of these issues have been on board agendas for years, discussions around these topics skyrocketed in 2023, partially due to the proliferation of generative AI tools like ChatGPT. For example, more than 30% of the S&P 500 and roughly 17% of Russell 3000 companies addressed AI in their proxy statements last year. Shareholder proposals on this subject will likely grow in 2024, emphasizing AI governance, its effects on the workforce, and the ethical use of AI. In the EU, digital regulation and acts like The Digital Services Act (DSA) will affect how companies can conduct their business with data captured through smart devices and what kind of services companies can offer in the future. Regulatory rollouts are expected to set new rules and limitations for business practices. In Brazil, companies are finding themselves tasked with establishing robust cybersecurity procedures and defenses to thwart potential digital attacks and safeguard against data leaks.

2. Path to parity: Sustained global focus on diversity

Boards around the world are spending more time on their own composition, seeking to build and support boards with important subject-matter expertise, international perspectives, cultural and social diversity, and generational balancing. Many markets have seen a dramatic growth in gender diversity on their boards in recent years. As of 2023, major indices in France, Italy, and the UK saw more than 40% of their seats held by women; indices in nine other countries had boards comprised of at least 30% women. Boards and stakeholders are looking for other diversity dimensions in several markets above this threshold, including Australia, Germany, and the United States. Even in countries that are farther from gender parity, we are seeing progress. In Singapore and Malaysia, women directors now hold almost 25% of the independent board seats that have become available since 2022's mandated diversity disclosures. While Brazil still lags on gender diversity - women held roughly 18% of board seats at the end of Q1 2023 - boards there are also more aggressively seeking diversity on ethnic, age, and other dimensions. Expect continued attention to gender diversity, and renewed focus on other forms of diversity where boards are closer to gender parity.

3. More action –and less talk– on ESG initiatives

It's tempting to see ESG as a tale of two worlds. In some markets – most notably the United States – terms like sustainability and ESG have become politicized and weaponized. That is affecting both US companies and many international enterprises with operations in the states. We have heard a reluctance from business leaders, investors, and others to trumpet environmental commitments. This politicization, coupled with the Supreme Court's recent Fair Admissions decision, also puts a strain on diversity, equity, and inclusion programs. While many business leaders and investors expected less publicity for some of these efforts – particularly those using the term "ESG" – they are not pulling back on their work. The goal of the ESG movement was to ensure that organizations consider material, non-financial environmental, social, and governance factors that affect financial performance alongside more traditional financial metrics when making business decisions. Programs that adhere to this, supporting the bottom-line over the short and longer term, will continue with less fanfare.

Companies operating in other markets are facing pressure to increase and accelerate outputs. In Australia, investors have a heightened interest in organizations' carbon transition plans, seeing this as the first step in ensuring that businesses are managing risk appropriately. But it is not just Australian shareholders requiring action from businesses. All four major banks are now expecting major emitters to present "credible energy transition" plans by late 2025 if they want to remain serviced by the industry. In the Nordics, new regulations from the EU in sustainability reporting, nature restoration regulation, digital acts, and geopolitical instability are in focus for boardrooms. The Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and DSA will have a direct impact in corporate governance within a volatile business environment that faces geopolitical issues, fast rapid development of information technology, and climate pressure. In France, ESG and its cousin corporate social responsibility (CSR), continue to be major topics, with dedicated CSR committees in 90% of CAC 40 and 70% of SBF 120 companies.

4. Governance standards migrate: Private looks to public

There are benefits—and many obligations—of being a publicly traded company. Many non-public companies, such as private capital portfolio companies and family businesses, avoid some of the significant corporate governance and reporting requirements by staying private. That is changing, albeit slowly and unevenly across the globe. In India, a new notification by The Securities and Exchange Board of India (SEBI) mandates that promoters of listed companies disclose to stock exchanges all active family settlement agreements or arrangements that have a bearing or influence on management and control of the company. Additionally, many global VC and PE funds investing in the Indian start-up ecosystem have faced significant governance challenges with founder teams; therefore, we expect significantly greater focus on governance by institutional investors with an increased demand for seasoned CEO experience and skills within the boardroom for start-ups. In Mexico, private company board members are seeing boards professionalize their activities, with more explicit focus on improving meeting agendas, refining board processes, and enhancing the quality and rigor of strategic dialogue. We are seeing increased demand for forward-looking board effectiveness projects for non-public enterprises in many other markets, including Brazil, Singapore, and United States.

This paper further delves into these and other corporate governance stories likely populating board agendas in 2024, organized by market. For more context and advice, please get in touch with the authors or your contact at Russell Reynolds Associates.

Corporate governance trends in the United States

Emphasis on business performance in light of the uncertain business environment

From companies, investors, and other stakeholders, the story has been loud and clear: businesses need to remain focused on financial performance. Succeeding here will remain challenging (and prove more difficult in certain sectors), given a brightening yet volatile macroeconomic landscape and combustible geopolitical environment. While many still hope for a "soft landing," interest rates are near historic highs. And while inflation is cooling, it's still a way off from the Federal Reserve's 2% target. The economy continues to look volatile as we head into 2024, with some forecasting a mere 0.7% GDP growth, tied closely to diminishing consumer spending.

Talent strategies are - and will remain - under the microscope. Several industries are grappling with hiring slowdowns and repeated reductions in force. According to Layoffs.fyi, as of January 12, 2024, 1,186 tech companies took action to reduce their force in 2023, resulting in 262,682 affected employees. It's not just tech; there have been notable workforce reductions in the finance, media, and retail sectors as well. Other companies are investing more time thinking through where they will find the talent of the future, especially given demographic shifts and skills gaps that are making it more challenging to find the right people in industries including healthcare, leisure and hospitality, and construction and manufacturing.

Stakeholders are also very interested in corporate resiliency and crisis response, especially given the unsettling prevalence of black swan events in recent years. One investor cautioned, "In 2023, we saw many companies experience crisis. It's fair to say that those boards were not always particularly responsive." Amid economic uncertainty, coupled with geopolitical tensions, prioritizing the integration of financial resilience into business models is crucial. Many boards will likely dust off crisis response playbooks in 2024.

Continued attention on CEO succession planning and board refreshment

Executives and directors, as well as their external stakeholders, know that effective succession planning is critical to long-term success. Surprisingly, only 51% of board directors surveyed in the 2023 Gartner Talent Survey reported having a written plan for their current CEO's succession. CEO turnover remains high, with 178 global CEOs leaving their posts in 2023, only 19 fewer than the five year record 197 in 2022. Accordingly, succession planning is set to remain a hot topic in 2024. Investors are demanding robust and thoughtful approaches to succession planning that include regular board discussions, a diverse mix of internal and external candidates, and plans for both expected and unexpected successions. As one investor remarked, "It would be worrying if a board said that the CEO pipeline only consisted of other current C-suite executives." Many stakeholders perceive recent CEO succession failures to have eroded significant shareholder value, so attention on this topic will remain high. We have heard that at least two of the largest institutional investors will be asking board members to explain their approach to executive succession planning and to evaluate whether the company has a strong pipeline and is positioned to effectively manage the next transition.

