



September 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 Telegraph reports **Crystal Amber warns companies to brace for activist-driven M&A:** <http://www.telegraph.co.uk/business/2016/09/13/crystal-amber-warns-companies-to-brace-for-activist-driven-ma/>. "Companies have been warned to brace for a surge in investor activism in the wake of the Brexit vote, which has left many businesses vulnerable to bids from foreign buyers. Guernsey-based fund Crystal Amber believes the result of the European Union referendum, which took financial markets by surprise, has 'created a number of activist opportunities as companies are forced to adjust to inevitable changes'."
- > Bloomberg reports that **Activist Investor Cevian Digs in on Demands for ABB Breakup:** <http://www.bloomberg.com/news/articles/2016-09-21/activist-investor-cevian-digs-in-on-demands-for-abb-breakup>. "ABB Ltd.'s planned sale of a niche cables business to a Danish supplier failed to appease Swedish activist shareholder Cevian Capital AB, which is pushing for an outright breakup of the Swiss engineering company. [...] The sale of the cables operation is 'sound and reasonable,' but ABB should still spin off the power-grid division, Cevian co-founder Christer Gardell said by e-mail. 'The division should be separated and listed by distributing the shares to the owners of ABB.' ABB and Gardell have been locked in debate for more than a year over the structure of the Swiss maker of power and automation equipment. Cevian has urged ABB to carve out and list the power-grid division, saying ABB is too complex and difficult to run."
- > Investors Chronicle reports about **Boardroom battles – How following activist investors can deliver knockout returns:** <http://www.investorschronicle.co.uk/2016/08/19/shares/boardroom-battles-T0ILWnp7QyQD66Kc7YuZIN/article.html>. "North America's reputation as a global trendsetter has led many financial commentators over the past few years to predict the imminent arrival of a wave of Gordon Gekko-like corporate raiders on British shores. By stealthily buying up small stakes in companies, and amassing countless institutional allies in the process, hedge fund managers have made a lucrative habit out of imposing corporate change. Yet fast forward to 2016, and there's still only a handful of activist investors attempting to replicate the type of brutal campaigns perfected by US gurus Bill Ackman, Carl Icahn or Dan Loeb in the UK."
- > The Financial Times reports that **Activist investor TCI sets out plan for VW bonus structure:** <https://www.ft.com/content/5c42c922-80cb-11e6-8e50-8ec15fb462f4>. "Sir Chris Hohn, the activist investor who built up a €1.2bn stake in Volkswagen earlier this year, has called for a new target-based bonus system at the carmaker to better align executive pay with shareholder interests. In a letter made public on Thursday, the founder of The Children's Investment Fund – an \$11bn hedge fund – said VW should pay its managers no bonuses at all if its earnings per share are below €20. Excluding the years 2011 and 2012, when its balance sheet was distorted by the acquisition of Porsche, this is a performance VW has managed only once, in 2014." The letter is available here: http://www.tcivwengagement.com/Content.aspx?page=TCI_Letter_2016_09_07.pdf.
- > The New Yorker reports about **How Should We Read Investor Letters? Considering the**

correspondence between C.E.O.s and shareholders as a literary genre.:

<http://www.newyorker.com/magazine/2016/09/05/jeff-gramms-dear-chairman-boardroom-battles-and-the-rise-of-shareholder-activism>. "In an engaging and informative book, 'Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism' (HarperBusiness), Jeff Gramm argues that this letter marked an important turning point in the history of modern capitalism. It was the moment at which shareholders began to assert their rights as the owners of companies, against managers who tended to run the companies in their own interests instead. Economists call this state of affairs the 'agency problem,' in which a company's agents – the managers – have interests that are not aligned with those of the company's owners. Gramm's book focusses on eight investor's letters that sum up some of the great agency-problem battles in the history of American business. It is a valuable set of stories. As Gramm says, 'It is incredible how much useful information from the business world is becoming lost to history. I can get detailed box scores from decades-ago college football games, but finding a 1975 annual report from a midsize company is surprisingly difficult.'"

