Monthly Roundup

Georgeson

January 2018

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 about **Why activists are cheerleaders for corporate social responsibility**: https://www.ft.com/content/6f9dc2cc-e512-11e7-97e2-916d4fbac0da. "Profits, not ethics, are behind big-name investors' interest in ESG issues."

- Third Point published their **Fourth Quarter 2017 Investor Letter**: http://www.valuewalk.com/wp-content/uploads/2018/01/Third-Point-Q4-Investor-Letter-TPOI.pdf.

- Mergermarket published a report entitled **Shareholder activism in 2018: Hunt for yield**: http://www.mergermarket.com/pdf/TV_M&A%20Pulse_Issue%204%202017_Final%20LR.pdf.

- Lazard published their **2017 Activism Year in Review**: https://www.lazard.com/perspective/lazard-s-2017-activism-year-in-review/.

- Skadden published their **Activist Investing in Europe – 2017 Edition**: https://www.skadden.com/insights/publications/2018/01/activist-investing-in-europe-2017-edition.

- The Financial Times reports that **Activist investor White Tale quits Clariant campaign**: https://www.ft.com/content/b3e09bba-01d4-11e8-9650-9c0ad2d7c5b5. "Group backed by Corvex and 40 North sells 25% stake to Saudi Arabia's Sabic."

- Reuters reports about **Activist Peltz to CEOs: We'll work with you**: https://uk.reuters.com/article/us-hedgefunds-activists-peltz/activist-peltz-to-ceos-well-work-with-you-idUKKBN1EZ08H. "Billionaire investor Nelson Peltz has a message for America's corporate chiefs; when he calls they do not automatically have to fear for their jobs."

- Bloomberg reports that **Two Major Apple Shareholders Push for Study of iPhone Addiction in Children**: https://www.bloomberg.com/news/articles/2018-01-08/jana-calpers-push-apple-to-study-iphone-addiction-in-children. Additionally, **Shareholders Press Twitter, Facebook on Sexual Harassment**: https://www.bloomberg.com/news/articles/2018-01-11/shareholders-press-twitter-facebook-to-curb-sexual-harassment.

- The Lex Column reports about **Bill Ackman/Pershing: the biter bit**: https://www.ft.com/content/7a591d56-fc50-11e7-9b32-d7d59aace167. "Champion of shareholder rights should know how to treat his own shareholders."

- CTech reports that **Israeli Investors Side with Elliot Fund, Demand Board Reforms in Probed Israeli Telecom Provider**: https://www.calcalistech.com/ctech/articles/0,7340,L-3730570,00.html. "Israeli shareholders are backing activist hedge fund Elliott Associates L.P. in its demand for changes in the board of Israel's largest telecommunication provider, Bezeq The Israeli Telecommunication Corp Ltd, according to a

Thursday letter reviewed by Calcalist."

Europe...

- The Financial Times reports that **Boardroom diversity rules could tip investor decisions**: https://www.ft.com/content/a22a4906-fb77-11e7-a492-2c9be7f3120a. "European decree is potential catalyst for redirection of assets to gender-based funds."

- The Financial Times reports that **Consumer goods groups fail to match executive pay to performance**: https://www.ft.com/content/3182a7c0-f7a8-11e7-8715-e94187b3017e. "RBC research finds lack of connection between share price and remuneration 'troubling'."

...and beyond

- The Wall Street Journal reports about **BlackRock CEO to Companies: Pay Attention To 'Societal Impact'**: https://www.wsj.com/articles/blackrock-ceo-to-companies-pay-attention-to-societal-impact-1516120840. "The boss of the world's largest money manager told corporate chiefs to prepare for BlackRock Inc. to become a more assertive shareholder. Laurence Fink in his annual letter to chief executives of companies in which BlackRock invests called on them to better articulate their long-term plans and how their organizations contribute to society, and said the New York money manager will have more frequent and in-depth conversations with them. He has made similar appeals to CEOs in past letters." **See here for the full letter**: https://www.blackrock.com/corporate/en-us/investor-relations/larry-fink-ceo-letter.

