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☑ Snap Out of It

A group of funds led by the US Council of Institutional Investors (CII) this week asked index providers to exclude Snap from passive indices because its common shares carry no voting rights (GPW XXI-05). They met Tuesday with MSCI, which already has asked for input, and with S&P yesterday, and are reaching out to FTSE Russell. The CII also is re-opening a broader campaign against dual-class shares with the New York Stock Exchange and Nasdaq. The effort raises the question of who decides what constitutes a market. Dual-class shares are not allowed under UK rules—although the Financial Conduct Authority is mulling a rollback to attract US tech firms that have them (**GPW** XXI-07). But for now, the **FTSE 350** excludes dual-class shares while the **S&P 500** includes them—even though both aim to capture entire markets. **If US investors convince index providers to exclude Snap, it could open the door to barring all dual-class shares regardless of what regulators or stock exchange listing rules require.** "Who Votes? is the issue right now," said S&P indexes committee chief David Blitzer in a Monday interview. The committee, he said, needs to think through how much influence investors should have. **One way for indexers to respond on Snap without opening Pandora's Box would be to declare that non-voting shares do not qualify as common but instead are more like preferred, which are not included in passive indices.** Investors' potential clout was driven home at last week's CII meeting in Washington, DC, where **CalPERS** board member JJ Jelincic said: "The funds in this room have the power to stop dual-class share listings like Snap. All we need to do is refuse to buy them."

Briefings

Terms of Engagement

Canadian boards can expect to hear more on E&S topics from a new committee formed by the Canadian Coalition for Good Governance. The committee, with 9 E&S experts from the CCGG's 52 member funds, will develop guidelines for board oversight and corporate disclosure of E&S issues. It also offers expertise to CCGG's engagements, which entail meetings with independent directors at 45-50 issuers a year. The engagements, which exclude management, typically target firms where CCGG funds collectively own 10% to 20%.

#WOB News

Movement on efforts to advance women on boards and broader gender parity:

- **US. In a remarkable statement from one of the world's largest capital pools,** State Street Global Advisors **(SSGA) pledged to vote against nominating or governance committee chairs at issuers that fail to "take action to increase the number of women on its board," CEO Ron O'Hanley** said **Tuesday.** In a speech at the Weinberg Center for Corporate Governance he outlined new guidance calling on the 3,500 firms in SSGA's portfolio to set board and management gender goals and report progress to investors. The rollout included placing a sculpture—"Fearless Girl"—on Wall Street. The campaign raises the profile of SSGA governance chief Rakhi Kumar. Expect it to embolden more skittish fund companies.
- **Canada**. The Shareholder Association for Research & Education will "vote against the entire Nominating Committee of the board of directors if a company's board has zero women and does not disclose a clear policy aimed at increasing that number," the group said Tuesday. SHARE has filed resolutions asking for a formal diversity policy on plans to increase women on the board and in management.
- **Exchanges**. Stock exchanges should do more to address gender equality, such as requiring or encouraging metrics on pay, turnover and the percent of women by job level, says a report published Monday by the **UN** Sustainable Stock Exchanges Initiative. It found that "less than a third of the exchanges interviewed track pay parity by gender across their own organisations." No market offers pay parity by gender across all issuers.

Reposition

The New York Stock Exchange (NYSE) Monday launched a repository of ESG resources for its issuers that does not mention plans to publish ESG reporting guidance for them, despite a statement of support for the **UN** Sustainable Stock Exchanges Initiative (SSE). NYSE and Nasdaq attended a closed-door SSE event at the CII meeting in Washington, DC last week where Nasdaq expressed its intention to issue guidance this year, as called for in a SSE campaign (**GPW** XXI-06). NYSE did not, attendees said. Still, expect NYSE's new gesture of support for the concept of ESG reporting to give rival Nasdaq less reason to worry about losing listings from issuers seeking to avoid pressure for more robust reporting.