- > The Financial News reports that **Activists adopt a more subtle approach on M&A:** <http://www.efinancialnews.com/story/2016-08-30/activist-hedge-funds-try-more-subtle-approach-on-m-and-a-europe> "Activist investors are increasingly taking a more subtle approach to European takeovers, by trying to influence the terms of M&A deals rather than pushing companies to sell themselves altogether. [...] Their tactics, however, are changing. Increasingly, they are rattling their sabres when a company already has an offer but they object to either the buyer or the terms of the deal, an approach termed reactive activism."

Europe...

- > The European Bank for Reconstruction and Development (EBRD) **has published 34 Corporate Governance Reports:** <http://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/sector-assessment.html>. The reports "assess corporate governance legislation and practices in the EBRD region. The reports have been prepared by looking at the relevant legislation and disclosed practices of the ten largest (listed - if a stock exchange exists) companies in each country. The analysis is divided in 5 sections: (i) Structure and Functioning of the Board; (ii) Transparency and Disclosure; (iii) Internal Control; (iv) Rights of Shareholders; and (v) Stakeholders and Institutions. These sections are further divided in sub-sections." For the latest updates see here: https://www.linkedin.com/today/author/0_1phHZDPvyJWXIW9qKWFhFc.

...and beyond

- > The OECD has published a paper entitled **Corporate Governance of Financial Groups:** http://www.oecd-ilibrary.org/governance/corporate-governance-of-financial-groups_5jlv1m6zq3nx-en. "The governance of corporate groups needs to address inherent issues such as the dilemma of subsidiary boards' loyalty to the interests of the subsidiary versus the broader interests of the group, and the risks associated with related party transactions. In the case of financial groups, particular consideration should be given to the interests of depositors and insurance policyholders of each financial subsidiary. Financial regulation increasingly establishes requirements for the governance responsibilities of the boards of financial subsidiaries, while emphasising the overall responsibility of the ultimate parents of financial groups."
- > The Financial Stability Board (FSB) has undertaken a peer review of the **G20/OECD Principles of Corporate Governance:** <http://www.fsb.org/2016/08/fsb-launches-peer-review-of-the-g20oecd-principles-of-corporate-governance-and-invites-feedback-from-stakeholders/>. "The overarching objective of the review is to take stock of how FSB member jurisdictions have applied the Principles to publicly listed, regulated financial institutions, identifying effective practices and areas where good progress has been made while noting gaps and areas of weakness. It will also inform work that is underway to revise the OECD's Assessment Methodology that is used by the World Bank as the basis for country assessments undertaken as part of its Corporate Governance Report of Standards and Codes initiative and will provide input to governance-related aspects of the FSB's broader work on conduct for financial institutions."

