



## News from the Region



### Egypt: new ESG Guidelines

The [Egyptian Exchange](#) became first in the region to issue Environmental, Social and Governance (ESG) reporting [guidelines](#) on October 9. These non-binding Guidelines intend to promote ESG reporting by Egyptian issuers with reference to the relevant standards including those set by the [UN Global Compact](#) and the [Global Investor Statement on Climate Change](#). The Guidelines recommend the establishment of a **Governance and Sustainability Committee** which is not specifically addressed in the Egypt's [corporate governance code](#), updated this July. Importantly, the Guidelines establish KPIs to guide corporate reporting on ESG. Already, a few governance codes in the region such as the [Omani code](#) updated in 2015 address sustainability issues, requiring issuer reporting on sustainability/CSR activities and their impact. Nonetheless, sustainability reporting in Egypt and the wider region has been ad hoc and largely focused on social impact of firms.



### Lebanon: ownership revealed

[Bearer shares](#) which do not facilitate ultimate owner identification are banned in Lebanon as a result of a slew of laws ratified by the Lebanese Parliament in October to avoid the country from being [blacklisted](#) by the OECD's [Global Forum on Transparency and Exchange of Information for Tax Purposes](#). This was a recommendation of the first OECD review of Lebanon which was concerned about shareholder identity of Lebanese limited liability being obscured by bearer shares. Already in April, the Central Bank of Lebanon (BDL) issued a [regulation](#) prohibiting banks and other financial institutions to deal with companies or mutual funds whose ownership is fully or partially registered in bearer shares.

Very few countries in the region such as [Egypt](#) still allow bearer shares to be issued, including for listed companies (for up to 25% of the total shares). Their use in practice is limited and bearer shareholders cannot vote in AGMs. **Expect these new measures in Lebanon to have a**

**boost on the transparency of ultimate owners of companies**, underscored as critically important by the recent [Arabtec debacle](#) in the UAE. The ex-CEO of Arabtec amassed a significant stake in the Dubai largest listed construction company without declaring this publicly, which resulted in significant [speculation](#) in the company's shares.



### Debt: issuer transparency

Corporate bond issuance in the region, including by state-owned enterprises, is expected to be bolstered by the issuance of sovereign debt, notably the October US\$17.5 billion [bond sale by Saudi Arabia](#), the largest in the history of emerging markets. While privatisations of state-owned enterprises have [dried up](#) in recent years, debt issuance by state-owned companies has been on the rise and is expected increase with the establishment of a yield curve for sovereign debt and with the growing financial pressure on public budgets in the GCC. Overall corporate debt issuance **grew by an impressive 75% to amount to US\$43.8 billion** in the first 9 months of 2016, whereas issuance of equities is down 73% compare to the same period in 2015, according to Thomson Reuters. **Expect bond issuance by state-owned companies to have positive implications on their public transparency for previously fully state-owned firms.**



## Global Briefing



### France: Say on Pay

It looks as if French issuers will face binding say-on-pay votes after all. On November 8 Parliament [passed](#) a final [bill](#) that [overruled](#) the Senate's attempt to make such votes advisory. **If President Francois Hollande signs the legislation shortly as expected, issuers will face a UK-style binding vote on pay policies starting next year, and a separate retrospective binding vote on actual payouts starting in 2018.** The measure may help to offset popular ire about CEO pay, which jumped 20% last year according to an annual [Proxinvest survey](#) published Tuesday. A binding ballot on the prior year's pay would be the toughest policy anywhere.

## □ US: SEC Battleground

See US Securities and Exchange Commission chair Mary Jo White's [announcement](#) November 14 that she will depart when the Trump Administration takes office as a [harbinger](#) of intensely partisan warfare to come. Her successor is almost certain to [undo](#) many of the pro-shareowner decisions made under her tenure.

The broader question is whether Trump will respect the tradition of allowing the opposition party to name two of the five SEC chairs. **If not, the agency could lack crucial voices to speak out for shareowner interests.** Either way, expect the Trump-appointed Chair to overturn staff rulings that have helped shareholders. Although commissioners rarely overrule staffers, who are non-partisan hires, they can if they wish.

