Monthly Roundup

Georgeson

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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 Times reports that **European activist funds among top performers**: https://www.ft.com/content/b1abecba-d7f9-11e6-944b-e7eb37a6aa8e. "The two largest activist investors in Europe, Cevian Capital and The Children's Investment Fund, were among the best performing fund managers last year even as stockpicking rivals struggled amid volatility in markets. Cevian, which holds stakes in ABB, RSA and ThyssenKrupp, returned 19.4 per cent, while TCI, Sir Chris Hohn's hedge fund, made 13.5 per cent, according to people familiar with the funds. Several US activist funds also had strong years. Peter Schoenfeld's asset management firm, PSAM, returned 13.39 per cent, while Marcato Capital and Blue Harbour Group also made double digit returns. The results reflect the success last year of fund managers that build up stakes in companies and seek to influence them to make changes they hope will drive up their share price."

- Reuters reports that **Elliott agrees exit to end bruising Alliance Trust tussle**: http://uk.reuters.com/article/us-alliance-tr-elliott-idUKKBN15B0MS. "Alliance Trust, one of Britain's oldest investment managers, agreed on Friday to buy back shares held by a U.S. activist hedge fund, bringing an end to a campaign that has forced it to reform how it is run. Dundee-based Alliance, which traces its roots to the late 19th century and loans to farmers across the British Empire, said it would buy back a 19.75 percent stake held by U.S. billionaire Paul Singer's Elliott Management. It marks an end to an at times bitter five-year campaign on the part of Elliott to force the Scottish asset manager to improve its performance, including through a radical overhaul of both the board and the firm's investment process. Casualties along the way included former chief executive Katherine Garrett-Cox, one of the City of London's highest profile businesswomen, who was forced to step down from the group's board in October 2015."

- The Street reports that **CIAM at Center of Zodiac's $10.5B Sale**: https://www.thestreet.com/story/13963996/1/activism-spotlight-ciam-at-center-of-zodiac-s-10-5b-sale.html. "When engine maker Safran agreed to acquire Zodiac Aerospace last week in a deal valued at almost €10 billion ($10.5 billion), the transaction was announced on the day of the target company's annual meeting – one that looked like it was going to feature a significant negative vote of disgruntled shareholders. The deal was struck on Thursday. On that day if no deal had been announced, the markets would have received the result of a 'just vote no' proxy contest launched by newbie activist fund Charity Investment Asset Management, or CIAM. A Paris-based, five-year-old event-driven fund, CIAM adjusted its strategy about three years ago to include activism. It's unclear what that vote would have looked like. However, Zodiac's move to reach a deal on the day of the meeting suggests that the company wanted to strike a deal as part of an effort to avoid the embarrassment of a large negative vote of outside investors on key proposals and directors."

- Alliance News reports that **Fenner Supports Appointment Of Michael Ducey As Non-Executive Director**: http://www.morningstar.co.uk/uk/news/AN_1482914677572071800/fenner-supports-appointment-of-michael-ducey-as-non-executive-director.aspx. "Engineering firm Fenner PLC on Wednesday said it is supporting the appointment of Michael Ducey as a non-executive director, after previously rejecting a request for his appointment by shareholder Teleios Capital Partners LLC. Earlier this month, Teleios, which is Fenner's sixth largest shareholder with a 3.9% stake, requisitioned a resolution at Fenner's forthcoming annual general meeting on January 11 asking shareholders to approve the appointment of Ducey as a non-executive director. Fenner responded saying it 'strongly' opposed the appointment as it did not believe Ducey would be 'additive in terms of skills, experience and background' and did not consider him to be independent of Teleios. However, on Wednesday, Fenner released a statement saying it now supports the appointment, having had 'constructive discussions' over the matter with Teleios and other shareholders, and that it now believes the appointment to be in the best interests of the company and its shareholders. According to Fenner, the 'negotiated position' will 'bring stability and added expertise' to the board, while allowing it to continue to build on the progress achieved over the last year."

