



New Rights

Two new regulatory moves could serve as a historic catalyst for board-shareholder dialogue:

- **Europe.** The [Shareholder Rights Directive](#) was tentatively approved by European Union leaders December 9 after years of sometimes fierce debate (GPW [XX-05](#)). It would mandate AGM votes on related-party transactions as well as both prospective and retrospective votes on executive pay. Those would not be binding unless member states mandate it, but issuers would be required to include non-financial indicators in pay plans. Institutional investors and asset managers would be required to disclose an engagement policy and how it is carried out or explain why not. Proxy advisors would face transparency requirements and a code of conduct. A final Parliamentary vote is [due](#) in March.
- **France.** The [bill](#) mandating binding say-on-pay shareholder votes was [signed](#) into law December 9 and officially published the next day (GPW [XX-41](#)). Issuers must hold binding votes on pay policies starting next year and a separate retrospective binding vote on payouts starting in 2018. This makes France among the world's strictest markets on executive pay.

Briefings

 **Tell More** *Fresh attempts to spur deeper reporting by issuers and investors:*

- **Climate.** Global debt and equity issuers should publish details in their public financial filings on how climate-change is reflected in their governance, strategy, risk management and metrics and targets. So recommend draft [guidelines published](#) Wednesday by the [Financial Stability Board's Task Force on Climate-related Financial Disclosures](#) (GPW [XX-30](#)). They call on asset owners and managers to make similar disclosures, offering implementation advice to them as well as issuers in an [annex](#). See the ambitious effort as setting the first global reporting standards on climate change. Comment by February 12 [here](#).
- **ESG.** Guidelines to help member states and companies comply with the non-financial reporting [directive](#) kicking in next year have been delayed until early

2017 to allow time to integrate the Task Force standards, the [European Commission](#) [said](#) Tuesday.

- **Model.** A mock-up [report](#) based on a fictional food company [published](#) November 28 by [Accountancy Europe](#) offers guidance to issuers on how to comply with the directive next year.
- **UK.** The [Financial Reporting Council](#) is mulling whether to standardize issuer reporting on corporate social responsibility, "including how directors are held to account in relation to their obligations to all stakeholders," says a [consultation](#) opened December 9. The Council also may undertake research into "the different measurement approaches for accounting, funding and regulatory purposes" used by defined-benefit pensions in light of low interest rates and poor investment returns. Comment by March 30.

 **Divestment** *Will robust climate change reporting spur the divestment movement? Maybe, but it is fraught territory for fiduciary investors motivated by financial risk and return rather than ethical values.*

- **Carbon.** Commitments to divest from fossil fuels have been made by investors controlling more than US\$5 trillion, double what it was just 15 months, concludes a [report released](#) Monday by [DivestInvest](#), a coalition of nonprofits and philanthropies. Authors were unable to estimate just how much actually has been divested. However, the report asserts that the trend is even larger than the formal divestment pledges, citing the US\$40 billion [Bill & Melinda Gates Foundation](#), which has reduced its fossil fuel holdings by 85% since 2014 without [endorsing](#) divestment.
- **Tobacco.** CalPERS has lost more than US\$3.7 billion in [foregone](#) performance and transaction costs since it divested from tobacco in 2000, says a staff [report](#) prepared for a December 19 investment committee [meeting](#) that recommends repealing the divestment strategy. Divestment was spurred in large part by the US\$206 billion legal [settlement](#) in 1998, which led to the "widespread opinion that the tobacco industry was on the verge of collapse." This was a landmark misjudgment. "Those investors who continued to invest in tobacco have in fact seen over 900% in cumulative returns over the past 15 years, making the tobacco industry the second highest performing industry." The staff recommendation is the first step in a broader rethink of CalPERS's divestment

strategies, including a proposal to request “up-front reimbursement of transaction costs” when lawmakers mandate divestments like those against Sudan and Iran. Meanwhile France’s public pension fund Fonds de Réserve pour les Retraites [said](#) yesterday that it will divest from both tobacco and coal stocks.

