



October 2017

Dear All,

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

Shareholder Activism

- > Bloomberg reports that **Even in Victory, P&G Polarizes Investors With Peltz Fight:** <https://www.bloomberg.com/news/articles/2017-10-10/p-g-declares-victory-in-peltz-fight-but-investor-disputes-vote>. "Procter & Gamble Co. may have prevailed in its proxy fight against activist investor Nelson Peltz, but the contentious showdown has left its investors as divided as ever. The world's largest consumer-products company said Tuesday that Peltz fell short of the votes needed to be elected to the board, based on preliminary results. But the investor isn't going quietly: His firm, Trian Fund Management, said the decision was too close to call and that it's waiting for certification by an independent inspector. Peltz argued that P&G suffered from a bloated structure and a lack of new brands favored by younger shoppers. While he hasn't called for the replacement of Chief Executive Officer David Taylor or a breakup of the company, the 75-year-old did suggest reorganizing the maker of Tide and Pampers into three largely autonomous units."
- > Reuters reports that **Activist investor RBR wants to build \$1 billion stake in Credit Suisse:** <https://uk.reuters.com/article/uk-creditsuisse-rbr/activist-investor-rbr-wants-to-build-1-billion-stake-in-creditsuisse-idUKKBN1CP2IK>. "Activist investor RBR Capital Advisors wants to expand its stake in Credit Suisse to 1 billion Swiss francs (769.83 million pounds), as the hedge fund pushes to spin off the Swiss lender's investment bank and asset management business."
- > The Financial Times reports that **Activist investor Trian wins seat on GE board:** <https://www.ft.com/content/956eef3e-acf6-11e7-aab9-abaa44b1e130>. "Largest US manufacturer moves to demonstrate focus on increasing earnings."
- > Bloomberg reports that **Fink Says BlackRock Does Better Than Hedge Funds With Corporate Governance:** <https://www.bloomberg.com/news/articles/2017-10-11/fink-says-blackrock-exceeds-hedge-funds-at-corporate-governance>. "BlackRock Inc.'s Larry Fink responded to critics of passive investors, saying his firm does a better job than hedge funds in providing corporate governance. 'I think we do as credible a job as anybody, better than any hedge fund, better than any firm, we are very committed to corporate stewardship,' Fink told CNBC Wednesday. The BlackRock chief executive officer was responding to comments from activist hedge fund manager Paul Singer, who has argued that passive investors lack incentives to push companies to change for the better."
- > Reuters reports that **Activist White Tale turns up pressure on Clariant:** <http://www.reuters.com/article/us-clariant-activist/activist-white-tale-turns-up-pressure-on-clariant-idUSKBN1CZ0FW>. "The fight over chemicals company Clariant's (CLN.S) future turned bitter on Monday as activists who thwarted a \$20 billion merger with Huntsman (HUN.N) threatened to call a shareholder meeting if they do not get three board seats and a strategy review. Clariant and Huntsman (HUN.N) dropped tie-up plans on Friday after White Tale, an investment vehicle backed by hedge fund manager Keith Meister and

New York-based fund 40 North, raised its Clariant stake to more than 20 percent.”