› The South China Morning Post reports that **Chinese company shareholders vote 'no' to corporate role for Communist Party**: http://www.scmp.com/news/china/policies-politics/article/2062061/chinese-company-shareholders-vote-no-corporate-role. "Shareholders of a Shanghai-listed property developer have refused to give the Communist Party a role in its corporate governance, in a rare revolt against the leadership's latest instructions that the party should have a bigger role in state businesses. A shareholder meeting of the Tianjin Realty Development, the listing vehicle of the Tianjin government's commercial real estate arm, voted down a proposal to set up a party committee in the company, according to a company announcement on the Shanghai Stock Exchange website. Although Tianjin Realty said the proposal to give the party a role in governance was made in accordance with a key document from top leaders along with instructions from the Tianjin party committee and the state assets watchdog, it was approved by only 62 per cent of the shareholders, just short of the required two-thirds of votes, the company said. The company's minority shareholders, defined as those having an equity stake below 5 per cent, proved particularly rebellious, with 90 per cent voting against the proposal, according to the company's statement."

› Gibson Dunn have published their **2016 Year-End Activism Update**: http://www.gibsondunn.com/publications/Pages/MA-Report-2016-Year-End-Activism-Update.aspx. "This Client Alert provides an update on shareholder activism activity involving domestically traded public companies with equity market capitalizations above $1 billion during the second half of 2016. Notwithstanding a difficult market backdrop in 2016, including the surprise 'Brexit' vote, a bitterly fought U.S. presidential campaign, a significant decline in oil prices, and vigorous public debate on 'short-termism', activist investors continued to be busy across a wide range of industries (even if fewer campaigns made major headlines). Furthermore, in 2016 as compared to 2015, our survey found relative consistency in the total number of public activist actions (90 vs. 95), the number of activist investors involved in such actions (60 vs. 56), and the number of companies targeted by such actions (78 vs. 81)." The full document is available here: http://www.gibsondunn.com/publications/documents/MA-Report-2016-Year-End-Activism-Update.pdf.

› The BBC reports that **Animal rights activist Peta buys stake in Louis Vuitton**: http://www.bbc.co.uk/news/business-38608231. "Animal rights pressure group Peta has bought shares in Louis Vuitton Moet Hennessey (LVMH) in order to pressure it to stop selling bags and other products made from exotic animal skins. The stake in the French luxury group will give Peta the right to attend shareholder meetings and question the board in front of other shareholders. Peta has not said how many shares it has bought. Such a move is common among pressure groups. The move by Peta – People for the Ethical Treatment of Animals – follows its investigation into the way that crocodile skin, which is often used for luxury goods, is harvested."

Europe…

› BlackRock have published a document entitled **Our Approach to Executive Remuneration in Europe, the Middle East and Africa**: https://www.blackrock.com/corporate/en-cn/literature/market-commentary/blk-approach-to-executive-remuneration-in-emea-jan2017.pdf. "We describe herein our beliefs and expectations related to executive remuneration practices, our Say on Pay analysis framework, and our typical approach to engagement and voting on Say on Pay. We provide our views on this issue in somewhat more detail than other issues covered in our various regional proxy voting guidelines because of the particular focus on executive remuneration matters following the adoption of Say on Pay regulations in a number of markets. We outline our general approach for the EMEA region, although we acknowledge that Say on Pay and relevant disclosures are not equally applicable to every jurisdiction. […] When assessing remuneration policies and practices of listed companies BlackRock is looking for a cogent explanation for the policies used and, in respect of executive remuneration in particular, a clear link to the company's stated strategy."

...and beyond

› The Financial Times reports that **BlackRock, Vanguard and State Street bulk up governance staff**: https://www.ft.com/content/657b243c-e492-11e6-9645-c9357a75844a. "BlackRock, Vanguard and State Street have expanded their corporate governance teams significantly in response to growing pressure from policymakers and clients to demonstrate they are policing the companies they invest in. The move by the world's three largest asset managers, which together control nearly $11tn of assets, will help address fears that investors are not doing enough to monitor controversial issues around executive pay and board diversity at the companies they invest in. New York-based BlackRock now has the largest corporate governance team of any global asset manager, after hiring 11 analysts for its stewardship division over the past three years, bringing total headcount to 31."