Similarly, board level succession planning and refreshment is also under scrutiny. A recent study revealed that 60% of C-suite executives lack confidence in their boards' ability to self-assess their performance effectively. Investor focus on board composition - the animating purpose behind both investor pressure for both proxy access and universal proxy rules - has encouraged boards to enhance their evaluations of whether the board has the necessary backgrounds, skills, and experiences for tomorrow. As one investor shared, "Universal proxy has given investors the opportunity to craft a board they think is fit for purpose. You need better quality candidates and people need to make the case for change - everyone must be a lot more thoughtful." Universal proxy itself may, like proxy access, prove to be an imperfect tool to directly cause change. But even those who told us they doubt it will directly affect many director elections next year also believe the pressure on directors will continue; one investor predicted we are more likely to see "an increase in Vote No campaigns instead."

We've witnessed many companies leverage external attention on board composition as a way to cause change in their own companies. One major company general counsel shared, "This gave us the ammunition to do what we know we needed to do." More corporate proactivity about board composition, from both board members and C-suite executives, is likely to continue in 2024 and beyond. We believe this requires more than simple age or term limits; it involves a strong understanding of the necessary backgrounds, skills, and experiences needed for the future. By planning for director vacancies well in advance, organizations can diminish the tension and emotion often associated with board succession planning.

ESG activities continue with less fanfare

Politicization of ESG activities intensified markedly in 2023. Filing so-called "anti-ESG" proposals has become a common tactic, nearly doubling from 54 of these proposals in 2022 to 92 in 2023. Proposals like these are one of the reasons that, despite an increase in volume, average support for shareholder proposals plummeted across the board, dropping to just 23% in 2023. As topics that fuel significant partisan divide—such as climate change and diversity, equity, & inclusion (DE&I) efforts—tend to get more media attention during US presidential election years, we expect this politicization to continue in 2024.

In our conversations with investors, they stressed that even though they may change language around their investment priorities to avoid the now highly-charged "ESG" term, they still care about the same issues. Continuing to focus corporate efforts on those issues is not misguided. One investor said, "We intentionally aren't using the acronym ESG. That's not to say we are backing away from these relevant topics; we're deescalating the fervor that is dividing people." It's important for boards to view ESG through the lens of risks and opportunities, aligning them with long-term corporate strategy. "We are sticking to what is financially material or helpful for companies in executing their strategy," one investor shared when discussing engagement strategies.

The SEC's highly anticipated final rule on climate disclosure has potentially substantial implications for oversight, but those rules will set a floor and not a ceiling for US companies; demands from other jurisdictions and important stakeholders will remain important. And this scrutiny applies beyond environmental issues; following the Supreme Court's affirmative action ruling in Students for Fair Admissions v. Harvard, DE&I policies also demand attention. Boards should be mindful of the potential legal challenges and proactively address them, all while recognizing the value of a diverse workforce at every level of the organization. As one investor put it, "It's still a priority to be an appealing and inclusive employer to a diverse workforce."

An emerging spotlight on the governance of artificial intelligence

AI is advancing at an unprecedented pace, leaving boards and companies scrambling to keep up with the rapidly evolving landscape of risks and opportunities. In 2023, more than 30% of the S&P 500 and around 17% of Russell 3000 companies addressed AI in their proxy statements in some capacity. Of those that disclosed oversight responsibilities, the majority delegated AI oversight to either audit or technology committees. As this issue comes to the forefront, we saw a handful of shareholder proposals last year focused on more clarity around AI governance—a trend we expect to intensify in 2024.

While regulatory activities are underway at the federal and state levels, the road to AI regulation in the US is likely to be a long one. In the meantime, boards should proactively assess their organizational structure to support effective oversight and stay well-informed about their company's utilization of AI. By gaining a comprehensive understanding of how AI is being leveraged within the organization to enhance decision-making, operational efficiency, and innovation, boards can provide strategic guidance to capitalize on the benefits of AI, while effectively managing the associated risks.

Recent RRA research finds that, while 80% of directors globally agree that a strong understanding of generative AI will be a required skill for future C-suites, only 31% believe their organization has right expertise on the board to advise on AI implementation. As many directors are now beginning to assess the potential impact of this technology on stakeholders, expect more board-level conversation dedicated to this topic as well as further board education in the coming year. One investor said, "Boards need to figure out how to use this technology responsibly." Responsible use of this technology should extend beyond company operations to governance. AI has the potential to transform boardroom work, offering numerous efficiencies. Failure to leverage these gains could lead to being left behind.

Corporate governance trends in Canada

Cybersecurity and AI in focus

Technology: it's an integral part of business strategy for nearly all companies and industries, and will continue to dominate board agendas in 2024. The popularization of ChatGPT has brought heightened consciousness and mainstream understanding to the transformative power – and associated risks – of generative AI.

To provide effective oversight of this new technology, boards are enhancing their understanding of AI and generative AI by leveraging both internal and external resources. Boards are also evaluating costs and benefits, while developing robust governance models to allocate and drive accountability. As these tools mature, we expect companies' understanding and use to follow suit, as will their definition of success. As with other emerging issues, expect growth in investor and other stakeholder interest in these subjects, particularly for implications on the ethical use of AI and its potential impacts on corporate workforces.

Malicious actors leveraging AI are adding a new layer of complexity to concerns about cybersecurity. As cyberattacks intensify in both scale and sophistication, shareholders and regulators are showing greater interest in organizations' cybersecurity measures, prompting boards to prioritize education and management sessions on the topic. Boards are also reviewing their risk management frameworks to assess the effectiveness of their organization's data privacy in this rapidly evolving space.

Continued maturation of ESG

The pressure on Canadian companies and their boards to strike the optimal balance between sustainability initiatives and long-term corporate viability persists. Institutional investors, proxy advisors, regulators, and society at large are demanding tangible corporate action on climate initiatives and other social causes. However, tensions have emerged between the push for bold corporate action on climate change and concerns over energy security and the financial burden on consumers. This tension is especially pronounced for Canadian companies operating in the US, where skepticism on environmental measures has been more prevalent. Nevertheless, the urgency and reality of climate change persist, compelling organizations to integrate sustainability initiatives seamlessly into their business strategies and operations.

ESG reporting requirements continue to become more onerous for organizations, as new disclosure frameworks are rolled out, augmenting other mandatory and voluntary reporting guidelines. In particular, more stringent reporting about key climate change information, climate risks, and supply chain considerations will require investment and appropriate governance oversight going forward.

