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European Bank
for Reconstruction and Development

Corporate Governance in Transition Economies

Belarus Country Report

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Prepared by:
Gian Piero Cigna
Pavle Djuric
Yaryna Kobel
Alina Sigheartau

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If you believe that the information has changed or is incorrect, please contact Gian Piero Cigna at cignag@ebrd.com

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This Report – along with all other country reports prepared within this initiative – is available at: http://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/sector-assessment.html

Foreword

As part of its Legal Transition Programme, the European Bank for Reconstruction and Development ("EBRD") has been assessing the state of legal transition in its countries of operations. These assessments provide an analysis of the progress of reform and identify gaps and future reform needs, as well as strengths and opportunities.

In 2012, the Legal Transition Team within the EBRD Office of the General Counsel (LTT) developed with the Assistance of Nestor Advisors a methodology for assessing corporate governance frameworks and the governance practices in the EBRD countries of operations. This assessment was implemented in 2014-2015 (the "Assessment").

The Assessment aims at measuring the state of play (status, gaps between local laws/regulations and international standards, effectiveness of implementation) in the area of corporate governance

The Assessment is meant to provide for (i) a comparative analysis of both the quality and effectiveness of national corporate governance legislation (including voluntary codes); (ii) a basis to assess key corporate governance practices of companies against the national legislation; (iii) an understanding whether the legal framework is coupled with proper enforcement mechanisms (e.g., sanctions) and/or with authorities able to ensure proper implementation; (iv) a support to highlight which are the major weaknesses that should be tackled by companies and legislators for improving the national corporate governance framework; and (v) a tool which will enable the EBRD to establish "reference points" enabling comparison across countries.

This country report is part of a series of 34 country reports. A general report synthesising all countries will close the Assessment.

Methodology

This Assessment is based on a methodology designed to measure the quality of legislation in relation to best practices requirements and the effectiveness of its implementation as evidenced by companies' disclosure, also taking into consideration the capacity of the institutional framework (e.g., courts, regulators) to sustain quality governance. The analytical grid developed for assessing the governance framework is based on international recognised best-practice benchmarks (e.g., OECD Corporate Governance Principles, Development Financial Institutions, EBRD, IFC and World Bank ROSC governance methodologies). The methodology is applied identically across all the countries reviewed. The process for gathering, analysing and reporting information is applied identically for each of the countries assessed, which allows comparing countries to each other across a long a set of benchmarking points.

For the purpose of the Assessment, the corporate governance framework and the practices were divided in five key areas: (i) Structure and Functioning of the Board; (ii) Transparency and Disclosure of company information; (iii) Internal Control; (iv) Rights of Shareholders; and (v) Stakeholders and Institutions. Each of these key areas is further divided in sections (for instance, the area "Structure and Functioning of the Board" is divided in five sections: Board composition; Gender diversity at the board; Independent directors; Board effectiveness; and Responsibilities of the board). Each section is further divided in subsections (for instance, the section "Independent Directors" is divided in three subsections: "Requirement to have independent directors"; "Definition of Independence"; and "Disclosed practices").

The assessment started by sending a questionnaire to law firms, audit firms, national regulator(s), ten largest (listed) companies, and stock exchange(s) in each country. Questions were different according to the respondents, which were asked to provide information on the legislation and on how they believe the legislation is implemented.

Responses were assigned to the corresponding subsection(s) and validated by the EBRD corporate governance specialists by looking at the applicable framework and at the disclosure offered by the ten largest (listed) companies in each country. In this respect, the working hypothesis was that the ten largest listed companies are those offering the best disclosure in each country. As such, we presumed that when certain practices were not disclosed by them, they were unlikely to be disclosed by smaller or unlisted companies. The ten largest companies were identified according to their market capitalisation. When a country did not have a stock exchange, there were less than ten listed issuers or there were no data on capitalisation of issuers, the ten largest companies were identified according to their revenues and size of the labour force. In case the largest companies were mostly of one sector (e.g., financial institutions), then the sample of ten companies was corrected to reflect other sectors of the economy.

