

Protecting Minority Investors in «Survey_Economy»

www.doingbusiness.org

Dear Contributor,

We would like to thank you for your participation in the *Doing Business* project. Your expertise in protecting minority investors in «Survey_Economy» is essential to the success of the *Doing Business* report, one of the flagship publications of the World Bank Group that benchmarks business regulations in 190 economies worldwide. The protecting minority investors indicator measures legal protections afforded to domestic shareholders in local companies and is one of the 11 indicator sets published by the *Doing Business* report.

The report attracts much attention around the world. The latest edition, *Doing Business 2019: Training for Reform*, was the 16th in a series of annual reports measuring the regulations that enhance business activity and those that constrain it. It received over 12,000 media citations within just a week of its publication on October 31, 2018. Within that same period the *Doing Business 2019* report was mentioned in online articles or social media posts over 120,000 times. One hundred and twenty-eight economies implemented a total of 314 reforms easing the process of doing business. Europe and Central Asia and Sub-Saharan Africa continue to be the regions with the highest share of economies reforming – i.e. 83%, followed by the Middle East and North Africa.

Governments worldwide read the report with interest every year, and your contribution makes it possible for the *Doing Business* project to disseminate the regulatory best practices that continue to inspire their regulatory reform efforts. In 2017/18, 23 economies implemented such reforms. Most increased disclosure requirements and expanded shareholders' role in company management.

We are honored to be able to count on you for *Doing Business 2020* to:

- Review the assumptions of the case study before updating last year's information in the questionnaire
- Describe in detail any reform that has affected the rights of minority shareholders since May 2, 2018
- Update your name and address if necessary
- Kindly return the questionnaire to protectinginvestors@worldbank.org

We thank you again for your invaluable contribution to the work of the World Bank Group.

Sincerely,



Hervé Kaddoura
+1 202-473-6738
hkaddoura@worldbank.org



Varun Eknath
+60 322-634-914
vekmath@worldbank.org



Tiziana Londero
+1 202-458-4425
tlondero@worldbank.org

Paperless Option for Complimentary Report and Certificate

New this year: the paperless option is selected by default to reduce our environment footprint. Your certificate and report will be sent via email. Please remove the [X] below if you prefer to receive print versions via postal mail.

Please e-mail me an electronic copy of the report and my certificate of appreciation.

Primary Contributor Information: Please check the box next to information you **do not** want us to **publish**.

Name				
Do not publish <input type="checkbox"/>	Title (Mr., Ms., Dr.)	«Title»	[]	[]
	First Name	«FirstName»	[]	[]
	Last Name	«LastName»	[]	[]
<i>Never Published</i>	Position	«Position»	[]	[]
	Profession	«Profession»	[]	[]
Contact details				
Do not publish <input type="checkbox"/>	Firm name	«CompanyName»	[]	[]
	Website	«Website»	[]	[]
Do not publish <input checked="" type="checkbox"/>	E-mail address	«EmailAddress»	[]	[]
Do not publish <input type="checkbox"/>	Phone	«PhoneNumber»	[]	[]
<i>Never published</i>	Mobile phone	«MobileNumber»	[]	[]
Do not publish <input type="checkbox"/>	Firm Address			
Street	«Street»	[]	[]	P.O. Box «POBOX» [] []
City	«City»	[]	[]	State/ Province «State» [] []
Zip/Postal code	«ZipPostalCode»	[]	[]	Country «Country» [] []

Additional Contributor(s): If there are more people whom you would like us to acknowledge, kindly send us an e-mail.

Name	Occupation	Email	Phone	Address
[title] [first name] [last name]	[firm] [position] [profession]	[] []	[phone] [mobile]	[street] [state/province] [city/country]
[title] [first name] [last name]	[firm] [position] [profession]	[] []	[phone] [mobile]	[street] [state/province] [city/country]
[title] [first name] [last name]	[firm] [position] [profession]	[] []	[phone] [mobile]	[street] [state/province] [city/country]

Reforms

Did or will any legal change enter into force between May 2, 2018 and May 1, 2019 (e.g. a new act, code, law, decree, order, supreme court decision, amendment, stock exchange listing rule) affecting the internal governance of corporations, the regulation of related-party transactions, disclosure obligations, liability of company executives or access to evidence in civil litigation? -Click to Select-