- > Bloomberg reports that **Prisa Chairman to Step Down After Amber Blocks Monzon Pick:** <https://www.bloomberg.com/news/articles/2017-10-13/prisa-chairman-is-said-to-step-down-as-amber-blocks-monzon-pick>. “Promotora de Informaciones SA Chairman Juan Luis Cebrian plans to step down early next year after the legendary editor failed to turn around the beleaguered media company and appease investors including hedge fund Amber Capital, according to people familiar with the matter. Prisa, as the publisher of El Pais newspaper is known, said late Friday in a filing that Cebrian asked a board committee to activate its succession plan. The dismissal of the current chairman will take place as soon as the company has completed its capital increase and debt restructuring, Prisa said.”
- > Institutional Investor reports about **Meet the New Activists:** <https://www.institutionalinvestor.com/article/b1532md25s5tvf/meet-the-new-activists#.Wdtnwwu2JJc.linkedin>. “Since the ‘80s the likes of Carl Icahn and Bill Ackman have been elevated to “activist investor” status for staging shareholder revolts. But the Exxon vote wasn’t the work of Icahn or Ackman. Instead, it was BlackRock and Vanguard. The two passive houses collectively held about 13 percent of the company’s shares at the time of the vote. And anyone thinking the ExxonMobil vote was a one-off are in for an even ruder awakening. It seems the passive players are embracing both carrot and stick approaches to get companies to comply with new ‘best practice’ standards that they believe will lead to better-behaved companies and better shareholder returns (because the companies will perform better as a result). And among those issues at the top of the list of governance demands is climate change.”
- > Reuters reports that **Ackman says ADP provided ‘misleading’ claims to ISS: filing:** <http://www.reuters.com/article/us-hedgefunds-ackman-iss/ackman-says-adp-provided-misleading-claims-to-iss-filing-idUSKBN1CZ2BX>. “Billionaire investor William Ackman on Monday accused Automatic Data Processing Inc of providing misleading and incorrect claims to Institutional Shareholder Services and asked the proxy advisory firm to reconsider its shareholder recommendations. ISS on Wednesday issued a report to guide institutional investors in a vote next week where the hedge fund manager hopes to win three ADP board seats. The proxy adviser recommended shareholders largely vote for the company’s slate but supported Ackman’s election.”
- > Bloomberg reports that **BHP Chairman Endorses CEO, Squashing Leadership Speculation:** <https://www.bloomberg.com/news/articles/2017-10-19/bhp-s-chairman-holds-first-annual-meeting-plans-to-review-board>. “In Ken MacKenzie’s first annual shareholder meeting as chairman of BHP Billiton Ltd., he gave a strong endorsement of the current chief executive officer, ending speculation over his future at the company. BHP has been under pressure for months by activist investor Elliott Management Corp. to overhaul the business. Analysts have speculated that the chairman could offer CEO Andrew Mackenzie a new, long-term mandate, or refresh the executive line-up.”

Europe...

- > The Best Practice Principles Group has announced that **Shareholder Voting Analysts Consult on Global Principles:** <https://bppgrp.info/press-release-shareholder-voting-analysts-consult-global-principles/>. “The ‘Best Practice Principles for Shareholder Voting Research and Analysis’ were introduced in 2014. They were developed by the industry to provide a voluntary performance and reporting framework, to promote a greater understanding of its role, and to promote the integrity and efficiency of processes and controls related to the provision of these services and management of any conflicts of interest. The purpose of the current review, as set out in the terms of reference, is to consider whether the Principles and supporting arrangements need to be revised in light of the experience of implementing them, as well as market and regulatory developments since the Principles were introduced.” The consultation document is available here: <https://bppgrp.info/2017-consultation>. **The consultation closes on 15 December 2017.**
- > The Financial Times reports that **EU rules force US banks to overhaul ties with auditors:** <https://www.ft.com/content/e66db868-aff6-11e7-beba-5521c713abf4>. “Goldman, Citi, and Morgan Stanley

among lenders that will need to alter arrangements.”

...and beyond

- › ISS has announced the **Results of 2017-2018 ISS Policy Application Survey**: <https://www.issgovernance.com/iss-announces-results-2017-policy-application-survey/>. **Please contact Georgeson for our briefing on the main survey results affecting UK and European companies.** Additionally, **ISS has launched their 2018 ISS Benchmark Policy Comment Period**: <https://www.issgovernance.com/iss-launches-2018-iss-benchmark-policy-comment-period/>. “Potential changes to ISS’ European voting policy include those related to general share issuance request proposals and non-widely-held company director elections in the area of board independence. Other draft policies for comment include the treatment of virtual/hybrid meeting proposals (within the UK/Ireland and Europe voting policies), as well as the prospect of applying ISS’ existing European policy on director overboarding to the Nordic markets.” **The comment period closes on 9 November 2017.**
- › Boston Consulting Group reports that **Companies That Lead on Societal Impact Reap Financial Benefits**: <https://www.bcg.com/d/press/25october2017-total-societal-impact-174436>. “Companies that outperform in industry-relevant environmental, social, and governance (ESG) areas boast higher valuation multiples and margins, all other factors being equal, than those with weaker performance in those areas, according to a new report by The Boston Consulting Group (BCG).” The full report is available here: https://www.bcg.com/Images/BCG-Total-Societal-Impact-Oct-2017-R_tcm9-174019.pdf.