› Deloitte have published their **Directors' Alert 2017**: https://www2.deloitte.com/global/en/pages/risk/articles/directors-alert-courage-under-fire.html. "In our 2017 edition of Directors' Alert, several of Deloitte's business leaders as well as independent non-executive directors of global organizations share their unique insights on how boards can prepare for and leverage disruption – while highlighting select areas where boards should be focusing their time in 2017. These topics include: 1) Strategy: Injecting courage into strategy; 2) Culture: The key to driving strategy and everything else; 3) Technology: Realigning the organization in a digital world; 4) Innovation: Has your organization found its disruptive advantage?; 5) Compensation: All the stakeholders are watching; 6) Board effectiveness: Collective intelligence and diversity of thought; 7) Transparency: Will more disclosure mean greater clarity?; and, 8) Disruption—opportunities, risks, and courage" The full document is available here: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Risk/dttl-directors-alert-2017.pdf.

› The Lex Column published an edition focused on the **theme of pay and governance**: https://www.ft.com/content/334f4402-cddb-11e6-864f-20dcb35cede2. "Whether chief executives are paid too much relative to, say, footballers or actors is one thing. What is beyond doubt is that boardroom remuneration has nothing to do with performance. That may be because remuneration committees are measuring the wrong things. Or it may be because the whole concept of performance-related pay – expressed in the UK via long-term incentive plans – is flawed. One oft-touted solution is to put workers on boards. The experience of Germany shows that this has only limited moderating influence. High levels of share ownership among directors, as is commonplace in Silicon Valley, brings problems of its own. Perhaps a better long-term solution is to make it easier for shareholders to push their own candidates into the boardroom. Generally, this is time-consuming and expensive, but regulatory changes in the US – the spiritual home of C-suite largesse – may yet make it easier."

UK

› The Financial Reporting Council (FRC) has published its annual report, **Developments in Corporate Governance and Stewardship 2016**: https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2017/January/Rebuilding-trust-in-business-requires-better-gover.aspx. "Compliance with the principles of the UK Corporate Governance Code remains high; however, when boards choose not to follow provisions too many explanations are of poor quality. This suggests that some boards still need to do more than pay lip service to the needs of their shareholders and other stakeholders. The FRC believes more focussed reporting by boards on how they discharge their responsibilities is necessary and has asked for more oversight powers from Government to help achieve this. The FRC's report includes analysis of the 2016 AGM season which showed generally reduced support for remuneration resolutions and concern about a lack of transparency in the link between executive pay and performance. The FRC welcomes the Government's focus on this important issue and the need for companies to respect their shareholders' views. Boards need to address succession planning and diversity, and be better informed about the link to strategy and business value. The FRC has welcomed the Hampton Alexander and Parker reviews and looks forward to working with them in the coming year. In 2016, the FRC also assessed signatories to its UK Stewardship Code and encouraged them to review the quality of their statements against the principles of the Code. The exercise led to an increase in the number of asset managers and owners in the top tier, from fewer than 20 on first assessment to more than 80 today." The full document is available here: https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Developments-in-Corporate-Governance-and-Stewa-(2).pdf.

- The Financial Times comments that **BlackRock courts controversy on executive pay**: https://www.ft.com/content/3b1e761e-dd88-11e6-9d7c-be108f1c1dce. "The disparaging online comments did not take long to appear at the bottom of last Sunday's story that BlackRock, the world's largest asset manager, had picked a fight with those companies paying oversized wages. In a letter to the bosses of more than 300 UK companies, BlackRock, which has a stake in every business listed on the FTSE 100, said it would only approve salary rises for top executives if companies increased workers' wages by a similar amount. The problem for the US fund house is the $25.8m it paid its chief executive, Larry Fink, for 2015. Mr Fink earns more than almost every chief executive he (BlackRock) wrote to. 'Pot kettle black,' wrote one commentator. 'People in glass houses…' said another. A third called it a lesson in hypocrisy." The full letter is available here: http://uk.businessinsider.com/blackr-ock-pay-rises-for-top-execs-should-be-in-line-with-the-rest-of-the-workforce-2017-1.