- Bloomberg reports that **CEOs in U.S., India Earn the Most Compared With Average Workers**: https://www.bloomberg.com/news/articles/2017-12-28/ceos-in-u-s-india-earn-the-most-compared-with-average-workers. "Chief executive officers in the U.S. are paid much better than their peers abroad, and the gap between their compensation and that of average American workers is wider than in other countries. CEOs of the biggest publicly traded U.S. companies averaged $14.3 million in annual pay, more than double that of their Canadian counterparts and 10 times greater than those in India, according to a Bloomberg analysis that used benchmark stock indexes in 22 nations."

- The Financial Times reports that **Insurers go cold on coal industry**: https://www.ft.com/content/7ec63f34-f20c-11e7-ac08-07c3086a2625. "Worries over effect of global warming on claims sparks crackdown on polluting fuel."

- The Harvard Business School reports that **If the CEO's High Salary Isn't Justified to Employees, Firm Performance May Suffer**: https://hbswk.hbs.edu/item/if-the-ceo-s-high-salary-isn-t-justified-to-employees-firm-performance-may-suffer. "Researcher Ethan Rouen discovers that rank-and-file employees understand the boss deserves a big salary, but only when the number is fully explained."

- Glass Lewis reports on **Raising the Stakes on Board Gender Diversity**: http://www.glasslewis.com/raising-stakes-board-gender-diversity/. "2017 has seen interest in board composition intensify. Investors have long scrutinized individual directors' qualifications; however, increasingly they are asking how those individuals complement each other, and whether the overall board reflects a diverse mix of backgrounds, skills and qualifications. Investors want to know how boards ensure that they are recruiting directors whose expertise aligns with company strategy, and numerous investment firms have updated their proxy voting policies to punish boards that lack diversity."

- The Financial Times reports that **Lure of tech IPOs spurs Asian exchanges to seek dual-class listings**: https://www.ft.com/content/8403cd18-ffea-11e7-9650-9c0ad2d7c5b5. "Hong Kong and Singapore exchanges back structure as fund managers cry foul."

- Edelman have published **The 2018 Edelman Trust Barometer**: https://www.edelman.com/trust-barometer. "There is renewed confidence in experts, notably technical experts and academics (63 percent and 61 percent, respectively), as well as a fast-recovering belief in CEOs (up from 37 percent to 44 percent), rewarded for speaking out on issues. […] There are new expectations of corporate leaders. Nearly 7 in 10 respondents say that building trust is the No. 1 job for CEOs, ahead of high-quality products and services. Nearly two-thirds say they want CEOs to take the lead on policy change instead of waiting for government, which now ranks significantly below business in trust in most markets. This is the time for business to address the wage stagnation of the working class over the past two decades while acknowledging the need to retrain employees who are about to be replaced by automation." See here for the full report: https://cms.edelman.com/sites/default/files/2018-01/2018%20Edelman%20Trust%20Barometer%20Global%20Report.pdf.

UK

› The PLSA (Pensions and Lifetime Savings Association) has published its **AGM Voting Review**: https://www.plsa.co.uk/Policy-and-Research-Document-library-PLSA-AGM-review-2017. "Overall the AGM Voting Review shows relatively steady levels of shareholder dissent at company AGMs for the past two years, with roughly one fifth of companies (FTSE 250: 56 and FTSE 100: 17) experiencing significant dissent over at least one resolution at their AGM. Over the longer term, the report reveals a fall in shareholder dissent since its peak in the aftermath of the financial crisis and the subsequent focus on governance that this entailed. Executive pay awards continue to be the most controversial aspect of corporate governance, with the figures of significant remuneration-related dissent at FTSE 350 AGMs from 2015-2017 consistent with previous years. The report also illustrates some progress in holding board members to account for flawed executive pay practices at FTSE-100 companies. In 2016, average dissent levels over remuneration policies were four times higher than dissent over the re-election of remuneration committee chairs as directors. In 2017, they were less than twice as high, suggesting that most shareholders are now voting against the remuneration committee chair if they vote against the remuneration policy." See the full document here: https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2018/AGM%20review%202017.pdf. The PLSA have also published their **Corporate Governance Policy and Voting Guidelines 2018**: https://www.plsa.co.uk/Press-Centre/Press-Releases/Article/PLSA-publishes-corporate-governance-policy-and-voting-guidelines-2018.

