Monthly Roundup
Georgeson

November 2016

Dear All,

Please find below a rundown of recent corporate governance news and developments that have taken place around the world:

Shareholder Activism

- The Financial News reports about **Cevian Capital: The quiet activist hedge fund**: http://www.efinancialnews.com/story/2016-11-29/cevian-capital-the-quiet-activist-hedge-fund. "Cevian Capital is a paradox. It is intensely publicity shy, yet it has taken on more high-profile campaigns than any other European activist manager in recent years. And for a firm that only does activist investing, it is remarkably conciliatory."

- The Deal reports about **Why activist hedge funds almost never nominate women**: http://thedealnewsroom.tumblr.com/post/153039828512/why-activist-hedge-funds-almost-never-nominate. "Yet her experience is unusual and pretty rare, when considering that only a small - almost minuscule – number of women have ever been nominated by activist investors in director-election battles. According to a study completed by relationship mapping service BoardEx, a service of TheDeal, the ten top activist investors nominated 408 individuals over the past six years and only 20 of those were women, including Janssen. […] [Sheehan] argues that activists will typically look for director candidates who have served on boards in the past when they look for possible nominees. An overall lack of women on corporate boards, she argues, has made it harder for insurgent investors to find appropriate women candidates with the director experience necessary to be adequate candidates for boards."

- Reuters reports that **Samsung to unveil shareholder return plans amid calls to split company**: http://www.reuters.com/article/us-samsung-elec-restructuring-idUSKBN13N022. "Samsung Electronics Co Ltd said it will disclose plans to boost shareholder value on Tuesday – a move that comes amid pressure from U.S. fund Elliott Management to split the company in two and provide more in payouts. The U.S. activist hedge fund, which owns 0.6% of Samsung, called on the South Korean tech giant in October to divide itself into a holding vehicle for ownership purposes and an operating company, as well as pay out 30 trillion won ($26 billion) in a special dividend. The Seoul Economic Daily, citing an unidentified source, reported on Monday the firm will say it plans to consider a split. Samsung declined to elaborate further on Monday on its plans, although it said last month it is considering buying back more shares."

- The Financial Times reports that **Headhunters are the new 'accidental activists'**: https://www.ft.com/content/535ff15e-a817-11e6-8898-79a99e2a4de6. "A decade ago Britain's headhunters prided themselves on chief executive and board-level appointments based on cosy relationships forged on the golf course, in private clubs or through old school and university networks. But years of government initiatives aimed at widening the 'stale, male and pale' make-up of Britain's boardrooms have turned many of the City of London's most powerful headhunters into 'accidental activists', according to Susan Vinnicombe, professor of women and leadership at Cranfield University."

- Skadden has published a report entitled **Activist Investing in Europe**: https://www.skadden.com/insights/activist-investing-europe-special-report-1. "The inaugural edition of this report, published nearly two years ago, suggested that so long as opportunities presented themselves, activists would continue to seek governance, strategy and capital allocation reforms from European issuers. Indeed they have. After ebbing briefly in 2014, when only 51 companies were publicly targeted (after 61 in 2012 and 59 in 2013), activism has roared back, with 67 companies targeted in 2015 and 64 in the first half of 2016 alone. Assets under management for European activists have grown slowly in that period – from $21.7 billion in 2012 to $27.5 billion in 2015 – suggesting the growth has been funded by new entrants and foreign players." Also see here: https://corpgov.law.harvard.edu/2016/11/09/activist-investing-in-europe-a-special-report/.

- The Financial Times reports that **China corporate raider Baoneng in new boardroom battle**: https://www.ft.com/content/a5075406-ad59-11e6-9cb3-bb8207902122. "Baoneng Group, the swashbuckling insurance conglomerate controlled by China's fourth richest man, has waded into another boardroom battle, months after pursuing a hostile takeover of China's largest residential developer. Shares in glass producer CSG Holding rose as much as 21 per cent in Shenzhen last week following the resignation of its chairman, chief executive, chief financial officer, four vice-presidents and two independent directors. The biggest gains came after Baoneng published a letter to CSG employees accusing CSG executives of misconduct and announcing a series of strategy changes and optimistic growth targets."