UK

- › The Guardian reports that **James Murdoch re-elected Sky chair despite shareholder revolt**: <https://www.theguardian.com/business/2017/oct/12/james-murdoch-re-elected-sky-chair-despite-shareholder-rebellion>. “Dissenters’ concern centres on potential conflict of interest given role as CEO of 21st Century Fox, which is trying to buy Sky.”
- › The Institute of Directors has published its **2017 Good Governance Report**: <https://www.iod.com/news-campaigns/news/articles/The-2017-Good-Governance-Report>. “The Good Governance Report is the IoD’s flagship corporate governance publication which ranks the UK’s largest listed companies 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.” See here for the full document: <https://www.iod.com/Portals/0/PDFs/Campaigns%20and%20Reports/Corporate%20Governance/GGI-report-2017-IoD.pdf>.
- › The Investment Association reports that **Latest figures show engagement leads to better investment decisions**: <https://www.theinvestmentassociation.org/media-centre/press-releases/2017/latest-figures-show-engagement-leads-to-better-investment-decisions.html>. “The Investment Association and Pensions and Lifetime Savings Association joint report on ‘Stewardship in Practice’ shows that the engagement between asset managers and asset owners and UK companies is having a positive impact on investment decisions and ultimately value. The report demonstrates that the investment chain is working as intended. Asset managers, which tend to engage and vote in house, are maintaining high standards of stewardship. Whilst most asset owners outsource their stewardship activities, a substantial core are integrating it into their investment practices and 68% now include a stewardship policy in their Statement of Investment Principles.”
- › The Parker Review Committee has published a report entitled **A Report into the Ethnic Diversity of UK Boards**: <http://www.ey.com/uk/en/newsroom/news-releases/17-10-12-final-recommendations-of-the-parker-review-published>. “The Parker Review Committee, led by Sir John Parker, today publishes its Final Report urging business leaders to improve the ethnic and cultural diversity of UK Boards to better reflect their employee base and the communities they serve. The report sets out achievable objectives and timescales to

encourage greater diversity, and provides practical tools to support Board members of UK companies to address the issue. The Review's recommendations fall under the following three areas: 1) Increase the ethnic diversity of UK Boards by proposing each FTSE 100 Board to have at least one director from an ethnic minority background by 2021 and for each FTSE 250 Board to do the same by 2024; 2) Develop a pipeline of candidates and plan for succession through mentoring and sponsoring; and, 3) Enhance transparency and disclosure to record and track progress against the objectives." See here for the full document: [http://www.ey.com/Publication/vwLUAssets/The_Parker_Review/\\$FILE/EY-Parker-Review-2017-FINAL%20REPORT.pdf](http://www.ey.com/Publication/vwLUAssets/The_Parker_Review/$FILE/EY-Parker-Review-2017-FINAL%20REPORT.pdf).