› The Financial Times reports that **Carillion's sins of omission on pay and debt were a warning sign**: https://www.ft.com/content/2c6ad932-fad8-11e7-a492-2c9be7f3120a. "Too much crucial information remained buried and was missed for too long."

› Bloomberg reports that **EasyJet's New Male CEO Takes Pay Cut to Match Female Predecessor**: https://www.bloomberg.com/news/articles/2018-01-29/easyjet-s-new-male-ceo-takes-pay-cut-to-match-female-predecessor. "EasyJet Plc's newly hired chief executive officer is taking a pay cut to match the salary of his predecessor, Carolyn McCall, as the discount airline joins U.K.-wide efforts to reduce the national gender gap in remuneration. Johan Lundgren's salary, originally set at 740,000 pounds ($1.04 million), will be reduced 4.6 percent to the 706,000 pounds earned by McCall last year, before she left to run U.K. broadcaster ITV Plc, the Luton, England-based carrier said in a statement Monday. EasyJet will also seek to beat a target of ensuring that 20 percent of new pilots are women by 2020, Lundgren said."

› Shearman & Sterling reports about **Changes to the UK Takeover Code**: https://www.shearman.com/perspectives/2018/01/changes-uk-code-asset-sales-and-other. "On 8 January 2018, changes were made to the U.K. Takeover Code which: (i) for the first time, expand the application of the Code to certain 'asset' transactions taking place in 'offer situations', (ii) require greater disclosure by bidders of their future intentions with regard to the target and its operations, and (iii) unless the target agrees otherwise, require a bidder to delay by 14 days the posting of its offer document following the announcement of its firm intention to make an offer. A number of other less significant changes to the Code have also been made which are mentioned below."

› The Financial Times reports that **Persimmon chief defends bonus as home sales rise**: https://www.ft.com/content/86625208-f533-11e7-88f7-5465a6ce1a00. "Jeff Fairburn in line for £100m from UK housebuilder's award scheme."

› PwC have published a report entitled **ISS: friend or foe to stewardship?**:

https://www.pwc.co.uk/services/human-resource-services/insights/executive-pay-world-of-truthiness/iss-friend-or-foe-to-stewardship.html. "Shareholder advisory firms such as Institutional Shareholder Services ('ISS') have come under increasing focus in recent times. Accused of wielding power without accountability, they are increasingly being brought into the regulatory net. In the EU, such firms will come under the remit of the Shareholder Rights Directive, and will become subject to a code of practice with a regulatory underpinning. The UK Stewardship Code is likely to be extended in the new year more explicitly to cover the role of shareholder advisory firms. Although they are currently encouraged to report against the Stewardship Code, the Code is not very relevant to the role they play in supporting stewardship. The advisory industry is in the process of reviewing its own best practice principles. Within our latest report ISS: a friend or foe to stewardship? We look at a range of issues including: The role of shareholder advisory firms; What is the impact of ISS?; What needs to be happen next?". See here for the full document: https://www.pwc.co.uk/human-resource-services/assets/documents/iss-friend-or-foe-to-stewardship.pdf.

France

- The AFG (the French asset management association) **reinforces its recommendations for their 20th anniversary**: http://www.afg.asso.fr/lafgrenforcesesrecommandationsgouvernemententreprise/. "The asset management industry has been steadily and intensively active in the area of corporate governance for twenty years, a key factor in promoting asset quality, responsible investment and long-term savings. In this context, the AFG publishes since 1998 a collection of recommendations on corporate governance relating to general meetings and boards of directors of listed companies. As is the case every year, before the AGM season, AFG publishes an update of these recommendations, which help the management companies in the exercise of their votes." See here for the full document (in French, for now): http://www.afg.asso.fr/wp-content/uploads/2017/01/Recommandations_sur_le_gouvernement_d_entreprise_2018.pdf.