- Reuters reports that **Elliott unveils Marathon Petroleum stake, urges breakup**: http://www.reuters.com/article/us-marathon-pete-elliottmanagement-idUSKBN13G1HH. "Elliott Management unveiled it has a 4 percent stake in Marathon Petroleum Corp on Monday, urging the company in a letter to launch a strategic review and consider spinning off its three main businesses. Marathon responded by saying it disagreed with the letter to its board and was moving ahead with its own plan, a reply that signalled rising tension between the refiner and the activist investor."

Europe...

- Investment & Pensions Europe reports that **European Parliament passes revised IORP Directive**: https://www.ipe.com/countries/eu/european-parliament-passes-revised-iorp-directive/10016370.fullarticle. "The parliamentary passage of IORP II has been welcomed by responsible investment organisations such as the UN-backed PRI and ShareAction. The latter, a campaign organisation, described the vote as "a landmark moment for responsible investment in Europe" given requirements on environmental, social and governance (ESG) issues in the Directive. It called on the UK government to commit to transposing the legislation, in particular the sections on ESG, transparency and members' right to information, despite the June vote for the country to leave the European Union."

- The CFA Institute has published a series of videos where **David Pitt-Watson Talks About New Report on Corporate Governance in the EU**: https://blogs.cfainstitute.org/marketintegrity/2016/11/23/david-pitt-watson-talks-about-new-report-on-corporate-governance-in-the-eu/. "CFA Institute recently released a report entitled Corporate Governance Policy in the European Union: Through an Investor's Lens. It is co-authored by two seasoned investors and luminaries in the field of corporate governance: George Dallas, policy director at the International Corporate Governance Network, and David Pitt-Watson, executive fellow at the London Business School. Here, in a series of videos, David Pitt-Watson shares his thoughts on corporate governance, illuminating the key messages and recommendations from the report." See here for the full report: http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2016.n6.1.

...and beyond

- ISS has announced the **publication of their 2017 Benchmark Policy Updates**: https://www.issgovernance.com/iss-announces-2017-benchmark-policy-updates/. "Institutional Shareholder Services Inc. (ISS), the leading provider of governance and responsible investment solutions to the global financial community, today released 2017 updates to its benchmark proxy voting policies for the Americas, EMEA, and Asia-Pacific regions. The updated policies will generally be applied for shareholder meetings on or after Feb. 1, 2017. […] Across Europe, ISS' benchmark policy will consider pay-for-performance quantitative test outcomes when evaluating a company's remuneration policies and practices while, separately, tightening the policies with regard to overboarded board chairs." Further information is available here: https://www.issgovernance.com/policy-gateway/2017-policy-information/.

- The Financial Times reports about **The steady demise of the 'all-powerful' leader**: https://www.ft.com/content/01e99154-4a9d-11e6-8d68-72e9211e86ab. "Over the past decade, the joint chief executive/chairman has become a dying breed. Globally, the number of new appointees holding the chief executive/chairman role has dropped to a record low as corporate governance best practice moves towards the idea that the two most senior roles at a listed company should be split, says Strategy&, a consulting arm of professional services group PwC. The UK's corporate governance code advises against combining the two posts. Only one company in the FTSE 100 – Hikma Pharmaceuticals – has one person, Said Darwazah, sharing the chief executive and chairman roles, says research group MSCI. The US is one of the few industrialised countries where a joint chief executive/chairman is still common at the biggest groups, although their numbers generally are falling. Half the companies listed on the S&P 500 have one person holding the combined role."

UK

- The Department for Business, Energy & Industrial Strategy have published their **green paper on Corporate governance reform**: https://www.gov.uk/government/news/government-launches-review-of-corporate-governance. "The paper sets out a range of options to address concerns around levels of executive pay, increasing representation of workers, customers, suppliers and investors in the boardroom, and whether our largest private companies should be subject to more rigorous corporate governance rules. It calls on businesses, investors, workers and members of the public to give their views on what should be done to ensure that the UK's corporate governance framework helps to deliver an economy that works for all and maintain our reputation as the best place in Europe to do business." **The consultation closes on 17 February 2017.** See here for the full document: https://www.gov.uk/government/consultations/corporate-governance-reform. The Financial Times report on this is entitled **May waters down plans for binding votes on executive pay**: https://www.ft.com/content/d2f39716-b598-11e6-961e-a1acd97f622d.

