Monthly Roundup
Georgeson

June 2017

Dear All,

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

Shareholder Activism

- The Economist reports about how **A Swedish activist speaks softly and carries a big stick**: http://www.economist.com/news/business/21723428-cevian-europes-largest-activist-fund-swedish-activist-speaks-softly-and-carries-big-stick. "'Sclerotic companies abound in Europe,' says Christer Gardell, co-founder and managing partner of Cevian Capital, an activist hedge fund based in Sweden. That is an uncommonly pugnacious statement for a firm that operates behind the scenes and uses public pressure as a last resort. Unlike its louder American peers, such as Bill Ackman's Pershing Square, Paul Singer's Elliott Management or Dan Loeb's Third Point, Cevian has never written a pointed open letter to a chief executive or waged a proxy battle (although Carl Icahn, an activist who has been known to call bosses 'morons', is one of its investors). Its calm approach seems to suit corporate Europe. Cevian is the region's largest activist fund, and one of the world's biggest, with over $15.4bn in assets. It was founded by Mr Gardell and Lars Forberg in Stockholm in 2002; both still run it."

- Reuters reports that **Nestle plans $20.8 billion share buyback amid Third Point pressure**: https://www.reuters.com/article/us-nestle-thirdpoint-idUSKBN19I2AC. "Nestle plans to buy back as much as 20 billion Swiss francs ($20.8 billion) worth of shares over three years, it said on Tuesday, days after U.S. activist shareholder Third Point LLC began a campaign to boost performance at the company. The New York-based hedge fund, controlled by billionaire investor Daniel Loeb, disclosed a $3.5 billion stake in the company on Sunday when it started pushing for Nestle to more aggressively boost performance and buy back shares. Nestle, maker of Gerber baby food and Perrier water, said its announcement was the result of a review of its priorities that had begun in early 2017. It did not mention Third Point in its statement, and Third Point declined to comment on the announcement. However, Nestle's Chief Executive Mark Schneider, who took over at the start of the year, said at the company's first-quarter results presentation in April that he understood from meetings with shareholders they wanted to see 'meaningful steps towards improved combinations of growth rates and margins'."

- The Telegraph reports **Genel Energy shareholders reject new director amid board exodus**: http://www.telegraph.co.uk/business/2017/06/06/genel-energy-shareholders-reject-new-director-amid-board-exodus/. "Shareholders have rejected the appointment of Genel Energy's new non-executive director and staged a rebellion against a number of other resolutions at its annual general meeting, in yet another blow for the troubled oil explorer. The resolution to elect Ümit Tolga Bilgin, whose appointment was announced in March, to the board was rejected by 51.61pc of shareholders voting at Genel's meeting on Tuesday, meaning he will not now become a director of the group. Around 31pc of shareholders also voted against approving Genel's remuneration report for 2016, re-electing its chief executive, Murat Özgül, and re-electing non-executive director Gulsun Nazli Karamehmet Williams."

- Nikkei Asian Review reports that **Activist investor's plea brings rare board change in Japan**: http://asia.nikkei.com/Business/Companies/Activist-investor-s-plea-brings-rare-board-change-in-Japan. "Investment fund Reno shakes up Kuroda Electric's shareholders meeting.

- Bloomberg BNA reports that **Companies, Activists Mired in Ongoing Proxy Battles**: https://www.bna.com/companies-activists-mired-n73014451497/. "Many activist campaigns are stretching over years, suggesting that corporate boards may be balking at quick settlements. Of 205 campaigns launched since the beginning of 2015 tracked by Bloomberg Law, only 69 have ended. More than half of the campaigns embarked on in 2015 alone are still ongoing – 57 out of 110. In one long-running fight, Third Point LLC, the hedge fund founded by activist Dan Loeb, May 24 suggested that Dow Chemical Co. and DuPont Co. create six focused companies after their planned merger. Loeb's campaign at Dow started in 2014. […] The longer campaigns may be partly attributable to a shift in activist goals and how boards are responding to their requests, defense bar attorneys told Bloomberg BNA."

- The Telegraph reports that **Peter Hambro ousted from gold miner Petropavlovsk after losing board battle with Russian investors**: http://www.telegraph.co.uk/business/2017/06/22/peter-hambro-ousted-gold-miner-petropavlovsk-losing-board-battle/. "Peter Hambro has lost his bid to stop a major Russian investor from filleting the board of Petropavlovsk, the gold mining company he co-founded more than 20 years ago. Shareholders at the London-listed miner's AGM voted 70pc in favour of a resolution by Renova to oppose the reappointment of Mr Hambro. They also voted down the reappointment of the company's three independent non-executive directors. Renova's attempt to appoint two new directors to the board also succeeded, as did an effort by fellow investors M&G – part of Prudential – and Sothic to have two of their nominees appointed."