Expect the new chair to back off from White's tougher enforcement efforts as well, easing threats to bankers and other executives facing popular demands for more accountability. Still, a uniformly pro-management stance may be tempered by advice from the likes of billionaire investor [Carl Icahn](#), a Trump [supporter](#) who still has his [ear](#). Earlier this year Icahn and several other hedge fund owners set up the [Council for Investor Rights and Corporate Accountability](#) to [advocate](#) for shareholder activism.

## Japan: Governance for Auditors

A [governance code](#) for Japanese audit firms due out by year end may call for appointing independent non-executive directors to oversee the partnerships with the public interest in mind, says **Financial Services Agency** director of corporate disclosure enforcement Kazutoshi Harada in a November 11 Reuters [interview](#). The new audit code likely will be comply or explain, as are the corporate governance and stewardship [codes](#) the Abe government has pushed through. The UK, Ireland and the Netherlands also have audit firm governance codes.

## UK: Stewardship Code Enforcement

Asset managers will be delisted as signatories to the UK stewardship [code](#) if they don't meet minimum reporting standards after six months, the Financial Reporting Council [said](#) Monday. Facing expulsion are 34 managers, including [Franklin Templeton](#) and [Neuberger Berman](#), currently languishing in the [bottom](#) of three ranking tiers the FRC unveiled. The move comes six years after the code was launched and puts "real teeth" into it, [said](#) advocacy group ShareAction. Expect close attention from other markets that followed the UK lead with similar [codes](#).

## SRI Growth Update

Socially responsible investing (SRI) continues to outpace conventional strategies, but all define SRI differently.

➤ **Europe1.** SRI assets jumped nearly 12% since 2013, to €11 trillion last year, or just over half of total assets under management in 13 markets, finds a biannual [study published](#) by Eurosif.

➤ **Europe2.** The retail SRI market climbed 16% last year, to €158 billion or just 2% of overall retail assets, says a **Vigeo** [study](#) released November 3. France is the largest market with 37% of assets, followed by the UK with 12%.

➤ **US.** Growth was even faster off a smaller base, jumping 33% to US\$8.72 trillion between 2014 and this year, says a [report released](#) Monday by **US SIF: The Forum for Sustainable and Responsible Investment**. That's roughly a fifth of the US asset management industry.

➤ **Netherlands.** Forty-seven of the fifty largest pension funds now have a responsible investment policy covering the majority of their portfolios, finds an annual [ranking published](#) November 7 by the **Dutch Association of Investors for Sustainable Development (VBDO)**.



## Engage or Divest?

**Shareowner** engagements with issuers can offer ammunition to "internal change agents" who agree with the investor position, says a [paper published](#) November 10 by the **Dutch Association of Investors for Sustainable Development (VBDO)**. Recommendations are based on case studies of engagements by two Dutch shareowners with three large unnamed Dutch companies.

**Divestment** as an investment policy produces lower returns and fiduciary concerns that make it unsuitable for public pension funds, argues a [study published](#) this month by the **Boston College Center for Retirement Research**.

## Diary

➤ Dec. 1-2, **New York.** *High level Roundtable on the Egyptian Capital Market*, **GOVERN**. [www.govern.center](#)

➤ Dec. 4. **Manama.** Effective Board Secretary Workshop. [www.gccbdi.org](#)

➤ Dec. 5-8. **Manama.** Foundations of Directorship. [www.gccbdi.org](#)

➤ Dec. 6-7, **London.** *Dialogue for longer-term value creation*. **ICGN/IIRC**. [www.icgn.org](#).

➤ Dec. 7, **New York.** *Annual Governance Forum*, **Millstein Center**. <http://web.law.columbia.edu/millsteincenter>.

➤ Dec. 12-13, **New York.** *SEC Conference, Continuing Professional Education*. [www.cpeonline.com](#).