- FTSE Women Leaders have published the **Hampton-Alexander Review: Improving gender balance in FTSE Leadership**: https://www.gov.uk/government/news/ftse-100-executive-pipeline-needs-more-women-say-top-business-bosses. "Companies listed on the FTSE 100 should have at least 33% of their executive pipeline positions filled by women by 2020, a government-backed review has recommended. The independent review, headed up by Sir Philip Hampton, Chair of GlaxoSmithKline, and Dame Helen Alexander, Chair of UBM, is pressing ahead with proposals to ensure talented women at the top of business are recognised, promoted and rewarded. The focus of their review is on senior women below the company board. Statistics released tomorrow (9 November 2016) show 25% of those currently sitting on FTSE 100 executive committees, and their direct reports, are women. While many companies are already ahead of the game – the latest research reveals 20 FTSE 100 companies already have at least a third of their executive pipeline made up of women – there is still more work to do. There are still 12 FTSE 100 executive committees with no women on them." See here for the full report: http://ftsewomenleaders.com/wp-content/uploads/2016/11/CRT067309H_V4_AW_Web_2.pdf.

- The Financial Reporting Council has announced **tiering of signatories to the Stewardship Code**: https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2016/November/Tiering-of-signatories-to-the-Stewardship-Code.aspx. "The Financial Reporting Council has categorised signatories to the Stewardship Code into tiers based on the quality of their Code statements. The assessment published today demonstrates much improved reporting against the Code and greater transparency in the UK market. There are nearly 300 signatories to the Code. More than 120 are in Tier 1, an increase from approximately 40 at the beginning of the exercise. […] Asset managers who have not achieved at least Tier 2 status after six months will be removed from the list of signatories as their reporting does not demonstrate commitment to the objectives of the Code. The FRC welcomes contact from signatories, particularly those in Tier 3, to discuss improvements to reporting."

- EY has published **The Parker Review report, Beyond One by '21**: http://www.ey.com/uk/en/newsroom/news-releases/16-11-02---ftse-boards-do-not-reflect-ethnic-diversity-of-the-uk and https://www.gov.uk/government/speeches/the-ethnic-diversity-of-uk-boards-launch-of-the-parker-review. "Each FTSE 100 Board should have at least one director of colour by 2021, and each FTSE 250 Board by 2024, according to The Parker Review report, Beyond One by '21, released at an event held at EY's UK headquarters today. The report reveals that out of 1,087 director positions in the FTSE 100, only 8% of positions are held by directors of colour, of which 1.5% are UK citizens, despite the fact that 14% of the total UK population is from a non-white ethnic group (up from 2% in 1971). Seven companies account for over one-third of directors of colour in the FTSE 100, whilst 53 of the FTSE 100 do not have any directors of colour at all." See here for the full document: http://www.ey.com/Publication/vwLUAssets/A_Report_into_the_Ethnic_Diversity_of_UK_Boards/$FILE/Beyond%20One%20by%2021%20PDF%20Report.pdf.

France

- The AFEP-MEDEF have published a new version of their **Corporate Governance Code of Listed Corporations** (in French): http://www.afep.com/uploads/medias/documents/Communiqu%C3%A9_Afep_Medef_Code_et_HCGE.pdf. "The revised Code introduces further progress on governance (strengthening the role of the board in strategy, provisions on the independence of directors, reference to CSR) and remuneration. The Code has been simplified to achieve broader standards by strengthening the principles and rules for determining the remuneration of executive directors, by reaffirming the role of the Board of Directors in this area; redundancies and retranscriptions of legislative or regulatory standards have also been eliminated." The full document is available here: http://www.afep.com/uploads/medias/documents/Code%20de%20gouvernement%20d'entreprise%20des%20soci%C3%A9t%C3%A9s%20cot%C3%A9es%20novembre%202016.pdf.