- The French Ministry of Economy and Finance has launched a **public consultation as part of the plan designed to Foster Business Growth and Transformation**: https://www.pacte-entreprises.gouv.fr/projects/consultation/consultation/consultation-9/opinions/financer-se-financer-plus-facilement/encourager-les-nouveaux-investisseurs-en-renforcant-le-droit-des-actionnaires-minoritaires. "Corporate governance is part of the consultation. Three topics in particular are brought forward when it comes to large listed firms: 1) Reinforcing the monitoring of related-party transactions; 2) Enhancing the duties of the board of directors; and, 3) Protecting minority shareholders." **The consultation closes on 5 February 2018.**

Germany

- Handelsblatt reports that **Deutsche Bank catches flak for big executive bonuses**: https://global.handelsblatt.com/finance/deutsche-bank-executive-bonuses-880788. "Business is less than buoyant at Deutsche Bank, yet Germany's largest lender appears ready to shower its managers with bonuses. Despite making its third-consecutive loss in 2017, the bank is mulling performance-related payouts of over €1 billion ($1.2 billion), according to a German newspaper report. The reason, according to the bank, is to avoid a brain drain of talent to Wall Street rivals. But politicians are fuming, especially on the left. In the run-up to this Friday's annual results conference, there had been a furious debate about bonuses on Deutsche's board. Bonuses amounted to €2.4 billion in 2015, but were slashed to €500 million after profits nose-dived the following year. According to insiders, the feud about the size of 2017 bonuses erupted late last year, with CEO John Cryan said to be opposed to an increased payout. That was even before the bank announced earlier this month that Deutsche would make a slight loss for 2017, due in part to changes in US accounting practices for tax credits. Despite that, Mr. Cryan is said to have backed down on the issue, according to the Frankfurter Allgemeine Sonntagszeitung."

- The Financial Times reports that **ThyssenKrupp promises to listen to clamour for reform**: https://www.ft.com/content/bbd72d72-fcf5-11e7-9b32-d7d59aace167. "Activist fund Cevian tells German industrial group to hasten pace of transformation."

- Hermes Investment Management have published their **Corporate Governance Principles for Germany**: https://www.hermes-investment.com/ukw/wp-content/uploads/sites/80/2017/12/germany-cg-principles-dec-

2017.pdf. "We generally endorse the recommendations of the German Corporate Governance Code (the Code) in its February 2017 version and encourage companies to comply with it. Any cases of non-compliance with its recommendations or suggestions should be explained in full. However, we condone non-compliance with the Code where companies can convincingly explain that their governance and the protection of the interests of minority shareholders are improved by doing so. We expect companies to explain in detail to shareholders why they believe that a divergence from the Code is appropriate for them. Notably, the Code does not cover all the issues we regard as important. In our German Corporate Governance Principles, we therefore address additional issues, highlight certain points and set out our preferred approach to particular matters. The following intends to assist German companies and their boards in understanding our views on these issues, while at the same time acknowledging the specific characteristics of the German two-tier board system and features of German corporate governance."

Netherlands

- The Dutch Corporate Governance Code Monitoring Committee has published its **Monitoring Report**: http://www.mccg.nl/?page=5787. "Today the Corporate Governance Code Monitoring Committee handed its fourth and also final report over to Minister of Economic Affairs and Climate Policy Eric Wiebes. The report concludes the Committee's term under the chairmanship of Jaap van Manen. In this final report, the Committee presents a review of the activities of the past four years and discusses current corporate governance issues which require closer attention in the future." See here for the full report (in English): http://www.mccg.nl/download/?id=5766&download=1.

- Het Financieele Dagblad reports that **Groot bedrijf moet or informeren over beloningsverschillen ("Large companies must inform works council about pay differences")**: https://fd.nl/economie-politiek/1237210/top-van-groot-bedrijf-wordt-verplicht-or-informeren-over-beloningsverschillen (in Dutch). "Works councils from large companies must in the future receive a clear overview of the remuneration differences between employees and the management. The works councils and management will also be obliged to discuss this. Management pay must also be discussed." See here for the parliamentary announcement: https://www.eerstekamer.nl/wetsvoorstel/34494_uitbreiding_bevoegdheden.