Rising domestic and global uncertainty

Ongoing economic and geopolitical uncertainty - and their potential impact on businesses - are expected to be top of minds and agendas for Canadian boards in 2024. Domestically, issues such as persistent high inflation, the looming possibility of a recession, and the impact of a potential change in federal government are of paramount concern. Globally, the risks associated with climate change and rising geopolitical instability loom large, particularly for capital-intensive businesses operating internationally. Such organizations are actively integrating discussions on geopolitical risk and climate change into their regular business deliberations, recognizing the need to navigate these uncertainties alongside the inherent challenges of operating in the market. The evaluation of risks and opportunities through multiple scenario analyses and long-term forward-looking strategies can aid boards in making informed decisions. In response to mounting uncertainty, some organizations are adopting a more conservative outlook, with budgets and balance sheet management taking center stage.

Future-proofing human capital strategy

Talent development, leadership succession, and board composition remain crucial issues for Canadian boards of directors. The uncertain and rapidly changing business environment demands leaders who can navigate through the multitude of challenges and forces at play. Boards remain focused on assessing their current leaders and identifying any gaps in their pipeline. The focus is on cultivating talent and developing the skills necessary for future leaders—not just at the CEO level, but throughout the executive team.

Boards are more thoughtfully assessing their own composition in an effort to find the skills and expertise required in this ever-evolving landscape. The emphasis on “generalists” in board composition remains robust. While specialist expertise can be hired, boards value individuals with good judgment and the ability to advise the CEO based on their broad experience.

Boards will also continue to face pressure to enhance their demographic diversity. Notably, effective February 1, 2024, ISS policy guidelines mandate that all companies in the S&P/TSX Composite Index include at least one racially or ethnically diverse board member. In 2023, one out of every 10 directors on boards governed by the Canada Business Corporations Act (CBCA) was a member of a visible minority. We expect to see this proportion continue to rise in the coming years.

Corporate governance trends in Mexico

Increased relevance of the S in ESG

2024 is expected to be a critical and decisive year for Mexico's political and economic landscape. The largest general election in history will take place in June, with considerable polling suggesting the likelihood of the election of Mexico's first woman president. The heightened extremism in politics and the discourse surrounding the implications of the election has risen to the top of board agendas. The upcoming government transition has elevated boardroom discussions on organizations' societal responsibilities, with calls for businesses to contribute to the broader stakeholder community in their respective cities, states, and Mexico overall.

The corporate governance scenarios and outcomes of the upcoming election are taking center stage in board meetings, as directors are expected to increasingly consider their stance on social initiatives, employee sentiment and sensitivities, and government affairs. The multi-dimensional discussion of social issues has never been so prevalent within the boardroom agenda. Given the strong prospect of a new administration, we expect that the "S" will continue to gain more traction and attention from the board.

Growing demand for diversity beyond gender

Mexican boards have shifted the diversity discussion beyond gender. After a timid start in 2022, corporate boards have been increasingly adding more non Spanish-speaking board members to their ranks. We expect this trend to continue accelerating in 2024. From holding committee meetings in English to discussing the need to change official board meetings to English, there is a clear interest in driving additional diversity and geographic representation in the boardroom.

We believe that this trend is predominantly driven by the push for more digital and tech savvy skillsets into the boardroom, as well as adding a broader North American perspective, given the reshuffling of supply chains post-Covid. It is clear that boards are thinking more about how to reshape their director mix with a convergence of subject-matter skills, international perspectives, cultural and social diversity, and generational balancing

Greater accountability of and scrutiny on private boards

The notion that private boards have more leeway and receive less inspection than public boards is dissipating quickly. The generational changes taking hold in many privately-held companies is mounting additional scrutiny and pressure to enhance transparency and accountability among private boards.

Prospective board members considering joining a private board should anticipate more interest in developing the meeting agenda, refining board processes, and enhancing the quality and rigor of strategic dialogue in the boardroom. Private boards' prioritization of these issues has grown significantly in past years, and is likely to be a top focus in 2024. Though there is still a prevalence of advisory boards in Mexico (wherein the fiduciary responsibilities of directors is reduced), independent board members are increasingly carrying the expectation to demonstrate sound corporate governance practices as their public board director counterparts.

Push for more structured CEO succession processes

In 2024, boards will see a continued push for more systematic, orchestrated, and forward-thinking CEO succession processes. This is especially true in family-owned businesses, where capital providers are fueling the need for these founders (or legacy families) to address CEO succession in a proactive manner. We are seeing an uptick in investors requiring structured CEO succession processes. This is spurring families and founders to proactively discuss possible successors, conduct market benchmarking, and engage earlier with external advisors to guide them on best practices to facilitate a smooth transition when the time comes.

Corporate governance trends in Brazil

Navigating sustainability dynamics ahead of COP 2030

With COP 2030 to be held in Brazil, corporate governance is increasingly shifting towards sustainability. Corporate boards and investors are strategically scrutinizing sustainability initiatives, while also building their own technical competencies. These directors are expressly focused on developing a comprehensive understanding of risks and impacts of these actions, which include value chain tracking, certified suppliers, and positive social impact in communities. Of significant note, the CVM (Brazil's securities regulator) has made an early commitment to adhere to ISSB IFRS S1 and S2 standards (S1 sets out the requirements on an entity's general sustainability-related risks and opportunities and its impacts on cash flow, whilst S2 is specific to climate-related information). This strategic decision positions 2024 as a pivotal year for testing regulatory patterns, setting the stage for full implementation in 2025. As Brazilian companies strive to align with European and US sustainability standards, we anticipate that the climate agenda will ascend to the forefront of future strategic deliberations in corporate board meetings.

Capital market resurgence demands more board attention

Following a two-year stint of stagnation and minimal IPO activity, Brazil's stock market is exhibiting signs of revival, creating a potential window of opportunity for transformative developments in 2024. Recent market dynamics point to a potential resurgence in mergers and acquisitions, initial public offerings, and other strategic maneuvers by key players. Drawing valuable insights from 2023, corporate boards are facing heightened demands for meticulous attention to fiscal and accounting matters. Rigorous oversight of potential transactions and the development of internal technical competencies for adept financial evaluations will be increasingly critical for boards.

State-Owned Enterprises are standing at a crossroads, with regulatory turmoil potentially heralding significant

changes in governance. Recent legislative maneuvers are casting shadows on the 2016 State-Owned Enterprises Law (enacted to promote transparency; reduce political interference; and establish principles governing management, board nominations, procurement, and bidding procedures). Enacted to regulate the governance and operation of SOEs, this law aims to promote transparency, reduce political interference, and establish principles governing management and board nominations. If approved, these proposed modifications could unravel progress to date and expose SOEs to political influence, thereby impacting ongoing privatizations and challenging Brazil's legal certainty—a critical matter to international investors.