- Le Figaro reports that **the "Sapin II" law has been definitively adopted**: http://www.lefigaro.fr/flash-eco/2016/11/08/97002-20161108FILWWW00305-le-projet-de-loi-anticorruption-sapin-ii-adopte.php. "Parliament finally adopted today, by a final vote of the National Assembly, the 'Sapin II' bill on the transparency of economic life." People Base CBM, a remuneration consultant, has published a post on the remuneration aspects of the law, entitled **Rémunérations des dirigeants mandataires sociaux : adoption du principe Say-on-Pay ("Remuneration of executives: adoption of the say-on-pay principles")**: http://www.les-salaires.com/gestion-dentreprise/remunerations-des-dirigeants-mandataires-sociaux-say-on-pay-loi-sapin-2/. The law "provides for a vote of the shareholders on the remuneration of executive directors of listed companies in two stages: Firstly (ex-ante vote), each year, a vote approving the future compensation policy of the executive directors (from 2017). [...] Secondly, an ex-post control of shareholders on the remuneration of executive directors paid or allocated in respect of the previous financial year (beginning in 2018)."

- The AMF, the French market regulator, has published its **annual report on corporate governance**: http://www.amf-france.org/en_US/Actualites/Communiques-de-presse/AMF/annee-2016.html?docId=workspace%3A%2F%2FSpacesStore%2F038fded4-d52a-4700-8935-7bcd75f647f6&langSwitch=true. "The AMF has also published, as it does every year in application of the French Monetary and Financial Code, its annual report on corporate governance and executive remuneration of listed companies. Five new recommendations on executive remuneration have been formulated: 1) Present the elements of remuneration in the registration document or annual report for the year in question; 2) Differentiate each criterion used for the variable part of the remuneration; 3) Indicate the cap for variable remuneration with regard to the fixed part; 4) In the event of the application of adjustment clauses affecting the calculation or payment of certain elements of the remuneration, give clear and precise information on their implementation and ensure that the predetermined nature of the criteria used to determine these elements is not called into question; and, 5) Facilitate shareholder access to elements of remuneration put to the vote." The full report is available here (in French): http://www.amf-france.org/Publications/Rapports-etudes-et-analyses/Gouvernement-d-entreprise.html?docId=workspace%3A%2F%2FSpacesStore%2Fd6cba062-aa07-4a24-a217-8feaec477ac5.

- Reuters reports that **Renault boss sees pay row with French government in election year**: http://www.reuters.com/article/us-france-renault-pay-exclusive-idUSKBN13D1PJ. "Chief Executive Carlos Ghosn expects the French government to oppose his pay package in 2017, he told Reuters in an interview, setting the stage for another shareholder meeting clash - this time in an election year. 'I don't think there's any chance that they will approve' Renault's pay proposals, Ghosn said of the likely government position. The economy and finance ministry declined to comment. Ghosn nonetheless hopes to avoid a repeat of the last annual meeting outcome in April, when investors with 54% of voting rights opposed his 7.2 million euro pay. 'Our objective is to have a majority vote,' he said."

- The Financial Times reports that **Some French equities are more equal than others**: https://www.ft.com/content/807fe086-5326-11e6-9664-e0bdc13c3bef. "The French government received a gift from its 13.4% stake in telecoms group Orange in April: overnight, the voting rights attached to the holding increased to more than 20%. The seemingly magical increase, which also affected holdings in the group by other state entities, happened courtesy of France's so-called Florange law, which made double-voting rights automatic for long-term investors in listed companies unless shareholders specifically voted to opt out. Yet more than two years on from the controversial bill's approval, and as long-term shareholders start to reap the rewards of their holdings this year, broad opposition remains."