Switzerland

- Finews.com reports that **Investor Advocate Bows to Pressure**: https://www.finews.com/news/english-news/30454-peoplemoves-ethos-dominique-biedermann-resignation-ubs-credit-suisse. "A shareholder advocate best known for criticizing banker 'fat cat' salaries will step down later this year. The move follows reports of strife with his own board as well as the exit of two high-ranking colleagues. Dominique Biedermann is a regular at UBS and Credit Suisse investor meetings: the Swiss economist co-founded shareholder proxy Ethos Fund 21 years ago, which represents the interests of investors such as pension funds. […] Now, the spotlight has turned to Biedermann himself – for entirely different reasons. The Genevan will step down as head of Ethos' shareholder arm as well as a foundation which governs investment behavior for itself and its member firms." See here for the Ethos announcement (available in French and German): https://ethosfund.ch/en/news/succession-at-the-chairmanship-of-ethos.

- Le News reports that **Switzerland moves closer to female board quotas**: http://lenews.ch/2017/11/09/switzerland-moves-closer-to-female-board-quotas/. "A parliamentary commission came out in support of the Federal Council's plan to require greater gender balance in the boardrooms of Switzerland's large listed companies. A commission majority (14 versus 11) would like to see a minimum of 30% of board members and 20% of the management of these companies made up of each gender – a 100% female boardroom would fall foul of planned rules too. Companies failing to comply would need to explain themselves and present plans to meet the requirements. A majority of the commission wants the transition period to be three years for boards and five years for management teams. This is shorter than the five and ten year periods in the Federal Council's plan. Transition would start once the rules are in force." See here for the parliamentary announcement (available in German, French and Italian): https://www.parlament.ch/press-releases/Pages/mm-rk-n-2017-11-06.aspx.

- The Federal Council (Swiss Government) has **launched a consultation on implementation of Global**

Forum's recommendations: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-69518.html. "On 17 January 2018, the Federal Council launched the consultation on the recommendations of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum). The bill proposes converting bearer shares into registered shares as well as a system of sanctions for breaches of duty. […] The bill proposes converting bearer shares into registered shares as well as a system of sanctions to be applied should shareholders not comply with their duty to report beneficial owners or if companies breach their obligation to keep a register of shareholders and beneficial owners. The right of authorities and financial intermediaries to examine the registers, as long as this is necessary for them to perform their statutory tasks, should also be ensured. The bill also contains provisions on the confidentiality of administrative assistance requests and the capacity to be a party and a party's capacity to take legal action, information on which can be requested during administrative assistance proceedings." **The consultation closes on 24 April 2018.**

Denmark

› The Danish Committee on Corporate Governance has published a new edition of its **Recommendations for Corporate Governance**: https://corporategovernance.dk/recommendations-corporate-governance. "The updated Recommendations for Corporate Governance of 23 November 2017 will enter into force for the financial years starting January 1, 2018 or later. Thus, the 2017 Recommendations will apply for the first time at the Annual General Meeting, which will consider the Annual Report for 2018. Accordingly, in connection with the presentation of the annual report for 2018, the companies must account for compliance with the updated recommendations, so reporting will reflect the situation at the reporting date." See here for the full document in English: https://corporategovernance.dk/sites/default/files/clean_recommendations_version211217-7_002_0.pdf.

Poland

› Glass Lewis explains that **Polish Regulations Target Audit Oversight and State-Owned Entities**: http://www.glasslewis.com/polish-regulations-target-audit-oversight-state-owned-entities/. "The past year saw a number of changes to Polish corporate governance regulations meant to bring them closer to European and world standards. In May 2017, an updated version of the Act on Statutory Auditors, Audit Firms and Public Oversight was introduced to align the Polish legal system with EU regulations regarding audit and financial statements at publicly listed companies. At the board level, the amendment made important changes to committee composition standards, which previously only required one independent director. Going forward, audit committees must comprise at least three members, a majority of whom should be independent (including the chair), and at least one of whom should have audit and accounting experience."

