



PROXY WATCH ARABIA™

THE NEWSLETTER OF REGIONAL AND INTERNATIONAL CORPORATE GOVERNANCE

OCTOBER 12, 2016

News from the Region

Investor Relations

Regulators and exchanges in the UAE and Qatar should maintain high corporate governance standards to avoid forfeiting the emerging market status they gained two years ago when the [MSCI upgraded](#) them from frontier markets. So [warned Middle East Investor Relations Society](#) Chair [Alex MacDonald-Vitale](#) at the Association's annual [conference](#) in Dubai last month. "The adoption of corporate governance best practices by company boards, together with consistent enforcement of rules by regulators, is even more important in times of economic slowdown," he said.

Egyptian Code

Expect better disclosure by Egyptian issuers on topics such as related party transactions and board independence as a result of the revised corporate governance code [issued](#) in August and published last month by the [Egyptian Financial Supervisory Authority](#). The revised code supplements [Egyptian Exchange](#) listing [rules](#), which contain mostly mandatory governance provisions. It will apply on a comply-or-explain basis, whereas the previous code was voluntary.

GCC Listing Standards

A longstanding effort to unify listing standards among [Gulf Cooperation Council](#) markets got a lift at a September 25 [meeting](#) of the heads of the capital markets authorities. The gathering, convened in Riyadh by the Saudi [Capital Markets Authority](#), [approved](#) plans for a study on how to carry the project forward. A dedicated website will be launched for research and training programs. It will add to the [Union of Arab Securities Authorities'](#) training events, which aim to share regulatory experience on corporate governance and related topics.

Bank Governance

A new initiative to foster collaboration on better governance among Arab central banks is being launched by [GOVERN](#) to follow up on recommendations of a 2009 [OECD report](#). Most markets in the region now have specific governance [codes](#) for banks. The

initiative aims to benchmark those against the [G20 /OECD Principles of Corporate Governance](#) and the Basel Committee's [Corporate Governance Principles for Banks](#).

The outcome will aid efforts by central banks in the region to lift bank governance standards. Earlier this year, the [Central Bank of Egypt](#) sought to [limit](#) the term of board members (including CEOs who act as Chairs) to 9 years. However, it was [overruled](#) in June by Egypt's Administrative Court. The UAE's [Central Bank](#) is [due](#) to issue new rules on bank [governance](#) by year end. Last month, the [Bahrain Institute of Banking](#) conducted a two-day [masterclass](#) on corporate governance for the senior management team of [Bahrain Islamic Bank](#).

Global briefing

Emerging Markets Governance

IMF. Emerging markets should bolster the rights of investors, in particular of minority shareholders, recommends a [chapter](#) in an [IMF report](#) on global financial stability [released](#) October 5. EMs should also bring disclosure requirements fully in line with international best practice and promote greater board independence. Issuers that meet high governance standards produce higher long-value and are less affected by global financial shocks such as Brexit, the report finds, based on the analysis covering 71 governance factors across 600 non-financial issuers in 25 emerging markets.

IOSCO. Similar conclusions came in a [report](#) addressed largely to emerging-market regulators [published](#) October 3 by the [International Organization of Securities Commissions](#). Three key areas identified: the need for a "critical mass" of independent directors with full disclosure of their potential conflicts of interest; aligning executive pay with "sustainable long-term shareholder value" and prioritization of risk management at the board level.

Investor Perspective

Board accountability to minority shareholders should be improved by giving investors a greater role in board appointments, more robust director independence standards and stronger board diversity. So counsels



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[Corporate Governance Policy in the European Union: Through an Investor's Lens](#), published October 4 by the [CFA Institute](#).

Canada: Major Win

Corporate directors would be barred from hanging on after failing to win a majority vote under [legislation introduced](#) into Canada's [Parliament](#) September 28. The bill would be a major victory for investors and the [Canadian Coalition for Good Governance](#) (CCGG), a key proponent.

The [Toronto Stock Exchange](#) adopted a majority-vote listing [standard](#) last year but boards can and do refuse the resignation of directors who fall short. The law would apply to firms registered federally, about 40% of large Canadian issuers. The bill also would require firms to publish board and management gender composition and any diversity policy—adding to provincial rules.

UK: Employees on Boards

UK Prime Minister [Theresa May](#) reiterated her intention to put workers on corporate boards in a tough-talking [speech](#) October 5.

The [Financial Conduct Authority](#) (FCA) [unveiled](#) a host of updates and consultations September 28 to strengthen the [Senior Managers Regime](#) launched this year to hold executives accountable. Companion [measures](#) [came](#) from [Prudential Regulation Authority](#).

Spend and Show

More S&P 500 firms are disclosing their political spending, including donations to trade associations and nonprofits, finds to an annual [ranking published](#) September 29 by the US [Center for Political Accountability](#). 35 firms won top scores for detailed disclosures, up from 23 last year.

Meanwhile, the [Australasian Centre for Corporate Responsibility](#) scored its first victory with a similar [index](#) modeled on the CPA's when [National Australia Bank](#) [stopped](#) making political contributions after an ACCR [campaign](#) against its prior [policy](#). ACCR [said](#) October 3 it now will not file a planned [resolution](#) at NAB's AGM.

Services

The [US Center for Board Effectiveness](#) was launched this week by [Deloitte](#) to combine its [Center for Corporate Governance](#) and [Audit Committee Programs](#). The Center offers board education and thought leadership. The [Global Center for Corporate Governance](#) helps directors in 43 [markets](#).

The [Morningstar Sustainability Index Series](#) was launched Tuesday [offering](#) 25-plus [indices](#) using [Morningstar's](#) ESG fund data and [Sustainalytics](#) stats on issuer ESG. The series expands a partnership between the two firms that includes ESG [ratings](#) of mutual funds and ETFs based on the sustainability practices of the companies they hold.

Toolkit

More than 200 policy and regulatory measures have been adopted in nearly 60 countries to encourage sustainable finance, concludes a [report published](#) September 29 by the [UNEPFI Inquiry into the Design of a Sustainable Financial System](#) project. It is the second edition of a final [report](#) last year from the Inquiry, which then had its mandate renewed until 2017.

A [Knowledge Center](#) was [opened](#) October 6 by [European Women on Boards](#) to share best practices and research on board diversity. Efforts to put more women on boards in the region got a lift with the establishment of a [GCC Chapter](#) of the [30% Club](#) last year. The presence of women on boards in the GCC is still estimated at 2%.

A series of company-specific case [studies](#) on ESG materiality was [launched](#) October 5 by [RepRisk](#). The Zurich-based ESG data provider will add to the initial seven, which include BP, Nestle and Volkswagen.

People & Events

The [Global Reporting Initiative](#) [seeks](#) a [Chair](#) for its [Global Sustainability Standards Board](#). [Apply](#) by October 28.

[Institutional Shareholder Services](#) (ISS) is holding a webinar on key US governance issues for the 2017 proxy season on 19 October. Institutional investors can register [here](#).

[Dubai Financial Market](#) is holding its international investor [roadshow](#) 17-18 October in New York to enable issuers to update investors on their plans.