- > Sky News reports that **AA demands ousted chairman MacKenzie repays £1.2m in bonuses**: <http://news.sky.com/story/aa-demands-ousted-chairman-mckenzie-repays-12m-in-bonuses-11096277>. "The AA is demanding that its ousted former chairman repays more than £1.2m in bonuses over an allegation that he was involved in a public altercation that was not previously disclosed to its board."
- > The Financial Times reports that **Virgin Money set to be only FTSE 350 company with female top team**: <https://www.ft.com/content/eb8de902-b952-11e7-9bfb-4a9c83ffa852>. "Challenger bank in advanced discussions to appoint Irene Dorner."
- > The Financial Reporting Council (FRC) has published **Advice for preparing 2017/18 annual reports**: <https://frc.org.uk/news/october-2017/advice-for-preparing-2017-18-annual-reports>. "The Financial Reporting Council (FRC) has written to companies to highlight changes to reporting requirements and key areas where improvements can be made when preparing annual reports for the 2017/18 reporting season." Additionally, the FRC reports that **Corporate reporting standard improving, though quality not as high as it should be**: <http://frc.org.uk/news/october-2017/corporate-reporting-standard-improving,-though-qua>. "Whilst corporate reporting by large listed companies is generally good, detailed explanations and clarity could still be better, according to the Financial Reporting Council's (FRC) Annual Review of Corporate Reporting. The quality of narrative reporting has improved following the introduction of the strategic report in 2013. There have been further improvements in the strategic report this year, but it remains an area subject to frequent challenge by the FRC's Corporate Reporting Review team, particularly where there is insufficient balance or where disclosures are not sufficiently specific or descriptions too vague. The FRC expects companies to provide company specific data rather than resort to generic information." See here for the full **Annual Review of Corporate Reporting 2016/2017**: <http://frc.org.uk/getattachment/311af48c-bdfa-4484-8e7d-6de689fd8f4b/Corporate-reporting-SoN-FINAL.pdf>.
- > The Telegraph has published an **obituary of Sir Richard Greenbury**: <http://www.telegraph.co.uk/obituaries/2017/09/28/sir-richard-greenbury-boss-ms-obituary/>. "Greenbury was, therefore, a natural candidate to chair the CBI's 1995 inquiry into executive pay, which had been called for by the prime minister, John Major, in an attempt to defuse public discontent over the lavish rewards given to directors of privatised utility companies. Always uncomfortable in his dealings with the media, Greenbury was incensed by coverage, midway through the inquiry, of his own 17 per cent pay-rise, which had taken his salary to £807,000. Although in line with the company's profit improvement, the award was presented by the tabloid press as comparable to the excesses of the utility chiefs. In due course the Greenbury committee proposed new guidelines to ensure that executive rewards bore a closer relationship to corporate performance, including a recommendation for stricter tax treatment of share options, which was immediately adopted by the Chancellor of the Exchequer, Kenneth Clarke." See here for the Greenbury Report: <https://www.icaew.com/library/subject-gateways/corporate-governance/codes-and-reports/greenbury-report>.

France

- > The AFEP-MEDEF has published the annual **Rapport du Haut Comité de gouvernement d'entreprise ("Report of the High Committee on Corporate Governance")**: http://www.afep.com/uploads/medias/documents/Communiqu%C3%A9_presse_Rapport_HCGE_2017_12%20octobre%202017.pdf (in French). "The High Committee on Corporate Governance today released its 4th report for the period September 2016 – September 2017, in which it noted a better monitoring of the

application of the rules of the Afep-Medef Code by companies. However, in a limited number of cases, the High Committee has encouraged companies to better justify or correct deviations from the Code's rule that 'if a company decides not to follow the recommendations of the High Committee, it should mention in its annual report the opinion of the Committee and the reasons why it decided not to follow it'. For the first time the High Committee has had to publish the names of certain companies, in application of its communication policy, under which the High Committee reserves the right to mention the names of companies that persist in the non-application of the rule. The report outlines the positions taken by the High Committee in its consultations and interventions. It also contains an analysis of governance and compensation information in the annual reports of SBF 120 companies, highlighting areas where improvements are expected." The full document is available here:

https://www.afep.com/uploads/medias/documents/Rapport_annuel_du_HCGE_Octobre_2017.pdf.

- > Reuters reports that **Danone CEO assumes dual leadership role as chairman Riboud steps down**: <http://www.reuters.com/article/us-danone-management/danone-ceo-assumes-dual-leadership-role-as-chairman-riboud-steps-down-idUSKBN1CN16F>. "Danone veteran Franck Riboud is stepping down as chairman, with Chief Executive Emmanuel Faber taking on both top roles in a move the French group said would ensure continuity in its strategy of focusing on the health-food sector. Riboud, the son of Danone founder Antoine Riboud, succeeded his late father as chairman in 1996 and is credited with the company's move towards the health sector with a portfolio ranging from baby food to water, dairy and medical nutrition after ditching beer, biscuit and glass-packaging businesses. The change takes effect at the start of December, with Riboud staying on as honorary chairman."