Germany

- The German Corporate Governance Code Commission has **published proposed amendments to the Code for 2017**: http://www.dcgk.de/en/kommission-33/die-kommission-im-dialog/details/proposed-amendments-to-code-for-2017-published.html. "Within the context of its regular review of the Code, the Commission is this year again following the principle of deleting content that is no longer necessary, providing clarification where sensible, incorporating legislative amendments made in the interim period, and exercising major restraint in terms of material changes. […] It is a fact that discussions between the chairman of the supervisory board and investors have become common practice in many larger enterprises, and now form part of good corporate governance. In order to emphasise this as being best practice, the Regierungskommission intends to recommend that the chairman of the supervisory board be prepared (within an appropriate framework) to discuss topics relevant to the supervisory board with investors." **The consultation closes on 15 December 2016.**

- DSW (Deutsche Schutzvereinigung für Wertpapierbesitz e.V.), the German investor association, has published the **DSW 2016 Supervisory Board Remuneration Study**: http://www.dsw-info.de/DSW-Aufsichtsratsstudie-2016.2162.0.html and http://www.dsw-info.de/DSW-Aufsichtsratsstudie-2016.2161.0.html. "The current DSW Supervisory Board study analyses the Supervisory Board remuneration of the DAX 30, MDAX, TecDAX and SDAX companies for the financial year 2015, in a multi-year comparison with special consideration of the different positions within the Supervisory Board. In addition to presenting the legal framework in Germany and Europe, the study also analyses the remuneration structures within the respective indices." The presentation of the report is available here: http://www.dsw-info.de/uploads/media/DSW_Pressekonferenz_Aufsichtsratsstudie_2016_-_Grafiken.pdf.

- The Süddeutsche Zeitung reports that **Deutsche Bank wants to claw back bonuses from Ackermann and Jain** (in German): http://www.sueddeutsche.de/wirtschaft/deutsche-bank-manager-deutsche-bank-will-boni-von-ackermann-und-jain-zurueck-1.3252105. "According to Süddeutsche Zeitung sources, the bank is planning to claw back vested bonuses from former executive board members and the amount in question appears to be much higher than originally thought. Affected are the former CEOs Anshu Jain and Josef Ackermann, but also the former executives Hermann-Josef Lamberti, Michael Cohrs, Hugo Bänziger and Jürgen Fitschen." For an English language report see here: http://fortune.com/2016/11/17/deutsche-bank-clawback-ceo-bonuses/. Additionally, Reuters reports that **Deutsche nominates chairman for second term, clears him of Libor blame**: http://www.reuters.com/article/us-deutsche-bank-chairman-idUSKBN13F0PU. "Deutsche Bank has nominated its chairman for a second term after an internal probe cleared him of accusations that he was partly to blame for the bank's poor cooperation with authorities in a probe into rate-rigging, a source close to the bank said. Paul Achleitner was nominated at a meeting of the lender's supervisory board in late October, the source said on Sunday. Shareholders will vote on the extension of his term at the annual meeting next spring."

Netherlands

› The University of Groningen has published a paper entitled **Eumedion in the Dutch Corporate Governance and Sustainability Landscape**: http://eumedion.nl/en/news/university-of-groningen-research-eumedion-small-yet-beautiful-. "Eumedion is a Dutch foundation representing the interests of Dutch and foreign institutional investors with investments in Dutch listed companies. In particular, it represents the interests of these participants in the field of corporate governance and sustainability. […] Although Eumedion is a small organisation, it has been able to make a significant and positive contribution to all three stages of the norm development process in the Netherlands during the past ten years. It is taken into account as a serious partner in discussions during policy developments by important decision makers, management and supervisory board of companies and other relevant parties, both domestically as well as internationally. Moreover, Eumedion is seen as a serious knowledge centre and an active and respected organization representing shareholder interests." See here for the full paper: http://eumedion.nl/nl/public/kennisbank/publicaties/2016-onderzoek-invloed-eumedion.pdf.

› The VBDO (Dutch Association of Investors for Sustainable Development) has published a paper entitled **Advancing shareholder engagement: Eight contemplations for maximizing an engagement's impact**: http://www.vbdo.nl/en/news/VBDO-White-paper-Advancing-shareholder-engagement. "This publication presents further insights into how shareholder engagements influence decision making within portfolio companies. The five cases of engagements studied show that shareholders influence companies 1) directly by raising novel topics and by offering their views on the organizations' performance, and 2) indirectly by supporting internal change agents." See here for the full document: http://www.vbdo.nl/files/news/VBDOWhitepaperShareholderengagement.pdf.