Further emphasis on human capital planning and oversight

While discussions on executive compensation intensified in 2023, tangible actions have been limited. Looking ahead, boards understand that the focus on compensation mechanisms and the discrepancy among executives' pay will demand more substantial initiatives.

From a C-level succession perspective, there is increased appetite for discussion, albeit in unstructured ways. Boards must now prioritize structured, continuous discussions on succession planning to address evolving challenges effectively. The ongoing debates and engagement on these issues underscore the need for boards to transform discussions into tangible processes, recognizing the pivotal role that effective human capital management plays in the sustained success of any organization.

Elevating effective governance through strategic board evaluations

In the contemporary corporate landscape, both private and public enterprises are increasingly shifting their focus towards external board evaluations while diminishing the reliance on internal assessments. Governance experts welcome this shift as an opportunity to enhance corporate governance practices, urging companies to implement external evaluations and skill-competency matrices as part of their strategic roadmap. As companies further embrace these practices, the outcomes are providing a foundation for a more robust and informed director nomination process. For many investors we spoke to, this transformative shift "holds the promise of elevating the overall governance standards" within organizations, fostering a culture of excellence in directorship.

An evolving view on diversity within the board landscape

While strides have been made to improve gender diversity within corporate boards, there is an evolving imperative to broaden diversity across multiple dimensions. Beyond gender, boards are now tasked with promoting diversity in terms of ethnicity, age, thought, technology proficiency, and non-traditional backgrounds. In 2024, boards will be challenged to foster an inclusive environment that not only accommodates, but actively seeks diverse perspectives. Increased diversity results in more strategic debates and enhanced decision-making processes, while also allowing minorities to play an important role in shaping the corporate agenda.

Evolving and strengthening dynamics of shareholder activism

There is still little shareholder engagement and stewardship in Brazil, excluding a tentative push from institutional investors to increase their activism, particularly in the realm of compensation disclosure. Despite the introduction of a new resolution in 2023 (Resolution No. 59), disclosure remains inconsistent. Shareholders are increasingly calling for active communication and stewardship with boards. In turn, boards should seek to understand their investors and shape their narrative to align with investor expectations. Notably, there is a growing trend of investors seeking more seats on boards; however, we advise caution with this approach, as investors goals may not align well with the boards' strategic objectives.

Digitization readiness and the imperative of technological advances

While the advances of big data, AI, and machine learning promise to reshape numerous industries, they also bring forth formidable challenges for boards. Companies are finding themselves tasked with establishing robust cybersecurity procedures to thwart potential digital attacks and safeguard against data leaks. This imperative extends to employee training and the development of risk management protocols. Simultaneously, boards are increasingly required to engage in nuanced discussions surrounding innovation, new technologies, and ethical matters regarding AI, all while ensuring compliance with regulations. This evolving digital landscape requires boards to develop competencies in critical areas, such as cybersecurity. While these are burgeoning skillsets within most boards, directors' mandates increasingly require them to adeptly deliberate on digital strategies and risk management.

Corporate governance trends in the United Kingdom

A shift in the regulatory environment

Expect 2024 to bring continued debate on the challenges of balancing strong governance frameworks and economic competitiveness. While key themes like climate change and diversity, equity, and inclusion (DE&I) remain consistent, we anticipate a deliberate reduction in the overall volume of governance reform initiatives.

The Financial Reporting Council's (FRC) updated Corporate Governance Code was published January 2024, with over half of the original proposed amendments withdrawn under the guise of easing business burdens. With that update, the FRC's Stakeholder Insight Group will be tasked with advising regulators on ensuring the right balance between effective governance and reducing unnecessary burdens on companies. The key addition to the 2024 Code is an enhanced requirement for directors to report on the internal control environment and assure themselves of the quality of internal control and risk management processes.

Legislation enabling the creation of the long-expected Audit, Reporting and Governance Authority (ARGA) was not included in the agenda for the forthcoming Parliamentary session, so while it remains a commitment of both major political parties, it has effectively been postponed. In the meantime, the FRC will encourage adopting new minimum standards for audit committees of premium listed companies, with additional guidelines on the tendering process for external audits, the responsibility for which moves from executive management to the audit committee.

Reinforcing a flexible, principles-based code

2024 will see further discussion on the UK's principles-based governance code and the extent to which boards feel able or willing to not comply on specific issues. Business leaders continue to call for re-enforcement of the "comply or explain" principle, and the FRC will reiterate its position that the code is intended to be flexible. We anticipate an increase in the number of public companies who decide not to comply on specific issues.

Nonetheless, we expect continued divergence between investment managers, their governance teams, and proxy agencies in their respective approaches to governance compliance. These stakeholders will continue to discuss effective stewardship, with calls on one side for meaningful engagement between asset owner and company leadership and a broad lens on all aspects of company performance, while others continue to use voting as their primary tool to demonstrate their views. The FRC plans to review the UK Stewardship Code in 2024, undertaking an open consultation in the first quarter.

Enhanced reporting around climate, remuneration, and DE&I

Climate remains high on the agenda, with increased focus on ensuring companies are implementing genuine and action-oriented measures and reporting accurately and transparently. Agencies evaluating ESG performance are expected to become regulated by the Financial Conduct Authority. For asset managers and owners, new sustainability disclosure requirements (SDR) and other ESG-related measures will come into effect in 2024, building on the existing TCFD related disclosure requirements and taking into account the ISSB's broader sustainability disclosure standards.

Remuneration remains a delicate and socially-charged issue. Boards will need to balance opposing demands of enhancing competitiveness by attracting high-quality international talent, while remaining alert to the local economic environment and social pressures. As the cost of living crisis continues, boards will need to be especially mindful of displaying sensitivity to the disparity between the CEO's and employees' financial situations. While UK companies are increasingly adopting ESG metrics into remuneration policy, investors expect these metrics to be measurable, transparent, and aligned with the strategy.

DE&I continues to be a priority, with increased focus on making meaningful and substantive change. The UK's financial regulator will announce the result of its diversity and inclusion consultation, which proposes that firms in the financial sector report on a wider range of employee characteristics and explicitly treat lack of diversity and inclusion as a non-financial risk. Pushback on the extent of reporting required is expected, and the proposal is unlikely to survive without amendment. However, the direction of travel remains clear.

Governing in uncertain times

In the context of an upcoming national election, a complex macroeconomic environment, and continued industry disruption, board directors and business leaders will need to demonstrate how they are adapting their corporate strategy and bolstering their resilience to meet these challenges. Should markets open up and corporate finance activity rally, a difficult commercial environment is likely to provide fertile ground for activists. This may be a time for boards to be bold and brave, to draw on the spirit rather than the letter of the governance code, and trust their judgement to do what is right for the business and its stakeholders.