Germany

- > The Street reports that **VW Likely To Escape Board Overhaul After Merkel's Party Loses Lower Saxony Vote**: <https://www.thestreet.com/story/14342975/1/vw-likely-to-escape-board-overhaul-after-merkels-party-loses-lower-saxony-vote.html>. "Social Democrat's win election in key German region, dealing a blow to hopes that the carmakers insular board will get an injection of independent oversight."
- > Bloomberg reports that **Deutsche Boerse's CEO Quits Amid Insider Trading Probe**: <https://www.bloomberg.com/news/articles/2017-10-26/deutsche-boerse-ceo-kengeter-leaves-amid-insider-trading-probe>. "Deutsche Boerse AG Chief Executive Officer Carsten Kengeter resigned amid growing shareholder pressure after he became embroiled in an insider-trading probe. The company also said it isn't likely to meet its full-year earnings targets."
- > Handelsblatt reports about **The DAX's Foreign Invasion**: <https://global.handelsblatt.com/finance/the-daxs-foreign-invasion-839570>. "New research shows that foreigners now own more than half of the stock in Germany's top 30 listed companies. And it seems that the greater the foreign-ownership, the better the performance. [...] Research by Handelsblatt suggests that foreign investors now own more than half of the stock – 53 percent – in DAX companies. At several of the well-known firms, such as Bayer, Deutsche Börse and Adidas, foreign ownership is well over 70 percent. [...] The major exception to the trend is among management: here, Germans still predominate. According to figures from consultants EY, two-thirds of the most senior 200 executives are German nationals. [...] Just six percent of non-executive board members are American, even though 25 percent of the revenues of large German firms comes from the US, and 20 percent of their shares are held by American shareholders. It is a similar story with Asia: just one director, out of 261 in total, comes from Asia, although top German firms raise 17 percent of their revenues in Asia."
- > Bloomberg reports that **VW and Daimler Inspected by EU as Cartel Probe Widens**: <https://www.bloomberg.com/news/articles/2017-10-23/vw-daimler-raided-by-eu-investigators-in-car-cartel-probe>. "Volkswagen AG and Daimler AG were inspected by European Union antitrust investigators as the EU stepped up a probe into allegations the German car industry colluded on technology for decades. Just days after raiding BMW AG, EU antitrust officials visited Volkswagen's Wolfsburg headquarters and its Audi unit's offices in Ingolstadt 'as part of an announced review,' VW said in a statement. Daimler also received 'an announced visit' to its Stuttgart headquarters, spokeswoman Ute Wueest von Vellberg said by phone."

Netherlands

- > Eumedion has published its **2018 Focus Letter, urging Dutch business leaders to take action on achieving the UN Sustainable Development Goals**: <https://eumedion.nl/en/news/institutional-investors-urge-business-leaders-to-take-action-on-achieving-the-un-sustainable-development-goals>. "Institutional investors are calling on Dutch companies to take concrete action towards achieving the UN Sustainable Development Goals. Among the in 2015 adopted goals are an end to poverty and hunger; action on climate change and its impacts; gender equality, and access to clean water and sustainable energy. In today's published Focus Letter for the 2018 reporting and AGM Season, Eumedion encourages all Dutch listed companies to assess on which 17 Sustainable Development Goals they can generate most impact and to align their business practices and KPI framework with these Goals. Eumedion also stresses the importance of clear and meaningful reporting on the companies' SDG objectives, the progress made and the generated impact. [...] In a separate letter to the audit firms, Eumedion calls on the auditors to further enhance the 'key audit matters' section of the audit report. Eumedion specifically urges auditors to report on the auditor's observations with respect to the quality and effectiveness of the company's internal control framework." The **Focus Letter** is available here: <https://eumedion.nl/en/public/knowledgenetwork/speerheadsletter/2018-focus-letter.pdf>. The **Auditors Letter** is available here: <https://eumedion.nl/en/public/knowledgenetwork/speerheadsletter/2018-auditors-letter.pdf>.

Norway

- > The Financial Times reports that **Norway's oil fund relishes activist role**: <https://www.ft.com/content/6a44f742-bb18-11e7-8c12-5661783e5589>. "Chief says move to disclose voting intentions is proving more effective than expected."

Spain

- > Georgeson's Carlos Sáez Gallego reports that **La inversión socialmente responsable se consolida ("Socially responsible investment grows stronger")**: https://elpais.com/economia/2017/10/12/actualidad/1507817740_480473.html (in Spanish). "Activist funds demand more remuneration based on non-financial objectives and diversity in the boards of directors." See here for the underlying report published by Georgeson and Club de Excelencia en Sostenibilidad, **3ª Edición del Observatorio de la Inversión Socialmente Responsable**: <http://www.club sostenibilidad.org/publicaciones/3-edicion-del-observatorio-de-inversion-socialmente-responsable/>.