<u>Europe…</u>

- The Financial Times reports that **Fidelity International has called on European companies to speed up the reform of incentive plans following evidence that they are lagging behind their UK peers**: https://www.ft.com/content/2219fcce-5b41-11e7-9bc8-8055f264aa8b. The Fidelity International press release states: "Company boards in Europe are failing to adopt incentive plans that foster long-term thinking among executives at the same pace as their counterparts in the UK, new analysis from Fidelity International reveals. In 2013, Fidelity International made a stand against short-term pay rewards, informing investee companies in Europe and the UK that it would only support companies prepared to extend the share retention period in their long-term incentive plans (LTIPs). […] The number of FTSE 100 companies with LTIPs of five years or more now stands at 65, compared to just 4 in January 2013 and 48 in June 2016. However, the pace of change has been slower in Europe. While 45% of companies in the Eurotop 100 now have LTIPS of five years or more, this drops to 31% once UK companies are excluded. France had the highest number of companies with five year LTIPs at 32%, followed by Switzerland (26%). In Germany, only one company had adopted a five-year LTIP, with the majority (63%) having incentive plans of more than three years but less than five."

- Reuters reports that **At EU summit, Macron pleads for limits to foreign takeovers**: https://uk.reuters.com/article/us-eu-summit-macron-idUKKBN19D2HY. "French President Emmanuel Macron vowed on Thursday to convince China's closest allies in Europe that curbing foreign takeovers in strategic industries was in their interest, warning EU governments not to be naive in global trade. Smaller eastern and southern European economies that are dependent on Chinese investment have rejected any steps against Beijing, even going as far as to block EU statements criticizing China's human rights record. But Macron, at his first EU summit, said being an attractive destination for investment did not mean exposing Europe to what he termed 'the disorder of globalisation', as he seeks to make good on a campaign pledge with a so-called protective Europe."

...and beyond

- Deloitte has published their **Women in the boardroom** report: https://www2.deloitte.com/global/en/pages/risk/articles/women-in-the-boardroom5th-edition.html. "The 5th edition of our Women in the Boardroom report outlines efforts in over 60 countries to increase the number of women occupying board seats. The report also features perspectives of four non-executive directors from Australia, Japan, UK, and US into how boardroom diversity is progressing in their parts of the world. Highlights include: 1) Women hold 15 percent of board seats worldwide, a slight increase from our previous edition. 2) Organizations with women in the top leadership positions have almost double the number of board seats held by women. 3) Women hold only 4 percent of CEO and board chair positions globally." The full report is available here: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Risk/Women%20in%20the%20boardroom%20a%20global%20perspective%20fifth%20edition.pdf.

- Investment & Pensions Europe reports that **Top 400 Asset Managers 2017: Global passive assets hit €8trn**: https://www.ipe.com/news/asset-managers/top-400-asset-managers-2017-global-passive-assets-hit-8trn/10019389.article. "European institutional passive investment grew by nearly three times as much as active investment between 2013 and 2017, according to IPE's Top 400 Asset Managers survey. IPE's data shows the compound annual growth rate for European institutional passive investments was 17.5% for that period, while actively managed assets grew by 6.4% a year. At the end of 2016, the survey shows €5.8trn of European institutional assets was invested in active strategies (76%) versus €1.4trn in passive (24%), according to a like-for-like sample of 216 asset managers across the period. At a global level, the passive share is slightly larger than for European institutional assets at 27% (€8trn). Global active assets under management stood at €29.3trn at the end of 2016 (sample size: 231 asset managers)."

UK

- ISS announces that **Institutional Shareholder Services Hires Nathan Leclercq As Head of U.K. Research**: https://www.issgovernance.com/iss-hires-nathan-leclercq-as-head-of-uk-research/. "Mr. Leclercq is an experienced industry practitioner currently working as Head of Corporate Governance at Aviva Investors. Prior to joining Aviva Investors in 2002, Mr. Leclercq worked at Northern Trust custodian bank, also in a corporate governance role. Mr. Leclercq will lead the ISS U.K. research team, with a continued focus on producing market-leading high quality research and voting recommendations on U.K. companies for ISS clients globally."