Corporate governance trends in Spain

ESG erupts in the board scene

As ESG enters the boardroom, many boards have introduced specialized sustainability or CSR committees to provide oversight. This has raised discussions regarding the board's role in ESG oversight versus that of management, particularly when it comes to operational aspects that traditionally sit within executive teams. Committee chairs will be tasked with prioritizing discussions on the strategic and risk implications for the enterprise, while tapping into internal and external sources for guidance. Boards—particularly those that are unfamiliar with institutional investor expectations—are undergoing trainings on topics like gender diversity. Though the "S" of ESG is only beginning to gain more attention, particularly as it relates to reputational risk, boards will increasingly be expected to demonstrate their understanding and oversight of the ESG framework.

Spotlight on nominating committee role in succession planning

While nominating committees have traditionally been responsible for overseeing succession planning for the board, CEO, and chairman, there is growing tension regarding how active their role should be in broader executive succession planning. While regulations leave room for the nominating committee to play an active role in broader succession planning, management teams perceive this as overstepping. Boards with stronger governance practices are seizing the opportunity to review, align, and define the scope of their nominating committee as it pertains to broader talent management oversight and succession planning.

Rising influence of proxy advisors

With increasing demands by institutional investors on governance, board and committee leaders are engaging more with proxy advisors (often via the nominating committee) to better understand their priorities and expectations. This enhanced shareholder engagement and stewardship is helping some boards stay on top of the hot topics that continue to gain attention from shareholders and have bearing on how they vote. The director nomination process, shareholder rights, and overboarding are all likely to be on the table, with the looming reality of negative votes from dissatisfied stakeholders. Remuneration committees will face ongoing pressure to demonstrate their rigorous oversight of compensation policy and benchmarking.

Developing regulatory frameworks aim for gender parity & improved evaluations

The new government has pushed for an expansive parity law that, if passed, will have a bearing on the makeup of boards and the pool of candidates. Though women's representation on boards is strong among the Ibex 35 (39% gender diversity) and the General Index (31%), the newly proposed law will impose a mandate dictating that 40% of boards be comprised of women. This potential requirement is already spurring action, most visibly in recent recruitments of specialized subject-matter or functional directors who bring specific insights, as well as increased rates of gender diversity.

While gender tends to dominate the discussion on board diversity, Spanish boards are also thinking about diversity in terms of geographic, cultural, and skillset diversity. An increasing number of directors are appointed from financial services, the public sector, and consulting. With 20% of Spanish board members coming from other countries (usually within Europe), we expect to see further nationality diversity in the coming years.

The board evaluation process is mandated annually for public company boards (with an external evaluation held every three years.) The rigor, quality, and approach of these processes are highly divergent among boards, and the benefits of individual director assessments are not yet culturally or broadly accepted. Nevertheless, advanced boards are leading the charge by incorporating peer feedback into their director reviews. This is resulting in an observable knock-on effect, as an increasing proportion of nominating committees and board leaders are discussing their board's culture and director's behavior.

Corporate governance trends in the Nordics

Business volatility in an evolving regulatory environment

New regulations from the EU in sustainability reporting, nature restoration regulation, digital acts, and geopolitical instability are in focus for the boardrooms in the Nordics. The Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and the Digital Services Act (DSA) will have a direct impact in corporate governance within a volatile business environment that faces geopolitical issues, rapid development of technology, and climate pressure.

Environmental sustainability will stay high on boards' agendas, due to evolving regulation. In general, the EU's biodiversity strategy for 2030 is a comprehensive, ambitious, and long-term effort to protect nature and reverse the degradation of ecosystems. EU's Nature Restoration Law aims to restore 20% of the EU's land and sea areas by 2030, and all ecosystems by 2050. The biodiversity strategy and Nature Restoration Law will impact company agendas, especially in sectors operating in raw materials, such as Nordic forest and mining businesses. Furthermore, EU's CSRD commences in 2024, which requires companies to present concrete actions to improve sustainability and fulfill the set requirements. This will also impact boards, as directors need to have deeper knowledge of sustainability issues and their key drivers.

Moreover, we expect global and regional geopolitical instability to create unpredictable challenges, which will require boards to take a more involved role in preparing for future "worst-case" scenarios. The volatile business environment puts risk management in focus. Boards will be expected to be agile and able to utilize scenario thinking and planning as a regular tool in risk management.

Rapid technology landscape changes coming into view

Megatrends such as advancements in AI, quantum computing, and cybersecurity threats continue to shape the business environment in 2024. This will likely translate into higher expectations for the board's ability to stay up-to-date with technological development, both for its opportunities and imminent threats.

The EU's digital regulation and acts, such as DSA, will further affect how companies can conduct their business

with data captured through smart devices and what kind of services companies can offer in the future. Regulatory rollouts are expected to set new rules and limitations for business practices.

Technology's speed of change, as well as the regulatory landscape's, will challenge boards in their support of executive teams. Boards are increasingly expected to oversee development and stay educated on relevant organizational matters. As boards look for future-proof talent and updated competencies, these rapid advancements will have a major impact on board renewal and composition.

Further significance of social responsibility

Social responsibility continues to receive attention in the Nordics. This accounts for multiple perspectives, including discussions on investment opportunities, subcontractor behavior, ethical manufacturing and supply chain, and employee welfare. Ethical behavior will be a key factor in investors' investment plans and decisions, as well as for the new workforce that values socially responsible employers and careers. Boards will continue to grapple with globalization and the risk that businesses from countries mandating high levels of responsibility (and the associated higher costs) may lose out to countries with less focus on social responsibility. Looking ahead, boards will be expected to supervise executive teams and their businesses on end-to-end social impact, amping up the demands on boards to monitor corporate culture and their company's ethical impacts.

Growing pressure on board compensation and talent

The EU's push towards gender parity (calling for at least 40% of the underrepresented gender on boards) continues to evolve the current board landscape in the Nordics. Nordic countries are, on average, in line with the 40% threshold. However, there will still be a continued need for balancing boards in terms of gender equality. Furthermore, companies must prepare for qualification disclosure if unsuccessful candidates request it, aligned with the GDPR regulation.

The importance of board chair and board member succession planning is rising on the agenda of boards and shareholder's nomination boards, calling for clear and transparent board appointment procedures. Board workloads also continue to increase, as directors are spending more time on their roles, particularly within committees. Several issues are gradually moving from executive teams to the board level, from oversight into responsibility and liability, most notably concerning the subject of data and data integrity.

Heightened demand for board members' competence and experience will further increase, especially in terms of technology and geographic savviness. Nordic board compensation has been traditionally low in comparison to other European countries, which raises the bar even further to attract top international talent with the right set of future-proof competencies and experiences. Furthermore, CSRD reporting will substantially grow the workload of audit committees in early 2025. Therefore, increasing workloads have spurred discussion—especially in Sweden—about adjusting the audit committee fees for the Chair and its members. This could be anything from a 15% to 25% fee rise, reflecting the amount of work.