Fairness Japan should adopt a Fair Disclosure Rule akin to those in the US and other advanced markets to prohibit issuers from selectively disclosing material information, suggests a report published in English March 3 by a **Financial Services Agency** task force. It cites recent cases of firms giving non-public earnings information to securities analysts who used it to solicit clients. Recommendations mention the need to encourage "constructive dialogues between issuers and investors" but do not spell out how a rule would do so. This is a lingering concern in other markets and could chill asset manager attitudes toward new engagement duties in Japan's stewardship code.

Merger The merger announced Monday of **Standard Life** and **Aberdeen Asset Management** would create a €581 billion powerhouse that brings together two internationally respected corporate governance teams. No decisions have been made yet about their staffing or leadership, although the deal promises some £200 million in annual cost savings. The governance unit at Aberdeen, whose shareholders would own one-third of the new firm, is headed by Paul Lee, formerly at the UK **Pensions and Lifetime Savings Association** and **Hermes Equity Ownership Services** (**GPW** XIX-02). Standard Life governance chief Euan Sterling succeeded veteran Guy Jubb last year (**GPW** XX-07).

Insurance Policy Independent directors of insurance companies should help regulators identify when a fellow board member may have a conflict of interest, particularly those who sit on both the parent company board and that of an insurer it owns. So recommends draft guidelines for insurer regulators published March 3 by the **International Association of Insurance Supervisors**. The guidelines also address board oversight of strategy, management, risk and internal controls. Comment by April 3.

Reporting Cards *New efforts to advance corporate disclosure*:

- **SDGs**. An initiative to develop guidelines for corporate reporting on the UN **Sustainable Development Goals** was announced jointly Wednesday by the **Global Reporting Initiative** and the **UN Global Compact**. A **Corporate Action Group** and a **Multi-stakeholder Advisory Committee** will be launched March 27 at the Hague with the guidelines coming at a September 18 UN General Assembly in New York.
- **ESG**. Guidance published this week by the **Global Reporting Initiative** explains how to use its standards to comply with the **European Union** non-financial reporting directive (**GPW** XX-45).

Insights

Investors should look at the breadth of consensus on the importance of systemic issues to inform decisions about their materiality to long-term portfolio decisions, counsels a paper published Wednesday by **Steve Lydenberg** of **The Investment Integration Project**. Other factors to consider: portfolio impact; the ability of the investor's investment decision to affect the issue; and how much uncertainty the issue would unleash, such as climate change.

Investing "has become a glorified form of gambling" focused on maximizing returns to savers, warns a commentary published Monday by **300 Club** founder and **Hermes Investment Management** CEO **Saker Nusseibeh. Funds should instead seek a "holistic return" to integrate investment effects on society.**

A call Monday by the Journal of Environmental Investing, edited by Cary Krosinsky, requests practitioner and academic papers on ESG integration challenges faced by investors. A symposium will be held September 15 at Yale. Submit abstracts by April 30 and papers by July 15.

Toolkit

Conservative groups continue to seek ways to advocate political views through US proxy resolutions, filing twice as many as last year—although the 18 proposals from **National Center for Public Policy Research** and others remain a fraction of the 430 resolutions filed this year. So finds a proxy season preview published Wednesday by **As You Sow**, the **Sustainable Investments Institute** (**Si2**) and **Proxy Impact**.

Investors are likely to vote against compensation committee members at issuers with chronically poor executive pay practices, finds a survey of mostly UK and US asset managers and owners released March 1 by proxy solicitor **Morrow Sodali**.

Mainstream portfolio managers are increasingly willing to look at ESG issues for risk analysis but are challenged by the lack of comparable data, finds a study posted March 2 by Amir Amel-Zadeh of **Oxford** and George Serafeim of **Harvard**. They and **BNY Mellon** survey 413 senior professionals at investors representing 43% of global assets under management.

People

Therese Kievehas, **Rachana Nirgudkar** and **Lewis Naylor** have all joined **ISS** in London this year as part of an ongoing expansion of its UK research team, which so far totals 45 staffers, the firm said Monday. Kieve did engagement at UK's **ShareAction**; Nirgudkar hails from **MSCI**'s ESG research team; and Naylor was a researcher at London's **Manifest**.