UK

- > On 7 September 2016 in the House of Commons the **UK Prime Minister made the following comments about planned corporate governance reforms**: <https://www.gov.uk/government/speeches/g20-summit-pm-commons-statement-7-september-2016>. "And to restore greater fairness, we will be consulting on new measures to tackle corporate irresponsibility. These will include cracking down on excessive corporate pay, poor corporate governance, short-termism and aggressive tax avoidance – and giving employees and customers representation on company boards." On 16 September 2016 **the House of Commons Business, Innovation and Skills Select Committee launched an inquiry on corporate governance**: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/business-innovation-and-skills/news-parliament-2015/corporate-governance-inquiry-launch-16-17/>. The inquiry focuses on "executive pay, directors duties, and the composition of boardrooms, including worker representation and gender balance in executive positions". **The deadline for submissions is Wednesday 26 October 2016.**
- > The High Pay Centre has published a paper entitled **Restoring Responsible Ownership: Ending the ownerless corporation and controlling executive pay by Conservative MP Chris Philp**: <http://highpaycentre.org/blog/restoring-responsible-ownership-new-paper-by-chris-philp-mp>. "In his paper Chris calls for the introduction of a Swedish-style 'shareholder committee' of the five biggest shareholders in a company, which would provide more effective governance in particular with regard to executive pay. This measure would help tackle the problem of 'ownerless corporations'. He also supports the call for binding annual votes on executive pay, and the introduction of the mandatory publication of pay ratios. He recognises the advantage in including the employees' point of view in discussions over pay at the top. [...] We note also the persuasive support of two well-regarded names in this field: Neil Woodford and Lord (Paul) Myners."
- > Sky News reports that **Sports Direct Investors Vote Against Chairman**: <http://news.sky.com/story/sports-direct-suffers-agm-investor-rebellion-10568757>. "Sports Direct shareholders have delivered a bloody nose to Mike Ashley after they rejected the reappointment of its chairman to the board. The company's Annual General Meeting saw 53% of independent investors vote against Keith Hellawell amid major criticism over working practices and the way the company is run. But the chairman's position was safeguarded after Mr Ashley – the Newcastle United owner who owns 55% of Sports Direct – backed him." The **AGM vote results and the board's statement** are available here: http://otp.investis.com/clients/uk/sports_direct1/rns/regulatory-story.aspx?cid=723&newsid=780196. "The Company is disappointed to note that the resolution to re-elect the Chairman was not approved by a majority of the Company's independent shareholders, and confirms that in accordance with the UKLA Listing Rules this resolution will be put to shareholders of the Company at a general meeting to be held within 90 and 120 days of today's date. Dr Keith Hellawell will remain in his role until the date of that general meeting."
- > The GC100 and Investor Group have published their **Directors' Remuneration Reporting Guidance 2016**: <http://uk.practicallaw.com/7-632-2185>. "Key changes to the guidance include: 1) Clarifying the remuneration committee's use of discretion in determining remuneration outcomes, including the situations in which investors generally expect the committee to consider exercising discretion to moderate formulaic remuneration outcomes. 2) Expanding the guidance on companies' use of commercial sensitivity as a reason not to disclose performance measures or targets in the remuneration report, including setting out general investor expectations on the prospective and retrospective disclosure of performance targets and measures related to short-term and long-term incentives. 3) If a company chooses a comparator group of employees when reporting on the percentage change in the CEO's remuneration, clarifying that investors (and other stakeholders) generally expect a meaningful comparator group and not a narrow group consisting of senior managers. 4) Reinforcing that in the future policy table the maximum amount that may be paid for each component of remuneration, including salary, must be specified."
- > The Institute of Directors (IoD) have published **The 2016 Good Governance Report**: <https://www.iod.com/news-campaigns/news/articles/the-2016-good-governance-report>. This is "the IoD's flagship corporate governance publication which publicly ranks the FTSE 100 based on their corporate governance performance. This report sets out the findings from extensive research into the measurement of corporate governance in UK-listed companies. Its purpose is to encourage the study of good governance among UK companies and stimulates public debate on the importance of corporate governance in rebuilding

the reputation of the UK business community." The full document is available here: <https://www.iod.com/Portals/0/PDFs/Campaigns%20and%20Reports/Corporate%20Governance/The%202016%20Good%20Governance%20Report.pdf>.

France

- › The Financial Times reports that **France's CDC to further reduce shareholdings:** <https://www.ft.com/content/85341e9c-8195-11e6-bc52-0c7211ef3198>. "The Caisse des Dépôts, France's state-backed bank, is planning to sell hundreds of millions of euros worth of shares in some of the country's largest companies as it shifts its focus away from large historical shareholdings. [...] The CDC last week raised €456m through the sale of about 4 per cent of the capital of in Veolia. [...] The shift in strategy away from owning larger groups comes amid a wider debate in France about the role of the government in French business after a string of failures in the state-controlled nuclear industry this year. Mr Lemas said he wanted the CDC, which is a quasi-government body managed by parliament, to add to the economy in ways beyond simply being a shareholder in large companies. The sale of stakes in large companies could yield hundreds of millions of euros that could be used elsewhere in France, he added."