- The Pensions and Lifetime Savings Association (PLSA) has published its **Corporate Governance Policy and Voting Guidelines 2017**: http://www.plsa.co.uk/PressCentre/Press_releases/0548-PLSA-calls-for-more-accountability-over-executive-pay.aspx. "The guidelines aim to: promote the long-term success of the companies in which the PLSA's members invest; and ensure that the board and management of these companies are held accountable to shareholders, such as pension funds. The new guidelines recommend that if shareholders vote against a company's remuneration policy, they should also oppose the re-election of the remuneration committee chair as a company director." The full document is available here: http://www.plsa.co.uk/PolicyandResearch/DocumentLibrary/0611-PLSA-Corporate-Governance-Policy-and-Voting-Guidelines.aspx.

- The Investor Forum has published its first **Review of Activities**: https://media.wix.com/ugd/1cf1e4_fea7083800cd45c08db07fd32dc817d2.pdf. "Members have proposed 16 different company situations for collective engagement across 2015 and 2016 and eight of those situations proceeded to full engagement with companies. Seven are disclosed in its review and they are (in order of initiation): Standard Chartered plc , Tate & Lyle plc, Sports Direct International plc, Rolls-Royce plc, Royal Dutch Shell plc, Cobham plc, and Mitie Group plc. The eighth engagement is currently active and remains confidential." The full document is available here: https://media.wix.com/ugd/1cf1e4_661b01aaeab94b47b72d10b14e8de45d.pdf.

- The Financial Times reports that **Sports Direct's Mike Ashley hails fund's support over chairman**: https://www.ft.com/content/285eb2f2-d683-11e6-944b-e7eb37a6aa8e. "The billionaire founder of Sports Direct has hailed the support of an outspoken London hedge fund manager in a corporate governance row with many of the chain's minority shareholders. Crispin Odey, who last week increased his stake in Sports Direct to more than 5 per cent, voted in favour of reappointing Keith Hellawell, the retailer's chairman and former West Yorkshire chief constable. Mike Ashley, who has a 55 per cent controlling stake, forced through the reappointment last week after it was opposed by 54 per cent of the Sports Direct independent shareholders who voted on the resolution."

- The Daily Telegraph reports that **Imperial backs down from shareholder battle over £8.5m executive payout**: http://www.telegraph.co.uk/business/2017/01/26/imperial-backs-shareholder-battle-85m-executive-payout/. "Tobacco giant Imperial Brands has backed down in the face of a rising shareholder rebellion over plans to hand its top bosses a potential multimillion pound pay hike. The maker of Gauloises and Winston cigarettes had planned a 100pc increase in the maximum bonus payable to chief executive Alison Cooper, from three and a half times her base salary to a pot four and a half times its size. The windfall would have seen the pay packet of the FTSE 100 boss rise from £5.5m last year to a possible £8.5m if she hit all performance targets. But mounting outrage over the plans has forced the company to scrap plans to put the changes to a shareholder vote next week."

France

- Les Echos reports that the **Atos AGM approves Thierry Breton's remuneration policy with 81.73% support** ("L'assemblée générale d'Atos du 30 décembre a approuvé à 81,73 % la politique de rémunération de Thierry Breton"): http://www.lesechos.fr/finance-marches/marches-financiers/0211666742941-atos-devance-lappel-et-obtient-81-de-votes-favorables-2055742.php#Q2FCukEdt9PXavK6.99 (French only). "Before the Sapin II law was applicable, Atos had its shareholders vote, on 30 December 2016, on a resolution on the remuneration policy of its CEO. At the origin of this initiative was the desire to innovate, but not only. The IT company, which submitted its three-year strategic plan to a shareholder vote (a practice that is not widely applied in France), also wanted to include the renewal of Thierry Breton's mandate and consequently the corresponding remuneration structure."

- Glass Lewis discusses **Necessary rebellion? Shareholder activism at Solocal**: http://www.glasslewis.com/necessary-rebellion-shareholder-activism-solocal/. "The recent experiences of Solocal provide us with a good opportunity to consider the effects of shareholder activism at French listed companies. Previously known as Pages Jaunes, or the Yellow Pages, Solocal has suffered significantly as a result of the shift from paper to digital, and from fixed line home phones to mobile ones. By the company's own admission, at least, these problems could have been overcome, were it not for the significant legacy of debt with which it was burdened by a leveraged buy-out of France Telecom's 54% holding by Médiannuaire in 2006."