Spain

› Georgeson has published and presented a research paper entitled **Study Regarding "Microdominical" Directors – Providing a legal and market vision**: http://www.uria.com/documentos/publicaciones/5486/documento/Estudio_consejeros_microdominicales.pdf (in Spanish). Expansión reports about **Consejeros dominicales que pueden ser independientes ("Dominical directors who can be independent")**: http://www.expansion.com/empresas/2018/01/21/5a649aee468aeb836c8b4581.html. "A study proposes to make the regulations more flexible so that board members representing less than 10% of share capital can be considered independent. Spanish law considers that an independent director cannot be qualified as such when they are related to a controlling or reference shareholder whose participation in the company is equal to or greater than 3%, being a 'dominical' (proprietary) director. The firms Georgeson, Uría Menéndez and Davis Polk & Wardwell have submitted a proposal to raise the threshold from 3% to 10%, from which it is considered that a director is not independent, calling them 'microdominical' directors, provided that certain conditions are met. Among them, that there have been no related party transactions, no family or professional ties with significant shareholders, no conflicts of interest, no service on too many boards and that the tenure is less than 12 years."

United States

- The Lex Column analyses **The case against share buybacks**: https://www.ft.com/content/e7fb2144-fbae-11e7-a492-2c9be7f3120a. "With investment in development stuck at pre-crisis levels and stock prices high, do US companies' huge repurchases make sense?"

- Bloomberg reports that **Investors Opposing Virtual Shareholder Meetings Notch Wins**: https://www.bloomberg.com/news/articles/2018-01-09/investors-opposing-online-only-shareholder-meetings-notch-wins. "Shareholders demanding face time with corporate boards and senior managers are starting to get their way. Railroad operator Union Pacific Corp. will revert to an in-person annual meeting this year, after its 2017 virtual-only gathering drew a shareholder rebuke and a proposal to end the practice, a company lawyer told the Securities and Exchange Commission in a letter dated Monday. ConocoPhillips is also backpedaling after investors objected to the oil producer's online meeting last year."

- BNA reports that **Proxy Advisory Firm Registration Bill Passes House**: https://www.bna.com/proxy-advisory-firm-n73014473448/. "The House Dec. 20 approved legislation that would require SEC registration for firms that give investors voting advice on corporate shareholder proposals. Lawmakers voted 238-182 to send the Corporate Governance Reform and Transparency Act, H.R. 4015, to the Senate for consideration. Rep. Sean Duffy (R-Wis.) reintroduced the bill this fall after it failed to get a vote on the House floor in the previous Congress. Institutional Shareholder Services Inc. and Glass Lewis & Co. are the largest proxy advisory firms that would be subject to registration if the bill becomes law. The firms account for about 97 percent of the proxy advisory industry, according to a House Financial Services Committee report. They and other proxy advisers also would have to disclose their methodologies and potential conflicts of interest to the Securities and Exchange Commission, under the measure."

- The Financial Times reports that **Citigroup bows to activist and discloses gender pay data**: https://www.ft.com/content/591b0900-f9f9-11e7-9b32-d7d59aace167. "Wall Street bank becomes first to share statistics after campaign by Arjuna Capital."

- Bloomberg discusses how the **Biggest IPO of the Year Could Be Spotify's Non-IPO**: https://www.bloomberg.com/gadfly/articles/2018-01-08/spotify-set-to-blaze-ipo-trail-and-make-bankers-shudder. "Sometime, reportedly by the end of March, shares of the streaming music service will start trading for the first time. The deal, a direct listing, has received attention for some time because it's unusual. The usual pomp around stock deals will be absent – no road show, no quiet period, no coordinated stock sale, no actual IPO. Spotify shares will just emerge one morning and trade like any other stock, at least that's the plan. It might not work out that way. The shares could plunge, soar, or soar and then plunge, or plunge and soar, or not trade at all because of a mismatch between buyers and sellers. This obviously matters to bankers, who normally lead stock market listings like this and charge high fees for doing so, particularly for IPOs. But if Spotify shares can smoothly transition to public from private markets on their own, it could create a new model for growth companies in which they raise all their money in private markets and do all their trading in public ones, with some small variations."

- The Financial Times reports that **Tesla's Musk to earn $50bn if ambitious targets are hit**: https://www.ft.com/content/8512e13e-0045-11e8-9650-9c0ad2d7c5b5. "Company's value must be raised to $650bn from $59bn today for maximum payout."

India

- The Wall Street Journal reports that **India Bans PricewaterhouseCoopers From Auditing Listed Firms for Two Years**: https://www.wsj.com/articles/india-bans-pricewaterhousecoopers-from-auditing-listed-firms-for-two-years-1515656186. "India's market regulator has banned PricewaterhouseCoopers' affiliates from auditing listed companies for two years as punishment for their failure to detect a billion-dollar fraud at outsourcer Satyam Computer Services Ltd."

