



News From the Region

Abu Dhabi: Growth Market

[Goldilocks Investment](#) became the inaugural fund to [register](#) on the [Abu Dhabi Global Market](#) (ADGM) on October 25. Four [others](#) quickly [followed](#) suit, giving a big boost to the last financial center established in the Arab world in 2013. The US\$200 million Goldilocks, managed by the US\$4.7 billion [Abu Dhabi Financial Group](#), one of the first in the Arab world to say it aims to create value by improving portfolio firm corporate governance. It has focused on undervalued stocks such as [Gulf Navigation](#) and [Gulf Finance House](#), generating over 100% returns since its inception 18 months ago.

The burst of fund registrations comes as the number of companies registered with the ADGM has reached 170, according to chair [Ahmed Ali Al Sayegh](#). The Market is continuing to define its competitive edge, with a recent focus on [fintech](#). Discussions on whether the ADGM will host an exchange are [ongoing](#). Already, it has [adopted corporate governance standards](#) for registered firms that are largely inspired by the UK regulatory regime.

UAE: Governance Agenda

Two major events held in the UAE last week underscore the importance of corporate governance in the GCC:

➤ “Government organisations have a distinct role in steering corporate governance,” [H.E. Sheikh Sultan bin Tahnoun Al Nahyan](#) told an [INSEAD Global Business Leaders Conference](#) October 24 in Abu Dhabi. Attention to the governance of state-owned enterprises (SOEs) is crucial given their high contribution to Gulf economies. However, specific SOE governance standards are rare in the region, with Morocco and Egypt among the few to have adopted them. In the UAE, standards for listed companies do not apply even to listed SOEs. Meanwhile regional sovereign wealth funds are paying close attention to governance, [Mahmood Al Kooheiji](#), CEO of Bahrain’s SWF Mumtalakat [told](#) the gathering.

➤ Increasing foreign participation will lead to a growth in transparency and corporate governance among Saudi companies, [Saudi Stock Exchange CEO Khalid Al Hussan](#) [told](#) the second annual [forum](#) on sustainability held in Dubai October 27 by the [Pearl Initiative](#) and the [United Nations Global Compact](#). Foreign ownership of Saudi stocks currently stands at 4%, the lowest in the GCC. Tadawul has conducted several roadshows in London and New York and is now [planning](#) to reach out to Chinese investors to lure them to invest.

International Voice

Saudi Arabia and Egypt both participated in the [International Organization of Securities Commissions board meeting](#) on October 20-21 in Hong Kong. They are the only Arab countries with a seat on the influential group’s 34-member board. IOSCO is active in promoting good governance standards in emerging markets, as highlighted in the October [report](#) on corporate governance [issued](#) by its Growth and Emerging Markets Committee. A few regulators in the region such as those of Kuwait and Lebanon have not yet gained IOSCO membership. Earlier this month, the UAE’s [Securities and Commodities Authority](#) was [elected](#) to the steering committee of an IOSCO [group](#) that monitors cross-border fraud and misconduct.

Global Briefing

Women on Boards

The [EWoB Talent Pool](#) was [launched](#) at an October 25 [event](#) in Brussels held by [European Women on Boards](#) to offer director candidates to European issuers. The 150 women in the pool have been endorsed by EWoB [member](#) groups in nine markets. Other candidates can apply starting in 2017. The pool adds to a [Knowledge Center](#) the group opened this month to share best practices.

UK: Regulator Reform

It is not just bank culture that needs fundamental reform to prevent another 2008 meltdown. “Britain’s

financial regulators must change to avoid sleepwalking into another financial crisis,” charges a blunt [report released](#) at an October [event](#) in London by [New City Agenda](#), a nonprofit reform group. It accuses both the [Prudential Regulation Authority](#) (PRA) and the [Financial Conduct Authority](#) (FCA) of still operating with a “culture of box-ticking which contributed to the financial crisis.” In an implicit recognition of such criticism, the FCA [opened](#) a [consultation](#) October 26 on a new [mission](#) statement that promises to intervene in unregulated activities that led to market failures since 2008.

🌀 Japan: Conflicts of Interest

Conflicts of interest were among the topics discussed at the first meeting of a [Business and Asset Owner’s Forum](#) convened by Japan’s [Government Pension Investment Fund](#), according to a GPIF [summary published](#) October 21. [Nissan](#), [OMRON](#) and six other Japanese issuers attending the September 1 forum agreed that asset manager proxy decisions tend “to be skewed by business relationships between” corporates and the manager’s parent company. **However, the summary offers no thoughts about ways to mitigate such conflicts.**

? UK: Doubts on Pay Votes

Binding shareowner votes on current executive pay plans like those [proposed](#) by UK Prime Minister Theresa May “effectively takes an operational decision away from the board and remuneration committee—which is not necessarily a good thing.” So say [International Corporate Governance Network](#) [comments](#) published October 24 on an [inquiry](#) into her governance proposals opened last month by the Parliamentary [Business Committee](#). **The better option, says the ICGN, is the one investors already have if they find pay excessive, namely to vote against remuneration committee members.**

🇧🇷 Brazil: Petrobrás Cleanup

The [Petrobrás](#) corruption scandal finally may have turned a corner. On October 21 the state-controlled energy giant [agreed](#) to settle foreign investor [lawsuits](#) alleging the massive bribery schemes violated US securities law covering US listed shares. The settlements would not include suits brought by US and UK pension funds, much less Brazilian and US criminal investigations that could bring billions in fines. But the agreement

signals [determination](#) by a [new](#) CEO to start moving forward. On October 24 the firm [named](#) two independent directors to a minority shareowner committee that will [oversee](#) new oil and gas leases, a guard against any fresh bribery.

✅ US: One Ballot

US investors finally would gain the right to choose among management and shareowner director candidates together on one ballot in contested elections under [rules proposed](#) October 26 by the [Securities and Exchange Commission](#). A so-called [universal](#) proxy card would allow investors voting by proxy the same choice as those attending annual general shareholder meetings (AGMs), [said](#) SEC chair Mary Jo White.

The new rules also would clarify opposition AGM votes by requiring issuers to provide an “against” option in contested elections and an “abstain” one in those governed by majority voting. Such rules actually would give a slight edge to management nominees, who have been disadvantaged by investors’ inability to split their votes, finds an empirical [study](#) of proxy contests between 2008 and 2015 [posted](#) Monday by Harvard lecturer [Scott Hirst](#). That’s just the reverse of [objections](#) raised by business groups.

🔧 Toolkit

Slightly more than half of boards at state-owned enterprises are required to oversee management of non-financial risk such as related-party transactions, finds an [OECD survey published](#) October 19 of SOE governance practices in 33 countries. Findings expand on 2014 studies discussed at an [event](#) in Paris that day showing 22% of the 100 largest global firms are under effective state control, the highest level in decades. **Eighty-nine of the 100 largest listed Arab companies have government ownership in excess of 10%, according to recent work by [GOVERN](#).**

Executive pay remains a flash point across Europe, finds a [Georgeson review](#) of this year’s AGM season in seven major markets [issued](#) October 24. “More importantly shareholder engagement has become a core focus for both issuers and shareholders,” said Georgeson Europe CEO Cas Sydorowitz.

Two-thirds of US corporates say ESG factors are very important to long-term growth while just 31% of investors say that about investment decisions, finds a [survey](#) of 28 firms and funds [released](#) October 25 by PwC’s [Governance Insights Center](#).