Germany

- The Financial Times comments that **Governance remains scandal-hit VW's Achilles heel**: https://www.ft.com/content/2eb72594-d7e6-11e6-944b-e7eb37a6aa8e. "Is Volkswagen getting away with it? That seems a bizarre question to ask as the German carmaker prepares to pay $4.3bn to settle the US criminal investigation into its diesel emissions scandal. The penalties come on top of at least $17bn in other fines and settlements with dealers and car owners. Criminal charges against senior VW managers are still possible. But this is the third scandal in two decades at the company and one that some thought at the beginning could threaten VW's very existence. So it is worth examining just how much the carmaker has really changed in the 16 months since it was accused of installing 'defeat devices' that allowed its cars to cheat on environmental tests."

- The Frankfurter Allgemeine Zeitung reports that **Linde excludes its shareholders in merger with Praxair** ("Linde bootet bei Fusion mit Praxair seine Aktionäre aus"): http://www.faz.net/aktuell/wirtschaft/unternehmen/linde-bootet-bei-fusion-mit-praxair-seine-aktionaere-aus-14699535.html (German only). "The shareholders of industrial gas group Linde will be denied a vote on the merger with its American competitor Praxair. As reported by the FAZ in its Friday edition, the approach of the Supervisory Board and Management Board regarding this €60 billion transaction has raised sharp criticisms among shareholder representatives. Although the transaction will be discussed at the Annual General Meeting on May 10, the shareholders will not be allowed to vote due to the chosen structure of the merger. Only the Supervisory Board, chaired by Wolfgang Reitzle, is needed to give the green light."

- Bloomberg reports that **Deutsche Bank Scraps Senior Bankers' Bonuses for 2016**: https://www.bloomberg.com/news/articles/2017-01-18/deutsche-bank-is-said-to-scrap-senior-bankers-bonuses-for-2016-iy2sjlvl. "Deutsche Bank AG scrapped the bonuses of its top executives for a second straight year and slashed variable compensation for other senior employees, as Germany's largest lender tries to shore up capital that's been eroded by low interest rates and legal expenses. The measures, announced in a memo to employees Wednesday that was signed by the members of the management board, will affect about a quarter of employees, including vice presidents, directors and managing directors. A 'limited number' of employees in crucial positions will receive a special long-term incentive, partly in stock, that will be deferred for as long as six years, according to the memo."

Netherlands

- The Monitoring Committee Corporate Governance Code published their **Monitoring Report on the 2015 Financial Year**: http://www.commissiecorporategovernance.nl/?page=3893. "In keeping with previous financial years, overall compliance with the Code by listed companies is high, at 97%. Although compliance levels are high, the Committee has identified that there is still room for improvement. This is apparent from the Monitoring Report for the 2015 Financial Year, which has been published today. The report includes the results of the survey conducted by SEO Economic Research into compliance with the Code in the 2015 financial year. This year the research focused, among other things, on three current topics: the composition of the supervisory board, remuneration and shareholders." The full document is available here: http://www.commissiecorporategovernance.nl/download/?id=5476.

Switzerland

- Swipra have published their **Preview AGM Season 2017**: http://swipra.ch/2017/01/10/preview-agm-season-2017-and-beyond/?lang=en. "In view of the upcoming 2017 annual general meetings (AGM) season, SWIPRA considers the following items of particular relevance: 1) the truly independent acting of the board of directors and its committees as well as ensuring the necessary information available to the decision-makers; 2) the relations between the corporate strategy, performance incentives, target achievements and effective compensation; 3) a comprehensible description of the importance of corporate social responsibility and the respective responsibilities within the company; 4) an effective value reporting that transparently communicates these processes; and, 5) a transparent payout policy embedded in the company's cash management." The full document is available here: http://swipra.ch/wp-content/uploads/2017/01/Newsletter_01_2017_en_final_clean-1.pdf.

