



2021 ISS Bulletin Series  
Global Proxy Seasons Preview  
March 18, 2021

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# AGENDA & PRESENTERS

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2021 AGM Formats  
Pandemic Limits on Capital  
CEO Pay During COVID-19  
Sustainability/ESG Focus  
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Closing Remarks

Moderator:  
Georgina Marshall, Global Head of Research  
Speakers:  
Americas: John Vizikas, Pat McGurn, Chris Scouler, Marc Goldstein, Kathy Belyeu & Zachary Friesner  
Europe/UK: Jonathan Haymon, Arnaud Cavé, Julien Abriola & Koen Kostermans  
Asia Pacific:  
Lorenzo Monticello  
Special Situations:  
Nina Aicardi & Nelson Seraci

# Predominant AGM Formats for 2021 Season

Virtual-only meetings will dominate again, except for Asia-Pacific

- Good News! Very few postponements expected
- Markets with virtual/electronic 2021 meetings
  - Americas: Canada, Latin America (ex-Mexico), US
  - Asia- Pacific: Malaysia, Thailand (mix)
  - EMEA: Benelux, France, Germanic markets, Israel (mix), Italy (temporary legal measures adopted in 2020 actually authorize Italian companies to held virtual meetings regardless of their bylaws), Nordic markets, Southern Europe/ex-Italy
- Markets with physical 2021 meetings
  - Americas: Mexico
  - Asia-Pac: China, Singapore, Taiwan, Thailand (mix)
  - EMEA: Israel (mix)
- Markets with widespread hybrid 2021 meetings
  - Asia-Pac: Hong Kong, India
  - EMEA: Eastern Europe

# Predicted AGM Format Changes for 2022 and Beyond

Most markets expected to return to in-person meetings

- Markets with physical meetings in 2022 and beyond
  - Americas: Latin America (mix), US (mix)
  - Asia-Pac: China, Hong Kong, India, Malaysia, Singapore, Taiwan, Thailand
  - EMEA: Benelux (mix), Eastern Europe (mix), France, Germanic markets (mix), Israel (mix), Italy, Nordic markets (except DK), Southern Europe/ex-Italy (mix)
- Markets with virtual/electronic meetings in 2022 and beyond
  - Americas: US (mix)
  - EMEA: Benelux (mix), Denmark (mix), Eastern Europe (mix)
- Markets with hybrid meetings in 2022 and beyond
  - Americas: Canada, US (mix)
  - EMEA: Benelux (mix), Denmark (mix), Eastern Europe (mix), Germanic markets (mix), Israel (mix)

# Pandemic-Related Limitations on Capital

Most restrictions on buybacks and dividends have lapsed

- Markets/sectors with continuing or extended limitations
  - European Banks: Since outset of pandemic, the European Central Bank (ECB) has placed restrictions on dividend distributions and buybacks. In its latest guidance, dated Dec. 15, 2020, the ECB clarified that banks shall refrain from or limit dividends until Sept. 30, 2021. In detail, "the ECB expects dividends and share buy-backs to remain below 15 percent of the cumulated profit for 2019-20 and not higher than 20 basis points of the Common Equity Tier 1 (CET1) ratio, whichever is lower. Banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories...Banks should refrain from distributing interim dividends out of their 2021 profits..."
  - Latin America
  - Malaysia: Bursa Malaysia introduced temporary relief measures, which may be used until Dec. 31, 2021, that allow issuers to seek approval for an increased limit of the general share issuance from 10% to 20%; issuers with controlling shareholders/unitholders may seek approval (until Dec. 31, 2021) to issue rights shares or units up to 50% of the issued shares/units on top of the 20% general mandate.
- Markets where limits have lapsed/waned
  - Germany: Companies have continued to request capital authorizations in line with ordinary circumstances. No change expected in 2021. First AGMs show resumption of dividend payments (or even catching up for temporary dividend skips in 2020); may see capital requests in struggling sectors/further government support.
  - Italy: Early AGMs show resumption of dividend payments and share buybacks at companies in 2021
  - Hong Kong, India and Singapore: Capital raising proposals by companies expected in light of COVID-19 impacts
  - US: Not every individual company has restored dividends/resumed buybacks, but there are no market-wide or sector-wide restrictions at this point. Even banks seem to have resumed buybacks, after evidently determining that they were not unduly threatened by pandemic-induced borrower defaults.