Name of the legislation	
Date of adoption	
Date of entry into force	
Link to electronic copy	
Description of the reform	

Research

Are there any requirements or guidelines covering the following for joint-stock companies listed on your country's largest stock exchange?	Yes/No	Applicable law / comment
Form a compensation committee	-Click	
Publish the dividend policy	-Click	
Develop a cybersecurity risk management program or strategy. If yes, who is entrusted with this function, (e.g. board of directors, audit committee, chief risk officer, chief technology officer, dedicated board committee)?	-Click	
Disclose Environmental, Social, and Governance (ESG) information in the annual or sustainability report	-Click	

What types of preferred shares can companies issue?	Yes	No	If yes, is there any limit on the preference? *
Shares with dividend preference	<input type="checkbox"/>	<input type="checkbox"/>	
- Cumulative preference shares	<input type="checkbox"/>	<input type="checkbox"/>	
- Non-cumulative preference shares	<input type="checkbox"/>	<input type="checkbox"/>	
- Participating preference shares	<input type="checkbox"/>	<input type="checkbox"/>	
- Non-participating preference shares	<input type="checkbox"/>	<input type="checkbox"/>	
- Guaranteed preference shares	<input type="checkbox"/>	<input type="checkbox"/>	
Shares with liquidation preference	<input type="checkbox"/>	<input type="checkbox"/>	
Shares with voting preference	<input type="checkbox"/>	<input type="checkbox"/>	
Preferred shares with the right of conversion to common shares at a predetermined rate	<input type="checkbox"/>	<input type="checkbox"/>	
Shares carrying any combination of preferences described above	<input type="checkbox"/>	<input type="checkbox"/>	

* e.g. companies can issue shares with voting preference, but these shares cannot carry more than two votes each, i.e. at most twice the voting power as common shares.

I. Conflict of interest case study

For the following questions, please assume that:

- **Buyer is a joint-stock company.** It is not state-owned and has issued stock that is publicly traded and **listed on your country's largest stock exchange**. If there is no stock exchange or if there are fewer than 10 firms actively traded on the stock exchange, please assume that Buyer is a joint-stock company with many shareholders.
- **Buyer does not follow** codes, guidelines, best practices, model charters unless they are mandatory, and has not adopted specific bylaws or articles of association that go **beyond the minimum requirements** of applicable law.
- **Mr. James owns 60% of Buyer. He sits on the 5-member board of directors** (or management board) together with 2 other directors whom he elected. He is neither CEO nor chairperson.
- **Mr. James also owns 90% of Seller**, which operates a chain of retail stores. Seller, facing financial difficulties, closed many stores and is no longer using many of its trucks.

- **Mr. James proposes** that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its products. Buyer agrees and enters into the transaction.
- **All required approvals are obtained and all mandatory disclosures are made.** Buyer pays Seller a cash amount equal to 10% of Buyer's assets to acquire the trucks.
- The transaction is part of Buyer's **ordinary course of business** and is not ultra vires (i.e. is not outside the power or authority of Buyer).
- Shareholders **subsequently discover that the price of the trucks was above market value.** The transaction therefore causes damages to Buyer. Shareholders of Buyer want to sue Mr. James as well as board members who voted in favor.

1. Who provides the final authorization before Buyer can acquire Seller's trucks? «DB_pi_ApprovalText»
-Click to Select-

Applicable Law: «DB_pi_ApprovalLaw»

2. Must an external independent entity review the terms of the proposed transaction before Buyer can acquire Seller's trucks (e.g. auditor, technical expert, financial advisor, stock exchange or regulator)? If yes, who performs the review? «DB_pi_ApprovalReviewBody»

Applicable Law: «DB_pi_ApprovalReviewLaw»

3. What information must Mr. James disclose to the board of directors before approving the transaction? «DB_pi_DisclosureInternalText» -Click to Select-

Applicable Law: «DB_pi_DisclosureIntLaw»

4. What must Buyer immediately disclose about the transaction to the public, the regulator or the stock exchange (within 72 hours of closing the transaction)?