- Ethos has launched **the first Swiss stock exchange index dedicated to corporate governance**: https://www.ethosfund.ch/en/news/ethos-launches-the-first-swiss-stock-exchange-index-dedicated-to-corporate-governance. "In the follow-up to its 20th anniversary, the Ethos Foundation launches a new stock exchange index dedicated to corporate governance at Swiss companies. In collaboration with the Swiss Stock Exchange (SIX Swiss Exchange), Ethos publishes the "Ethos Swiss Corporate Governance Index" (ESCGI) which takes into account the main corporate governance best practice criteria in order to define the weight of the different constituents. This is the first index of this type on the Swiss stock market. The index allows investors to reduce the weight of companies that entail a corporate governance risk."

Sweden

- The Financial Times reports about how **Sweden's new business king takes the long-term view**: https://www.ft.com/content/85cf6e62-d1d9-11e6-9341-7393bb2e1b51. "Sweden has a new business king. Fredrik Lundberg, a quietly spoken and reserved 65-year-old, has in the past few years taken steps to dominate the country's financial and industrial landscape. Following a business jet scandal that unleashed upheaval at Swedish companies, Mr Lundberg has strengthened his control over an empire that involves big shareholdings in everything from the country's largest bank, construction group and steelmaker, to the world's second-largest truckmaker. His influence at the likes of Handelsbanken, Skanska, SSAB and Volvo Group stems from his role as chairman of Industrivarden, one of two big Swedish investment companies that dominate the Stockholm stock exchange. He is also chief executive of Lundbergs, his family investment company that is Industrivarden's biggest shareholder."

Denmark

- The Danish Committee on Corporate Governance has published the **Danish Stewardship Code**: https://corporategovernance.dk/stewardship-code. "The 7 stewardship principles aims to promote the companies' long-term value creation and thereby contribute to maximizing long-term return for investors.

Thus, the Recommendations on Corporate Governance and the Stewardship Code are mutually reinforcing in serving a common purpose. The Stewardship Code should result in increased transparency as to how the individual investor chooses to exercise stewardship activities. Accordingly, the Code is not meant to establish a uniform approach for investors' exercise of stewardship activities. Like the Recommendations on Corporate Governance, these stewardship principles are 'soft law' to be applied on a 'comply or explain' basis." The full document is available here: https://corporategovernance.dk/sites/default/files/erst_247_opsaetning_af_anbefalinger_for_aktivt_ejerskab_uk_2k8.pdf.

Italy

- Bloomberg reports that **Intesa Weighs Generali Deal That Would Reshape Italy Finance**: https://www.bloomberg.com/news/articles/2017-01-24/intesa-examining-possible-industrial-combination-with-generali-iybyey7w. "Intesa Sanpaolo SpA said it's considering a merger with Assicurazioni Generali SpA, a deal that would reshape Italy's financial industry by combining its second-biggest bank with the country's largest insurer. […] Representatives for Generali and Allianz declined to comment on Intesa's statement, which follows Italian media reports of an offer in the works that would split the insurer's operations with Germany's Allianz SE." The Financial Times comments that **Intesa-Generali brings back nasty memories of ABN Amro disaster**: https://www.ft.com/content/b358d90e-e6e7-11e6-893c-082c54a7f539.

- The Financial Times reports that **Investors in Fiat accused of ignoring warning signs**: https://www.ft.com/content/95d2781e-d9a8-11e6-944b-e7eb37a6aa8e. "Investors in Fiat, the carmaker under investigation for violating emissions laws, have been accused of ignoring clear signs of corporate governance failings at the Italian-US business. Fiat Chrysler's share price fell 16 per cent on Thursday immediately after the US environmental watchdog warned the company could face a fine of up to $4.6bn. It is accused of breaking emissions laws in 104,000 diesel vehicles. […] According to MSCI, Fiat was ranked lower than 85 per cent of 7,000 companies globally when it came to corporate governance, a measure used by some asset managers when making investment decisions. […] Mr Sherman says Fiat's corporate governance score has fallen over the past year due to concerns about issues such as high executive pay and 'notable dissent on director election votes'. More than 12 per cent of investors voted against the re-election of John Elkann, a member of the Agnelli family that controls Fiat, as a director last year. Sustainalytics and Oekom Research, two rating agencies that look at the environmental, social and governance credentials of companies across the world, had also flagged concerns with asset managers about Fiat over the past 18 months."