The validation of responses was undertaken by the corporate governance specialists within the EBRD Legal Transition Team through desktop research. This research was conducted both on legislation and on the practices disclosed by the largest (listed) companies (e.g., companies' websites, annual reports, stock exchanges database etc.). In addition, the relevant reports by international financial institutions (e.g., IMF, World Bank, IFC, Transparency International, etc.) were analysed and taken into consideration. Answers received by respondents that were not grounded by specific references to legislation or consistent with the disclosed practices were not taken into consideration.

Following the validation process, each subsection was compiled by adding specific references to legislation and practices. Conclusions were then formulated for each subsection, each rated as per their adherence to international governance standards. The score ranges from 1 (very weak) to 5 (strong). The rating for each section was then calculated by averaging the ratings of the subsections.

Because understanding corporate governance requires a "holistic perspective", where each component needs to have a place in the overall picture – pretty much like a puzzle - in case one of the subsection was rated "weak" or "very weak", the resulting average was decreased by 0.2; in case more than one subsection was rated “weak” or “very weak”, the resulting average was decreased by 0.5. This is because if just one component is not fitting well with the others, then all others are weakened. Similarly, the overall strength diminishes if there are more weak components.

Conversely, in order for the framework to be strong, all components need to be well fitting with each other. Hence, in case all subsections were scored “moderately strong” or “strong”, then the resulting average was increased by 0.5. However, this “positive” adjustment was used with some care as the assessment looked at the top ten largest companies in the country, hence findings tended to be often overly optimistic.

Key areas were then rated according to the same criteria.

The ratings are presented through the colours detailed in the box below and they demonstrate the adequacy or need of reform in respect to each governance area and section.

Ratings:

“Strong to very strong” (DARK GREEN) - The corporate governance framework / related practices of companies are fit-for-purpose and consistent with best practice.

“Moderately strong” (LIGHT GREEN) - Most of the corporate governance framework / related practices of companies are fit-for-purpose but further reform is needed on some aspects.

“Fair” (YELLOW) - The corporate governance framework / related practices of companies present some elements of good practice, but there are a few critical issues suggesting that overall the system should be assessed with a view of reform.

“Weak” (ORANGE) - The corporate governance framework / related practices of companies may present few elements of good practice, but overall the system is in need of reform.

“Very weak” (RED) - The corporate governance framework / related practices of companies present significant risks and the system is in need of significant reform.

We believe corporate governance cannot be captured and measured simply by numerical values. Hence, alongside the “quantitative” assessment obtained according to the methodology described above, a “qualitative” assessment was also undertaken, by classifying our findings for each section as “strengths” and “weaknesses”. Because understanding corporate governance requires a “holistic perspective”, when the “quantitative” assessment was finalised, the assessment team compared it with the “qualitative” assessment, and when any inconsistency (i.e. material weaknesses or strengths) was noticed, the average scores of the sections were adjusted by up to ±0.5.

A preliminary version of the Assessment was made public for consultation. The comments and corrections received during the process were analysed by the corporate governance specialists. When confirmed, the corrections were reflected in the final ratings and in this Assessment.

Overview

Legislative framework

The corporate governance framework in Belarus is essentially regulated by the Law on Companies, the Law on Accounting and Financial Reporting, the Law on Law on Auditing Activity; and - for banks - the Regulation on Organization of Corporate Governance in Banks, Non-Banking Credit Organisations and the Regulation on the Activities' Disclosure of Banks, Non-Banking Credit and Financial Institutions, Banking Groups and Banking Holdings. A Set of Rules on Corporate Governance (i.e., the Belarusian Corporate Governance Code) was approved in 2007. The Rules are voluntary and recommend companies to develop their own corporate governance code.

Structure and functioning of the board

Joint stock companies have the option to be organised under a one-tier system (i.e., if executives are allowed to sit at the board) or two-tier system (i.e., with separation of executives and non-executives in two different bodies). The legal framework does not provide any requirement on the qualification of board members. By law, the size of the board is determined by the number of company's shareholders, and no reference is given to the necessary mix of skills that the board should have. Only banks – among the ten largest listed companies – appear to disclose the size of their board but not the qualification of their members, which makes it impossible for shareholders and investors to understand if the board is qualified and fit for purpose.