Germany

- › IR Magazine reports that **Activists [are] exploiting Germany's two-tier corporate structure:** <https://www.irmagazine.com/articles/activism/21604/german-companies-see-increasing-activist-activity/>. "German companies are increasingly coming under attack from activist investors and some have identified a peculiarity in German management systems that they can take advantage of, warns Kay Bommer, managing director of Dirk, Germany's IR society. Bommer says Dirk has noticed activist investors are becoming more confident and are 'loudly voicing their concerns' in Germany. In the past German companies have not had to deal with activist issues as much as their UK and US peers: 27 German companies faced public activist campaigns between 2010 and August 2016, compared with 147 in the UK, according to data from Activist Insight."
- › The Guardian reports about **Deutsche Bank: five options as it faces the prospect of \$14bn fine:** <https://www.theguardian.com/business/2016/sep/28/deutsche-bank-five-options-14bn-dollar-fine-john-ryan>. "The markets are fixated on the possible options for Deutsche Bank as it faces the prospect of a \$14bn (£10.5bn) penalty from the US authorities for mis-selling mortgage bonds a decade ago. A report has sparked speculation that the German government would step in if John Cryan, the Briton running Deutsche, fails to find a solution. Cryan has insisted Deutsche does not need help from the government and these are some of his options."
- › The Financial Times reports that **Blackrock joins €2bn investor lawsuit against VW:** <https://www.ft.com/content/a0132654-2e9e-3e16-bdc2-fadeaccba7f1>. "BlackRock is among 80 investors that plan to sue Volkswagen for €2bn after accusing the carmaker of failing to disclose its diesel emissions scandal soon enough. Law firm Quinn Emanuel is expected to file a detailed case on behalf of the investors against the German carmaker in its home state of Lower Saxony on Friday. BlackRock, the world's largest asset manager, is the eighth largest holder of VW's ordinary shares, and other investors involved in the lawsuit include Norway's oil fund, State Street, the California State Teachers' Retirement System, and the Greater Manchester Pension Fund. The investors accuse VW of failing to disclose the scale and nature of the emissions scandal when the company first became aware of it."

Netherlands

- › Reuters reports that the **Dutch finance minister calls for cap on all manager bonuses at 20 percent of pay:** <http://www.reuters.com/article/netherlands-executives-pay-idUSL8N1BK130>. "Dutch Finance Minister Jeroen Dijsselbloem wants bonuses for all managers in The Netherlands to be capped at 20 percent of base pay. While a European Union-wide cap of 100 percent was enacted in the financial sector to limit risk taking in

the wake of the 2008 financial crisis, the Dutch government went further, capping bankers' bonuses at 20 percent. In an opinion piece in De Volkskrant published on Thursday, Dijsselbloem argued the rule should be universally adopted, noting that total pay packages for executives have more than doubled over the past 20 years. He said that executives of Heineken, Unilever and supermarket operator Ahold now earn more than 100 times than most of their employees. Dijsselbloem said caps in the financial sector and for publicly-funded enterprises had had a beneficial effect and it is 'now time that these developments continue through to the private sector'." For the original article see here: <http://www.volkskrant.nl/binnenland/nieuwe-gedragscode-gaat-dijsselbloem-niet-ver-genoeg-bonus-hooguit-20-procent~a4372460/>.

Sweden

- › The Financial Times reports that **Jet scandal redraws Sweden's corporate landscape**: <https://www.ft.com/content/926d90e2-6b7a-11e6-a0b1-d87a9fea034f>. "Few recent corporate scandals have led to as much upheaval as Sweden's company jet imbroglio. The final big moves took place last week in what is nothing less than a fundamental redrawing of the Nordic country's corporate landscape. The cross-shareholdings that have defined Sweden's second-biggest business empire – built around Industrivärden, a holding company which owns stakes in companies from Handelsbanken and Volvo to Ericsson and Sandvik – have now been dismantled. Handelsbanken on Wednesday sold its stake in Industrivärden, just after the other former central company in the empire – SCA – announced it would break itself up."