United States

- The New York Times reports about **A Rare Corner of Finance Where Women Dominate**: https://www.nytimes.com/2017/01/16/business/dealbook/women-corporate-governance-shareholders.html. "Once a year, a small group of executives who control trillions of dollars in American companies meet for lunch in Manhattan. Among the things they discuss: pushing for greater say in how companies are run. It is an elite gathering, but you will not see a single man in a suit in the room. The event, called the Women in Governance lunch, underscores a rare corner in finance where women dominate. Women hold the top positions in corporate governance at many of the biggest mutual funds and pension funds – deciding which way to vote on the directors of a company board. They make decisions on behalf of teachers, government workers, doctors and most people in the United States who have a 401(k). The corporate governance heads at seven of the 10 largest institutional investors in stocks are now women, according to data compiled by The New York Times. Those investors oversee $14 trillion in assets."

- The Wall Street Journal reports that **In Snap IPO, New Investors to Get Zero Votes, While Founders Keep Control**: https://www.wsj.com/articles/in-snap-ipo-new-investors-to-get-zero-votes-while-founders-keep-control-1484568034. "Like many technology entrepreneurs, the founders of Snap want to retain management control of the messaging-app company, even as they sell shares to the public. In one respect, the men are going further than tech firms typically do: Investors won't get any voting power with shares purchased in Snap's initial public offering, according to people familiar with the matter. That leaves key decisions, such as the makeup of the board, primarily to Evan Spiegel and Bobby Murphy, co-founders of Snap, the owner of the disappearing-message app Snapchat. The two are expected to hold more than 70 per cent of the voting power despite owning roughly 45 per cent of the stock, the people said. Companies with multiple classes of stock typically give IPO investors fewer votes per share than they give to founders, executives and early private investors. The power of the 'supervoting' shares is typically diluted over time as new shares are issued. But Snap's decision to sell non-voting shares is extreme. Messrs. Spiegel and Murphy's proportional voting control wouldn't materially change when new shares are sold because the common stock doesn't have voting rights."

- The Financial Times reports that **Tillerson set for $180m payout if confirmed as secretary of state**: https://www.ft.com/content/98038198-d23f-11e6-9341-7393bb2e1b51. "Rex Tillerson, Donald Trump's choice to be the next US secretary of state, will be given a payout worth about $180m to sever all financial ties to ExxonMobil if his new role is confirmed. Before his selection by Mr Trump, the Exxon chairman and chief executive was in line to receive about 2m shares in the oil giant, worth about $182m at today's prices, over the next 10 years under the company's executive pay programme. Exxon announced on Tuesday evening that he had agreed that, if he becomes secretary of state, those share awards would be cancelled and about $179m in cash would be paid into a trust to be released to Mr Tillerson in instalments over the next decade. The pay deal is intended to clear away concerns that Mr Tillerson would have an incentive to favour Exxon's interests while serving as the most senior US diplomat. At the same time, the company's board has sought to preserve its deferred remuneration schedule for chief executives, intended to incentivise them to pursue investors' long-term interests."

- The Swedish House of Finance has published a paper entitled **Are Shareholder Votes Rigged?**: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2880523. "In this paper, we show that since 2003 there have been 75% more shareholder proposals rejected by a margin of one percent of shares outstanding than proposals that were approved by a similarly narrow margin. As a result, there is a large and discontinuous drop in the density of voting results on these proposals exactly where the majority threshold of each proposal is located. Using counterfactual distributions, we estimate that 11% of closely-contested proposals that were eventually rejected by voters would have passed if management had not been able to systematically affect the voting results. These results confirm that management holds vast and exclusive powers over the voting process at big US corporations and imply that these powers are used by entrenched managers to block valuable improvements to corporate governance." Also see here: https://corpgov.law.harvard.edu/2017/01/04/are-shareholder-votes-rigged/.

