



Briefings


Watershed Here's more evidence that the Nardelli Effect—the backlash over Home Depot's US\$210 million payout to ousted CEO Robert Nardelli—is fueling watershed drives to align US CEO compensation with investor interests. For one, the [Options Policies Forum](#)—convened by investment banker Gary Lutin—has brought investors and select corporates together to fashion best practice recommendations on compensation. Backed by [Hermes Equity Ownership Services](#) (EOS), the Forum aims for a private sector solution, and plans to issue findings in March. Second, two hugely unlikely partners, the [Carpenters Union](#) and the [US Chamber of Commerce](#), are recruiting members for a Working Group on Executive Compensation. Four half-day sessions are to produce a memo outlining agreed measures by a July 26 target date. Third, the [International Roundtable on Executive Remuneration](#)—a forum of big funds—is preparing a tough common strategy on pay policies in the US. Finally, an ad hoc investor coalition is pressing corporates to disclose any conflicts of interest their outside compensation consultants may have. There's more activism on pay to come. Watch this space. [Note: GPW editor Stephen Davis is a board member of EOS.]

Tanker Turn In a breakthrough, German fund managers are planning this month to begin *en masse* scrutiny of voting issues at corporations across Europe. On Tuesday the [Bundesverband Investment und Asset Management](#) (BVI) contracted with Paris-based [IVOX](#) to supply AGM analyses on 221 companies for its 82 members. Those members manage a lofty €1.4 trillion. IVOX will produce online, German-language reports, but no voting recommendations. Instead, the service will flag each resolution as either “critical” or “not critical” to alert BVI funds that there may be controversy requiring greater voting attention. IVOX won the business after BVI reviewed eight proxy firm bids. A French

counterpart—[Association Française de la Gestion Financière](#)—pioneered the model in partnership with governance advisor [Proxinvest](#). Expect the deal to raise governance awareness among German funds—and build groundwork for more critical voting. It won't happen overnight. Moving BVI “is like steering a tanker,” according to one observer. But the service heralds historic new interest among German funds in governance. First case up: next Thursday's [Siemens](#) AGM. Corruption allegations have triggered counterproposals, including one from investor champion [Deutsche Schutzvereinigung für Wertpapierbesitz](#). IVOX has flagged Siemens items as “critical.”

Board Fix Fatal explosions at a [BP](#) Texas City refinery have led straight to governance innovation. Fixes outlined this week by James Baker's [inquiry](#) into the 2005 disaster include giving the oil giant's board unprecedented independent muscle to oversee CEO and management performance. BP directors say they will implement Baker's recommendations. Among proposals: installing an independent outside monitor and identifying “what resources [the board] needs...to be able to challenge the process safety performance as reported to it by BP management.” Such oversight powers are foreign to most companies. [Exxon](#)'s directors, for instance, took no known similar action following the catastrophic *Exxon Valdez* oil spill. But beefing up independent board capacity seems to be the emerging strategy for companies in crisis. Exhibit A: [UnitedHealth](#), focus of an options scandal, which gave its directors a permanent staff independent of management (GPW X-38).

Look Here The [Japan Corporate Governance Forum](#) (JCGF) is about to adopt painstaking updates to its five-year old code of best practice, crafted in part with comments from the [International Corporate Governance Network](#). Revisions are timely. While global standards and investor expectations have risen, Japan still ranks last on many indicators, including one published last September by the [Asian Corporate Governance Association](#) (GPW X-32). Problem is, the JCGF code hasn't yet drawn mainstream attention. The board promises a plan to promote it.

 **Makeover** [ADP](#)—one of the oldest brands in the corporate governance industry—is poised for a makeover. For one, the brokerage division that houses proxy delivery services is splitting from its payroll-focused parent to become its own publicly listed company. **Come April, the new name to insert in rolodexes is Broadridge Financial Solutions.** The same folks will be in charge: Rich Daly as CEO; Bob Schifellite as head of the proxy division; Maryellen Andersen as VP for investor and corporate relations; Bruce Babcock as chief of international proxy operations; and Jim O'Regan as director of global proxy services. Broadridge will still control a regulated near monopoly of proxy delivery in the US. That will, in turn, doubtless still draw corporate grumbles over fees, and competition for market segments from [Swingvote](#). **But the new entity should be cash-rich and better able to buy up other companies. So expect more consolidation in the global proxy voting service industry.** ADP is also moving to upgrade its product. **This week it started offering ProxyEdge platform clients confirmation that their votes are actually cast at annual meetings.** You'd think such verification would be part of routine plumbing. In fact, a dirty little secret is that few markets have figured out ways to certify that votes shareowners think they cast are in fact correctly lodged with companies.