United States

- > Bloomberg reports that **Former Uber CEO Names Two Directors Without Consulting Board**: <https://www.bloomberg.com/news/articles/2017-09-30/uber-s-former-ceo-names-two-board-members-amid-legal-fight>. "Former Uber Technologies Inc. Chief Executive Officer Travis Kalanick named two new directors without consulting the company's new leader or other existing board members, ratcheting up a Machiavellian battle for control of the world's most valuable startup. Kalanick said in an announcement late Friday that he had appointed Ursula Burns, Xerox Corp.'s former CEO, and John Thain, the ex-Merrill Lynch chief, to the startup's board. Uber challenged the appointments, calling them 'a complete surprise'."
- > PwC has published their **2017 Annual Corporate Directors Survey**: <http://www.pwc.com/us/en/governance-insights-center/annual-corporate-directors-survey.html>. "Our 2017 survey uncovered key insights into what directors think – about the changing governance landscape, their fellow board members and outside pressures that are impacting their opinions and performance. Our insights illustrate a real divide – one that shows directors are not always connected with what's important to investors or with each other. Diversity in the boardroom continues to be a heated topic, with male and female directors having some very different perspectives. A substantial number of directors aren't impressed with their fellow board members and think at least one person should be replaced. And directors aren't on the same page

when it comes to shareholder engagement." See the full report here:

<http://www.pwc.com/us/en/governance-insights-center/annual-corporate-directors-survey/assets/pwc-2017-annual-corporate--directors--survey.pdf>.

- > Bloomberg reports that **Dealmaker Weinberg Cracks Ranks of Best Paid Executives for 2016:** <https://www.bloomberg.com/graphics/2017-highest-paid-ceos/>. "In a year when technology leaders again seized the top spots among America's highest-paid executives, a scion of Goldman Sachs Group Inc. stood out. John S. Weinberg, 60, whose surname had been synonymous with the bank for decades, left as co-vice chairman in 2015. A year later he joined Evercore Partners Inc., reaping sign-on awards worth \$124 million as of Dec. 31. That placed him third on the Bloomberg Pay Index, a ranking of the best-compensated U.S. executives for 2016. He joins an exclusive club increasingly dominated by bosses at companies that are, at best, just a few decades old. He's surpassed only by Jet.com Inc. co-founder Marc Lore, whose \$236.9 million in awarded compensation last year was largely composed of money Wal-Mart Stores Inc. paid to buy his company, and Apple Inc. Chief Executive Officer Tim Cook, who received \$150 million. Google CEO Sundar Pichai, 44, and Tesla Inc.'s Elon Musk, 45, round out the top five."
- > The Financial Times reports that **Oracle bows to shareholders by cutting Larry Ellison's pay:** <https://www.ft.com/content/7f930ae0-aa19-11e7-ab55-27219df83c97>. "Co-founder's compensation halved and tied to performance after 5-year campaign."
- > The Wall Street Journal reports that **AmEx Retirement Shines Light on Lack of Diversity in CEO Ranks:** <https://www.wsj.com/articles/amex-retirement-shines-light-on-lack-of-diversity-in-ceo-ranks-1508369002>. "And then there were three. Kenneth Chenault's retirement from the chief executive post at American Express Co. will reduce the number of African-American CEOs of Fortune 500 companies by a quarter. The sunsetting of Mr. Chenault's career occurs as many large companies are showing great concern for diversity. But even as top executives and boards devote more time and resources to improving ethnic and gender representation in their ranks, the number of black CEOs has remained relatively stagnant over the past few decades." Additionally, the Financial Times reports that **Amex chief Chenault earns rewards worth \$370m over 17-year tenure:** <https://www.ft.com/content/b2b47856-bacb-11e7-9bfb-4a9c83ffa852>. "Credit card company's returns fare worse than S&P 500 over period."
- > Bloomberg reports that **Stitch Fix IPO Offers Voting Rights Compromise for Investors:** <https://www.bna.com/stitch-fix-ipo-n73014471212/>. "Stitch Fix Inc.'s planned initial public offering includes a corporate governance compromise sought by institutional investors concerned about voting rights. The online personal-shopping service, like many other founder-led firms, is giving the class of shares held by its chief executive and early backers 10 times as many votes as the stock being sold to the public, according to an Oct. 19 filing with the Securities and Exchange Commission. But unlike other recent examples of this trend, the extra voting power at Stitch Fix comes with an expiration date of 10 years."
- > The Financial Times reports that **Nuns tell companies to get real over virtual AGMs:** <https://www.ft.com/content/cce89ddc-b4eb-11e7-a398-73d59db9e399>. "US religious order joins good fight against trend towards online-only annual meetings."