Corporate governance trends in Germany

A new level of investor demands

The AGM season 2023 brought forth a phenomenon rarely seen in the German corporate world before: proxy-fights.

With combined shareholdings below 3%, the hedge funds Primestone and Engine Capital publicly voiced requests for influence at Brenntag, a DAX40 listed distributor of chemicals and ingredients. They demanded a divide of the core and non-core businesses, opposing two company-proposed candidates for the board of directors. While the activists were able to activate support from the two most influential proxy advisories, ISS and Glass Lewis, they ultimately failed to win a majority vote at the AGM.

While shareholder activism and comparable 'proxy fights' may be well-known in the US and the UK, the German corporate world had rarely seen such prominent public discussions before, particularly with proxy advisors and activist investors publicly demanding influence. We expect that the Brenntag case will not be the last, considering substantial international funds' stakes in the German DAX 40 landscape. In fact, this may represent a trend towards a more contentious—or even litigious—investor environment in Germany. Companies and their boards should brace for more aggressive investor input on strategy and senior leadership formation in the AGM 2024 season, as well as pluralism in proxy recommendations.

Pressure for improving diversity beyond gender

Throughout the last decade, speaking about diversity in German supervisory and executive boards referred to gender quotas. However, with women comprising almost 40% of DAX40 supervisory boards in 2023, organizations are increasingly expanding their views on diversity.

Diversity in terms of nationalities and geographic experience in DAX40 supervisory boards is not a new topic in Germany—in fact, after decades-long improvements, about one third of DAX40 board members now have international backgrounds/experience. However, with both

foreign revenues and ownership of the DAX40 companies well over 80%, interest in even higher international experience and representation is obvious, particularly in light of rising geostrategic challenges in a multi-polar global economy – with the main drivers of global economic growth outside of Europe. Yet, DAX40 companies face challenges in engaging international board members. Not only may the rather specific German two-tier governance system and employee co-determination in most DAX 40 companies make international candidates hesitate, but so might German boardroom culture, decision processes, and rather modest compensation levels in relation to the commitment required. Regarding compensation, we would not be surprised to see boards quietly make adjustments.

More subtly, reflecting an increasing societal debate in Germany about social and cultural diversity, boardrooms are coming under scrutiny in their representation and openness for diverse backgrounds. As German boards look to tap into a wider talent pool while also addressing diversifying market expectations, boardroom appointments are increasingly looking beyond the 'traditional' career tracks with prestigious academic institutions, large corporations, and 'fitting' family backgrounds. While this development is only just emerging, we expect increasing attention on these diversity dimensions in the boardroom.

Finding flexibility in a tight regulatory environment

As new regulatory frameworks were introduced over the last few years—particularly in risk and compliance, financial oversight, sustainability, and diversity—board composition has evolved from art to science. Complexity has increased, and specific expertise and demographics were often favored over CEO or other large-scale P&L accountability experience.

In recent years, boards have been forced to cope with disruptions, including the COVID pandemic and resulting supply chain challenges, severe geopolitical tensions, and the sudden hike in global interest rates. In response, German boards are increasingly voicing dissatisfaction with today's highly regulated environment and resulting processes, which they view as consuming too high a share of their limited capacity. As a result, we are observing a substantial ask for more flexibility in dealing with regulatory frameworks, so that boards can effectively focus on core strategic or operational matters. While nascent, we expect this discussion to pick up momentum in the coming year, underscoring boards' desire to spend their time most effectively by adding value to the organization. Even more, we expect this sense of 'back to business' to become a strong driver of coming director appointments.

Corporate governance trends in France

Accelerating progress towards gender parity

Women's representation on boards and executive committees has been steadily increasing in France, and we expect this trend to continue in 2024. Overall, 46% of CAC 40 board members are women, many of whom are also shouldering board leadership roles, with 50% of all committees being chaired by women. Interestingly, women directors are leading the charge on the burgeoning issue of sustainability, comprising of 75% of Corporate Social Responsibility (CSR) committee members and 93% of CSR committee chairs in CAC 40 companies. While France was already the forerunner in increasing women's representation on boards, the European Women on Boards Directive (which mandates companies listed in EU member countries to have women in at least 40% of non-executive director positions or 33% of all board roles by June 2026) is further boosting this trend.

Similarly, in the last decade, the share of women in CAC 40 executive committees has increased from 8% to 28%. Out of the 198 appointments made to SBF 120 executive committees from 2022 to 2023, 42% were women. Undoubtedly, the "Rixain law," which requires companies with more than 1,000 employees to have women in 40% of senior management positions by March 2031, is providing further impetus to increase women's representation in executive committees. However, it is also important to note that progress is not only needed in sheer numbers, but also within the type of executive committee roles - while women hold 43% of functional positions, they only hold 15% of operational roles. We anticipate progress on this front to be a bit slower, given that only 21% of new operational appointments made in the last year were women.

Continued emphasis on ESG

CSR and ESG will continue to be a major topic with French boards, with 90% of CAC 40 and 70% of SBF 120 having a committee dedicated to CSR. Boards will continue to see

an ESG uptake and, in due course, its full integration into corporate strategy, executive remuneration, and the profile of future leaders. Indeed, as the world is teetering on the cusp of potentially irreversible climate change, businesses are increasingly responding to the demands for real ESG actions and results by investors, government, society, and other stakeholders. The EU-wide Corporate Sustainability Reporting Directive (CSRD) is set to impose harmonized sustainability standards and new reporting obligations, which come into effect between FY 2024 and 2030, depending on the size of the company. This is expected not only to have a huge impact on ESG reporting, but also how companies ingrain ESG into everything they do, given that the CSRD reporting double downs on how a company both impacts and is impacted by climate change.

Changes in CEO demographics

We observe a steady decline in internal CEO appointments, with only 38% of succession plans resulting in the appointment of an internal CEO in 2022, compared to 67% in 2020 and 85% in 2018. Additionally, CEOs in the SBF 120 are not staying in their positions for as long, now departing after an average of 7.5 years, compared to almost 10 years in 2019. Also, their average age at departure has been dropping, now sitting at less than 60 years old. These trends potentially allude to the impact of turbulent market conditions, exacerbated by wide reaching politico-economic challenges, with companies facing unprecedented shifts in the business landscape and wanting to bring more varied and contemporary business experience and fresh perspective to navigate complex market conditions. Interestingly, 22% of the CEOs in SBF 120 were foreign nationals, compared to 15% in 2020. This trend is also in line with the high and relatively stable percentage of international non-executive directors (i.e., nationality other than French), at 37% in 2023. These trends collectively demonstrate a dynamic and evolving corporate governance landscape in France, influenced by both regulatory changes and the broader socio-economic context.