#WOB Progress *More news on women in the board room:*

- **Europe.** EU banks and investment firms still lag on diversity two years after a [Capital Requirements Directive](#) kicked in requiring them to set policies and targets for increasing the “underrepresented gender” among boards and executives. So concludes a [European Commission analysis published](#) December 8 that draws on a [European Banking Authority survey issued](#) in July. Only a third of firms had published a policy as of last year, when women comprised 19% of non-executive directors. Nearly 40% of firms had no women non-executive directors.
- **US.** [Paradigm for Parity](#) was [launched](#) December 7 by [Bank of America](#), [Coke](#) and two dozen other firms to achieve gender parity “across all levels of leadership” by 2030 using targets and progress reports.
- **Germany 1.** Last year’s [law](#) requiring 30% quotas for women on the supervisory boards of the 100 largest issuers seems to have had a spillover effect on smaller firms, more of which have set targets for improvement and provided heightened disclosure of plans to improve female board representation (GPW [XIX-11](#)). So concludes a December 8 [analysis](#) by [Glass Lewis](#) of this year’s AGM season.
- **Germany 2.** Further gains may be slow in light of the closed social pool from which non-executive directors are drawn. Some 62% of women who make it to that position at Germany’s 30 largest firms have “prior and existing multiple ties” to other [DAX 30](#) directors, concludes a [study posted](#) Wednesday by German investment consultant [Sonean](#) (GPW [XIX-09](#)).
- **UK.** Nearly half of FTSE 250 firms have not met the target [set](#) in February for 25% women directors and of those 39% have no plans to do so, says a Monday [comment](#) by ICSA citing its latest [survey](#) of corporate secretaries (GPW [XIX-11](#)). That augurs poorly for compliance with the 30%-by-2020 target set by the new Hampton Alexander [review](#) (GPW [XX-40](#)).

Services

An [online](#) tool was [launched](#) Tuesday by ISS to help investors track their engagements with issuers and integrate outcomes into proxy voting through its [ProxyExchange](#) platform—similar to rival [Glass Lewis](#)’s [Viewpoint](#) service. Investors also can use the new ISS system to allow issuers and proxy solicitors to

make engagement requests online—a more limited version of GL’s [Meetyl](#) unit (GPW [XX-07](#)).

[ESG Signals](#) was [launched](#) Wednesday by [Sustainalytics](#) to offer investor insights into ESG financial risk and opportunity based on its data and machine-learning analysis from bid-data firm [Advestis](#). A background [paper](#) explains how performance assessments detect interactions among 500-plus variables.



Your Turn

[Nominations](#) opened yesterday for the [ICGN Life-time Achiever and Excellence in Corporate Governance awards](#). The latter is open to nationals in Asia because the awards will be given at the annual [meeting](#) in Kuala Lumpur on July 11-13. Submit names by March 6.



People

[Tim Mohin](#) was [appointed](#) CEO of the [Global Reporting Initiative](#) Wednesday, taking over from interim chief [Eric Hespeneide](#) (GPW [XX-28](#)). Mohin has been a sustainability expert at [AMD](#), [Intel](#) and [Apple](#) as well as at the [US Senate](#) and [Environmental Protection Agency](#). Hespeneide will remain on the GRI [board](#) and become its vice chair next year.

[Glenn Booraem](#) of [Vanguard](#) and nine other investors have [joined](#) the [Sustainable Accounting Standards Board](#)’s [Investor Advisory Group](#), lifting its membership to 24.

Diary

The calendar for January. Click [here](#) to access the entire 2016 diary on GPW’s website.

- Jan. 9-11, [Scottsdale](#). [Public Funds Summit](#), [Opal Financial Group](#). [www.opalgroup.net](#).
- Jan 11, [Brussels](#). [Aligning Corporate Governance and culture: What’s in it for the board?](#), [ecoda/ACCA](#). [www.ecoda.org/](#).
- Jan. 13-14, [Oxford](#). [European Capital Markets Union Conference](#), [European Corporate Governance Institute](#). [www.ecgi.org/](#).
- Jan. 17-19, [Palm Beach, Florida](#). [Director’s Institute](#), [Mutual Fund Directors Forum](#). [www.mfdf.org/](#).
- Jan. 17-20, [Davos](#). [Annual Meeting](#), [World Economic Forum](#). [www.weforum.org/](#).
- Jan. 22-24, [San Diego](#). [Directors Forum](#), [Corporate Directors Forum](#). [http://directorsforum.com](#).
- Jan. 26, [New York](#). [Shareholder Activism 2](#), [Skytop Strategies](#). [http://skytopstrategies.com/](#).
- Jan. 26, [London](#). [Global Guide to Responsible Investment Regulation](#), [UNPRI](#). [www.unpri.org](#).
- Jan. 31, [Washington, DC](#). [Modernizing our Corporate Disclosure System](#), [US Chamber of Commerce](#). [www.uschamber.com](#).