- The Guardian reports that **More than half of Morrisons investors rebel over executive pay**: https://www.theguardian.com/business/2017/jun/15/morrisons-investors-refuse-to-back-executive-pay-package-supermarket-renumeration-report-bonus. "More than half of Morrisons shareholders have failed to back the supermarket's bosses' pay package in a massive protest vote. Investors representing 48% of its shares voted against the company's remuneration report, rising to 51% with abstentions, as Morrisons held its annual shareholder meeting at its HQ in Bradford on Thursday. The vote comes after shareholder advisory services, including ISS, recommended rejecting the report. The supermarket chain had announced plans to increase the maximum long-term bonus for its chief executive, David Potts, from 240% of his basic salary to up to 300%. Morrisons also softened targets to achieve bonus payouts for future years, including a cut in the earnings-per-share growth target from 6%–13% a year to 5%–10%. At the same time, a maximum target for adding free cashflow over three years was cut from £1.3bn last time to £800m." The Telegraph reports that **Morrisons chairman blasts ISS after shareholder rebellion on pay**: http://www.telegraph.co.uk/business/2017/06/15/morrisons-chairman-blasts-iss-shareholder-rebellion-pay/.

- Bloomberg reports that **Liberty Global CEO's Pay Prompts Backlash in Shareholder Vote**: https://www.bloomberg.com/news/articles/2017-06-26/liberty-global-ceo-s-pay-prompts-backlash-in-shareholder-vote. "Liberty Global Plc encountered one of the biggest scoldings for a U.K company over executive compensation, with about 32 percent of votes cast going against the media company's pay plan, according to a regulatory filing on Monday. The non-binding vote at the cable operator's annual meeting on June 21 covered 2016, a year in which Chief Executive Officer Mike Fries saw his compensation jump 45 percent to $40.1 million. While all resolutions passed, the protest was significant. Billionaire Chairman John Malone and other insiders control 30 percent of the votes at the London-based cable company. That means almost half of the non-affiliated votes objected to the amounts paid to Fries and his top lieutenants."

- The Telegraph reports that **Burberry comes under pay pressure from investors**: http://www.telegraph.co.uk/business/2017/06/28/burberry-comes-pay-pressure-investors/. "Burberry is coming under pressure from two influential shareholder bodies over the awards paid to new finance boss Julie Brown and to Christopher Bailey, who has been juggling both the chief creative and chief executive roles. The Investment Association has issued a so-called 'amber alert' to its members ahead of Burberry's shareholder meeting next week while Institutional Shareholder Services (ISS) has also urged investor to vote against the luxury fashion group's remuneration report."

- The FCA has published its **final report into asset management sector**: https://www.fca.org.uk/news/press-releases/fca-publishes-final-report-asset-management-sector. "The final report confirms the findings set out in the interim report published last year. This found that price competition is weak in a number of areas of the industry. Despite a large number of firms operating in the market, the FCA's analysis found evidence of sustained, high profits over a number of years. The FCA also found that investors are not always clear what the objectives of funds are, and fund performance is not always reported against an appropriate benchmark. Finally, the FCA found concerns about the way the investment consultant market operates."

- The FRC reports that **FTSE 350 audits improved with further action needed to deliver consistent improvement**: https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2017/June/FTSE-350-audits-improved-with-further-action-neede.aspx. "The quality of audits of FTSE 350 companies in the UK is improving, according to the latest audit reviews undertaken by the Financial Reporting Council (FRC). 81% of FTSE 350 audits reviewed in 2016/17 were categorised as requiring no more than limited improvements, compared to 77% in 2015/16 and 70% in 2014/15. The FRC has set a target that at least 90% of FTSE 350 audits reviewed should require no more than limited improvements by 2018/19."

- The Telegraph reports that **Barclays Bank and former boss John Varley charged with conspiracy to commit fraud by SFO**: http://www.telegraph.co.uk/business/2017/06/20/sfo-charges-barclays-bank-former-boss-john-varley-conspiracy/. "The former boss of Barclays faces a maximum 22 year prison sentence after he and three other ex-directors of the lender became the first British bankers to face criminal charges for actions taken during the financial crisis. Barclays was plunged into turmoil on Tuesday after the Serious Fraud Office charged the bank with fraud and unlawful financial assistance over its dealings with Qatari investors, including former prime minister Sheikh Hamad bin Jassim bin Jabr al-Thani, in 2008 when Britain's banking system was on the verge of collapse. The lender turned to the Qataris as well as other private investors for two huge cash calls in June and October 2008 that raised a total of £11.8bn in a desperate bid to avoid a bail-out. However, the SFO has spent five years investigating side deals the bank struck with the Qataris alongside the fundraisings, in an extensive and high-profile probe that has involved interviews with more than 45 individuals."

