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RISK & COMPLIANCE JOURNAL.

The Morning Risk Report: U.K. Raises Game on Social Impact Investing



By

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As the U.K. embarks on a review of its corporate governance code, regulators and legislators will take the opportunity to push for companies to demonstrate their contribution to the greater good.

The Financial Reporting Council, an independent regulator for audit, accounting and reporting, will launch a consultation to update the U.K. governance code by the end of this month. Some of the changes being considered include “the need for companies to link corporate governance to purpose, undertake engagement with wider stakeholders, and consider how they benefit wider society,” the FRC said in a statement earlier this week. The review will also cover the U.K. Stewardship Code and address the need for investors’ engagement with boards on issues of “interest of wider stakeholders and broader social impact,” the FRC said in the statement, issued in response to a government-commissioned report on social impact investing. Besides attempting to link a company’s agenda to its impact on the wider society, the governance code review will try to “reaffirm public trust in business,” said Oliver Parry, corporate governance director at Morrow Sodali, a proxy consultancy firm. “It’s the right thing to do, and also the only way—the government clearly isn’t going to introduce legislation any time soon,” said Mr. Parry.

The governance code review will come on the heels of the release of the government-commissioned report titled “Growing a Culture of Social Impact Investing in the U.K.” this week. Not to be confused with environmental, social and governance investing, social impact investing is targeted at companies “that not only measure and report their wider impact on society, but also hold themselves accountable for delivering and increasing positive impact,” the report said. Part of the difficulty in investing in ventures that are focused on doing good for the broader society is the difficulty to measure non-financial outcomes. To that end, the government should encourage companies to be more transparent about their contribution to achieving the goals espoused by the United Nations on sustainable development, the report says, including ways to report such information.

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EXCLUSIVE ON RISK AND COMPLIANCE JOURNAL

McDonnell decision echoes in Menendez mistrial. A 2016 U.S. Supreme Court decision that narrowed key parts of U.S. anti-bribery law weighed over the trial of Sen. Robert Menendez, a New Jersey Democrat, legal observers said after Mr. Menendez’s case ended in a mistrial.



U.S. Sen. Bob Menendez, center, stands with his daughter, Alicia, as his lawyer Abbe Lowell, right, speaks to reporters after a judge declared a mistrial in the senator's corruption trial on Thursday. JULIO CORTEZ/ASSOCIATED PRESS

U.K. charges Unaoil executives. The U.K. Serious Fraud Office said Thursday it filed corruption charges against two men in its ongoing investigation into Monaco-based Unaoil Group, and said a third is subject to an extradition request.

Wal-Mart cites progress on bribery probes. Wal-Mart Stores Inc. has made enough progress in resolving U.S. inquiries into possible bribery violations to be able to estimate the aggregate cost at \$283 million, the company said Thursday.

COMPLIANCE

Senate approves comptroller of currency. The Senate on Thursday approved Joseph Otting as the comptroller of the currency, filling one of the remaining positions on the Trump administration's financial team, the WSJ reports. The OCC, a banking regulator, has been under the leadership of Keith Noreika in an acting capacity since May.

FCC changes media-ownership rules. Changes in federal media-ownership rules approved Thursday are likely to touch off a wave of deal-making, reordering the local-TV landscape, the WSJ reports. The Federal Communications Commission voted to reverse or revise a number of longstanding limits on local ownership of TV stations as well as radio stations and newspapers.

Senate calls for ethics probes shine light on committee. Senate Majority Leader Mitch McConnell's call for ethics investigations into Democratic senators Al Franken and Robert Menendez, as well as Republican candidate Roy Moore, is putting a spotlight on a Senate committee that largely operates in secret and doesn't disclose the results of many of its investigations, the WSJ reports.

Mistrial in Seabrook case. A federal judge Thursday declared a mistrial in the corruption trial of former New York City correction officers' union head Norman Seabrook, the WSJ reports. Prosecutors said Mr. Seabrook accepted a bribe to invest union money into a hedge fund. Mr. Seabrook and his co-defendant, Murray Huberfeld, who ran the fund, had denied the charges.

Mulvaney to temporarily head CFPB. White House budget director Mick Mulvaney is expected to be tapped by the White House to serve as acting director of the Consumer Financial Protection Bureau when the current head, Richard Cordray, resigns this month, according to a person familiar with the matter, the WSJ reports.

Trump pick on chemical safety faces trouble in Senate. Michael Dourson, President Donald Trump's choice to oversee chemical safety at the Environmental Protection Agency may be in trouble in the Senate, as two Republicans have declared their opposition and a third said she is leaning against the nominee, the WSJ reports.

REPUTATION

Franken faces sexual-misconduct allegations. A woman alleged Sen. Al Franken kissed her against her will during a 2006 rehearsal and he posed for a photo in which he appeared to grope her while she was asleep. Mr. Franken said he didn't recall the rehearsal events occurring the same way but apologized, the WSJ reports. He said the photo was a failed joke and he "shouldn't have done it."



Sen. Al Franken, shown in April, apologized after a woman alleged he kissed her against her will. AARON P. BERNSTEIN/REUTERS

Lawsuit claims collusion in bond trading. Some bond-trading firms colluded to set prices at auctions of government debt, according to an amended complaint to a lawsuit by investors. The new complaint, dated Thursday, says some dealers also impeded the development of trading platforms that would have improved access to larger pools of buyers and sellers of the debt. The complaint amends a 2015 lawsuit, the WSJ reports.

Nissan blames lack of inspectors in scandal. Nissan Motor Co. released an internal report blaming a scandal that shut down production and hammered domestic sales on a shortage of inspectors that went unnoticed by management, the WSJ reports. The company said trainee inspectors regularly conducted final vehicle checks, a violation of local rules, for decades.

RISK

German coalition talks stumble. Angela Merkel’s path to a fourth term as German chancellor hit a hurdle Friday when negotiations to form the country’s first three-party coalition reached a self-imposed deadline without an agreement on key policy areas, the WSJ reports.

Cambodia takes heat from U.S., EU. The U.S. halted financial support for elections in Cambodia and promised additional steps after a court there banned the main opposition party to Prime Minister Hun Sen, Reuters reports. An EU spokesman said respect for human rights was a prerequisite for access to EU trade preferences.

STRATEGY

Tesla unveils all-electric truck. Tesla Inc. Chief Executive Elon Musk on Thursday revealed the company’s first all-electric semitrailer truck and a \$200,000 super car, his latest attempt to stir excitement for his vision to upend transportation as the company struggles to mass-produce an affordable sedan, the WSJ reports.



Tesla unveiled its first all-electric semitrailer truck as it struggles to mass-produce an affordable sedan. *TESLA MOTORS*

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