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News from the Region

GCC: Disclosure Advances

The Emirates Commodities and Securities Authority announced that issuers listed on the Dubai Financial Market have reached full disclosure compliance rates. Similar pronouncements have recently been made by other securities regulators in the region. This demonstrates an improvement, according to a 2009 benchmarking of disclosure for over 400 listed non-financial companies relative to the International Standards of Accounting and Reporting (ISAR) conducted by Nermeen Shehata. **Disclosure disclosure practices in GCC are improving** as regulators are tightening corporate governance codes provisions and due to changes in capital market and company laws. Other regulators in the region such as the Egyptian Financial Supervisory Authority are also considering increasing fines for delayed or inaccurate disclosure.

Egypt: Capital Market Reforms

Plans for future development of the Egyptian capital market got a boost at the **high-level roundtable** held under the patronage of Dalia Khorshid, Egypt's Minister of Investment with participation of Sherif Samy, the Chairman of the Egyptian Financial Supervisory Authority and Abla Abdel Latif, the President's economic advisor, convened by GOVERN on 1-2 December in New York. A key proposal discussed was a recommendation to re-structure the market into a **three-tier exchange, each with its own corporate governance requirements**.

Issuers would be **incentivized to move to higher tiers** through regulatory and market incentives, unlike the current system where issuers are assigned to the EGX or NILEX based on their size. Other priorities to be implemented next year include the development of a better electronic disclosure system for listed companies through Egypt for Information Dissemination (EGID), review of the requirements for nominated advisors, and development of enhanced offering by the exchange to serve prospective and existing issuers as have done other exchanges such as the LSE through the ELITE Platform. Copies of the report with recommendations developed can be requested inquiries@govern.center.

MENA: Family Governance

"MENA family conglomerates need to focus on becoming institutions" recommends a PWC report issued November 29. Addressing family governance is critical, argues the report as these companies account for 60-80% of non-oil GDP in some countries of the region. **The journey from enterprises to institutions should be started when the founders are still active** as the first and second generations have the credibility and influence to make the case for institutionalization and obtain support from diverse stakeholders.

✓ Company Dashboard

The entire board of Mohammad Al-Mojil Group has resigned and the Saudi Capital Market Authority has stepped in to re-appoint an interim committee to supervise management before the AGM elects the new board, according to the regulator's announcement.

Two board members of Shuaa Capital have resigned, according to a statement from the bourse. This follows previous resignations of the company's management and board members.

Arabtec has appointed Hamish Tyrwhitt as the new CEO. He replaces Saaed Al Mehairbi who has been acting CEO since the scandal that has engulfed the company after its previous CEO amassed an undisclosed stake in the company.

Global Briefing

UK: Executive Pay

The UK government will consider a range of options to rein in executive pay, from a binding retrospective shareowner vote on compensation paid out during the year to a supermajority threshold such as 75% to pass a second say-on-pay ballot after an initial one fails. So says a consultation opened November 29 to carry out the corporate governance reforms promised by Prime Minister Theresa May.

The discussion paper lays out a number of possibilities, from Swedish-style shareholder committees to oversee pay and board appointments to disclosure of pay ratios between the CEO and average workers. One fresh idea that would set a global model: “designate existing non-executive directors to ensure that the voices of key interested groups, especially that of employees, is being heard at board level.” The consultation also floats the idea of applying the UK corporate governance code to unlisted firms.

It triggered a predictably wide reaction, from a welcome by the Pensions and Lifetime Savings Association (PLSA) and support by the Institute of Directors to skepticism by the Confederation of British Industry. Some early resistance came in a November 25 report released by an influential group of firms, investors and academics backed by the Bank of England that opposed annual retrospective binding votes.

A key weakness in the government paper: tepid ideas for sharpening investor opposition to excessive pay, especially by asset managers, whose own high pay prevents them from “properly holding companies to account over pay practices,” says a PLSA pension fund survey.

Brazil: A Real Code

Brazil finally got an enforceable corporate governance code (in Portuguese only) that was launched last month by an Interagency Working Group formed at the suggestion of Brazil’s Securities and Exchange Commission (CVM). The Brazilian Institute of Corporate Governance (IBGC), the stock exchange BM&FBOVESPA and nine other entities in the group drew up the comply-or-explain code in a bid to retain global investment after the economic and political crises Brazil has suffered in recent years. It largely tracks the IBGC’s best practices code, which issuers often address with boilerplate. The new code is likely to bring better compliance given its backing by the CVM. **It also strengthens the IBGC code on several points, notably by retaining the one share, one vote principle the IBGC backed away from in revisions last year.**

Switzerland: Never Mind

A requirement that Swiss issuers hold retrospective binding votes on executive pay should be dropped from legislation to incorporate the Minder initiative requiring pay votes into company law. So recommends a November 23 opinion by the Federal Council, Switzerland’s executive branch. The council had included the idea in draft legislation last year after urging by fund group Ethos. If Parliament accepts the Council’s views, issuers would remain free to choose whether to hold prospective or retrospective say on pay ballots. Less than a third have elected the latter since the Minder rules took effect. **The draft law also would institute a comply-or-explain mandate for women to comprise 30% of corporate boards and 20% of top executives.**

Netherlands: Expansion Plan

The seventy-plus institutional investors that are members of Dutch fund group **Eumedion** should consider expanding its mandate to take the lead on engagements with issuers. So recommends a **University of Groningen** report published November 29 that was commissioned by Eumedion. Expect it to reopen a debate that the group has grappled with since its 2006 founding. In 2012 Eumedion rejected the idea of a separate entity to pursue collective engagements, but members agreed two years later that it would lead engagements when no funds could do so.

United States: Just Right

A JUST 100 list was published November 30 by **JUST Capital** and **Forbes** magazine to spotlight companies that “perform best on the priorities of the American public.” Those were determined by extensive surveying and include fair pay and a safe workplace; non-discrimination in hiring, firing, and promotions; following laws and regulations; respecting workers; and creating US jobs. The list is the brainchild of JUST Capital co-founder Paul Tudor Jones of the Tudor hedge fund.

Insights

Independent directors should partner with management to take responsibility for corporate organization, strategy, and efficiency. So recommends The Activist Director: Lessons from the Boardroom and the Future of the Corporation, published last month by **Weil Gotshal** partner Ira Millstein.

Staggered boards do not necessarily entrench management and can produce long-term value, finds a study published last month by Martijn Cremers of the **University of Notre Dame** and colleagues.

A majority of large US issuers use **boilerplate language** to address ESG risk in SEC filings, finds the first annual state of disclosure report published December 1 by the **Sustainable Accounting Standards Board**. It analyzed filings by 713 companies comprising the largest in 79 industries.