Ireland

- The Irish Times argues **Caveat: When will Ireland get serious on corporate governance?**: https://www.irishtimes.com/business/markets/caveat-when-will-ireland-get-serious-on-corporate-governance-1.3121151. "Corporate governance and corporate Ireland are often uncomfortable bedfellows. It is easy to single out INM, a luminous fish waiting to be shot in a barrel of lousy governance standards. It is an extreme example where the chief executive has even gone as far as to make protected disclosures to the State's corporate watchdog covering his interactions with the chairman, who is Denis O'Brien's representative. Yet, as we have written on these pages before, a general indifference to basic corporate governance standards is endemic in a litany of Irish-listed companies. Contrary to good governance, several Iseq companies have appointed chairpersons who are not independent; many directors who are deemed independent by their boards are clearly nothing of the sort; and when it comes to basic issues, including the proper representation of women on boards, corporate Ireland is in the Dark Ages."

France

- Bloomberg reports that **Renault Shareholders Narrowly Pass CEO Pay Amid Controversy**: https://www.bloomberg.com/news/articles/2017-06-15/renault-shareholders-narrowly-approve-ceo-s-pay-amid-controversy. "Renault SA shareholders approved Carlos Ghosn's 7 million-euro ($7.8 million) compensation for last year over the objections of the French government, which argued that the automaker's chief executive officer is overpaid. Shareholders voted 53 percent in favor of the CEO's 2016 pay in an advisory decision at the company's annual meeting on Thursday in Paris. The French state, which owns 19.7 percent of Renault, opposed Ghosn's remuneration for the fourth time, a spokeswoman for the state's participation agency said. In July last year, Renault's board cut the variable component of Ghosn's pay package by 20 percent, which wasn't enough to satisfy the French government. The victory is a sign that most stockholders are satisfied with steps Renault's board took in response to the vote against Ghosn's pay at last year's meeting. The board reduced variable bonuses and made it more clear how pay is calculated. ISS, an advisory firm that last year opposed the CEO's compensation, this year recommended that investors approve the package."

- Le Figaro reports that **CAC 40: la guerre avec les actionnaires n'a pas eu lieu ("CAC 40: the war with investors did not materialise")**: http://www.lefigaro.fr/societes/2017/06/23/20005-20170623ARTFIG00296-cac-40-la-guerre-avec-les-actionnaires-n-a-pas-eu-lieu.php. "Contrary to predictions, the war announced between shareholders and company executives did not take place. In the end the annual general meeting (AGM) season took place in a calm climate. The AGM of Renault, which closed – on June 15 – the season of the great CAC 40 meetings, gave rise to a few heated exchanges on the remuneration of CEO Carlos Ghosn. However, at the time of the vote, all the resolutions supported by the management were adopted. The best indicator of the reduced tension is that this year, 90% of the resolutions put to the vote have been approved. This percentage of favourable votes is at the top of the range of previous years."

Germany

- Handelsblatt reports that **Shareholders Target Executive Pay: With the growing influence of proxy firms, shareholders in Germany are developing a greater say in how companies are run**: https://global.handelsblatt.com/companies-markets/shareholders-target-executive-pay-775308. "At the annual meeting of German reinsurer Munich Re last April, shareholders marked the departure of longstanding CEO Nikolaus von Bomhard with a long and emotional standing ovation. But their affection for the departing chief did not stop shareholders from partaking in a growing trend of rebellion against management seen across Germany. Soon after the applause, the shareholders voted overwhelmingly against a draft resolution on executive compensation, perceiving the performance targets detailed in the proposal as not sufficiently concrete. The vote reflected a growing tendency for shareholders in Germany to defy company management, particularly on the issue of executive pay. At recent annual meetings of pharmaceutical giant Merck and broadcasting company Prosieben Sat1, for example, more than half of shareholders rejected compensation plans for executive board members. According to Handelsblatt calculations, in fact, nearly 34 percent of executive compensation packages have been rejected this year. This is by far the highest level since these votes were introduced in 2010. The sharp upward trend began last year, when the rejection rate jumped from 7.2 to 23.8 percent."