Corporate governance trends in the United Arab Emirates

Keeping pace with regional economic, diversity, and governance ambitions

In recent years, the UAE corporate governance landscape has undergone significant transformation, driven by the region's burgeoning economies and the imperative for increased foreign direct investment. Several key factors have shaped and continue to influence corporate governance practices in the Middle East, particularly in the UAE.

In 2020, the UAE Securities and Commodities Authority (SCA) introduced guidelines mandating that women comprise at least 20% of every board. This directive underscores the commitment to gender diversity, requiring companies to disclose representation percentages in annual governance reports and establish gender diversity policies. We expect diversity to continue to be top of mind for boards in 2024.

In 2023, the UAE implemented a Federal Corporate Tax on company profits for the first time. Looking ahead, boards now bear the responsibility of ensuring compliance and implementation across organizations, and we expect these financial implications to require more board attention this year.

In the face of economic uncertainties, UAE organizations are also increasingly recognizing the need for robust board evaluations. With an aim to ramp up the stature of corporate governance, these evaluations will be seen as tools to enhance transparency, accountability, and decision-making effectiveness, as well as address diversity gaps within the board.

Influx of foreign capital

In October of 2023, The Financial Action Task Force (FATF)—the global money laundering and terrorist financing watchdog—confirmed that the UAE had satisfied its action plan and was scheduled (subject to successful onsite inspection) to be removed from the "grey list" of jurisdictions subject to increased monitoring at its next

plenary meeting in February 2024. The UAE has been subject to increased monitoring since June of 2022, due to perceived deficiencies in the effectiveness of its anti-money laundering and countering the financing of terrorism (AML/CFT) regime. With the FATF's decision to remove the UAE from the grey list, experts predict that the region will see increased foreign investment by 2024.

Evolving crypto/blockchain and NFT regulatory environment

Over the last few years, the UAE progressively and proactively sought to position itself as the regional hub for technology, with the objective of becoming a pioneer in blockchain innovation. The country is host to several cryptocurrency exchange and trading platforms, and has issued regulations governing them and established authorities—such as the Virtual Assets Regulatory Authority—to monitor and supervise dealings concerning virtual assets (including crypto currencies) in Dubai. Furthering this objective, the UAE made several announcements and developed additional regulations during the first half of 2023 directly relevant to the crypto universe. In 2024, the region seeks to continue innovating in this arena, with the aim of responsibly unlocking further economic potential.

Corporate governance trends in India

As term cliffs arrive, boards prioritize refreshment

The Indian Companies Act 2013, established in 2014, allows for two maximum terms of five years each for independent directors. As this 10 year term comes to an end in 2024, a widespread board refresh has commenced and is expected to continue to drive new appointments. Companies are likely to use this as an opportunity to adopt a forward looking strategic approach to board composition, as opposed to a "like for like" replacement.

Further tightening of the regulatory ecosystem

The regulator for public listed companies, Securities and Exchange Board of India (SEBI), has been applying a mix of proactive measures to curb malpractices and promote transparency, including recent amendments such as disclosure of communication from any regulatory, statutory, enforcement or judicial authority, verification of market rumors, and enforcement measures to penalize companies for non-compliance with requirements. Building on 2023, such regulatory tightening is expected to continue in 2024.

Increased compliance for Public Sector Enterprises

Until early 2023, Public Sector Enterprises (PSEs) got away with non-compliance of certain requirements by stating that these matters lay with the Government of India. For instance, even today, many PSEs continue to have no independent women directors on their board, pending government appointments through the Public Enterprises Selection Board (PESB.) SEBI is no longer accepting this reasoning and has started penalizing non-compliant entities. We expect that this will likely spur more proactive compliance by PSEs, particularly relating to board composition.

Family settlement matters become more visible

A relatively unnoticed—but quite significant—new SEBI notification mandates that Promoters (as founders/majority owners are referred to in India) of listed companies disclose all active family settlement agreements or arrangements that have a bearing or influence on management and control of the company to stock exchanges. With roughly 70% of Indian listed companies being family owned, the new rule is expected to have a palpable impact and draw the attention of boards.

A spotlight on start-up governance

Many global VC and PE funds investing in the Indian start-up ecosystem have faced significant governance challenges with founder teams. These have not only resulted in massive capital losses, but also the resignation of auditors and PE nominee directors from boards to avoid regulatory action. We expect institutional investors to significantly increase their focus on governance, as well as demands for experienced CEO experience and skills within the start-up boardrooms.

Furthermore, proxy advisors are increasingly getting their voice heard in shareholders meetings, whether this be related to promoter compensation, director appointments, or related party transactions. We expect this trend to continue and contribute to a stronger governance landscape in 2024.

Corporate governance trends in Australia

Heightened demands on Australian directors

2024 is expected to be another demanding year for Australian boards and their directors, as more than 10% of ASX 300 businesses received a vote against their remuneration report last year—the largest proportion since this legislation was introduced more than a decade ago. It reflects investors' dissatisfaction with a range of matters, some of which are not even directly associated with remuneration. In 2023, shareholders of Qantas Airways rejected the company's remuneration plan (with a near-record 82.9% in opposition) after a series of scandals. The Quantas vote was as much about shareholders wanting to make a statement on their dissatisfaction with the brand damage inflicted on the business and to force changes to the board as it was about executive compensation. To add to the pressure on directors, there has been notable complexity regarding market M&A activity and a resurgence in activist shareholder attacks. The boards of Endeavour, AGL, Origin, Magellan, Link, Newcrest and Invocare all wrestled with muscular shareholders or aggressive acquisition approaches.

Increasing regulatory requirements continue

The introduction of the Workplace Gender Equality Agency (WGEA) is a meaningful change to how boards are held accountable for equity in their businesses. Beyond the additional reporting requirements—which will inevitably lead to some businesses being exposed for their poor equality practices—the organization's powers to investigate and enforce compliance with existing legislation is a significant change. Understandably, this is leading to an increased focus in the boardroom on issues around sexual harassment policies, workforce composition, and pay - with the burden for this work typically falling on remuneration committees. Furthermore, boards are also needing to prepare for the introduction of increased reporting requirements in 2024 / 2025 around climate change and carbon emissions. Boards will be required to use the disclosure framework recommended by the Taskforce on Climate Related Financial Disclosures (TCFD), addressing governance, strategy, risk management, targets, and metrics. This will then transition to reflect the climate disclosure standards currently being developed by the International Sustainability Standards Board.

Carbon transition planning intensifies

Investors have a heightened interest in organizations' carbon transition plans and see this as the first step in ensuring that businesses are managing their risk appropriately. As one institutional investor put it, "Once we get disclosure, pressure will further increase. Transition frameworks and industry transition roadmaps are more readily available now, so it is getting easier to benchmark against others." But it is not just shareholders requiring action from businesses. All four major banks are now expecting major emitters to present "credible energy transition" plans by late 2025 if they want to remain serviced by the industry. These requirements are creating a new area of focus for the board and a mixed approach to managing the workload. Most are keeping it as a main board responsibility, with a minority delegating it to an ESG committee (or similar). While investors and proxy advisors want to see concrete action on climate change, there is less consensus on how management should be incentivized.