The law also misses to assign some of the key functions and responsibilities to the board. Further, the general shareholders' meeting is in charge of appointing executives, which leaves the board deprived of one of its key functions. The presence of independent directors is required only in banks and only the three banks among the ten largest companies disclosed having (a minority of) independent members on their boards. However, the ground upon which the directors are considered independent is not always clear. There are two definitions of "independence": one in the banking regulation and one in the Corporate Governance Code. Only the definition included in the Code appears to be quite comprehensive and also includes some "positive criteria" (i.e., what it is expected in practice from independent directors). Gender diversity at the board appears to be very limited, among the lowest in the EBRD region. There is no practice of board evaluation and boards are not generally supported by a corporate secretary.

Transparency and Disclosure

Both financial and non-financial disclosure appears limited. There is a clear gap between the quality of disclosure offered by banks and other (listed) companies. However, in both cases, non-financial information disclosure is far from any acceptable standard.

Disclosure of financial information has reached an acceptable standard only in banks and only banks disclose information on their external auditors. Provision of non-auditing services by the external auditors is allowed and it does not appear to be monitored. In practice, no company discloses if they receive non-auditing services from their external auditor. This can undermine its independence.

Internal Control

Only banks are required to have an internal control framework in place. However, because of the limited disclosure, even in banks it is difficult to understand if the law requirements are well implemented in practice.

All companies are required to appoint a "control commission" or an "inspector", but there is no evidence that this body is adding value. Only banks are required to have an audit committee however, the banking legislation only requires that the audit committee is chaired by an independent director and that the head of the internal audit is a committee member. The latter requirement is not in line with best practices and poses the head of the internal audit in a conflict of interest position as he is to review his own work. There are no qualification requirements for audit committee members. None of the banks that declare have an audit committee disclose its composition or the qualifications of its members. It is also not clear if executives are allowed to sit on committees. If this is possible, it is a major weakness.

In addition, the internal audit is required to report to the "head of the bank" only and not to the audit committee. This is not in line with best practices. Further, the fact that the board is in charge for appointing the external auditor, the possibility for the external auditor to provide non auditing services, the lack of requirement for rotation and the extremely limited disclosure on these matters, raises some doubts about the independence of the external audit.

The definition of related party transactions and approval procedure appears to be quite detailed in the law, however there is no evidence that the legislation is well implemented. Disclosure on related party transactions is limited.

Rights of Shareholders

By law, shareholders enjoy a number of rights, including, the right to be informed, attend, actively participate at the general shareholders' meeting and even appoint a representative at the board through cumulative voting (in case of more than 1,000 shareholders). However, there is no evidence that the law is well implemented.