# Investor Scrutiny of CEO Compensation

High levels of scrutiny of pandemic pay expected, especially in EMEA and US

- Americas
  - Canada: Some large institutional shareholders may vote against MSOPs and/or withhold from certain directors
  - Latin America
  - US: Broadly speaking, concerns about unequal burden sharing, with executives continuing to be richly rewarded despite job cuts and shareholder losses; where executives reap windfall gains due to presumably temporary shifts in work and consumption patterns that benefit certain companies
- Asia-Pac
  - India: When CEO pay higher than the prescribed limits
- EMEA
  - Benelux: Investors focus on explanations for pay adjustments in light of company performance and priorities; weak rationales for remuneration policy deviations; misalignment with performance; disconnects when employees suffered, but STI/LTI pays out at max; general moderation expected
  - France: Measures (discretion, new plans, payouts based on revised budget/guidance) taken by companies to neutralize the effects of covid-19 on remuneration payouts
  - Israel: High level of dilution, amended terms of equity awards and executive compensation in light of pandemic
  - Italy: Misalignment between pay and performance
  - Nordics markets/UK: Focus on in-flight changes to variable remuneration plans where the company has received government grants (such as short-term furlough assistance); poor explanation on policy deviations
  - **Exception** Germanic markets: Low dissent observed last year and it is expected to continue

# Focus on Sustainability

Investor expectations and regulation drives momentum in Americas and Asia Pacific

- More Attention (drivers)

- Americas

- Canada (rising investor expectations)
    - Latin America (rising investor expectations, regulatory changes)
    - US (rising investor expectations, regulatory changes)

- Asia-Pac

- China (rising investor expectations, regulations), Hong Kong (regulations), India (rising investor expectations, stewardship codes, regulations), Singapore (regulations), Taiwan (regulations)

- EMEA

- France (rising investor expectations)
    - Israel (rising investor expectations)
    - Spain: First say-on-climate vote
    - UK (rising investor expectations)

- Status Quo/Stay the Same

- EMEA

- Benelux (Dutch boards protected against activism), Eastern Europe, Italy (ESG topics gaining traction mainly due to investor expectations and engagement, but there is no tangible activism at the moment), Germanic markets, Nordic markets (rising investor expectations), Southern Europe/ex-Italy (rising investor expectations, regulations)

# Americas: Climate Change & Human Capital Top ESG Concerns

	Climate change	Human capital mgmt. (D&I, health and safety, pay disparity, workplace discrimination)	Other environmental issues (biodiversity, plastics, water)	Human rights, including supply chain concerns	Other, please specify:
Canada	X	X			Widely-held companies are being driven to adopt purpose statements and to articulate how their strategy supports the newly rolled out version of "stakeholder governance"
LatAm		X	X		Focus on improving ESG disclosures; deforestation and wild fires (Amazon and the Pantanal in Brazil) are ongoing concerns, especially for firms with supply chain issues and environmental risks such as mining
US	X	X			Political contributions and lobbying expenditures



# EMEA: Limited ESG Activism

	Climate change	Human capital mgmt. (D&I, health and safety, pay disparity, workplace discrimination)	Other environmental issues (biodiversity, plastics, water)	Human rights, including supply chain concerns	Other, please specify:
Benelux					
Eastern Europe					
France	X				
Germanic					
Israel	X	X	X		
Italy					
Nordics	X				
So. Europe/ex-Italy	X				
UK	X	X	X	X	

# Asia-Pacific: Spread of ESG Reporting Requirements

	Climate change	Human capital mgmt. (D&I, health and safety, pay disparity, workplace discrimination)	Other environmental issues (biodiversity, plastics, water)	Human rights, including supply chain concerns	Other, please specify:
China	X	X	X		Possible ESG reporting requirements
Hong Kong		X	X		
India			X		Enhanced ESG reporting requirements
Malaysia		X	X		Regulators put more scrutiny on the worker safety as well as hiring of foreign workers
Singapore		X	X		
Taiwan			X		
Thailand			X		

# Americas: Leading Boardroom Concerns

Focus on racial/ethnic diversity and human capital

	Gender diversity	Racial/ethnic diversity	Director skillsets	Tenure/turnover	Independence	Disclosure	Risk oversight	Cyber security	Other, please specify:
Canada	X	X					X		
LatAm	X						X		
US	X	X	X				X	X	

# EMEA: Leading Boardroom Concerns

Risk oversight, cybersecurity take spotlight

	Gender diversity	Racial/ethnic diversity	Director skillsets	Tenure/turnover	Independence	Disclosure	Risk oversight	Cyber security	Other, please specify:
Benelux	X		X		X		X	X	
Eastern Europe					X	X			
France							X		Combined chair/CEO and more generally role of board versus management
Germanics		X		X	X	X			
Israel	X		X	X	X	X			
Italy			X		X		X	X	
Nordics	X		X				X	X	AML remains a hot topic at the Nordic banks (shareholder proposals submitted at Swedbank)
So. Europe/ex-Italy	X		X		X		X	X	
UK	X	X	X				X	X	