	Last year	This year
A description of the assets purchased by Buyer	«DB_pi_DisclosureImmAssets»	-Click to Select-
The nature and amount of consideration paid by Buyer to Seller	«DB_pi_DisclosureImmConsideration»	-Click to Select-
Mr. James' ownership interest and/or director position in Buyer	«DB_pi_DisclosureImmOwnership»	-Click to Select-
The fact that Mr. James owns 90% of Seller	«DB_pi_DisclosureImmInterest»	-Click to Select-

Applicable Law: «DB_pi_DisclosureImmLaw»

5. What must Buyer disclose about the transaction in its annual financial statement?

	Last year	This year
A description of the assets purchased by Buyer	«DB_pi_DisclosurePerAssets»	-Click to Select-
The nature and amount of consideration paid by Buyer to Seller	«DB_pi_DisclosurePerConsideration»	-Click to Select-
Mr. James' ownership interest and/or director position in Buyer	«DB_pi_DisclosurePerOwnership»	-Click to Select-
The fact that Mr. James owns 90% of Seller	«DB_pi_DisclosurePerInterest»	-Click to Select-

Applicable Law: «DB_pi_DisclosurePerLaw»

6. Can shareholders representing 10% of Buyer's share capital sue Mr. James for the losses that the transaction caused to Buyer? «DB_pi_LiabilitySuitText» -Click to Select-

Applicable Law: «DB_pi_LiabilitySuitLaw»

7. Is evidence of unfairness, a conflict of interest or damages sufficient to hold Mr. James liable for the damage that the transaction causes to the company? «DB_pi_LiabilityDirectorText» -Click to Select-

Applicable Law: «DB_pi_LiabilityDirectorLaw»

8. Is evidence of unfairness, a conflict of interest or damages sufficient to hold the other board members for the damage that the transaction causes to the company? «DB_pi_LiabilityBoardText» -Click to Select-

Applicable Law: «DB_pi_LiabilityBoardLaw»

9. If shareholders are successful in their action against Mr. James, what remedies are available?

	Last year	This year
He pays damages	«DB_pi_RemediesDamagesWeb»	-Click to Select-
He repays personal profits made from the transaction	«DB_pi_RemediesProfitsWeb»	-Click to Select-
He is disqualified from serving in the management of any company for 1 year or more	«DB_pi_RemediesCriminalWeb»	-Click to Select-

Applicable Law: «DB_pi_RemediesLaw»

10. Is evidence of unfairness, a conflict of interest or damages sufficient to void/rescind the transaction? «DB_pi_RemediesRescissionWeb» -Click to Select-

Applicable Law: «DB_pi_RemediesRescissionLaw»

11. What is the standard of proof or level of certainty that courts must reach in order to hold defendants liable in a civil action brought by shareholders (e.g., beyond a reasonable doubt, clear and convincing evidence, intimate conviction, preponderance of the evidence, balance of probabilities)?

For a civil claim? «DB_pi_StandardProofCivil»

For a criminal claim? «DB_pi_StandardProofCriminal»

Applicable Law: «DB_pi_StandardProofLaw»

12. Before filing a suit, can shareholders representing 10% of Buyer's share capital obtain internal company documents such as minutes of board meetings, contracts and purchase agreements in connection with Buyer's acquisition of the trucks? «DB_pi_SuitInspectionText» -Click to Select-

Applicable Law: «DB_pi_SuitInspectionLaw»

13. In a civil trial, what is the scope of information that the plaintiff can ask the judge to compel?

From the defendant? «DB_pi_SuitDocDef» -Click to Select-

From an uncooperative witness? «DB_pi_SuitDocWit» -Click to Select-

Applicable Law: «DB_pi_SuitDocLaw»

14. What information must plaintiff include in its request to the judge to compel evidence from a defendant or witness in a civil trial? «DB_pi_SuitRequestText» -Click to Select-

Applicable Law: «DB_pi_SuitRequestLaw»

15. How is the process of questioning defendants and witnesses conducted in civil trials?

For defendants? «DB_pi_SuitExaDef» -Click to Select-

For witnesses? «DB_pi_SuitExaWit» -Click to Select-

Applicable Law: «DB_pi_SuitExaLaw»

16. Must the company or defendant reimburse legal expenses incurred by shareholders in their action against company directors? (e.g., court fees, attorney fees and related expenses) «DB_pi_SuitLegalExpenses»
-Click to Select-

Applicable Law: «DB_pi_SuitLegalExpensesLaw»

II. Listed companies

In the following questions, please assume that:

- **Buyer is a publicly traded listed corporation** or its functional equivalent in your country. It is not state-owned and has issued stock that is publicly traded and is listed on your country's largest stock exchange. Examples include the Joint Stock Company (JSC), Public Limited Company (PLC), C Corporation, Societas Europaea (SE), Aktiengesellschaft (AG) and Société Anonyme/Sociedad Anónima (SA).
- It has not adopted specific bylaws or articles of association that go beyond the minimum requirements of corporate law or securities regulations. It does not follow any code of corporate governance, model charter, or code of good practice, unless they are mandatory.
- **If there is no stock exchange or if there are fewer than 10 firms actively traded on the stock exchange, please assume that Buyer is a joint-stock company with a large number of shareholders.**
- If most companies follow a 1-tier board structure, please assume that "Buyer's board" refers to its board of directors.
- If most companies follow a 2-tier board structure, please assume that "Buyer's board" refers to its supervisory board.

	Last year	This year	Last year's applicable law	Applicable law
1. Does the sale of 51% of Buyer's assets require shareholder approval? (whether such sale occurred in a single transaction or several transactions taking place within 1 year from the date of the first transaction)	«DB_pi_SRMajorSale»	-Click	«DB_pi_SRMajorSaleLaw»	
2. Can shareholders who hold 10% of Buyer's share capital call for an extraordinary meeting?	«DB_pi_SRExtraordinaryMeeting»	-Click	«DB_pi_SRExtraordinaryMeetingLaw»	
3. Must shareholders approve the issuance of new shares and how long is this authorization valid for? (alternatively, must Buyer obtain shareholder approval to issue unissued shares up to its authorized share capital?)	«DB_pi_SRIssuanceApproval»	-Click	«DB_pi_SRIssuanceApprovalLaw»	
4. Do shareholders have preemption rights (priority or first refusal) on new shares that cannot be waived by a	«DB_pi_SRP»	-Click	«DB_pi_SRP»	

simple majority vote?	ree mpti on»			
5. Must shareholders approve the election and dismissal of the external auditor?	«DB _pi_ SRE xter nalA udit or»	-Click	«DB_pi_SRExternalAuditorLaw»	
6. Can the majority vote of holders of the affected shares prevent changes to the rights of their class of shares?	«DB _pi_ SRS hare Clas ses »	-Click	«DB_pi_SRShareClassesLaw»	
7. Is the CEO (e.g. chief executive, managing director) forbidden from also being chairperson (or president) of Buyer's board?	«DB _pi_ OC Chai rCE O»	-Click	«DB_pi_OCChairCEOLaw»	
8. Must Buyer's board include independent and non-executive board members? (i.e. no personal or financial interest and not in a managerial position)	«DB _pi_ OCI nde pen dent Boa rd»	-Click	«DB_pi_OCIIndependentBoardLaw»	
9. Can shareholders remove members of Buyer's board without cause before the end of their term? (or is their term limited to 1-year)	«DB _pi_ OC Boa rdR emo val»	-Click	«DB_pi_OCBoardRemovalLaw»	
10. Must Buyer have a separate audit committee? (a subcommittee of Buyer's board, composed exclusively of board members)	«DB _pi_ OC Audi tCo mmi tee »	-Click	«DB_pi_OCAuditCommitteeLaw»	
11. Is there a percentage of acquired shares which triggers a mandatory bid rule, requiring a potential acquirer to make a tender offer to all remaining shareholders?	«DB _pi_ OC Bid Rule »	-Click	«DB_pi_OCBidRuleLaw»	
12. Must Buyer distribute profits or pay dividends within a set maximum time period from the declaration date?	«DB _pi_ OC Divi den	-Click	«DB_pi_OCDividendsLaw»	