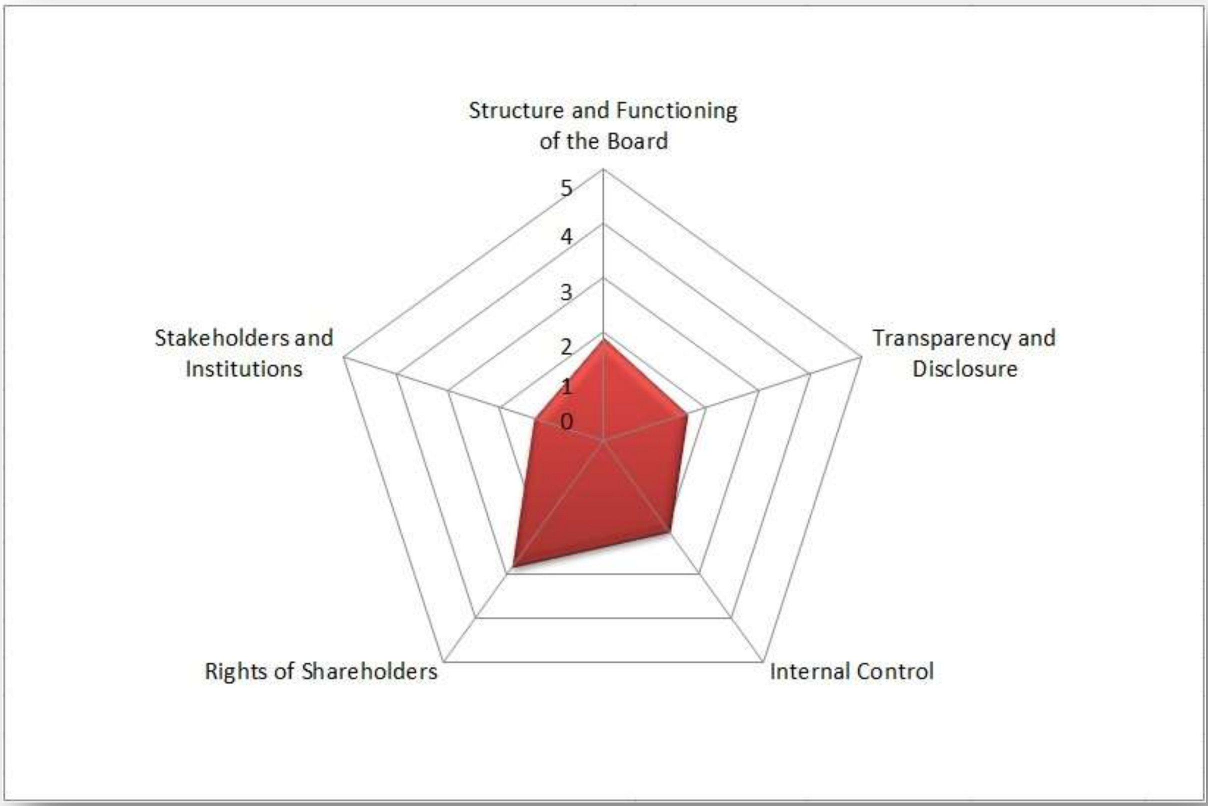
Related party transactions and self-dealing are regulated by law, but again there is no evidence of implementation. Further, the limited presence of independent directors at the board raises doubts about the objectivity of related party transactions' approval process. Insider trading is prohibited but there is little – or no – evidence of enforcement. Shareholding registration is to be maintained by a registrar, however it is not entirely clear if this ensures proper, independent and timely shareholding registration. Shareholders agreements are not regulated and it is not clear if they are enforceable.

Stakeholders and Institutions

It appears that there are very few institutions in the country promoting good corporate governance. The stock exchange is illiquid and neither the exchange nor the regulator seems to have an active role in promoting good governance practices.

The Set of Rules on Corporate Governance (i.e., the Corporate Governance Code) were enacted to provide some best practices reference to companies, however they do not seem to be taken as a reference. There are inconsistencies in the law and some key corporate governance issues are not regulated. Listed companies do not seem to pay much attention to requests by stakeholders and international organisations indicators show a framework where corruption is still perceived as a critical problem.

Corporate Governance Legislation and Practices in Belarus



Source: EBRD, Corporate Governance Assessment 2016

Note: The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the 'web', the closer the corporate governance legislation and practices of the country approximates best practices.

Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5

Key Areas and Rating	Strengths and Weaknesses
1. Structure and Functioning of the Board *Weak*	*Joint stock companies have the option to be organised under a one-tier system (i.e., if executives are allowed to sit at the board) or two-tier system (i.e., with separation of executives and non-executives in two different bodies).* *The legal framework does not provide any requirements on the qualification of board members. By law, the size of the board is determined by the number of company's shareholders, and no reference is given to the necessary mix of skills that the board should have.* *Only banks – among the ten largest listed companies – appear to disclose the size of their board but not the qualification of their members, which makes it impossible for shareholders and investors to understand if the board is qualified and fit for purpose.* *The law also misses to assign some of the key functions and responsibilities to the board, and there is no evidence that board composition is fit for purpose. Further, the general shareholders' meeting is in charge of appointing executives, which leaves the board deprived of one of its key functions.* *The presence of independent directors is required only in banks and only the three banks among the ten largest companies disclosed having (a minority of) independent members on their boards. However, the ground upon which the directors are considered independent is not always clear. There are two definitions of "independence": one in the banking regulation and one in the Corporate Governance Code. Only the definition included in the Code appears to be quite comprehensive and also includes some "positive criteria" (i.e., what it is expected in practice from independent directors).* *Gender diversity at the board appears to be very limited, among the lowest in the EBRD region.* *There is no practice of board evaluation and boards are not generally supported by a corporate secretary.*
1.1. Board Composition *Weak*	***Strengths:*** • *It appears that legal entities cannot serve as board members.* • *In banks, the framework provides for some (limited) qualification and independence requirements for board members. In companies, the Corporate Governance Code provides for some recommendations in this respect.* • *Only banks are required to establish an audit committee, chaired by an independent director. Two out of the three banks among the ten largest companies disclose having established one. However, none of them disclose the committee's composition.* ***Weaknesses:*** • *By law, the size of the board is determined by the number of company's shareholders. No reference is given to the necessary mix of skills that the board should have.* • *Only the three banks among the ten largest companies disclose the composition of their boards. It appears that they have between 10 and 15 members (with an average of 12 members). Evidence has shown that smaller boards tend to perform better.* • *Only the three banks – among the ten largest listed companies – disclose having independent directors on their board (in line with the law requirements). In two cases they represent 1/5 of the board and in one case less than 1/7 of the board. The ground upon which they are considered independent is not clear. It is not clear if these independent directors also sit in committees. The other companies do not disclose this information.* • *The right to appoint and dismiss executives stays with the general shareholders' meeting (unless differently provided by the charter). This greatly diminishes the authority of the board in its oversight over management.* • *No company discloses the qualifications of board members, which makes it impossible for shareholders and investors to understand if the board is qualified and fit for purpose.* • *It is not clear if executives are allowed to sit on committees. If this is possible, it is a major weakness.*
1.2. Gender Diversity at the Board (3.3%) *Very Weak*	• *Only three among the ten largest companies disclose the board composition.* • *There is only one woman in the three companies that disclosed this information (average in this board: 10%)* • *In total, there is only one woman out of 35 board members, with an average of 3.3%.*

Key Areas and Rating	Strengths and Weaknesses
1.3. Independent Directors *Fair*	***Strengths:*** • *Banks are required to have at least two independent directors on their boards. The three banks among the ten largest listed companies disclose that they comply with this requirement.* • *The Corporate Governance Code recommends companies to have at least one quarter of the board made of independent directors.* • *There are two definitions of independence: one in the banking regulation and one in the Corporate Governance Code. The definition included in the Code appears to be quite comprehensive and also includes some "positive criteria" (i.e., what it is expected in practice from independent directors).* ***Weaknesses:*** • *Albeit the Corporate Governance Code recommends companies to have independent directors, there is no evidence of the Code's implementation- apart from the three banks no other company disclosed having independent directors - we are afraid its good recommendations remain on paper.* • *The banking framework provides for some general qualification and integrity requirements for independent directors and for some guidance on their role, however there is no clear definition of independence.*
1.4. Board Effectiveness *Very Weak*	***Weaknesses:*** • *By law, companies' boards do not have the authority to approve the company's strategy, risk profile/appetite and to appoint executives. In banks, the legislation is more precise.* • *There is no practice of board evaluation.* • *No company disclose having a corporate secretary in place.* • *Disclosure on board and committees' activities and meetings is extremely limited. This does not allow to understand if the board and committees are playing a strategic role in the company.*
1.5. Responsibilities of the Board *Weak*	***Strengths:*** • *The Law on Companies provides for joint liability of board members and requires directors to act reasonably and in good faith in the best interests of the company, however there is no case law on the matter.* ***Weaknesses:*** • *The board seems to lack some of its key functions, and the concept of fiduciary duties does not seem to be well implemented.* • *The law regulates conflicts of interest situations and requires board members to abstain from the decision making process when they are conflicted. However, the limited presence of independent directors and the lack of any evidence of enforcement raise some doubts about the practice in place.*