- IiAS reports about how **Corporate India Commits to its Social Responsibilities**:

https://www.iiasadvisory.com/single-post/2018/01/11/Corporate-Social-Responsibility-CSR-initiatives-and-disclosures-of-the-SP-BSE-100-companies. "The IiAS study of the FY17 Corporate Social Responsibility (CSR) initiatives and disclosures of the S&P BSE 100 companies reveals that companies are taking their CSR initiative seriously and measuring and disclosing the impact they are having."

Japan

› The Financial Times reports that **Radical reform needed to shake Japan Inc out of its complacency**: https://www.ft.com/content/028ed1ee-f156-11e7-b220-857e26d1aca4. "Groups must detail publicly how strategic shareholders vote on each resolution."

› The Financial Times reports that **Panasonic set to adopt Japan governance code in landmark move**: https://www.ft.com/content/716e0d2c-fb7f-11e7-9b32-d7d59aace167. "Sign-on by major industrial group could trigger 'avalanche' of similar moves."

Hong Kong

› Bloomberg reports that **Hong Kong Targets Tighter Scrutiny of Listed Firms' Auditors**: https://www.bloomberg.com/news/articles/2018-01-19/hong-kong-targets-tighter-regulation-enforcement-of-auditors. "Hong Kong, which has faced a slew of criticism on company financial reporting, is set to create a new framework to oversee auditors of listed entities in the city. Proposed legislation will boost the Financial Reporting Council by giving it the independence to investigate and discipline auditors, according to a government statement Friday. It will also empower the FRC to oversee ethics and standards in the industry. The bill will be introduced to lawmakers on Wednesday. […] If approved, the changes would address concerns cited by the Asian Corporate Governance Association that corporate governance issues were a key reason why Hong Kong in 2016 slipped below Singapore in its rankings. The move comes amid a broader shift away from self-regulated bodies: Hong Kong replaced its patchwork of industry-run insurance regulators in recent years with a government-funded agency that oversees licensing and supervision."

South Korea

› The Korea Times reports that **President vows to reform chaebol**: https://www.koreatimes.co.kr/www/biz/2018/01/367_242258.html. "President Moon Jae-in reaffirmed his commitment to reforming conglomerates by introducing a stewardship code. […] Moon said the path to unwinding the tangled web of chaebol ownership will lead the way to true reform with greater transparency. A stewardship code is a series of common principles designed to push for greater transparency and accountability. Major conglomerates derive their power from complex cross-ownership structures woven across multiple businesses. But this insular structure has been under criticism for its lack of transparency. Critics also claim the old system is against the benefit of many shareholders, especially minority ones. Indeed, large-sized Korean groups tend to pay smaller dividends while hardly buying back their own shares. Against this backdrop, Moon has promised to bring major changes to the chaebol governance structure controlled by a few founding family members despite their small direct holdings."

Singapore

› The Straits Times reports that **Independent directors to face 9-year limit under revised Corporate Governance Code**: http://www.straitstimes.com/business/companies-markets/independent-directors-to-face-9-year-limit-under-revised-corporate. "Companies listed in Singapore will have to take a more serious look at director independence, if rule changes suggested by the Corporate Governance Council on Tuesday (Jan 16) are implemented. To encourage firms to refresh and introduce more diversity into their boardrooms, the Council is proposing to enforce a 'nine-year rule' that will reassess whether an independent director (ID) still qualifies as independent after nine years in the role. The Singapore Exchange (SGX) is seeking public feedback on whether the 'nine-year rule' should be written into the Listing Rules as a hard limit, or if the ID's term should be put to an annual two-tier vote. With the second option, the ID would have to win a mandate from all shareholders, as well as from the majority of all non-controlling shareholders. If not, he can only be retained as a non-independent director. A rule change like this would have wide implications for many boardrooms so the SGX is also recommending a three-year transition period." See here for the consultation paper: http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2018/Consultation-Paper-on-Recommendations-of-the-Corporate-Governance-Council.aspx.

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

Kind regards,

Daniele Vitale
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