	ds»			
13. Is a subsidiary prohibited from acquiring shares issued by its parent company? If not, must the subsidiary dispose of the shares within a year and cannot exercise any voting rights?	«DB_pi_OCSubsidiary»	-Click	«DB_pi_OCSubsidiaryLaw»	
14. Must Buyer disclose ultimate beneficial ownership stakes representing 5%? (i.e. direct and/or indirect)	«DB_pi_CTDiscOwnership»	-Click	«DB_pi_CTDiscOwnershipLaw»	
15. Must Buyer disclose information on other activities and directorships held by board members, including on their primary employment?	«DB_pi_CTIInfoBoard»	-Click	«DB_pi_CTIInfoBoardLaw»	
16. Must Buyer disclose on an individual basis the compensation of directors and high-ranking officers, including bonuses and incentive schemes?	«DB_pi_CTCCompensation»	-Click	«DB_pi_CTCCompensationLaw»	
17. Must Buyer publish the notice of its shareholder meeting at least 21 calendar days in advance and include information and deadlines on participating and exercising voting rights remotely? (e.g. by proxy, by mail or electronically)	«DB_pi_CTMeeingNotice»	-Click	«DB_pi_CTMeeingNoticeLaw»	
18. Can shareholders who hold 5% of Buyer's share capital add items on the agenda prior to the general meeting?	«DB_pi_CTAgen dalt em»	-Click	«DB_pi_CTAgen dalt emLaw»	
19. Must a certified external accountant audit Buyer's annual financial statements?	«DB_pi_CTAuditi ng»	-Click	«DB_pi_CTAuditi ngLaw»	
20. Must Buyer disclose its audit reports to the public?	«DB_pi_CTAudit Disc losu re»	-Click	«DB_pi_CTAudit Disc losu reLaw»	

III. Private limited companies

In the following questions, please assume that Buyer Co. ("**Buyer**") is a manufacturing company. It is incorporated as a **private limited company** or its functional equivalent in your country. Its shares cannot be listed on a stock exchange.

Examples include the Private Limited Company (Ltd), Limited Liability Company (LLC), Sociedad de Responsabilidad Limitada (SRL), Gesellschaft mit beschränkter Haftung (GmbH) and Société à responsabilité limitée (SARL).

	Last year	This year	Last year's applicable law	Applicable law
1. Do all members have the right to inspect and copy any record maintained by the company regarding the company's activities, financial condition, and other circumstances that are relevant to their rights and duties?	«DB_pi_CTIInspectCopyLLC»	-Click	«DB_pi_CTIInspectCopyLLC»	
2. Does the sale of 51% of Buyer's assets require the consent of the majority of its members? (whether such sale occurred in a single transaction or several transactions taking place within 1 year from the date of the first transaction)	«DB_pi_SRMajorSaleLLC»	-Click	«DB_pi_SRMajorSaleLLC»	
3. Can members who represent 10% of Buyer's share capital call for a meeting?	«DB_pi_SRCallMeetingLLC»	-Click	«DB_pi_SRCallMeetingLLC»	
4. Must all or almost all members of Buyer consent to add a new member?	«DB_pi_SRAAddMemberLLC»	-Click	«DB_pi_SRAAddMemberLLC»	
5. Must a member of Buyer first offer to sell his or her interest to the existing members before selling to a non-member?	«DB_pi_SRPreeptionLLC»	-Click	«DB_pi_SRPreeptionLLC»	
6. Must Buyer have a mechanism to resolve fundamental disagreements between members that prevent the company from operating? (e.g. stake repurchase, forced buyback, squeeze out.)	«DB_pi_OCDeadlockLLC»	-Click	«DB_pi_OCDeadlockLLC»	
7. Must a new member who acquires 50% of Buyer make a purchase offer to all remaining members?	«DB_pi_OCBidRuleLLC»	-Click	«DB_pi_OCBidRuleLLC»	
8. Must Buyer distribute profits or pay dividends at the latest one year	«DB_pi_OCDividendsLLC»	-Click	«DB_pi_OCDividendsLLC»	

from the declaration date?	OC Divi den dsL LC»			
9. Must members of Buyer meet every year?	«DB _pi_ CTA nnu alM eeti ngL LC»	-Click	«DB_pi_CTAnnualMeetingLLCLaw»	
10. Can members who hold a 5% stake in Buyer propose resolutions and add items to the agenda of meetings?	«DB _pi_ CTA gen dalt emL LC»	-Click	«DB_pi_CTAgendaItemLLCLaw»	
11. Must annual financial statements of Buyer be audited by an external auditor? Please specify if this only applies to certain companies based on their size, turnover or assets, etc.	«DB _pi_ CTA uditi ngL LC»	-Click	«DB_pi_CTAuditingLLCLaw»	

Thank you for completing the questionnaire.

We sincerely appreciate your contribution to the *Doing Business* project.