- The German Corporate Governance Institute (an initiative of VARD, the German institute of directors) argues that **Cooling-Off: Kurzzeit-Aufsichtsräte als Symbol für Governance-Formalismus ("Cooling-Off: short-term supervisory board mandates as a symbol of governance formalism")**: https://dcgi.org/2017/06/20/cooling-off-kurzzeit-aufsichtsraete-als-symbol-fuer-governance-formalismus/. "The two-year cooling-off period before [a Management Board member can switch] to the Supervisory Board is better than nothing – but it is not enough for many board members to cool down (i.e., to defuse conflicts of interests because they would suddenly monitor their own strategy). It is therefore a classic example of a rather formalistic approach to governance, when companies push wildly to meet the two-year deadline – instead of waiting a little longer or renouncing the nomination. An example of this is Allianz: In May, shareholders re-elected Supervisory Board Chairman Helmut Perlet for a full three days (!), because the cooling off period for his designated successor, Michael Diekmann, had not yet come to an end on the day of the Annual General Meeting. When corporate governance compliance results in such duds, in our view this shows that we need more substantive debates and principles – and less blanket recommendations." See here for Allianz's explanation: https://www.allianz.com/en/press/news/financials/business_results/170503_new-supervisory-board-of-Allianz-SE-elected/.

- Board Agenda reports that **Germany to bring into force remuneration transparency law**: http://boardagenda.com/2017/06/21/germany-bring-force-remuneration-transparency-law/. "A new law giving employees in Germany rights to information about the pay of co-workers will be introduced on 1st July. The law will impose new reporting requirements on companies to reveal how they maintain fair pay. The Remuneration Transparency Act applies to legal entities with more than 200 employees. It gives employees the right to ask for details of the median average pay of a minimum of six employees of the opposite sex in comparable positions."

- DHR (an executive search firm) reports that **Germany has one of the lowest proportions of women on boards of big banks in Europe**: http://www.dhrinternational.com/about/news-media/germany-has-one-lowest-proportions-or-women-boards-big-banks-europe/. "Europe's biggest banks are approaching gender parity on their boards, with an average proportion of 40 per cent women in 2017. But some countries are lagging behind. Just 9 percent of board members at Germany's largest banks are women, according to executive search firm DHR International. In contrast, the average proportion of female board members at French banks rose from 29 percent in 2016 to 34 percent in 2017. The UK slipped from 29 per cent to 28 per cent. Globally, women make up 23 percent of board members at the world's largest banks."

Netherlands

- Manifest reports that the **ICGN voices concern over proposed Dutch law on takeovers**: https://blog.manifest.co.uk/icgn-voices-concern-proposed-dutch-law-takeovers/#sthash.I4E8RiM2.dpbs. "The International Corporate Governance Network (ICGN), has written to the Dutch Economic Ministry and to the Dutch House of Representative's economic affairs committee to express its significant concerns relating to the new legislation regarding takeover bids in the Netherlands. This was outlined in a letter of Minister Kamp to the Chair of the House of Representatives on 20 May 2017. The ICGN said: 'Our specific concern relates to the proposed one year "legal timeout" for hostile takeovers. It is our view that this is an unduly harsh provision that damages shareholder protections to the detriment of good corporate governance, efficient markets and sustainable value creation. We believe introduction of such an extreme provision would work against the interests of institutional investors and their beneficiaries – including pension funds and pensioners.'" The full letter is available here: https://www.icgn.org/sites/default/files/9.%20ICGN%20Letter%20Dutch%20anti%20takeover%20bill%20May%202017_0.pdf.

- Reuters reports that the **Dutch parliament says cap on bankers' bonuses should be dropped**: http://www.reuters.com/article/us-netherlands-banking-bonuses-idUSKBN19I2V5. "The Dutch parliament voted on Tuesday in a consultative motion to scrap an existing cap on bonuses for workers in the financial services industry. The rule limiting bonuses to 20 percent of fixed pay was instituted under the previous government in response to bailouts of several Dutch banks and insurers during the 2008 financial crisis. However, it has increasingly been cited as a deterrent for international banks that might consider moving personnel or key operations from London to the Netherlands once Britain leaves the European Union. The parliamentary vote – in which a motion to keep the cap in its current form was rejected by the four parties currently negotiating a new coalition – is not binding. But it suggests that an abolition or loosening of the cap will be on the agenda of the incoming government."