Key Areas and Rating	Strengths and Weaknesses
2. Transparency and Disclosure *Weak/Very Weak*	*Both financial and non-financial disclosure is limited.* *There is a clear gap between the quality of disclosure offered by banks and other (listed) companies. However, in both cases, non-financial information disclosure is far from any acceptable standard.* *Disclosure of financial information has reached an acceptable standard only in banks and only banks disclose information on their external auditors.* *Provision of non-auditing services by the external auditors is allowed and it does not appear to be monitored. In practice, no company discloses if they receive non-auditing services from their external auditor. This can undermine its independence.*
2.1. Non-Financial Information Disclosure *Weak/Very Weak*	***Strengths:*** • *Banks - and only banks - are required to post their articles on the websites. This requirement seems to be well implemented.* ***Weaknesses:*** • *Only the three banks among the ten largest listed companies disclose some information about their strategies.* • *The law requires open companies and banks to prepare and disclose their annual reports, but sanctions are very low and there is no evidence of enforcement. In practice, it appears that only the three banks among the ten largest listed companies disclosed their annual reports online. In any event, non-financial information in these reports is very limited.* • *On average, information disclosed on the websites of the ten largest listed companies is incomplete and difficult to find.* • *There is no requirement for companies to disclose their compliance with the Corporate Governance Code. In practice, no company does it.* • *Only banks appear to disclose the names of their board members, also indicating who the independent directors are. In any event, disclosure on qualification of board and committees' members, meetings and activities of the board and committees is extremely limited.* • *Companies are required to disclose the names of their major shareholders, but only a minority of the ten largest listed companies does it in practice.* • *None of the ten largest listed companies appear to disclose transactions in company's shares by executives or board members.*
2.2. Financial Information Disclosure *Weak*	***Strengths:*** • *Open companies (i.e., with more than 50 shareholders) are required to prepare and publish annual reports including – among others - accounting balance-sheet and profit and loss report.* • *Only banks are required prepare financial statements in line with the IFRS and the three banks among the ten largest listed companies comply with this requirement.* ***Weaknesses:*** • *Apart from banks, no other company appears to disclose financial information.*
2.3. Reporting to the Market and to Shareholders *Very Weak*	***Weaknesses:*** • *Listed companies are required to disclose price sensitive information, however we could not find any evidence of this disclosure.* • *There is no specific requirement to disclose the minutes of the general shareholders' meeting (GSM), although there is a requirement that annual reports should include information on the GSM. In practice, none of the ten largest companies disclosed the minutes of the GSM.* • *Only banks appear to disclose their annual reports on their websites. In any event, corporate governance related disclosure is very limited.* • *Financial and non-financial information disclosed by companies is very limited. Sanctions for breach of disclosure are very low, and enforcement seems to be very limited.*
2.4. Disclosure on the External Audit *Weak/Very Weak*	***Weaknesses:*** • *Open companies and banks are required to have an external auditor and to disclose their names, but it appears that only banks comply with this requirement.* • *The law requires the external auditor to be independent, however it is not clear who should run the "independence test".* • *The board – and not the general shareholders' meeting - has the authority to appoint the auditor. As the auditor is primarily accountable to shareholders, this is major shortcoming.* • *The provision of non-auditing services by the external auditor does not seem to be restricted. No company discloses if they receive non-auditing services from their auditors.*

