



NewsWatch

▪ December 2018

WWW.AKTISINTEL.COM

The first and only Corporate Governance data provider for comprehensive benchmarking and comparative analysis. Improving governance decisions for compliance with best practice and meeting supervisory expectations.



ABOUT AKTIS NEWSWATCH

Objective

We gather current corporate governance news to assist our clients in staying up to date on current topics and trends in the governance world. This is essential for the content of our database, reports and publications. We follow the companies in our database closely to keep informed about any corporate governance changes they may go through in order to give our clients the most relevant and useful information possible.

Area coverage

- Europe
- Oceania
- North America
- Central and South America
- Russia
- Japan
- China
- South East Asia
- India
- MENA
- Central and South Africa

Scope

- Our focus is on corporate governance news

□ International

Lack of communication on cybersecurity between board and management

[Forbes, Harry G. Broadman, November 28, 2018](#)

- Communication on cyber security between board and executive teams is usually not good enough
- Boards do not ask the most important and more technical questions to the person responsible for cyber security in the executive teams. Moreover, when addressed by the executive teams, it is usually talked about in a very basic “dumbed-down language”
- It is crucial that the board understands exactly what the management is doing to counter cyber threats. The responsible person for this type of risk must be held accountable
- It is crucial that the board asks the right questions to tackle issues and that management and board together discusses the solutions, which ensures the security of the company

□ Europe

UK's Big Four take action against misbehaviour to embed a healthy company culture

[Financial Times, Madison Marriage, December 11, 2018](#)

- Many UK partners have been fired over the past years in the big four accounting firms due to misbehaviour including sexual harassment
- Chief Executive of Deloitte, David Sproul, said he had chosen to be open and transparent about the company's actions against their employees who had breached the company's code of conduct in order to show their "commitment to an inclusive culture"
- Embedding a respective and inclusive culture can be difficult in the short term. Showing leadership by example and taking action against inappropriate behaviour is therefore crucial to change a culture in the long run

UK accountancy firms face major overhaul under new plans

[BBC, December 18, 2018](#)

- The UK's Big Four accountancy firms are facing a major shake-up under reforms proposed by the Competition and Markets Authority (CMA)
- Recommendations include splitting the audit and advisory businesses, placing more accountability on those appointing auditors, and a "joint audit" system, with a Big Four and a non-Big Four firm working together on an audit

The Wates Corporate Governance Principles for Large Private Companies

[Financial Reporting Council, James Wates, December 13, 2018](#)

- The Wates Principles offer companies, even those not subject to the regulation, an opportunity to demonstrate good practice and help to improve standards of corporate governance in private companies, large and small
- The recommendations are split into six principles: purpose and leadership; board composition; director responsibilities; opportunity and risk; remuneration; stakeholder relationships and engagement
- A company that adopts the Wates Principles should follow them using an 'apply and explain' approach in a way that is most appropriate for their organisation.

A charity report scrutinises the UK's asset managers' "cosy relationship" with management

[Financial Times, Attracta Mooney, December 15, 2018](#)

- A report by ShareAction on behalf of Charities Responsible Investment Network showed that a good proportion of the UK's asset managers commonly voted with management, despite contentions from other shareholders
- Analysis of the voting practices revealed that Janus Henderson supported management in 12 resolutions and voted against six. This included signing off excessive CEO bonus pay outs
- Similarly, Jupiter, HSBC Global Asset Management and Royal London Asset Management all supported the re-appointment of Deloitte as auditors at SIG, the building materials company, even though about 80% of shareholders voted against the resolution
- Institutional Shareholder Services recommended a vote against management in 83% of the controversial votes analysed, however, Glass Lewis only did so in 45% of the cases

Danske appoints new Chair

[Financial Times, Richard Milne, December 7, 2018](#)

- Danske bank has voted in a new chairman, Karsten Dybvad, at the extraordinary general meeting Friday December 7th
- Dybvad has been the head of Confederation of Danish Industry for the past eight years
- One of the new Chairman's first tasks will be to find a new Chief Executive Officer for the bank

Danske scandal- the importance of integrated reporting

[Financial Times, Turid Elisabeth Solvang, December 5, 2018](#)

- "Integrated reporting is a framework and a way of reporting where financial and non-financial information are considered in unison."
- The method makes it easier to see the whole picture, "detecting emerging threats and opportunities before they arise" as well as informing all stakeholders how the company is operating, its impact on society including how sustainable the company is
- The increased awareness of sustainability means it is in company's own interest to have a reporting practice which is "accessible and understandable to the public"
- Integrated reporting could therefore have helped Danske's board and management to see the bigger picture and the emerging risks of their Estonian branch

UBS to become the first foreign bank to gain control of a securities joint venture in China

[Financial Times, Don Weinland, December 1, 2018](#)

- UBS gained clearance from the China Securities Regulatory Commission to increase its stake from 25% to 51% in a local joint venture
- Foreign banks faced difficulties in gaining control of their businesses in China, but over the past year regulators have declared themselves more willing to ease the process
- The French Axa now wholly owns its joint venture, Axa Tianping, while the German Allianz, also gained approval to establish a wholly-owned company in China