Switzerland

› The Federal Council (the Swiss government) have adopted a **dispatch to Parliament on the modernisation of Swiss company law**: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-64622.html "The Federal Council wants to modernise Swiss company law. It adopted the related dispatch for Parliament at its meeting on 23 November 2016. […] The new dispatch will transfer the provisions of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) into the relevant federal statutes. […] Specifically, it outlaws joining bonuses which do not offset any demonstrable financial disadvantage, as well as compensation for non-compete clauses that are not commercially justified. It also limits the level of such payments. Where shareholders vote in advance on variable remuneration for top managers, they must also be presented with the annual compensation report for a subsequent consultative vote. Finally, more effective options for claiming the reimbursement of unlawful payments will also be introduced. […] The gender equality obligation laid down in the Federal Constitution will be fulfilled by the introduction of gender guidelines for the boards of directors and executive boards of major listed companies. Women should account for at least 30 percent of the board of directors and at least 20 percent of the executive board. If these targets are not met, the joint-stock company will be required to state the reasons, and the action that is being taken to improve the situation, in its remuneration report."

› Finma, the Swiss Financial Market Supervisory Authority, **redefines corporate governance guidelines for banks**: https://www.finma.ch/en/news/2016/11/20161101-mm-rs-corporate-governance-bei-banken/. "FINMA is consolidating the supervisory requirements relating to corporate governance, internal control systems and risk management for banks. This consolidation takes the form of a circular incorporating the most recent findings from the financial crisis and the revised international standards. […] The new 'Corporate governance – banks' circular underlines the importance of modern corporate governance and appropriate and effective risk management. The circular sets minimum requirements not only for the composition of boards and the qualifications of their members but also for the organisation of internal control systems at banks. […] The 'Remuneration schemes' circular must now only be applied in full by the biggest banks and insurance companies and explicitly prohibits hedging transactions. It remains, however, a key guideline for all banks and insurance companies."

- The Wall Street Journal reports **Who Needs a CEO? Not Swiss Watch Giant Richemont**: http://www.wsj.com/articles/richemont-to-eliminate-ceo-post-in-management-reshuffle-as-profit-falls-1478247354. "Swiss watchmaker Cie. Financière Richemont SA is taking an unusual approach as it navigates a tumultuous downturn in the luxury market: It is eliminating the post of chief executive. Richemont on Friday said CEO Richard Lepeu will step down in March, and isn't being replaced. Top executives at Richemont luxury brands, which include Cartier, Montblanc and IWC Schaffhausen, will report to the board, led by Executive Chairman Johann Rupert. The move effectively puts Mr. Rupert in control of the company he founded in the late 1980s."

Spain

- Georgeson, in conjunction with Cuatrecasas, have published a report entitled **El gobierno corporativo y los inversores institucionales ("Corporate governance and institutional investors")**: http://www.cuatrecasas.com/es/actualidad/notas_prensa/continua_el_incremento_del_activismo_accionarial_en_el_mercado_espanol.html. "The report analyses the patterns of participation and vote observed at the Annual General Meetings of Ibex-35 companies during 2016 and presents the issues that the institutional investors and proxy advisors consider essential for the 2017 AGM season." See here for the full document (in Spanish): http://www.georgeson.it/dld/el-gobierno-corporativo-2017.pdf.

United States

- The United States Government Accountability Office has published a report entitled **Proxy Advisory Firms' Role in Voting and Corporate Governance Practices**: http://www.gao.gov/products/GAO-17-47. "Market participants and other stakeholders with whom GAO spoke agreed that with the increased demand for their services, proxy advisory firms' influence on shareholder voting and corporate governance practices has increased. But recent studies, market participants, and stakeholders had mixed views about the extent of the influence. For example, some said influence can vary based on institutional investor size (there is less influence on large institutional investors that often perform research in-house and have their own voting policies)." See here for the full report: http://www.gao.gov/assets/690/681050.pdf.