Switzerland

- SIX Swiss Exchange, the Swiss stock exchange, has published a **consultation document that relates to proxy advisors providing services to issuers**: https://www.six-exchange-regulation.com/en/home/publications/explorer/consultations.html#c=/content/ser/global/en/taxonomy/media-type/publication/consultation/current/consultation-procedure-partial-revision-dcg-proxy-advisor. "The Issuers Committee of SIX Swiss Exchange therefore decided to include a proposal for 'transparency rules' in the Directive Corporate Governance (DCG) from January 1, 2016. […] If a proxy advisor has rendered the relevant advisory services during the reporting year, such circumstances (incl. fees) must be disclosed in the statements on corporate governance in the annual report. This regulation should lead to an increase of transparency regarding the independence of proxy advisors for investors." The full consultation letter is available here: https://www.six-exchange-regulation.com/dam/downloads/publication/consultations/consultation-procedure-partial-revision-dcg-proxy-advisor/consultation-procedure-partial-revision-dcg-proxy-advisor-en.pdf. **The consultation closes on 31 July 2017.**

- The Luzerner Zeitung reports that **Aktionäre monieren vermehrt Vergütungsanträge für Verwaltungsräte ("Shareholders are increasingly complaining about remuneration proposals for board members")**: http://www.luzernerzeitung.ch/nachrichten/wirtschaft/aktionaere-lehnen-sich-gegen-managerloehne-auf;art46442,1048110. "The board of directors of Swiss companies are faced with increasing headwinds with regard to remuneration. At the Annual General Meetings this year, the proportion of negative votes has risen further. At this year's Annual General Meetings of the 100 largest companies in the SPI stock index, 14.6 percent of the shareholders rejected the remuneration report in the median. This is an increase of 2.3 percentage points compared to the previous year, as the proxy adviser Swipra reported on Friday." The Swipra report is available here: http://swipra.ch/wp-content/uploads/2017/06/SWIPRA-Analysis-AGMs2017_FINAL_English.pdf.

Norway

- Investment & Pensions Europe reports that **Norway SWF should be spun off from central bank, commission says**: https://www.ipe.com/news/norway-swf-should-be-spun-off-from-central-bank-commission-says/10019601.article. "Norway's NOK8.1trn (€855bn) oil fund should be managed separately from the country's central bank now that it has grown so big, a government commission has proposed. The Ministry of Finance announced last week that a commission set up to review Norges Bank and the Norwegian monetary system had recommended that the oil fund be managed by a separate statutory entity. Currently the Government Pension Fund Global (GPFG) – Europe's largest sovereign wealth fund – is managed by Norges Bank Investment Management (NBIM), which is part of Norges Bank."

Denmark

- Bloomberg reports that **A $112 Billion Fund Wants to Stop CEOs Making Too Much Money**: https://www.bloomberg.com/news/articles/2017-06-20/another-mega-fund-wants-to-stop-ceos-making-too-much-money. "One of Europe's biggest pension funds is adding its voice to the list of investors shaming executives they think earn too much. ATP of Denmark has about $112 billion in assets under management. Its latest public target was Carlsberg A/S. At the annual general meeting in March, the fund said the 36 million kroner ($5.4 million) paid to Chief Executive Officer Cees 't Hart in 2016 was excessive, and fought a proposal to raise the variable portion. The pay package was ultimately approved by a board dominated by the Carlsberg Foundation, but ATP had sent a clear signal."

United States

- Bloomberg BNA reports that **BlackRock Sheds Light on Proxy-Voting Decisions When Boards Balk**: https://www.bna.com/blackrock-sheds-light-n73014453246/. "The world's largest asset manager is experimenting with near real-time reporting on what happens when companies don't respond to its concerns on topics such as climate change. […] Now it's disclosing some of its recent votes and the reasons behind them. When BlackRock first supported and helped pass a shareholder proposal in May seeking a report from Occidental Petroleum Corp. on the business impacts of climate change, it put out a vote bulletin explaining why it didn't follow the board's recommendation. It's put out four more bulletins, including most recently one saying why it voted for a similar climate proposal at Exxon Mobil Corp. BlackRock's latest bulletin also showed that it voted against two Exxon directors after repeated requests to meet with the board to better understand its oversight of climate risk and other issues were rebuffed. […] 'This is a more public forum than the private-style engagement that a lot of institutions tend to start with,' Donald W. Cassidy, executive vice president of business development and corporate strategy at proxy solicitor Georgeson LLC, told Bloomberg BNA."

