Governance *in Brief*

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Dutch court orders Shell to slash emissions

A Dutch court has ordered Royal Dutch Shell ("Shell") to reduce its CO_2 emissions by net 45% by the end of 2030. The lawsuit was filed in April 2019 by NGO Milieudefensie and claims that Shell is "misleading the general public with regard to the (un)sustainability of its policies" and set "insufficient" climate ambitions. Under its February 2021 Energy Transition Strategy, Shell pledged to reduce the carbon intensity of its energy products by 20% by 2030, vowing to become a net-zero emissions business by 2050. However, the company's 2021 AGM saw 17% of votes oppose this strategy, with nearly 30% of votes supporting a management-opposed shareholder resolution calling on Shell to set more "inspirational" GHG reduction targets. Meanwhile, two other leading oil companies have faced recent shareholder backlash on climate. Exxon was dealt a major blow at its 2021 AGM as an activist investor won three seats on its 12-member board, ending a proxy battle that had focused on climate concerns. Chevron's 2021 AGM saw a similar rebuke when a majority of votes supported a management-opposed proposal calling for the company to cut its Scope 3 emissions.

Hague District Court | Shell | Reuters | CNN | Forbes | Exxon | Chevron

U.S. SEC greenlights primary direct listings proposal

The SEC has approved Nasdaq's proposal to allow primary direct listings on its Global Select Market. This occurs after the regulator signed off on a similar proposal from the NYSE in December 2020. Previously, direct listings were only allowed when selling existing shares to the public without the use of an underwriter. Now, this approach will also be available when first going public. The Council of Institutional Investors opposes the changes, citing a potential "decline in the effective corporate governance of U.S. public companies."

Reuters | SEC | CII

KCS merger trusteeship under scrutiny

Kansas City Southern ("KCS) has entered a merger agreement with Canadian National Railway ("CN"), abandoning its previous deal with Canadian Pacific Railway ("CP"). The USD 33.6 billion transaction faces scrutiny over CN's plan to place its acquired KCS shares in a voting trust pending regulatory review of the merger. The voting trust is meant to, *inter alia*, deter a hostile bid from CP while protecting against premature control by CN. In the meantime, KCS would continue to be led by its existing management and board of directors, with a former KCS CEO serving as trustee.

Business Wire | Reuters | WSJ | Justice Dep't

UK FRC report highlights stronger remuneration disclosure

The UK FRC has released a report concluding that the FTSE 350 companies' remuneration reporting improved following the introduction of the 2018 UK Corporate Governance Code. The report found that the number of companies with policies designed to align executive remuneration with the corporate purpose and values increased by 30% between 2017 and 2019. The study however raised concerns over "boilerplate" explanations, with many firms allegedly lacking a "reported understanding about the reasons for significant votes against remuneration policy".

FRC | Pinsent Masons

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