Italy

- › Responsible Investor reports that **Italian oil and gas giant Eni removes Karina Litvack from board committee**: https://www.responsible-investor.com/home/article/eni_karina_lit/. "Karina Litvack, the former Head of Governance and Sustainable Investment at F&C Asset Management who joined the board of Eni SpA in 2014, has been removed from the Italian energy giant's board-level Control and Risk Committee amid what it said in a statement in English were 'ongoing investigations related to alleged conspiracy against the company, reported by the press'. According to reports in the Italian media, Litvack is one of Eni's independent directors being investigated by the Public Prosecutor Office of Syracuse in Sicily for defamation of Eni's CEO, Claudio Descalzi. This appears to be a preliminary investigation, though some newspapers speak of a convoluted 'plot' to oust Descalzi. Responsible Investor has been unable to substantiate these reports."
- › The Financial Times reports that **Telecom Italia chief defends his €40m by attacking 'scandal' of pay for failure**: <http://www.ft.com/cms/s/0/6639dc72-703b-11e6-9ac1-1055824ca907.html#axzz4JfW8miEb>. "Flavio Cattaneo, Telecom Italia's chief executive, has waded into the controversy about his €40m pay package, saying that the real 'scandal' is that other Italian executives are richly rewarded despite failing at their jobs. Mr Cattaneo has moved to quell questions over his pay package as shares in the former state telecoms monopoly have reversed months of losses, in part reflecting promises by the veteran media executive to triple targets for reducing costs to €1.6bn by 2018. Analysts expect Telecom Italia's domestic earnings before taxes, interest, depreciation and amortisation to grow this year for the first time in 13 years, and it is expected to do so again in 2017 and 2018 partly due to Mr Cattaneo's aggressive cost-cutting targets."

United States

- › Sky News reports that **Wells Fargo boss John Stumpf gives up \$41m over bonus fraud**: <http://news.sky.com/story/wells-fargo-boss-john-stumpf-gives-up-41m-over-bonus-fraud-10596561>. "The boss of Wells Fargo is to give up \$41m (£31.4m) from his pay package because of an accounts fraud that has shaken the company. John Stumpf will not receive a salary from the US' second largest bank during an inquiry into the fraud that has led to the sacking of 5,300 employees. The conspiracy happened between 2011 and 2016 when employees at Wells Fargo – whose biggest shareholder is billionaire Warren Buffett – opened two million fake accounts that led to bank employees gaining bonuses for meeting sales targets. The unauthorised deposit and credit accounts were secretly funded with customers' money."