- Bloomberg reports that **Mylan Shareholders Reject Drugmaker's Executive Pay Package**: https://www.bloomberg.com/news/articles/2017-06-22/mylan-shareholders-reject-drugmaker-s-2016-executive-pay-plan. "A majority of Mylan NV investors voted against the drugmaker's 2016 compensation program following a $97.6 million reported package for Chairman Robert Coury and controversy over prices for the company's EpiPen allergy treatment. The vote marks the second time that a majority of investors have rejected the company's pay program since Mylan first held advisory votes on executive compensation in 2011. Shareholders also voted to approve all board nominees on Thursday at Mylan's annual meeting in Amsterdam. The moves follow an effort by a group of investors to unseat some Mylan directors, and an unusually public back-and-forth between the board and the largest U.S. proxy adviser. But analysts say the compensation vote isn't binding and the drugmaker will likely make no changes."

- Bloomberg reports that **Facebook Election Turns Into a Protest**: https://www.bloomberg.com/gadfly/articles/2017-06-07/facebook-shareholders-turn-election-into-a-protest. "Among those who cast ballots in the company's annual stockholder election last week, about 79 percent of shares not controlled by Mark Zuckerberg voted in favor of a proposal to wipe away a special class of stock that gives him majority control of Facebook. About eight in 10 votes cast by Facebook stockholders not named Mark Zuckerberg were in favor of a proposal to strip the CEO of his power to control the company. Zuckerberg's right to vote 10 of his shares for every one held by ordinary stockholders is the reason he controls Facebook, even though he owns only 14 percent of the total." Additionally, CorpGov.net reports that **Alphabet Shareholders Overwhelmingly Support Equal Voting**: http://www.corpgov.net/2017/06/alphabet-shareholders-overwhelmingly-support-equal-voting/; CalPERS reports that **In Response to CalPERS Lawsuit, IAC Abandons Plan to Issue Non-Voting Stock**: https://www.calpers.ca.gov/page/newsroom/calpers-news/2017/interactivecorp-abandons-plan-non-voting-stock; and, the Financial Times reports that **State Street asks SEC to block non-voting shares**: https://www.ft.com/content/9595e5c4-51db-11e7-bfb8-997009366969.

- The Atlantic reports about **How Companies Actually Decide What to Pay CEOs**: https://www.theatlantic.com/business/archive/2017/06/how-companies-decide-ceo-pay/530127/. "In 2014, 500 of the highest-paid senior executives at U.S. companies made nearly 1,000 times as much money as the average American worker, after taking into account salary, bonuses, and stock-based compensation. That discrepancy is so enormous that it prompts a question: How exactly do companies come up with and calibrate the often-colossal pay packages they give to their leaders?"

Canada

- The Financial Post reports **What's a woman on the board worth to stock investors? About 300 bps, according to CIBC study**: http://business.financialpost.com/news/fp-street/whats-a-woman-on-the-board-worth-to-investors-about-300-bps-according-to-cibc-study/wcm/a5bff9fd-4638-4321-a3a3-b93aaa71687b. "Having women on a company's board of directors leads to better stock market returns and that's information institutional investors can use when deploying their portfolio strategies, a new report prepared by CIBC World suggests. Based on CIBC's data over an eight-year period, S&P/TSX companies with women on the board 'produced an annual 11.1 per cent compounded return, more than 300 bps (basis points) of outperformance compared to the zero-female board member groups,' the report declares."

India

- Reuters reports that **India's market regulator sets up panel to improve corporate governance**: https://www.reuters.com/article/us-india-sebi-corporategovernance-idUSKBN18T1SG. "India's market regulator has set up a committee to help improve corporate governance of listed companies, it said on Friday, in the light of recent high-profile corporate tussles. Apart from helping ensure the independence of independent directors, the panel will also advise the market regulator on resolving issues related to accounting, auditing and board's disclosure practices, the Securities and Exchange Board of India (SEBI) said in press release. Recent high-profile corporate tussles, including the one between Tata conglomerate and former chairman Cyrus Mistry, put the focus on corporate governance in India and highlighted the need for better oversight and tighter regulation of company boards." See here for the official announcement: http://www.sebi.gov.in/media/press-releases/jun-2017/formation-of-committee-on-corporate-governance_35013.html.