Canada

- > The Globe and Mail reports that **TD, RBC to allow certain shareholders to nominate board directors:** <https://beta.theglobeandmail.com/report-on-business/td-royal-bank-to-allow-shareholders-to-nominate-board-directors/article36442345/>. "Canada's two largest banks have become the first major companies in the country to allow their shareholders to nominate directors to serve on their boards, a move expected to spur more companies to offer the same option to investors. Policies unveiled this week by both Royal Bank of Canada and Toronto-Dominion Bank would allow up to 20 shareholders working together to nominate directors to their boards, as long as the investors collectively own at least 5 per cent of the bank's shares and have held them for at least three years. Shareholders can nominate directors to fill no more than 20 per cent of board seats, both policies state. The criteria pose a significant hurdle for many investors who would like to

make changes to the banks' boards by nominating new directors. Royal Bank has more than \$140-billion of shares outstanding, so shareholders would have to own \$7-billion worth of shares to nominate directors. That means only a large group of major institutional investors could meet the threshold. However, both banks said they are willing to lower the ownership threshold under the policies to 3 per cent of their shares, but said they would require changes to the Bank Act to do so."

Australia

- > The Sydney Morning Herald reports that **Shareholders want power to 'escalate' issues:** <http://www.smh.com.au/business/shareholders-want-power-to-escalate-issues-20171026-gz8nnl.html>. "A group representing some of the nation's biggest superannuation funds says shareholders need greater powers to ensure their concerns are heard at company AGMs – including on environmental and social issues. The Australian Council of Superannuation Investors, which represents super funds and institutions managing \$1.6 trillion in assets, wants shareholders to have the ability to put non-binding, advisory resolutions on the agendas of company AGMs – a move it says would allow shareholders to 'escalate' environmental, social or governance (ESG) issues when companies had otherwise failed to act on investor concerns." For the full report see here: <https://www.acsi.org.au/images/stories/ACSIDocuments/MediaReleases/26.10.17-shareholder-res.pdf>.

Japan

- > Bloomberg reports that **String of Scandals Shreds Japan's Once-Revered Reputation:** <https://www.bloomberg.com/news/articles/2017-10-10/once-revered-japan-inc-sees-image-getting-shredded-by-scandals>. "Japan's flagship companies were once held in awe as fierce competitors that revolutionized the world's business practices with innovations like flexible manufacturing and managerial precepts such as kaizen, or continuous improvement. These days, Japan Inc. is turning heads for a less exalted reason: a string of scandals that's destroyed shareholder value, enraged consumers and incurred the wrath of regulators. Kobe Steel Ltd. raised fresh concern about the integrity of Japanese manufacturers after disclosing on Sunday that it falsified strength and durability data on aluminum used in products ranging from cars built by Toyota Motor Corp. to bullet trains made by Hitachi Ltd. The metal maker's Chief Executive Officer Hiroya Kawasaki is now leading a committee to probe quality issues. Last week Nissan Motor Co. recalled more than a million vehicles because unauthorized inspectors signed off on quality checks. Takata Corp., the bankrupt Japanese maker of airbags linked to at least 17 deaths worldwide, expanded the biggest recall in automotive history after regulators concluded in July that its inflators could still explode in a crash even after new safety measures."

South Korea

- > Reuters reports that **Changes in chaebol governance culture could diminish the 'Korea discount':** <http://www.reuters.com/article/us-southkorea-markets-kospi/changes-in-chaebol-governance-culture-could-diminish-the-korea-discount-idUSKBN1CZ0QN>. "Analysts say Samsung is among a handful of firms tackling the so-called 'Korea discount' in stock markets, a consequence of some of the lowest dividend payouts in major equity markets and the dominance of opaque conglomerates known as chaebols. In addition to favorable cyclical drivers, a push for a "stewardship code" could give the market a structural boost by encouraging big investors to agitate for better governance and shareholder returns."

