Governance *in Brief*

May 13, 2021 Edited by: **Henry Hofman**

US sees rise in failed say-on-pay votes

The US 2021 proxy season has seen an early surge in failed say-on-pay votes amidst greater scrutiny on executive compensation. Most recently, US conglomerate General Electric ("GE") had its say-on-pay proposal rejected by 58% of the votes cast at its May 4 AGM; in addition, the remuneration committee chairman faced significant dissent regarding his re-election. The opposition came amidst widespread criticism over large equity awards made by GE to top executives in 2020 despite "difficult cost-cutting actions" taken in response to the COVID-19 pandemic. Notably, GE granted Chairman and CEO Larry Culp a USD 57 million special equity grant in connection with a contract extension, with the award vesting subject to share price performance over four years. Days before GE's AGM, US telecom giant AT&T faced a similar challenge as a majority of the votes were cast against its say-on-pay proposal. In 2020, the wireless carrier granted incoming CEO Jason Kilar a USD 48 million sign-on equity award vesting subject to continued employment only and a USD 9 million time-based equity grant was awarded to EVP and General Counsel David McAtee. As US say-on-pay votes introduced by the Dodd-Frank Act in 2010 are advisory in nature, it remains to be seen how companies will respond to the dissent.

GE | Bloomberg | WSJ| SEC (1)| SEC (2)| SEC (3)| SEC (4)

Nissan sells Daimler stake

On May 5, 2021, Nissan Motor Co. announced the sale of its entire stake in Daimler AG for EUR 1.15 billion, with the proceeds to be used to boost "business competitiveness, including investments to promote electrification." The announcement came weeks after alliance partner Renault disclosed the divestment of all its shares in Daimler to reduce debt. Both Nissan and Renault stated that their partnership with Daimler remains unaffected despite the ownership changes. The three automakers swapped stakes in each other in 2010 under the leadership of Carlos Ghosn, laying the foundations of a strategic partnership originally limited to three projects but subsequently expanded to include ten more. The development occurs as the Renault-Nissan-Mitsubishi alliance has been struggling to rebound after Ghosn's November 2018 arrest and the major impact of the COVID-19 pandemic on the auto industry.

DW | Bloomberg | Renault Group | Nissan | Alliance 2022

DuPont faces shareholder backlash on ESG issues

Over 80% of the votes cast at the 2021 AGM of US chemicals company DuPont de Nemours were in favor of two shareholder proposals opposed by management. One resolution was submitted by the New York City Teachers' Retirement System and called for DuPont to disclose a Consolidated EEO-1 Report breaking down its workforce by race, ethnicity, and gender. The motion was aimed at holding the company accountable for "public statements condemning racism" and "connecting [its] words to concrete actions." The second proposal was submitted by non-profit group As You Sow and requested that the company issue an annual report disclosing both the amount of plastic it releases into the environment annually, as well as the effectiveness of its policies to reduce plastic pollution.

SEC | SEC (2) | Bloomberg | NYC Comptroller

Jack Ma business empire under heightened scrutiny

China is reportedly probing how Jack Ma received quick approvals for the USD 35 billion IPO of Chinese fintech giant Ant Group, an offering abruptly halted in November 2020 over regulatory concerns. The investigation is said to focus, inter alia, on regulators and state firms, with Ma having allegedly been prohibited from leaving China until Ant Group's restructuring and the ongoing government investigation are finalized. Recently, in April 2021, Ant Group's parent company Alibaba was hit with a record USD 2.8 billion fine for having allegedly abused its leading market position. Reports have surfaced that Jack Ma is exploring options to divest his stake in Ant Group, a rumor denied thus far by the company.

WSJ | WSJ (2) | Regulation Asia | CNBC