- The Wall Street Journal reports that the **SEC Backs "Virtual-Only" Annual Meeting Option**: http://blogs.wsj.com/cfo/2017/01/12/sec-backs-virtual-only-annual-meeting-option/. "The growing popularity of virtual-only shareholder meetings isn't sitting well with shareholders. In the latest round of the debate, the Securities and Exchange Commission backed the right of companies to decide on the format of annual meetings. The regulator in December told HP Inc. it could drop an investor proposal objecting to virtual-only meetings. The proposal called for a shareholder vote on restoring in-person annual meetings. A virtual meeting can done over the phone, online or by using a combination of both. Shareholders log into a special website using a code or pin number to cast their votes and ask executives and board members questions. In granting HP's no action letter request, the SEC reaffirmed its earlier position, that company boards of directors can decide whether the annual meetings should be virtual-only or in-person."

- Reuters reports that **Trump's SEC pick Clayton points to capital formation, not enforcement**: http://uk.reuters.com/article/us-usa-trump-sec-idUKKBN14N1Y9. "With his selection of deal-making attorney Walter 'Jay' Clayton to head the U.S. Securities and Exchange Commission, President-elect Donald Trump is signaling that the agency will try to reduce regulations that critics see as burdensome or hindering corporate growth. Trump announced on Wednesday that he intends to nominate Clayton, a partner in the New York office of law firm Sullivan & Cromwell, to lead the agency that polices and regulates Wall Street."

Japan

- The Financial Times reports that **Japan pension fund in spotlight over takeover rift**: https://www.ft.com/content/72d6d444-dedb-11e6-9d7c-be108f1c1dce. "The world's largest pension fund, Japan's GPIF, is under intensifying pressure to draw a 'line in the sand' on corporate governance standards in the country as other investors rail against a controversial takeover deal. The imbroglio centres around Panasonic's proposed purchase of PanaHome. Investors say it represents one of the sternest tests to date of Japan's stewardship and governance codes, guidelines introduced in 2014 as part of the 'Abenomics' drive to improve transparency and make investing in the equity market easier. The pivotal question is whether the Government Pension Investment Fund's claimed leadership in the push for stronger corporate governance standards will oblige it to take a stand against either PanaHome or Panasonic. The GPIF declined to comment on its individual holdings. Brokers at three houses said they had received a barrage of calls from furious shareholders 'demanding an explanation for what looks much like Japan reverting to pre-governance code norms'."

South Korea

- The Korea Herald argues that **Samsung's Lee case should be reminder to fight cronyism**: http://www.straitstimes.com/asia/east-asia/samsungs-lee-case-should-be-reminder-to-fight-cronyism-the-korea-herald. "In its editorial on Jan 19, the paper says that Samsung heir Lee Jae-yong's implication in the influence-peddling scandal involving Korean President Park Geun-hye is opportunity for the country's number one conglomerate to fight collusion and cronyism. The case of Samsung Group's Lee Jae-yong shows how easily Korean conglomerates – however global they may be – can fall into a deep crisis for reasons not directly related to their business. Although Lee was spared from being placed behind bars, his implication in an influence-peddling scandal involving President Park Geun-hye and her confidante Choi Soon-sil is damaging the image of a company whose products, including smartphones, dominate world markets. Despite the court's rejection of an arrest warrant for him, Lee and his top executives still will face legal problems for months to come, which will certainly impede normal operation of the conglomerate."

India

- Reuters reports that **SEBI issues guidelines to evaluate company boards**: http://in.reuters.com/article/india-regulator-governance-idINKBN14Q0AW. "India's capital markets regulator on Thursday issued guidance on how companies should evaluate the performance of their directors to ensure objectivity and improve corporate governance. Among the guidelines, companies should consider whether discussions among board members are healthy and free-flowing, whether critical and dissenting suggestions are welcome and whether conflicts of interest are monitored and dealt with, the Securities and Exchange Board of India (SEBI) said. The note is intended as guidance and does not constitute new rules, the regulator added." See here for the original document: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1483607537807.pdf.

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

Kind regards,

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