- Davis Polk's Ning Chiu explains that **Company Disputes Validity of First Proxy Access Nominee**: https://www.briefinggovernance.com/2016/11/company-disputes-validity-of-first-proxy-access-nominee/. "National Fuel Gas (NFG) has informed GAMCO Asset Management (GAMCO) that its board has concluded that the company does not need to include GAMCO's nominee in its 2017 proxy materials because GAMCO did not comply with the proxy access bylaws. We previously discussed the background of the nomination here."

Canada

- The Financial Post reports that **Bill introduced in Parliament would vanquish 'zombie' directors who fail to win majority shareholder votes**: http://business.financialpost.com/news/fp-street/bill-introduced-in-parliament-would-vanquish-zombie-directors-who-fail-to-win-majority-shareholder-votes. "The federal government has taken a concrete step towards killing off 'zombie' directors – board members who can remain with corporations despite receiving support from fewer than half the shareholders. A bill tabled in Parliament Wednesday will require public companies governed by the Canada Business Corporations Act to have majority voting for directors – which gives the option to vote for or against a director, rather than the current standard where votes are either made in favour or withheld. In the absence of a majority-voting requirement, a director in an uncontested election simply needs one vote in favour to be elected."

Japan

- Responsible Investor reports that **Japan's government pension fund joins boardroom diversity**

initiatives in UK and US: https://www.responsible-investor.com/home/article/gpif_30/. "The Government Pension Investment Fund (GPIF) has joined boardroom diversity initiatives on both sides of the Atlantic, a further sign that the world's largest asset owner is putting its weight firmly behind environmental, social and governance (ESG) investing. It has signed up to the 30% Club in the UK and the Thirty Percent Coalition in the US, which campaign for 30% representation of women on boards." See here for the official announcement: http://www.gpif.go.jp/en/topics/pdf/20161111_gpif_has_joined_the_uk.pdf.

- Reuters reports that **After Toshiba scandal, Japan to float new code for auditors by year-end**: http://www.reuters.com/article/japan-audit-idUSL4N1CQ20K. "Regulators in Japan are planning new rules to improve standards in the auditing profession in a bid to avert scandals like last year's $1.3 billion overstatement of profit by Toshiba Corp., which went unnoticed by the country's biggest auditor for years. […] Now the Financial Services Agency wants the country's audit firms, which critics say operate under a similar culture of deference and earn relatively low fees for audit work, to raise their game to help clean up corporate Japan. The FSA will by year-end propose a governance code likely to give outside voices a say in oversight of audits, according to Kazutoshi Harada, the agency's director for enforcement of corporate disclosure."

- The Financial Times reports that **Code gives Abe a rare reason to be cheerful**: https://www.ft.com/content/4766ea18-41d0-11e6-9b66-0712b3873ae1. "The governance code, and the associated stewardship code that defined the new responsibility of shareholders, remains for many observers one of the most unambiguous successes of Abenomics. The codes were introduced as part of the wider Abenomics effort to boost the performance of the Japanese stock market, encourage companies to increase capital expenditure and tempt citizens to shift part of their bank savings into riskier assets. Progress on compliance has not been as fast as the original proposers of the code had hoped, and more broadly political momentum is flagging, but it is nevertheless highly visible. Some 80 per cent of large and midsize Tokyo-listed companies now have two or more independent directors – a tenet of the governance reforms – up 21 percentage points from the year before the code was introduced."

Singapore

- The Straits Times reports that **Initiative aims to foster good investment practices**: http://www.straitstimes.com/business/invest/initiative-aims-to-foster-good-investment-practices. "The investor community and financial industry have come together to create a set of principles that encourage responsible investment practices here. The Singapore Stewardship Principles (SSP) initiative, led by the Stewardship Asia Centre (SAC) think-tank, has outlined seven of these guiding principles. The principles are supported by the Monetary Authority of Singapore (MAS) and the Singapore Exchange." See here for the full document: http://www.stewardshipasia.com.sg/principles.html.

