



## Hong Kong audit regulator is investigating Evergrande and PwC

Hong Kong's Financial Reporting Council has launched an inquiry into Evergrande's accounts for 2020 and the first half of 2021, as well as an investigation into the audit of the firm's 2020 accounts conducted by PwC. According to the regulator, as at the end of 2020 reported cash and cash equivalents amounted to RMB 159 billion, failing to cover the firm's current liabilities of RMB 1,507 billion, in addition to the further borrowings of RMB 167 billion maturing in 2022. The regulator also noted that the accounts made no explicit statement about whether there were material going concern uncertainties either before or after the effects of mitigating plans that Evergrande said it had in place to manage potential impacts on cash flow. As Evergrande's auditor PwC made no reference to such uncertainties in its report for 2020, the FRC will investigate if PwC failed to comply with auditing standards regarding going concern matters. Notably, cash-strapped Evergrande has been trying to divest some of its businesses to repay creditors, while seeking extensions or other arrangements from creditors. Nevertheless, offshore creditors are concerned over the firm's ability to meet payments as well as a lack of transparency.

[Asia Nikkei](#) | [FRC](#) | [Reuters \(1\)](#) | [Reuters \(2\)](#) | [Evergrande](#)

## Canadian National CEO to step down amid investor pressure

Canadian National Railway Co. has announced that CEO Jean-Jacques Ruest will retire effective as of the end of January 2022. The decision comes as the company is facing increased pressure from major shareholder TCI Fund Management, which has called for a board and management overhaul as part of a strategic proposal for the rail company. Owner of 5% of CN's shares, TCI has nominated four independent directors to CN's board and proposed that railroad industry veteran Jim Vena replace Ruest. TCI criticized the company's board for having no "meaningful" railroad expertise and being responsible for multiple corporate governance failures, including the unsuccessful takeover bid for Kansas City Southern. [Market Watch](#) | [Bloomberg \(1\)](#) | [Bloomberg \(2\)](#) | [TCI Fund Management](#) | [Canadian National Railway](#)

## Indian regulator tightens RPTs rules

The Securities and Exchange Board of India (SEBI) has updated its rules governing related party transactions (RPTs), widening the scope of scrutiny and enhancing disclosure requirements. Effective from April 1, 2022, the definition of related parties and RPTs will expand to include, inter alia, all persons/entities in a promoter group, irrespective of their shareholdings, as well as non-promoter entities holding a minimum stake of 20% (falling to 10% as of April 2023) during the immediately preceding financial year. Furthermore, all RPTs will require the prior approval of the audit committee, and shareholders will have to approve material transactions with a threshold of the lower of INR 10 billion or 10% of the consolidated annual turnover of the listed entity. [SEIB](#) | [Fitch Rating](#) | [Economic Times](#) | [Bloomberg Quint](#)

## Crown Resorts shareholder revolt over executive pay

At the 2021 AGM, the shareholders of Australia's Crown Resorts voted against the remuneration report for a second straight year but turned down a subsequent vote to dismiss the entire board. The remuneration report was opposed by 30.73% of the votes cast at the AGM, thus exceeding the 25% threshold required to count as a negative vote. Under Australia's "two strikes" rule, if the remuneration report receives more than 25% dissent for two consecutive years, the shareholders are entitled to vote on whether the directors should stand for re-election in a so-called "spill resolution". Notably, shareholders revolted over departing executives' payments, including USD 3.35 million in termination benefits for former CEO Ken Barton. [News.com.au](#) | [Reuters](#) | [Crown Resorts \(1\)](#) | [Crown Resorts \(2\)](#) | [ABC](#)

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