- > The Financial News reports that **BlackRock and Vanguard accused of 'hypocrisy' over ExxonMobil vote:** <http://www.efinancialnews.com/story/2016-09-06/blackrock-and-vanguard-accused-of-hypocrisy-over-exxonmobil-vote>. "The world's two largest asset managers have been accused of hypocrisy after voting to defeat an investor-led climate change resolution tabled at ExxonMobil's annual general meeting in May. While some fund houses lined up behind investors' attempts to force the energy company to better illustrate its climate change risk exposure, BlackRock and Vanguard – two of its largest shareholders – voted against the resolution, according to climate lobby group Asset Owners Disclosure Project. The resolution was defeated at ExxonMobil's AGM." See here for the original report: <http://aodproject.net/hypocritical-investors-breached-responsible-investment-commitments-to-help-exxon-defeat-climate-risk-campaign/>.
- > The Financial Times reports that **Shareholder advisers take aim at 'male, stale and frail' US boards:** <http://www.ft.com/cms/s/0/0a1cd838-63e1-11e6-a08a-c7ac04ef00aa.html?siteedition=uk#axzz4JN5EKjQf>. "Google's parent Alphabet and Warren Buffett's Berkshire Hathaway head a list of more than 800 US companies that could come under pressure to refresh their boards, under new guidelines being floated among shareholders. ISS, the influential corporate governance adviser, is considering targeting companies where boards are stuffed with long-serving directors or where there have been no new members for years. In its latest annual survey ISS is asking clients their opinions of boards that have failed to appoint a new director in five years, where the average tenure of directors exceeds 10 or 15 years, or where more than 75 per cent of directors have served 10 years or longer. Its findings could form the basis for changes in its investor voting guidelines."
- > Investments & Pensions Europe reports that **AP7 sues Facebook in class action over share dilution:** <https://www.ipe.com/news/regulation/ap7-sues-facebook-in-class-action-over-share-dilution/10015188.article>. "Sweden's seventh national pension fund AP7 is suing Facebook over its resolution to issue a new class of shares as part of the internet giant's plan to allow chairman and co-founder Mark Zuckerberg to retain control over the company while selling much of his own company stock. AP7 said it launched a legal case against Facebook in the Delaware Court of Chancery in May after the US company announced the plan to issue a new 'C' class of shares, adding to the 'A' and 'B' shares already in issue. Richard Gröttheim, chief executive at AP7, told IPE: 'The reason for the case is that we think, by suggesting the reclassification of shares – and the board has, indeed, now decided to do this – and by issuing the free shares, which will be less valuable because they don't have voting rights, we will be less well off as a shareholder.'"
- > The Wall Street Journal reports that the **Best-Paid CEOs Run Some of Worst-Performing Companies:** <http://www.wsj.com/articles/best-paid-ceos-run-some-of-worst-performing-companies-1469419262>. "The best-paid CEOs tend to run some of the worst-performing companies and vice versa – even when pay and performance are measured over the course of many years, according to a new study. The analysis, from corporate-governance research firm MSCI, examined the pay of some 800 CEOs at 429 large and midsize U.S. companies during the decade ending in 2014, and also looked at the total shareholder return of the companies during the same period. MSCI found that \$100 invested in the 20% of companies with the highest-paid CEOs would have grown to \$265 over 10 years. The same amount invested in the companies with the lowest-paid CEOs would have grown to \$367." See here for the MSCI analysis: <https://www.msci.com/documents/10199/91a7f92b-d4ba-4d29-ae5f-8022f9bb944d>. See here for a Pay Governance memo responding to the MSCI analysis: http://paygovernance.com/wp-content/uploads/2016/08/Viewpoint-Pay-for-Performance-Alignment-8_2_2016.pdf. "Pay Governance, and others, have found a strong alignment between CEO pay and total shareholder returns (TSR) when pay is correctly measured using realizable or realized pay methods. This is contrary to the primary finding of the study, which is based on the accounting value of equity awards, and not the value realizable or realized after performance and vesting conditions are applied."

Australia

- > The Financial Times reports that **BHP Billiton chief's pay halved after Brazil dam disaster:** <http://www.ft.com/cms/s/0/a3d563e6-7f8e-11e6-bc52-0c7211ef3198.html>. "BHP Billiton halved the pay

packet of its chief executive in the 12 months to end of June following last November's Brazilian mine disaster, which killed 19 people and dragged the miner to a record annual loss. The Anglo-Australian miner paid Andrew Mackenzie US\$2.24m in the 2016 financial year, compared with \$4.5m in the previous year and \$7.98m in 2013. He received no short term or long term bonuses due to the dam failure at its Samarco joint venture operation in Brazil and the impact that a slump in commodity prices had on BHP's performance, according to the miner's annual report."

New Zealand

- › New Zealand Exchange (NZX) has **published a consultation paper to review the NZX Corporate Governance Code**: <https://nzx.com/regulation/consultation>. "In November 2015, NZX Limited released a discussion paper to commence a review of the NZX Corporate Governance Best Practice Code within the NZX Main Board Listing Rules. [...] This consultation paper includes a discussion of the submissions received, and outlines NZX's proposed amendments and the reasons for these decisions." The consultation paper is available here: <https://nzx.com/files/static/cms-documents//Corporate%20Governance%20Consultation%20Paper%20-%2031%20August%202016.pdf>. **The closing date for submissions is 14 October 2016.**

