Governance *in Brief*

SUSTAINALYTICS
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Regulatory inquiry calls out governance failures at Crown Resorts

Four Crown Resorts directors, including the CEO, have resigned after a report commissioned by New South Wales ("NSW") authorities found "serious corporate failures" at the firm and deemed it unsuitable to hold a license for its Barangaroo casino. The findings were released following an 18-month inquiry into the purchase of a 19.99% stake in Crown by its founder and near-controlling shareholder, James Packer. The investigation concluded that Packer could, despite his absence from the board, use a since-defunct "Controlling Shareholder Protocol" and other agreements to "remotely maneuver aspects of Crown's operations." The shortcomings, which include alleged money laundering and links to organized crime, were described as "stem[ming] from poor corporate governance, deficient risk management structures and processes and a poor corporate culture." The report calls for board refreshment and a "full and wide-ranging" forensic audit at Crown, as well as NSW regulatory overhauls such as the establishment of a standalone casino watchdog and the introduction of a 10% ownership cap on casino holdings.

Crown (1) | Crown (2) | NSW Parliament | GWA

Bumble IPO safeguards founder's influence

Bumble Inc made its Nasdaq debut on February 11, against a backdrop of increased scrutiny over its novel dual class share structure. Each class A share, which generally carries one vote, instead grants 10 votes to founder Whitney Wolfe Herd and private equity firm The Blackstone Group Inc. The class B shares, all of which are held by pre-IPO owners, grant the holder a number of votes equal to 10 times the number of units held in Bumble Holding, the sole material asset of Bumble Inc. Following the IPO, Blackstone and Herd control approximately 83% and 14% of votes, respectively. Notably, Bumble filed for the IPO as an "emerging growth company" and qualifies as a "controlled company" under Nasdaq listing rules, thus being subject to laxer corporate governance requirements.

SEC | Forbes | Reuters

Shareholders push Tesco to adopt a healthier offering

Food retailer Tesco will face a shareholder resolution requesting that it "set and report on a target" for increasing its share of sales from products not identified by UK regulators as being "high in fat, sugar and salt." The proposal was filed by over 100 institutional investors, including Dutch asset manager Robeco, and has a requisite majority of 75% of votes cast at the 2021 AGM. The supporting statement references the dangers posed by obesity, both generally and in the context of the COVID-19 pandemic. The firm is now reportedly the first company in the FTSE 100 index to face a shareholder resolution on health. The 2021 proxy season is expected to see a rise in ESG-focused shareholder resolutions, as investors are pushing companies to deliver sustainable results in a socially responsible manner.

ShareAction | Morningstar | Reuters

JPMorgan rejects conversion to public benefit corporation

JPMorgan's board has rejected its conversion to a Delaware public benefit corporation ("PBC"), after a legal review it commissioned concluded that the board's fiduciary duty is to prioritize the interest of its stockholders. The review, which had been prompted by a shareholder proposal filed at the firm's 2021 AGM, cited various risks related to the potential conversion, including litigation over the board's duty to balance shareholder and public benefit interest. Notably, PBCs are for-profit corporations "intended to produce a public benefit or public benefits and to operate in a responsible and sustainable manner." The development occurs after software maker Veeva Systems Inc became the first U.S. company to convert to a PBC after gaining near-unanimous shareholder support at its January 2021 AGM.

Reuters | JPM | SEC | WF | Veeva