Opposition to including non-financial metrics in LTI plans has been softening, and there are now 12 ASX 200 businesses with ESG measures in their long-term incentives. Nevertheless, Institutional Shareholder Services (ISS) have raised concerns about the weakening of hard financial measures in the major banks' LTI plans. This leaves the remuneration committees of Australia's largest businesses with the challenge of balancing these seemingly incompatible demands.

Diversity focus moves away from gender

With women making up almost half of the board appointments to ASX 300 boards over the last two years, and holding 35% of these boards' NED roles, board gender diversity is being seen as less of an issue for most businesses (executive team gender diversity does, however, remain a concern for investors, and companies should expect this to continue as a focus through 2024.) While the outliers on board gender diversity will feel increasing pressure, investors are switching their focus to different forms of diversity, with a genuine desire to see a broader range of perspectives around the board table. Consensus is forming around the AICD's and 30% Clubs' objective of securing 40/40/20 (40% men/40% women/20% of any gender) representation. However, with 90% of NEDs of ASX 300 businesses being Anglo-Celtic, investors are applying pressure to see broader ethnic diversity better reflecting businesses' customer bases and operational footprint. The AICD recently made the point clear:

"Boards need to reflect Australian society because their organizations don't just represent shareholders - they also represent end customers and clients of these companies. Therefore, it's not acceptable for boards to be stacked with overwhelmingly white, straight and upper-middle class people while overlooking the many talented diverse people in our community. There is enough data to show diversity at all levels of leadership improves business performance - and accountability - now we need to see boards become more representative of our diverse society."

Corporate governance trends in Singapore and Malaysia

Crunch time on independence in Singapore

On January 11, 2023, the Singapore Exchange Regulation (SGX RegCo) removed the two-tier vote mechanism, which allowed companies to retain long-serving independent directors (IDs) who have served for more than nine years. This means that, following the 2023 financial year-end and the conclusion of the respective company annual general meetings, directors whose tenures have exceeded this threshold can no longer be deemed independent.

The November 2023 Directorship Report revealed that 20.9% of 2,209 independent directors have served for more than nine years and will need to be replaced or redesignated to comply with the new rule. Given this context, there could potentially be a scramble to appoint new independent directors in 2024.

Moving the needle on gender diversity

The report also noted that women hold 15.4% of the available independent director seats, up from 12.4% in 2021. According to SGX RegCo CEO Tan Boon Gin, women directors have filled almost 25% of the independent board seats that became available since the mandating of diversity disclosures in 2022. With the commencement of the nine-year rule, he expects at least another 300 independent director seats to become available, which presents an opportunity to move the needle on women's representation at the board level.

Sustained focus on ESG for Malaysian firms

In June 2023, Securities Commission Malaysia (SC) and the local exchange, Bursa Malaysia, announced the roll out of a new mandatory onboarding program on sustainability for directors of its listed companies. In addition, the SC will work closely with relevant agencies to develop an environmental, social and corporate governance (ESG) toolkit for small and medium enterprises (SMEs). Its affiliate, Capital Markets Malaysia, will also be issuing a Simplified ESG Disclosure Guide for SMEs.

To improve the existing corporate governance structure of the exchange and mitigate risks pertaining to conflicts of interest, the Malaysian government will consider the establishment of a regulatory subsidiary of Bursa Malaysia. This follows a similar approach to SGX, which formed SGX RegCo to undertake all regulatory functions in 2017, as well as Japan and Brazil.

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Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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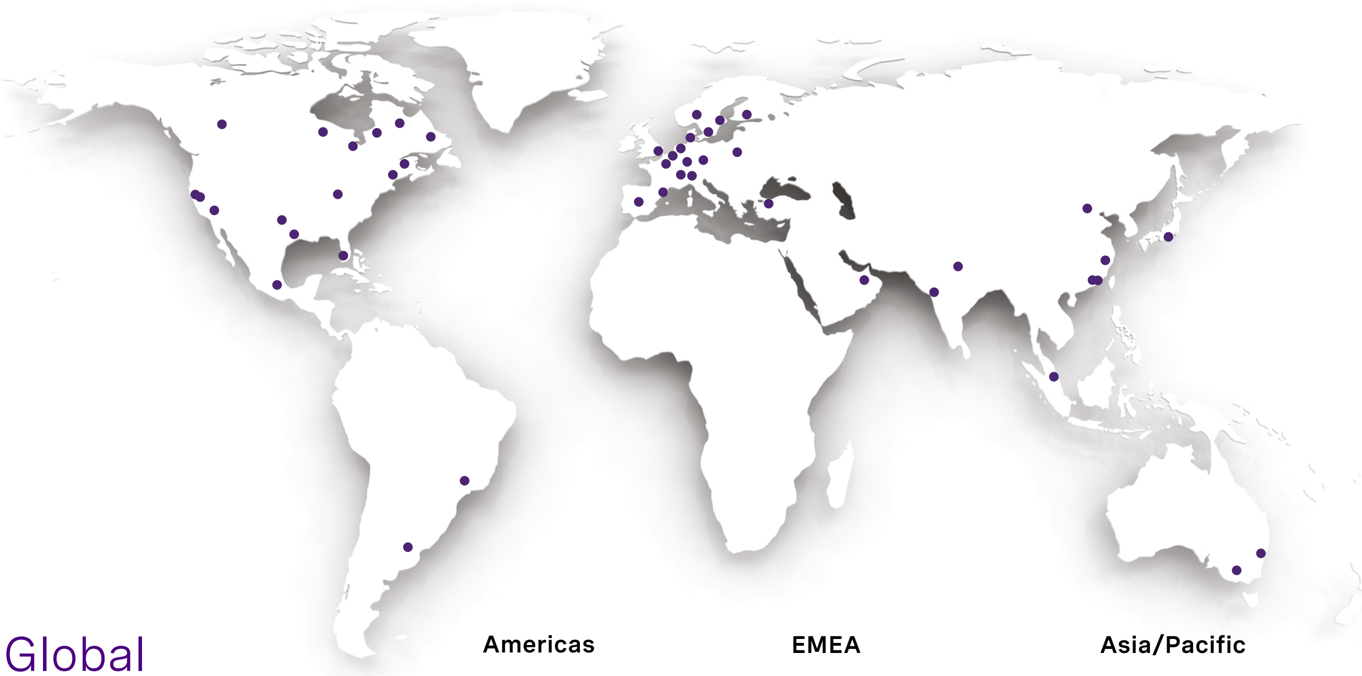

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