Singapore

- › The Business Times reports that **Singapore Stewardship Code expected to be launched by year-end**: <http://www.businesstimes.com.sg/companies-markets/singapore-stewardship-code-expected-to-be-launched-by-year-end>. "An industry working group could launch Singapore's first Stewardship Code by the end of the year, laying out how investors should use their powers as shareholders, according to Hans Cristoph-Hirt, co-head of Hermes Equity Ownership Services. 'So-called stewardship codes for institutional investors have been adopted in many markets around the world, including Japan, Malaysia, Hong Kong and Taiwan,' he said via e-mail. 'We have contributed to the development of stewardship principles for investors in Singapore. They are due to be launched later this year.' The working group – which includes the Stewardship Asia Centre, the Singapore Institute of Directors (SID), the Investment Management Association of Singapore (Imas) and the Securities Investors Association of Singapore (Sias) – has been working on the Code for at least a year, according to Imas's annual report published in October 2015." See here for the full article: <http://www.singaporelawwatch.sg/slw/headlinesnews/88198-singapore-stewardship-code-expected-to-be-launched-by-year-end.html#sthash.f0ccYlci.fgdivBmi.dpbs> and here for further information: <http://www.mas.gov.sg/News-and-Publications/Speeches-and-Monetary-Policy-Statements/Speeches/2016/Opening-Address-at-the-7th-Corporate-Governance-Week.aspx>.

Japan

- › The Financial Times reports that **Japan survey to highlight deal targets**: <http://www.ft.com/cms/s/0/3dced71e-74ce-11e6-b60a-de4532d5ea35.html#axzz4JfW8miEb>. "Japan's Ministry for Economy, Trade and Industry is to conduct an unprecedented survey of 2,500 listed companies to determine the state of their succession planning – research that dealmakers predict will inadvertently help them identify scores of potential takeover targets. The government research is being conducted at what could be a moment of historic transition: since 2015, according to industry research, buyouts of family-owned companies facing succession issues have become the single biggest category of private equity deals in Japan. Japan's ageing population means that both the stock market and the non-listed sector have a glut of companies owned or run by ageing members of the founding families. Many lack heirs either capable or willing to take over. Others face problems convincing shareholders, recently empowered by Japan's new governance code, that their founder's son or daughter is the ideal next chief executive."

South Korea

- › The Korea Times reports that **Seoul sets about upgrading lagging corporate governance**: http://www.koreatimes.co.kr/www/news/biz/2016/09/123_213956.html. "Korea was ranked last out of 61

countries in a recent survey of corporate practices, conducted by the Swiss-based International Institute for Management Development (IMD). The nation also was eighth out of 11 Asian countries in corporate governance structure, as assessed by the Asian Corporate Governance Association (ACGA). Outdated corporate governance has long been regarded as one of the reasons for the 'Korea discount.' This means the values of Korean companies and their products have not been duly recognized in global markets because of backward systems and practices in running businesses. It is against this background that the government has decided to intervene, directly and indirectly, in corporate efforts – or lack thereof – to upgrade their governance structure, officials said Monday.”

China

- › The South China Morning Post reports that **Vanke takeover lays bare the frailties of China’s corporate governance structure**: <http://www.scmp.com/business/companies/article/2020421/vanke-takeover-lays-bare-frailties-chinas-corporate-governance>. “The landmark China Vanke takeover battle, which has involved a growing cast of large companies and regulatory bodies, has most-certainly become the country’s highest profile corporate tussle to date. But it has also fully exposed just how far behind the country still is when it comes to corporate governance, compared with what are considered ‘modern’ standards. Vanke has long been considered one of China’s best managed firms, and chairman Wang Shi has often used his company as a showcase of modern enterprise. However, throughout the fascinating 10-month conflict between its leading shareholders, Vanke’s senior management has consistently shown a lack of respect for investors and regulations, from arbitrary trading halts, to allowing its independent directors to post insider information on social media.”

Vietnam

- › Việt Nam News reports **VN to develop corporate governance code in 2017**: <http://vietnamnews.vn/economy/302025/vn-to-develop-corporate-governance-code-in-2017.html#4GVhWeGjWEWYWb8l.99>. “Việt Nam is developing a corporate governance code for listed firms in order to help local firms attract more capital and make them more competitive in an environment of increasing regional economic integration. With the aim to improve corporate governance in Việt Nam, IFC, a member of the World Bank Group, is helping the State Securities Commission of Vietnam (SSC) to develop such code, said the two sides in a workshop on August 29 in Hà Nội, to kick off the development process.”

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

Kind regards,

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