Key Areas and Rating	*Strengths and Weaknesses*
3. Internal Control *Weak*	*Only banks are required to have an internal control framework in place. However, because of the limited disclosure, even in banks it is difficult to understand if the law requirements are well implemented in practice.* *All companies are required to appoint a "control commission" or an "inspector", but there is no evidence that this body is adding any value. Only banks are required to have an audit committee however, the banking legislation only requires that the audit committee is chaired by an independent director and that the head of the internal audit is a committee member. The latter requirement is not in line with best practices and poses the head of the internal audit in a conflict of interest position as he is to review his own work. There are no qualification requirements for audit committee members. None of the banks that declare having an audit committee disclose its composition or the qualifications of its members. It is also not clear if executives are allowed to sit on committees. If this is possible, it is a major weakness.* *In addition, the internal audit is required to report to the "head of the bank" only and not to the audit committee. This is not in line with best practices. Further, the fact that the board is in charge for appointing the external auditor, the possibility for the external auditor to provide non-auditing services, the lack of requirement for rotation and the extremely limited disclosure on these matters, raises some concerns about the independence of the external audit.* *The definition of related party transactions and approval procedure appears to be quite detailed in the law, however there is no evidence that the legislation is well implemented. Disclosure on related party transactions is limited.*
3.1. Quality of the Internal Control Framework *Weak*	***Weaknesses:*** • *Banks are required and companies are recommended to create an internal audit function. Only two banks among the ten largest listed companies disclose having established an internal audit department.* • *There is no requirement for banks to have a standalone compliance function.* • *Banks are required to have an audit committee chaired by an independent director; however it is not clear what the composition of the committee should be. In particular, the fact that the head of the internal audit function should be on the audit committee is not in line with best practices and causes a conflict of interest.* • *Companies are required to establish a "control commission" appointed by and reporting to the general shareholders meeting. Board members cannot be members of this commission. The functions of the control commission are regulated by law, but no company discloses its activities and reports, hence it is not possible to understand if it adds any value.* • *There is no whistleblowing legislation in place.*
3.2. Quality of Internal and External Audit *Weak*	***Weaknesses:*** • *As banks are required to establish an audit committee, it is not clear why the head of the internal audit should report to the "head of the bank" and not to the audit committee.* • *The head of the internal audit should not be a member of the audit committee; this causes a conflict of interest as he is to review his own work.* • *The fact that the board is in charge for appointing the external auditor, the possibility for the external auditor to freely provide non auditing services, the lack of requirement for rotation and the extremely limited disclosure on these matters, raises some concerns about the independence of the external audit.*
3.3. Functioning and Independence of the Audit Committee *Very Weak*	***Weaknesses:*** • *Banks are required to have an audit committee chaired by independent directors, but there is no requirement that committee members should be qualified for the specific work of committees. Further, it is not clear who the other committee's members should be. In particular it is not clear if executives are allowed to sit on the audit committee. If this is possible, it is a major weakness.* • *As mentioned above, the banking framework requires the head of internal audit to be a member of the audit committee, but the two roles are different. We are not sure this is appropriate.* • *None of the ten largest companies disclosed the number of audit committee's activities or meetings. Hence it is not possible to understand if it plays a strategic role.*
3.4. Control over Related Party Transactions and Conflict of Interest *Weak*	***Weaknesses:*** • *The law requires independent directors to vote on related party transactions – which is good;- however it is not clear what the conditions to be considered independent are. Further, only the three banks from our sample appear to have independent directors on their boards.* • *The definition of related party transaction expressly excludes shareholders with less than 20% of the shares and state entities. This raises a few doubts.* • *Related party transactions should be disclosed, but disclosure is generally incomplete.* • *We have found no evidence of enforcement over these matters.*