- The Financial Times reports that **Singapore weighs up dual-class shareholdings**: https://www.ft.com/content/f1783402-b517-11e6-ba85-95d1533d9a62. "But away from the headlines and the hype, the city kicked off another debate in the same week on a rather older topic that could yet have as big a bearing on perceptions of the Lion City – that of introducing dual-class listings to the Singapore Exchange. Proponents, led by bankers and lawyers, argue that dropping Singapore's one-share-one-vote rule would give it an edge in the region in attracting Asian stars like Alibaba and global headliners such as Manchester United. Both chose New York over Hong Kong and Singapore because the US was more receptive to their desire to weight voting rights in favour of small groups."

China

- The Financial Times reports that **China's corporate governance standards fall**: https://www.ft.com/content/dea773d4-a02b-11e6-891e-abe238dee8e2. "In recent years Beijing has pushed for its $7.5tn mainland A-shares market to be incorporated into the widely followed MSCI Emerging Market index, which could open the door to hundreds of billions of dollars of foreign portfolio investment. […] However, biennial research by the Hong Kong-based Asian Corporate Governance Association, a non-profit organisation, suggests standards of behaviour in China's equity market are plunging, even as they are improving in regional rivals such as Japan, Taiwan, India and South Korea, threatening to deter foreign investors increasingly focused on governance issues. 'The overall effect of China going into the MSCI would be disastrous,' says JP Smith, partner at Ecstrat, an investment consultancy. 'Ill-informed investors buying the index for asset allocation reasons would be exposed to companies with terrible governance. There is no way MSCI should consider adding China to the index.'"

India

- InGovern Research Services have published a report entitled **India Proxy Season 2016**: http://www.ingovern.com/2016/11/4780/. "The report contains: 1) Analysis of shareholder meetings in the proxy season 2016 starting January 2016 to September 2016. A total of 9664 proposals have been collated by InGovern. 2) Analysis of proposals that went through investor scrutiny and a few that were voted out by investors. 3) Types of shareholder proposals that are usually placed for voting. 4) Special resolutions that require super-majority voting of 75% positive votes." See here for the full report: http://www.ingovern.com/wp-content/uploads/2016/11/India-Proxy-Season-2016.pdf.

Australia

- The Financial Times reports that **Australia investors vent anger over executive pay**: https://www.ft.com/content/21ac7cf4-a619-11e6-8b69-02899e8bd9d1. "Investors have rejected the remuneration report of Commonwealth Bank of Australia, the country's biggest bank by market capitalisation, reflecting growing shareholder activism over executive pay under Australia's 'two-strike' rule. CBA is the first Australian bank to have its remuneration report rejected under a rule introduced in 2011 that triggers a vote enabling board changes if more than 25% of shareholders reject a pay report on two successive occasions. Some 51% of voters rejected the report in spite of a last minute climb down by CBA, which withdrew a separate resolution on Wednesday linking more 'soft targets', including customer satisfaction, to the bonus targets of Ian Narev, CBA chief executive. Investors have in recent weeks rejected the executive pay policies of a slew of ASX-listed companies including Slater & Gordon, CSL, Boral and AGL Energy."

South Africa

- The Institute of Directors in Southern Africa (IoDSA) has announced the **launch of the King IV Report on Corporate Governance**: http://www.iodsa.co.za/news/315704/Governance-in-SA-gets-major-update.htm. "The King IV Report on Corporate Governance (King IV) was launched on 1 November 2016 by the King Committee and the Institute of Directors in Southern Africa (IoDSA), which owns the intellectual rights to the King Reports and the governance codes they contain. The King Reports, of which this is the fourth iteration, contain the philosophy, principles and leading practices for corporate governance in South Africa." See here for the full report: https://c.ymcdn.com/sites/iodsa.site-ym.com/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf.

If you have any comments or questions please do not hesitate to contact me.

Kind regards,

Daniele Vitale
Georgeson
Corporate Governance Manager > Corporate Advisory
daniele.vitale@georgeson.com
T +44 (0)20 7019 7034 **M** +44 (0)7747 697 136 **F** +44 (0)870 702 0158
Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom
www.georgeson.com