Shareholders criticise Nestlé's governance structure

[Financial Times, Leila Abboud, December 8, 2018](#)

- Investor Third Point publicly criticised the close collaboration between Nestlé's Chairman and former CEO (2008 - 2016) Bulcke and Nestlé's current CEO, Schneider
- Bulcke is now overseeing the work of his successor, something that is considered problematic especially in the British and American corporate governance systems

Vivendi has called for an extraordinary shareholders meeting at Telecom Italia to revoke board members appointed by the US activist investor, Elliott Advisors

[Financial Times, Rachel Sanderson, December 14, 2018](#)

- The French media company Vivendi, which has a 24% stake in Telecom Italia, is calling for five board members appointed by the US hedge fund, Elliot, to be revoked, including board Chair Fulvio Conti
- In November, the Elliott-controlled board abruptly fired CEO Amos Genish while he was on a business trip in South Korea.
- Genish was appointed as CEO in 2017 by the then Vivendi-controlled board of directors
- Viendi has equated the firing of Genish to a "golpe" orchestrated by board Chair Conti

Talks intensify over Deutsche Bank and Commerzbank merger

[Bloomberg, Eyk Henning, Birgit Jennen, Steven Arons and Dinesh Nair, December 12, 2018](#)

- German government looking at ways it can help facilitate a potential merger between the country's two biggest lenders
- Talks between the CEO's and the German finance minister are still in the early stages and a merger is just one of the possible options to save the struggling banks
- Shareholders fear that the merger would be disadvantageous as it could lead to high restructuring cost and low dividends for years to come

French state seeks to replace Carlos Ghosn at Renault

[Financial Times, David Keohane and Peter Campbell, December 17, 2018](#)

- The French government, a major shareholder at Renault with a 15% stake, has already begun to draw up a list of possible successors for Renault's CEO and Chairman Carlos Ghosn. The French officials consider that as important to "preserve the alliance Renault-Nissan"
- Ghosn remains under arrest in Japan for failing to report to the stock market authorities about 5 billion yen (38 million euros) of revenue over five years, between 2010 and 2015.
- Nissan has ousted Carlos Ghosn from his position as Chairman three days after his arrest on November 19. However, Renault has officially preserved his position as CEO

▣ North America

After splitting the CEO and Chairman roles in 2017, Caterpillar Inc. has named its CEO, Jim Umpleby, as Chairman of the board

[Wall Street Journal, Austen Hufford, December 13, 2018](#)

- After a review of the company's leadership structure, the board of Caterpillar Inc. has decided to name its current CEO Jim Umpleby as board Chairman
- Umpleby succeeds Dave Calhoun in the Chairman role, who was appointed as non-executive Chair in March 2017 after a shareholder resolution calling for the company to split the CEO and Chairman roles won 42.8% of the votes at the 2016 AGM
- Umpleby was appointed CEO of the Deerfield, Ill. based company in 2017, succeeding Doug Oberhelman, who held the post since 2010

Malaysian prosecutors file criminal charges against Goldman Sachs for its involvement in the 1 Malaysia Development Berhad (1MDB) scandal

[Financial Times, Edward White, December 17, 2018](#)

[BBC, Natalie Sherman, December 17, 2018](#)

- Goldman Sachs is accused by Malaysian prosecutors of "gross violations" of securities laws as a result of its involvement in three bond offerings by 1MDB
- Malaysian officials accuse Goldman of including false statements in offering circulars and private placement memorandum, therefore misleading investors
- The US investment bank was paid \$600 million in underwriting fees from 1MDB between 2012 and 2013; Malaysian prosecutors are seeking fines "well in excess" of that amount

Chair Andrew F Reardon announces his resignation from the board of Canadian Pacific Railway Limited

[Newswire, Canadian Pacific, December 17, 2018](#)

- Reardon has been Chair since 2015 and a Non- Executive Director (NED) on the board since 2013
- Reardon has served on all committees at Canadian Pacific Railway and will officially retire in May 2019
- He will be succeeded by Isabelle Courville, a current NED of the Board

▣ Asia

Huawei CFO is released on bail in Canada

[Financial Times, Richard Waters and Jessica Dye, December 8, 2018](#)

[CNN Business, Julia Horowitz, Alberto Moya and Scott McLean, December 12, 2018](#)

- Meng Wanzhou, Huawei’s CFO and Deputy Chair was arrested in Vancouver, while in transit from Hong Kong to Mexico. She was later released on a \$10 million bail
- The US government alleges that the daughter of Huawei’s founder helped the company circumvent sanctions on Iran
- Skycom Tech Co Limited offered to sell embargoed equipment to a company in Iran. The US authorities allege that Skycom is an “unofficial subsidiary” of Huawei



ABOUT **AKTIS**

Aktis is the first and only corporate governance data platform. The Aktis data universe provides accurate and trustworthy insight to levels previously unavailable for corporate governance. Aktis is rapidly expanding beyond the banking sector to bring high quality data and valuable insight to all businesses in all sectors.

GOVERNANCE MADE TRANSPARENT

 www.aktisintel.com
 info@aktisintel.com
 +44 20 37 510 513