



## News from the Region

### ② Saudi Arabia: Second Market

The Saudi Capital Market Authority (CMA) [published](#) draft listing [rules](#) November 3 for a second market on the Saudi stock exchange [Tadawul](#) to serve small and medium-sized companies. Issuers would be required to have a minimum market capitalization of SAR10 million, at least 50 public shareholders and 20% of the stock listed. By contrast, the current minimum to list on Tadawul is 200 shareholders and 30% publicly listed equity. **However, secondary market issuers would be required to meet the same corporate governance regulations that apply to the primary market.**

The draft rules were issued by the CMA since [Tadawul](#) is owned by the government through the [Public Investment Fund](#) and does not yet have a self-regulatory status, similar to its peers in the region. This is expected to change in Saudi and other markets as more exchanges are privatized—contrary to the global trend to strip exchanges of regulatory powers when they go private.

Most other Arab exchanges already have second listing tiers or dedicated SME markets, a trend kicked off with the establishment of [NILEX](#) in Egypt in 2007. Whether second-tier markets will attract listings remains to be seen as their performance globally is uneven, according to a [World Federation of Exchanges report](#) issued earlier this year. Comment on the CMA consultation by November 14.

### 🔄 Saudi Arabia: CMA Shuffle

[Mohammed Al Jadaan](#), chair of the Saudi CMA since 2015, was [appointed](#) Minister of Finance on 31 October, replacing Ibrahim Al Assaf, who held the post since 1996. A new chair has not yet been announced. At the same time, [Ahmed Al Sheikh](#), previously the CMA's Deputy of Market Institutions, was appointed [Deputy Governor](#) for Supervision of the Saudi Arabian Monetary Agency (SAMA), the country's Central Bank. Expect a boost to good corporate governance in the Kingdom given his history as a proponent at the CMA, where he oversaw the corporate governance department.

## Sustainability

Sustainable development and responsible investment got a major lift from a series of UN events in Dubai October 24-27. The UN Global Compact [kicked](#) off a [campaign](#) called Making Global Goals Local Business, which is intended to help local business and governments implement the [Sustainable Development Goals](#) adopted by the UN last year. The second event was a [Global Roundtable](#) convened by the UN Environment Programme Finance Initiative to focus on climate change. Nearly a dozen UAE finance institutions [signed](#) the [Dubai Declaration](#) expressing their commitment to the historic Paris climate agreement that came into [force](#) on November 4. Attendees [discussed](#) topics such as what green Islamic finance looks like and how it can be scaled up, as well as what business opportunities are likely to emerge as a result.

## Transparency Awarded

Two companies listed on Tadawul [won](#) a transparency [award](#) October 26 from [Saafah](#), a Saudi NGO established under the patronage of Prince Turki bin Abdullah bin Abdulrahman, who [chairs](#) its board. One recipient, [Ma'aden](#), is a partially state-owned mining company while the other, [Savola](#), one of the largest food companies. [GOVERN](#) has developed governance case studies on both companies which can be obtained by contacting [inquiries@govern.center](mailto:inquiries@govern.center).

## Global Briefing

### UK: Goalposts

**Board Diversity.** FTSE 100 boards should have at least one person of color by 2021 and FTSE 250 firms should hit that target by 2024, says a [report published](#) November 2 by a government-appointed group. More than half of FTSE 100 boards are all white, finds the review headed by Anglo American board chair [John Parker](#), who served on the 2011 Davies [review](#) that led FTSE 100 firms to double women directors by last year, to 25%. **The effort sets a new standard in the global push for board diversity.**

**Governance Code.** The government should review the UK corporate governance code to consider extending board remuneration committee responsibilities to include “the pay and conditions of the company workforce and reporting on the link between remuneration structure and strategy.” So recommend **Financial Reporting Council (FRC)** [comments published](#) November 1 on a Parliamentary [inquiry](#) into Prime Minister Theresa May’s proposals to reign in executive pay. The FRC did not explicitly oppose May’s idea of **binding retrospective votes on executive pay**, but suggested the government hold off until after the 2017 proxy season.

## Engage Please

Supervisory board chairs would be asked to hold discussions with investors on topics the board is responsible for, say [revisions](#) to the German corporate governance [code proposed](#) November 2 by the **German Corporate Governance Commission**. Such talks “have become common practice in many larger enterprises, and now form part of good corporate governance,” says the Commission. Topics the board and management decide jointly would be discussed by management alone or with the chair.

## Emerging Markets: Code Updates

**South Africa.** A final [King IV](#) report on corporate governance was [issued](#) November 1 by the [Institute of Directors Southern Africa](#) and its [King Committee](#), headed by [Mervyn King](#). It shifts from a comply-or-explain approach to a comply-*and*-explain one, and adds new language on investor governance standards, drawn from the 2011 [Code for Responsible Investment in South Africa](#).

**Brazil.** A final stewardship [code](#) was [published](#) October 27 at the Brazilian [Association of Capital Market Investors’](#) 10-year anniversary [forum](#), with no substantive changes from a June [draft](#). The launch was [welcomed](#) by [Hermes Investment Management](#), whose [Equity Ownership Services](#) was the only non-Brazilian entity involved in the drafting. Expect an English version soon.

## New Principles

The concerns of creditors would for the first time be considered in the [International Corporate Governance Network](#) (ICGN) global governance [principles](#) in draft [revisions](#) posted for member comment November 1. Revisions recognize that “in areas of conflict shareholders and creditors may have different

governance preferences; in such situations the Principles focus primarily on the shareholder perspective.” More controversially, the update reiterates the Network’s distaste for binding retrospective votes on executive pay first expressed last week in a [comment](#) on the UK government [plans](#). This puts the [ICGN](#) at odds with some members who have battled for such ballots in markets like Switzerland.

## Banks: Risk Management

Bank boards would be held to higher standards for oversight of risk management and conflicts of interest under governance guidelines [updates proposed](#) October 28 by the **European Banking Authority**. They also would impose stiffer requirements for the “individual and collective suitability assessment of the management body.” Guidelines on suitability are tackled in a separate [consultation issued](#) the same day by the EBA and the [European Securities and Markets Authority](#).

## ExxonMobil: Proxy Access

[ExxonMobil](#) became the latest big-company convert to proxy access November 1 when it [announced](#) a new [bylaw](#) allowing investors to nominate directors on the proxy if they hold 3% ownership for three years. The move follows a 62% [vote](#) at the May 25 [AGM](#) for an access proposal filed by New York City Comptroller [Scott Stringer](#) but opposed by management. Access provisions now have been adopted at 280-plus firms, up from six when Stringer started the [Boardroom Accountability Project](#) in 2014, his office [said](#).

## Toolkit

**Institutional** investors should develop an ESG integration strategy by drawing up a set of investment beliefs, conducting a portfolio materiality analysis, and applying ESG criteria to engagement, manager selection and oversight, and fund reporting. So counsels a how-to guide [published](#) October 31 by the **UN Principles for Responsible Investment** that complements a collection of ESG integration case [studies](#) it released in September.

[QualityScore](#) will be [launched](#) November 21 by ISS to replace [QuickScore](#), which offers investors a portrait of a company’s governance risk. The rebranded product will offer new [scoring](#) on multiple topics, including proxy access ownership thresholds of more than three years, board tenure and refreshment efforts, and the share of women directors.