



Regional Briefing

Saudi Arabia: NGO Governance

Regulations on governance of non-governmental organizations (NGO) will be developed by the [Saudi Ministry of Labour and Social Development](#) under a draft framework it [signed](#) last week. The NGO legislation [passed](#) last year, nearly a decade after it was proposed, has advanced the legal status and rights of NGOs. Already some 400 NGOs operate in the country according to the [International Center for Not for Profit Law](#).

Similar efforts are underway in other GCC countries looking to facilitate better transparency of foreign and domestic NGOs, including foundations. Workshops and other support to set up best-in-class governance of NGOs is being offered by the [Arab Foundations Forum](#), an association of philanthropic organizations chaired by industry veteran and Emirates Foundation CEO [Clare Woodcraft-Scott](#).

Oman: New Code

Implementing the revised corporate governance [code](#) that took [effect](#) in July is not just about regulatory compliance but bolsters protection for investors and other stakeholders. So [said](#) the Vice President of the [Institute of Internal Auditors](#)' Oman [chapter](#) at a seminar the group organized last week.

The new code, issued by the [Capital Market Authority](#) of Oman, [requires](#) all board members to be **non-executive**. It also amends the definition of independent directors and approval of related party transactions to align with international standards, including an [OECD Guide on Related Party Transactions in the MENA region](#) published in 2014. Oman was first in the Arab world to introduce a governance code in 2002.

In January, the [Oman Center for Governance and Sustainability](#), previously a department in the CMA, was recognized as an independent entity led by [Sayid Hamed Al Busaidi](#) and overseen by a board. The Center will be chaired by the CMA's Executive President and board

member H.E. [Abdullah Al Salmi](#).

Morocco: Better Stewardship

The [Casablanca Stock Exchange](#) is for the first time convening investors to discuss their role as stewards of corporate governance. A survey by the [Moroccan Institute of Directors](#) to be released at the [October 19 conference](#) found that less than 20% of institutional investors in the country have dedicated corporate governance staff, even though 75% say the topic is important.

[GOVERN](#) will present the results of its forthcoming report on MENA institutional investors, which argues that domestic sovereign investors, controlling over 40% of market capitalization, should play a more active role.

The discussion on stewardship in Morocco is timely considering the recent creation of the [Moroccan Capital Market Authority](#) (previously called CDVM) and the [June floatation](#) of the state-owned port operator, **Morocco's largest IPO in 8 years**.

Global Briefing

The Wells Fargo Saga

See the sudden retirement [decision](#) October 12 by [Wells Fargo](#) CEO [John Stumpf](#) as welcome evidence that the beleaguered bank finally is facing up to the chorus of demands for more [accountability](#) in its bogus consumer accounts scandal. The news came after shareowners led by the [Interfaith Center on Corporate Responsibility](#) [filed](#) four AGM resolutions two days before, including [one](#) calling for a review of the root causes for the fraud and [another](#) asking for separate chair and CEO posts, both of which Stumpf held. The firm preempted the call by naming lead independent director [Stephen Sanger](#) as chair while promoting president [Tim Sloan](#) to CEO. **That may not satisfy critics given Sanger's ineffective role as lead director.** **S&P 500 boards chaired by the CEO fell to a record low of 52% last year, according to [Spencer Stuart](#)'s annual board [survey](#).**

Climate Focus

Issuers should analyze the climate change risk they face and disclose “what concrete efforts will be made to contribute to a carbon-neutral economy in the second half of this century,” recommends an annual [letter sent](#) to Dutch boards last week by fund group [Eumedion](#). This is the first time Eumedion has addressed the topic in the annual letter it sends each year outlining the major concerns member funds intend to engage on in the upcoming proxy season. See the request as another sign of the new importance of climate change following the 2015 [Paris Agreement](#), which was [ratified](#) on October 5.

Remuneration Battles

UK. FTSE 350 CEOs should meet with their employees annually to justify company pay practices and shift executive pay toward long-term incentives rather than bonuses, says a path-breaking [Legal & General Investment Management statement published](#) October 5. LGIM says it votes against directors at firms with persistent pay concerns and urges fellow investors to do likewise.

Australia. Early warning signs suggest looming battles over pay as the AGM season gets under way. More than 26% of shareowners [voted](#) against the compensation plan at [CSL's](#) October 12 [AGM](#) to protest CEO [Paul Perreault's](#) A\$10.8 million pay, up from A\$5.8 million the year before. That constitutes a first strike under Australia's two-strikes rule, which requires a vote on whether to put the entire board up for election after two say-on-pay ballots with 25% or more ‘no’ votes. However board chair [John Shine](#) [vowed](#) to stick with the plan. The two-strikes rule is one factor likely to expose major issuers to more activism, counsels a [report published](#) October 11 by Australian law firm [Arnold Bloch Leibler](#).

US. Rainmakers at major financial institutions took an “excessive” share of revenue as compensation both before and since the 2008 financial crisis—causing “volatility in shareholder earnings, dramatically lowering their risk-adjusted rate of return.” So concludes a [study](#) published last month by [James Crotty](#) of the [University of Massachusetts Amherst](#).

Global. CEO pay has become too complex, [Bengt Holmstrom](#) of the [Massachusetts Institute of Technology](#) [said](#) at an October 11 press conference after he was named a [winner](#) of the [Nobel](#) prize in economics. The Nobel committee cited his work as helping to “provide a lens through which we can view CEO compensation data with the objective of understanding good (or bad) corporate governance.”

The 30% Club

Large UK funds will “actively engage with board chairs and nomination committees on the issue of board diversity,” says a [statement of intent](#) published Tuesday by the [30% Club's Investor Group](#). [Railpen](#) and other [signers](#) threaten to vote against board or nomination committee chairs absent “satisfactory” progress. The day before a Club [event](#) in London convened some 1,200 participants in a cross-company mentoring [scheme](#) that recruits senior executives to advise rising women leaders at other firms. It now [boasts](#) 615 pairs of mentors and mentees at 61 firms, up from 70 participants at 8 firms when the program opened in 2013.

Long-term Investing

Activists. Boards should consider the interests of long-term investors when negotiating settlements with activists, says a [comment](#) by [State Street Global Advisors](#) [released](#) October 10 at a [Coalition for Inclusive Capital forum](#) in New York.

Directors. Although 96% of US directors think activists are too focused on short-term results, a stunning 80% also say they spur more efficient capital allocation, [finds](#) a [survey published](#) October 11 by PwC's [Governance Insights Center](#).

Pressure. Executives in both developed and emerging markets say they face rising pressure to meet short-term results, reports a [paper published](#) September 28 by [FCLT Global](#), formerly [Focusing Capital on the Long Term](#). It repeats ideas in a 2015 [paper](#) for how management can resist, such as by articulating a clear business model for creating long-term value.

Toolkit

Corporate engagement should be run by employees across the organization and integrate input from multiple stakeholders, counsels a [report published](#) October 4 by US-based [Business for Social Responsibility](#). It offers case studies from BSR member firms that participated in its [Future of Stakeholder Engagement Collaborative Initiative](#), such as the [Stakeholder Engagement Academy Rio Tinto](#) started at [Georgetown University](#) to train hundreds of executives and managers.

Generating and linking data from across the company is the biggest challenge to implementing integrated reporting, which can take several years. So finds a [study published](#) October 6 by the Zurich-based [Center for Corporate Reporting](#) based on interviews with [Bayer](#), [Standard Bank](#) and 11 other global companies that had already adopted integrated reporting.