# Asia-Pacific: Leading Boardroom Concerns

Focus on independence and tenure

	Gender diversity	Racial/ethnic diversity	Director skillsets	Tenure/turnover	Independence	Disclosure	Risk oversight	Cyber security	Other, please specify:
China	X		X		X				
Hong Kong					X				
India	X		X	X	X				Attendance
Malaysia				X					
Singapore	X			X	X				
Taiwan			X	X	X	X			
Thailand						X			

# Special Situations: M&A, Activism, IPOs and SPACs

- M&A/IPOs
  - Americas
    - Canada, Latin America, US
  - Asia-Pac
    - Region: More M&A and IPO activity expected, except Malaysia
    - India: Diversification of conventional companies into new-age business like digital services, fintech etc.; privatization of several government owned companies
    - Singapore: More REITs consolidation
  - EMEA
    - Germanic markets: Increased squeeze-out activity since pandemic
    - Israel: IPO pipeline for 2021 is expected to grow dramatically
    - Italy: M&A and IPO operations that were deferred due to the pandemic may take place in 2021 depending on the evolution of the pandemic.
    - Poland: Significant increase in number of IPOs vs. previous years expected in 2021
    - Nordics: 2021 is expected to be a record year (in terms of number of IPOs) for the Stockholm stock exchange
    - Spain: Consolidation of banking sector; IPOs postponed in 2020 may occur in 2021, especially of “renewables” business
- SPACs
  - Americas
    - US: SPAC boom continues
  - EMEA
    - Benelux: Many SPAC listings expected in Amsterdam due to Amsterdam being now largest trading hub in EU after Brexit and flexible rules for Spacs. Approx. 10 announcements of approaching SPAC listings, including ESG specific SPACs.
    - Italy: SPACs were very popular a few years ago, but are losing their appeal
    - UK: Potential relaxation of listing requirements in the works

# Americas: Changes in Law, Regulations or Codes

- Canada
  - Ontario Capital Markets Modernization Taskforce - In December 2020, the Ontario Capital Markets Modernization Taskforce forwarded its final recommendations to the Minister of Finance.
  - Climate Risk and Financial Institutions - In January 2021, the Office of the Superintendent of Financial Institutions (OSFI) released a report entitled "Navigating Uncertainty in Climate Change, Promoting Preparedness and Resilience to Climate-Related Risks" intended to raise the dialogue around climate-related risk to the forefront for federally regulated financial institutions and pension plans and other stakeholders.
  - Canada Business Corporations Act Consultation Announced - On Jan. 29, 2021, Corporations Canada released a consultation paper aimed at defining certain terms as proposed in Bill C-97 An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures which made amendments to the Canada Business Corporations Act (CBCA) concerning executive compensation and the well-being of employees, retirees and pensioners.
- US
  - Election results are expected to impact Trump-era regulations at Securities and Exchange Commission and US Dept. of Labor. Many of the Trump-era regulatory changes at the SEC and DOL are not scheduled to take effect until *next* season (assuming the rules aren't overturned). However, California laws on board diversity are already in effect, and seem to be having an impact (coupled with increased pressure from investors, as well as the potential for changes to Nasdaq listing rules).

# Asia-Pacific: Changes in Law, Regulations or Codes

- Hong Kong

- ESG: Launch of Sustainable and Green Exchange which serves as an information portal for both issuers and investors to provide access to green and sustainable efforts by way of increased transparency when it comes to green, sustainable, and social investment products
- Audits: Suspension of trading for listed issuers with disclaimer or adverse audit opinion on financial statements
- Increase in Minimum Profit Requirements: HKEx published a consultation paper on the proposal to increase the minimum profit requirement for companies seeking to be listed in the HKEx Main Board. HKEx published a consultation paper on the proposal to increase the minimum profit requirement for companies seeking to be listed in the HKEx Main Board (Main Board). The higher minimum profit requirement could prevent or at least limit market participants from willfully listing small companies that could eventually be turned into shell companies for sale after listing. Once implemented, it could potentially lessen future IPOs on the Main Board.

- India

- Voting: Two-tier vote requirement (from all shareholders and public shareholders separately) for independent directors.
- Board Leadership: Separation of roles of CEO and Board Chair (effective April 2022)

- Singapore

- Voting: Two-tier vote requirement for independent directors exceeding nine years tenure. The requirement will be effective by Jan. 1, 2022, but some companies are already implementing the two-tier vote requirement.
- Share Authority: Expanded share issuance mandate limit from 50% to 100% for preemptive issuance.
- Audits: Enhanced rules on Auditors, requiring issuers to appoint auditors registered with the ACRA.