Key Areas and Rating	Strengths and Weaknesses
4. Rights of Shareholders *Fair*	*By law, shareholders enjoy a number of rights, including the right to be informed, attend, actively participate at the general shareholders meeting and even appoint a representative at the board through cumulative voting (in case of more than 1,000 shareholders). However, there is no evidence that the law is well implemented.* *Related party transactions and self-dealing are regulated by law, but again there is no evidence of implementation. Further, the limited presence of independent directors at the board raises doubts about the objectivity of related party transactions' approval process.* *Insider trading is prohibited but there is little – or no – evidence of enforcement.* *Shareholding registration is to be maintained by a registrar, however it is not entirely clear if this ensures proper, independent and timely shareholding registration. Shareholders' agreements are not regulated and it is not clear if they are enforceable.*
4.1. General Shareholders' Meeting (GSM) *Fair*	***Strengths:*** • *Shareholders owning at least 10% of the company's shares can call a general shareholders' meeting (GSM).* • *The notice of the GSM must be sent to shareholders at least 30 days before the meeting. However, the term can be shortened by the statute. This should be carefully considered as it can impede shareholders to attend the general meeting.* • *Shareholders owning 2 % of the company shares can propose items to GSM agenda and nominate candidate to the board.* • *One-share-one vote principle applies.* ***Weaknesses:*** • *Cumulative voting is mandatory only for companies with more than 1,000 shareholders. In all other cases, it should be provided by the statute.* • *It is not clear whether shareholders can submit questions in advance and/or ask them at the GSM.*
4.2. Protection against Insider Trading and Self-dealing *Fair/Weak*	***Strengths:*** • *Insider trading is regulated by law and prohibited.* ***Weaknesses:*** • *There is little evidence that insider trading is well enforced in practice.* • *Regulation on self-dealing is limited. The law requires related party transactions to be approved by the board or by the GSM but there is no requirement to have an independent appraisal to establish if the transaction is undertaken in fair/market terms. Disclosure on this matter is limited.*
4.3. Minority Shareholders Protection and Shareholders' Access to Information *Fair/Weak*	***Strengths:*** • *The law provides for pre-emptive rights in cases of capital increase.* • *Major corporate changes require a three-quarter majority at the GSM (the blocking minority shareholding for major corporate changes is 25%+1).* ***Weaknesses:*** • *As mentioned above, the law requires companies and banks to publish their annual reports but only banks seem to comply with this requirement.* • *Derivative suits are possible only upon a three-quarter majority vote at the GSM. Given this high quorum requirement, it is no surprise that this avenue is not commonly used.*
4.4. Registration of Shareholdings *Weak*	***Weaknesses:*** • *Shareholders' agreements are not regulated. It is not clear if they are considered enforceable as there is no consolidated case law on the matter.* • *Registration of shareholding by a registry is required by law. However, it seems the law is vague on the registry's independence requirements.* • *Significant shareholding variations must be notified to the regulator and the exchange. However, there is only a very low administrate fine in case of breach of this requirement and we could not find any evidence on enforcement.*

Key Areas and Rating	Strengths and Weaknesses
5. Stakeholders and Institutions *Weak*	*It appears that there are very few institutions in the country promoting good corporate governance. The stock exchange is illiquid and neither the exchange nor the regulator seems to have an active role in promoting good governance practices.* *The Set of Rules on Corporate Governance (i.e., the Corporate Governance Code) were enacted to provide some best practices reference to companies, however they do not seem to be taken as a reference.* *There are inconsistencies in the law and some key corporate governance issues are not regulated.* *Listed companies do not seem to pay much attention to requests by stakeholders and international organisations indicators show a framework where corruption is still perceived as a critical problem.*
5.1. Corporate Governance Structure and Institutions *Weak*	***Strengths:*** • *The Stock exchange website (http://www.bcse.by/en) provides for some (limited) disclosure on the trading of equities.* ***Weaknesses:*** • *The stock exchange has very limited capitalisation and liquidity.* • *The listing has no segment with higher corporate governance requirements.* • *International audit and law firms have limited presence in the country.* • *International rating agencies are not active in the country.* • *We have no information on local organizations active in the promotion of good corporate governance.*
5.2. Corporate Governance Code *Weak*	***Strengths:*** • *A Corporate Governance Code exists since 2007. The code is voluntary.* • *The Code recommends that companies develop their own corporate governance code based on international best practices. Once approved by the company, the code should be as mandatory for the company as any other bylaws. No company disclosed having its own code developed taking the national Code as reference.* ***Weaknesses:*** • *The Code does not appear to be endorsed by the stock exchange.* • *The Code has not been reviewed since its first publication.*
5.3. Institutional Environment *Weak*	***Weaknesses:*** • *There are many inconsistencies in the law and some key corporate governance issues are not regulated.* • *It appears that there is little attention by the largest listed companies to queries by stakeholders.* • *Case law is not easily accessible. The 2015 EBRD Assessment on Accessibility of Court Decisions found that there are a number of online databases of court decisions, however their user-friendliness could be improved.* • *The regulator and stock exchange do not seem to be very active in promoting good corporate governance.* • *Indicators by international organisations show a framework under an urgent need for reform, where corruption is still perceived as a critical problem.*