Hong Kong

- > The **Hong Kong Stock Exchange Reports on Listed Issuers' Corporate Governance Practices:** <https://www.hkex.com.hk/eng/newsconsul/hkexnews/2017/171013news.htm>. "The review involved analysing the disclosures made by 1,428 issuers (approximately 72 per cent of all issuers listed as at 31 December 2016) in their 2016 annual reports, covering the financial period from 1 January to 31 December 2016. Findings of the review included the following: 1) 34 per cent of issuers complied with all 78 Code Provisions (CPs) in the Corporate Governance Code and Corporate Governance Report part of the Listing Rules (the

Code). 2) 94 per cent complied with 75 or more CPs. 3) 100 per cent complied with 70 or more CPs. 4) Issuers with a larger market capitalisation achieved a higher overall compliance rate than those with a smaller market capitalisation." See here for the full document:
http://www.hkexnews.hk/reports/corpgovpract/Documents/CG_Practices_201612_e.pdf.

- > The South China Morning Post reports that **Sunac China's chairman ordered back to school for breaching Hong Kong stock exchange rules:**
<http://www.scmp.com/business/companies/article/2117161/sunac-chinas-chairman-ordered-back-school-breaching-hong-kong>. "The chairman of property developer Sunac China Holdings, Sun Hongbin, and another director have been ordered back to school for 26 hours by the Hong Kong stock exchange operator after it ruled the two had failed to meet full disclosure rules during a big takeover deal in January 2015."

India

- > Reuters reports that **SEBI panel proposes tougher corporate governance norms:**
<https://in.reuters.com/article/india-sebi-corporategovernance/sebi-panel-proposes-tougher-corporate-governance-norms-idINKBN1CA1I2>. "A panel appointed by India's market regulator proposed a slew of new regulations on Thursday to boost corporate governance, from enhancing the role of independent directors to improving financial disclosures. [...] Its recommendations include mandating that boards have at least six members, half of these independent directors. [...] The panel also recommended at least five board meetings each year, up from four now, with at least one set aside to discuss issues such as board evaluation, risk management and succession planning." See here for the full consultation document:
http://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance-for-public-comments_36178.html. **The consultation closes on 4 November 2017.**
- > Bloomberg reports that **Institutional Activism Grows At Shareholder Meetings:**
<https://www.bloomberquint.com/law-and-policy/2017/09/28/institutional-activism-grows-at-agms>. "Institutions are finding their voice at the annual general meetings of Indian companies, especially on executive pay and director appointments. And shareholder activism is only expected to rise. AGMs are dominated by management-backed ordinary resolutions that can be passed by a simple majority. That's changing as mutual funds have shown increased interest in voting on financial and remuneration proposals, says a report."

South Africa

- > The Business Report reports that **Olive branch held out by Implats to shareholders on its remuneration policy:** <https://www.iol.co.za/business-report/companies/olive-branch-held-out-by-implats-to-shareholders-on-its-remuneration-policy-11668192>. "Impala Platinum (Implats), the world's second biggest platinum producer, held out an olive branch to shareholders following a revolt over its remuneration policy last week. Only 56.4% of shareholders endorsed the remuneration representing 573,707,675 shares during the company's annual general meeting (AGM) held on Thursday. In addition 58.96% of shareholders voted for the endorsement of the company's remuneration implementation report representing 573,709,463 shares. Implats told shareholders in September that it had initiated a review of its remuneration policy."

Brazil

- > Reuters reports that **Brazil miner Vale seals share conversion, elects new board members:**
<https://uk.reuters.com/article/us-vale-sa-board/brazil-miner-vale-seals-share-conversion-elects-new-board-members-idUKKBN1CN38F>. "The conversion is part of a corporate reorganization designed to give the company dispersed share ownership, where no shareholder controls decision-making at the firm. It also includes measures aimed at limiting the opportunity for government meddling. [...] On Wednesday, shareholders also elected Sandra Guerra and Isabella Saboya as new independent board members, according to the company's press office. Guerra and Saboya, two of four competing candidates for the board, were nominated by Aberdeen Asset Management, acting on behalf of investment funds it manages for clients that

are Vale shareholders.”

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

Kind regards,

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