# Asia-Pacific: Changes in Law, Regulations or Codes

- China

- ESG: In February 2021, the regulator started to solicit public opinion on draft guidelines to improve the quality of listed companies and protect the legitimate rights and interests of investors. According to the draft, listed companies will be required to add ESG related information in the communication with investors based on the relevant requirements of the latest Code on the Governance of Listed Companies.
- Merger of the Shenzhen Stock Exchange's Main Board with the SME Board: In February 2021, the regulator approved the merger of the Shenzhen Stock Exchange's main board with the SME board. Involving only adjustments on parts of business rules, market products, and issuance and listing arrangements, the merger will have little impact on market operations and investors' trading in general. After the merger, relevant indexes involving the SME board need to be adjusted adaptively.
- China Securities Regulatory Commission's (CSRC) Guidelines for Disclosure of Information on Shareholders of Companies Applying for IPO: In February 2021, the regulator issued Guidelines for Disclosure of Information on Shareholders of Companies Applying for IPO to prevent situations where shadow shareholders trade shares before going public. The CSRC and the stock exchange may work with supervision departments on anti-money laundering management and anti-corruption to address illegal shareholding problems. The guidelines also require a 36-month lockup period for shares purchased by new shareholders within 12 months before an IPO application.
- Delisting: On Dec. 31, 2020, China's two main stock exchanges released a series of revised delisting rules (effective immediately). The rules have shortened the delisting process and tightened the delisting criteria for financial indicators, trading, noncompliance and violation.
- Integration and further liberalization of QFII and RQFII schemes. In September 2020, the regulators integrated and further liberalized QFII and RQFII schemes. With the relevant new regulations coming into effect on Nov. 1, 2020, China's QFII and RQFII schemes introduced since 2006 and 2013 respectively and which have been governed by separate set of rules and regulations will be integrated, and past QFII and RQFII rules and guidelines will be invalidated. The new QFII/RQFII integrated scheme will be further liberalized with eligibility requirements further relaxed and application procedures streamlined, among others. With QFII and RQFII schemes integrated, the new regulations encourage investing in domestic securities and futures markets with offshore RMB funds.

# Asia-Pacific: Changes in Law, Regulations or Codes

- Taiwan

- Compulsory Adoption of Nomination System in 2021: From 2021, all listed companies are required to adopt the nomination system for election of directors and supervisors whereby the company need to disclose the names, background information and qualifications of all candidates on ballot. Prior to 2021, companies can use the non-nomination system for the election of non-independent directors where disclosure of candidate information is not compulsory.
- Compulsory Establishment of Audit Committee (To Replace Supervisors) at Listed Companies by 2022: Expect more listed companies to amend their Articles of Association to establish audit committees. More listed companies are expected to have at least three independent (the minimum no of independent directors required for an audit committee) directors sitting on the board given the establishment of the audit committee.

- Thailand

- Virtual Meetings: The lockdown in 2020 caused most Thailand AGMs to be postponed in view of the physical attendance requirement. The Emergency Decree on Electronic Meetings B.E. 2563 (2020) became effective from April 19, 2020 which eased the limitations and allowing entities including companies (both private and public companies) to be able to hold virtual board of directors and shareholder meetings without the physical attendance requirement from anywhere.
- Audits: The Thailand SEC is currently seeking public comments on the proposed regulation for defining suspicious circumstances that the auditor must report to the Audit Committee. This could have potential impact on the financial reporting practices of companies in the future.

# EMEA: Changes in Law, Regulations or Codes

## Shareholder Rights Directive II impacts continue

- Europe

- SRD II implementation/reporting aligned with draft non-binding guidelines on remuneration report. Publication on guidelines for presentation of the remuneration report. (Latest news from the EC, publication aimed for Q4 2021, two years after anticipated publication date.)
- Denmark: Proposal to amend the articles of association to enable companies to hold virtual meetings going forward
- Germany: Local code revised to recommend tenure limit of 12 years prior to becoming non-independent; long-term variable awards should have a minimum 4-year vesting period; gender diversity rules at executive level.
- Greece: Corporate law changed in 2020, completing SRDII implementation—(i) 25% gender diversity threshold, (ii) mandatory creation of remuneration and nomination committees to be composed by NEDs only, with a majority of I-NEDs, including the chairman, (iii) stricter requirements on audit committee composition (majority-independent), (iv) stricter definition of independent director, and (v) effective July 2021, I-NEDs must represent one-third of board directors and be at least two.
- Netherlands: Gender diversity rules; 250-day time out period (whenever activist shareholders proposes an agenda item, the board has a 250-day time out during which dismissal of incumbents cannot be on the agenda); exit tax bill (companies moving out of NL are subject to a tax bill on non-capitalized profits).
- Norway: As an EEA member, SRDII is being implemented as well with part of the directive being transposed during the H1 of 2021.
- Portugal: SRDII was implemented in August 2020, expect both remuneration policy and report on 2022 AGM agenda
- Spain: SRDII implementation still ongoing (draft bill is in the final phase); likely introduction of “loyalty shares”.
- Switzerland: Gender diversity rules; introduction of share capital band (board can increase/decrease share capital by +/- 50%)

# Thank You

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