Blogsmacked

Blogs and web portals are now spreading shareowner activism and corporate governance awareness into new dimensions. Here are latest examples:

The European Centre for Corporate Engagement (ECCE) last Friday opened a blog, online library and research forum on a [website](#) jointly parented by Prof. Rob Bauer of the **University of Maastricht** and Prof. Kees Koedijk of **Erasmus University/Rotterdam School of Management**. The site aims to become a tool for exchanging global studies and practical market tools addressing sustainable investment and corporate social responsibility. A key supporter: [ABP](#).

[Engagement Clearinghouse](#), an online global bulletin board for funds sponsored by the United Nations **[Principles for Responsible Investment](#)** (UNPRI), is getting more cybertraction. Signatories—including most recently **[Bâtirente](#)**, **[CalPERS](#)**, **[Dexia Insurance Services](#)**, **[Hermes](#)**, **[New York City Employees' Retirement System](#)**, **[New Zealand Superannuation Fund](#)** and **[Universities Superannuation Scheme](#)**—have uploaded invitations for investors to join international engagement. There is now scope, too, for expansion. The UNPRI just linked to the

[Enhanced Analytics Initiative](#) (EAI) which, in turn, won huge new endorsements from **[AXA Investment Managers](#)** and **[CalSTRS](#)**, its first major US fund member. EAI investors steer commissions to brokers who offer portfolio research on environmental, social and governance risks.

Harvard Law School last month opened a corporate governance [blog](#). **Program on Corporate Governance** director Lucian Bebchuk has recruited regular and guest contributors to air divergent opinions. Find the site a source for papers and studies on domestic and international corporate governance.

[Breakout Performance](#), a blog operated by Florida investor Eric Jackson, last week began stirring a netroots shareowner rebellion at **[Yahoo](#)**. “Activist investing has principally been the domain of hedge funds—well, no longer,” writes Jackson. **Steamed at Yahoo's lagging performance, he is using “blogging, vlogging, LinkedIn Answers, Flickr mash-up photos, wikis, and polling to force change.”** That's hardly your mother's money management. Jackson is proposing a “Plan B”—in a wiki with reader input—to restore Yahoo to growth. But he needs institutional fund support to gain clout. □



Quotes

“Somewhere along the line the US forgot to extend its democratic principles to the capital markets.” **[Hermes](#)** CEO **Mark Anson**, at last week's **[Institute of Chartered Accountants in England & Wales](#)** London roundtable comparing US and UK corporate governance.

“We need to find some way to legislate greater shareholder involvement in setting CEO salaries...We should legislate a requirement that in some way, shareholders have the ability to get to vote on that...I hope we will pass a bill by the summer.” **Barney Frank**, new chairman of the US **[House Committee on Financial Services](#)**, in [remarks](#) last week at the annual Reuters Regulation Summit in Washington, DC. For guidance on his intentions, see Frank's 2005 bill ([HR 4291](#)). Similar legislation exists in Britain, Australia, the Netherlands and Sweden.

Correction

GPW reported that two big institutions—**[CalPERS](#)** and **[Bank of America](#)**—had recently shifted business from **[Institutional Shareholder Services](#)** (ISS) to **[Glass Lewis](#)**. In fact, while Glass Lewis won a new CalPERS contract to perform outsourced proxy voting, the California fund expanded its contract with ISS for other services. Similarly, while Bank of America moved a portion of its accounts to Glass Lewis, much of its business remains with ISS. As always, feedback from readers is welcome to help ensure that **GPW** is on target. Contact gpw@davisglobal.com.