



News from the Region

Morocco: Comply or Explain

Moroccan issuers will be required to comply with the country's 2008 corporate governance [code](#) or explain why not, [Moroccan Capital Market Authority](#) chair [Nezha Hayat](#) announced at an October 19 [roundtable](#) organised by the [Moroccan Institute of Directors](#) (IMA). The move will make Morocco the last in the region to adopt a comply-or-explain approach following a similar [move](#) by the [Egyptian Financial Supervisory Authority](#) earlier this year. However, levels of compliance and penalties for non-compliance require further attention in the region as many regulators lack enforcement capacity or do not reveal enforcement actions.

Saudi Arabia: Better Enforcement

The Saudi Capital Market Authority (CMA) issued a [penalty](#) October 18 against [Saudi Paper Manufacturing](#) for waiting three days to disclose the acceptance of a resignation of one of its board members. Few other securities regulators publish their enforcement actions real time. The CMA is rigorous in its enforcement approach, issuing fines even against partially state-owned listed companies. It also publishes details of its governance-related enforcement actions in its annual [reports](#). Most other regulators in the region have not yet reached this level of transparency, according to a 2014 [OECD report](#) on Corporate Governance Enforcement in the Middle East and North Africa.

Women on Boards

Women hold some 2% of corporate board posts in the region, according to a May [study](#) by the [30% Club GCC](#), [lagging](#) significantly behind many other regions. Still, some markets are making gains. For example, some 40% of Moroccan issuers have at least one women director, finds a new IMA survey expected to be posted soon. In Bahrain, the share of companies with female board members increased from 12% in 2010 to 14% in 2014, according to a January IFC [study](#). An IFC [survey](#) of

Jordanian issuers last year estimated that 78% of boards there had no women, who represent less than 4% of all directors. Progress in the GCC is being pushed forward by the 30% Club, the non-profit mentoring group [Reach](#) and [Hawkamah](#), which last week concluded another [program](#) for female directors. Whether female board members require separate training from their male peers has been subject to debate in the region.

Global Briefing

Australia: AGM Battles

Australia's proxy season got under way with a bang October 18 when shareowners delivered an unprecedented 79.5% [vote](#) against the compensation plan at [Mortgage Choice's](#) [AGM](#). This marks the third consecutive year the lender has been hit with a pay vote exceeding 25%, which last year triggered Australia's two-strikes rules requiring a vote on whether to put the entire board up for election. Although Mortgage Choice won that [vote](#) last year board chair Peter Ritchie did not take kindly to the new rebuff, [blasting](#) "close-minded" proxy advisors for recommending against the pay plan.

US: Political Spending

Criticism of US [SEC](#) Chair Mary Jo White escalated October 14 when a Democratic Senator [Elizabeth Warren](#) [blasted](#) off a [letter](#) to President Barack Obama demanding that he "immediately designate another commissioner to replace" her. Warren cited White's failure to develop a [rule](#) requiring companies to disclose their political spending. The day before, SEC staff issued [guidance](#) on how firms should comply with the controversial rule requiring disclosure of CEO-to-average-worker pay ratios.

Separately, the [International Corporate Governance Network](#) said last week it [seeks](#) member input about whether to update its 2012 [guidance](#) on political spending in light of the US elections. It asks about topics such as activities through trade associations, as the Network [outlined](#) last month. Comment by December 1.

🇬🇧 UK: Engagement Focus

A [Collective Engagement Framework](#) launched October 18 by the UK [Investor Forum](#) offers a model for how domestic and global funds can combine forces to address governance concerns with boards. The Framework allows resident and non-resident funds holding UK equities to opt in to an engagement with a specific UK issuer. Participants agree to avoid seeking or passing along inside information without consent or to seek control of a board.

Such rules seek to address legal hurdles around collective action that affect virtually every market, including those conducted through the UN [Principles for Responsible Investment](#) (PRI)'s [Collaboration Platform](#)—to which many Forum members are signatories. In developing the Framework the Forum carried out nine engagements with 41 UK and global investors, most recently with retailer [Sports Direct](#).

🇭🇰 Hong Kong: Women on Boards

A [campaign](#) to lift women directors from 12% to 20% of [Hang Seng Index](#) boards by 2020 was opened October 14 by the [30% Club of Hong Kong](#). The group of directors and executives also will push for at least one woman on the 12 all-male boards among the 50 HIS issuers. The Club, an affiliate of the UK [30% Club](#), set no timetable for achieving 30% women on HSI boards—a sign of how difficult the task appears.

↕ Inequality

The US elections and Brexit have prompted fresh concerns about income inequality in advanced economies. Now the PRI has launched a multi-year project to consider how investors should think about the issue. An initial discussion [paper](#) by the [Harvard Institute for Responsible Investment](#) was presented at a June 22 [roundtable](#) in London and a second one in New York October 11. It points out that inequality is already key to issues such as CEO pay and the UN [Sustainable Development Goals](#). The PRI plans more roundtables on the topic, after which it will commission research to guide engagement. For more information contact katherine.ng@unpri.org.

📰 ESG News

[Roadmaps unveiled](#) by the PRI October 19 offer detailed steps investors and other market participants in the [US](#) and the [UK](#) can take to integrate ESG into investment decisions. Both elaborate on discussion papers [published](#) in June as part of the group's

[Fiduciary Duty in the 21st Century](#) project to provide market-specific guidance for ESG integration.

[Sustainability Reporting Standards](#) were [published](#) the same day by the [Global Reporting Initiative](#) to replace the [G4 Guidelines](#) starting in 2018. They are designed in part to let issuers more easily choose reporting topics for their firm. A separate [report released](#) October 17 offers insights on the relationship between the GRI standards and the [International Integrated Reporting Council's framework](#).

[Issuers](#) should measure their carbon footprint, adopt emissions reduction targets and audit the data independently, says an engagement [paper published](#) October 19 by Swiss fund group [Ethos](#). It makes even more detailed demands than a similar [letter issued](#) this month by Dutch fund group [Eumedion](#).

📁 Services

A [Sustainability Atlas](#) released October 17 by [Morningstar](#) ranks 35 markets on the ESG performance of firms based there, using data from [Sustainalytics](#). The two launched the [Morningstar Sustainability Index Series](#) this month to rank funds on the ESG ratings of their portfolio holdings.

🔍 Insights

[Pay](#) a CEO more and he or she likely will back higher executive remuneration on other boards on which they serve. That's the correlation found in a [study published](#) October 13 that analyses compensation movements at [S&P 1500](#) firms. Findings offer empirical evidence of an excessive pay driver long asserted by critics—and one that seems impervious to the increasingly successful push to boost director independence.

📅 Events

- Nov. 1, [Manama](#). *Joint Venture Directorship Workshop*. [GCC BDI/Water Street Partners](#). www.gccbdi.org.
- Nov. 1-3, [New York](#). *Annual Conference, Business for Social Responsibility*. www.bsr.org.
- Nov. 6, [Abu Dhabi](#). *Breakfast Forum, GCC Board Directors Institute*. <http://www.gccbdi.org/>.
- Nov. 8, [Dubai](#). *Annual Conference, Hawkamah*. www.hawkamah.org.
- Nov. 15-16, [Tokyo](#). *Annual Conference, Asian Corporate Governance Association*. www.acga-asia.org.