- Institutional Investor Advisory Services (IiAS), Women on Corporate Boards Mentorship Program (WCB) and Prime Database have published a report entitled **Corporate India: Women on Boards**: https://www.iiasadvisory.com/single-post/Women-on-Indian-Boards. "The report recommends that companies target to have 20% of their boards comprising women by 2020. In the interim, companies must attempt to have at least one woman as an independent director on their boards over the next 18 months. […] This study examines the board composition of the NIFTY 500 companies, which represents more than 95% of the of the free float market capitalization of the stocks listed on the National Stock Exchange (NSE) as on 31 March 2017. Gender diversity on boards remains high on the regulators agenda. Proponents of greater diversity contend that female representation brings in a different perspective, intuitiveness and a more collaborative style of leadership into corporate boardrooms. Their views are supported by a growing body of academic evidence linking gender diversity and financial performance."

Japan

- Nikkei Asian Review reports that **Japan's asset managers seek to vote more independently**: http://asia.nikkei.com/Business/Trends/Japan-s-asset-managers-seek-to-vote-more-independently. "Outside advisers, limited personnel moves could contribute to better corporate governance."

- Bloomberg reports that **Toshiba Board, CEO Blasted by Glass Lewis for Poor Governance**: https://www.bloomberg.com/news/articles/2017-06-19/toshiba-board-ceo-blasted-by-glass-lewis-for-poor-governance. "Proxy adviser Glass Lewis & Co. blasted Toshiba Corp.'s board for poor governance amid repeated scandals and recommended investors vote against all directors at the company's shareholders meeting later this month. In a 25-page report, the U.S. firm detailed years of accounting troubles at the Japanese icon, clashes with accountants over financial statements, weak internal controls and management missteps that have put investors at risk of seeing their shares delisted from the Tokyo Stock Exchange. Toshiba said in 2015 that it had overstated profits for seven years and paid a record fine in Japan, only to reveal this year that it would have to take a writedown in its nuclear business of more than $6 billion."

Hong Kong

- The South China Morning Post reports that **HKEX plans third board for new-economy firms**: http://www.scmp.com/business/companies/article/2098670/hkex-plans-third-new-board-new-economy-firms. "Both Singapore and London are considering allowing dual-class share firms to list. Hong Kong's proposed new board will have two markets. The premium market will target technology or new-economy companies that meet the main board's listing requirements but have a dual-share structure. US-listed companies with a dual-share structure will also be allowed to apply for a secondary listing on the premium market. Many technology firms such as Facebook and Google adopt such shareholder structures as their founders hold minority stakes but want to retain control." See here for the official consultation: https://www.hkex.com.hk/eng/newsconsul/hkexnews/2017/170616news.htm. **The consultation period closes on 18 August 2017.**

China

- Reuters reports that **Investor activists sceptical about MSCI China inclusion**: http://www.reuters.com/article/msci-indexes-idUSL3N1JJ1GZ. "MSCI's decision to add China-listed stocks to a key benchmark will give investors a stake in China's growth, but the cost of such access will be exposure to persistently weak corporate governance in the country, investor activists and analysts said. The U.S. index provider said on Wednesday it would add 222 China-listed large cap stocks to its Emerging Markets Index, tracked by around $1.6 trillion in assets. The decision was hailed as a major endorsement of China's reform agenda, but it also comes at a time of renewed concerns following a flurry of corporate scandals and a surge in public campaigns by activist investors alleging problems with fraud, financial engineering and market manipulation. Given that the Beijing government is also stepping up its interference in corporate affairs by insisting that Communist Party committees be established at state firms, some governance activists are questioning MSCI's decision."

Brazil

- The Financial Times reports that **Brazil's attitude to minority shareholders faces key test**: https://www.ft.com/content/b13c4876-574f-11e7-9fed-c19e2700005f. "A vote on updating antiquated corporate governance rules is being closely watched."

South Africa

- Business Report reports that **JSE makes King IV provisions mandatory for listed entities**: http://www.iol.co.za/business-report/jse-makes-king-iv-provisions-mandatory-for-listed-entities-9915866. "The JSE this week made the King IV Governance Code mandatory for listed entities by including the code's provisions in the exchange's listing conditions. Companies would also be required to publish a compliance report on their broad-based black economic empowerment (B-BBEE) status, unless an exemption could be provided to the JSE. Melanie de Nysschen, corporate finance principal at Bravura, an independent investment banking and advisory firm, said that although some of these changes had been expected, their timeous and appropriate implementation would require careful planning and consideration. De Nysschen said although the application of the corporate governance practices in the King code was generally voluntary, listed companies could not choose to ignore King IV, which had amended the disclosure regime to 'apply and explain'. This change would affect annual reports submitted to the JSE on or after October 1."

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

Kind regards,

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