



Services

Mediant Communications just went live with a new proxy service for brokers in the first head-on challenge to the US vote-process monopoly enjoyed by Broadridge. The competition comes amid chronic griping about the US's Rube Goldberg-style proxy system (**GPW** XII-25, 41). New York-based Mediant's first client is Legent, a big clearing house with 70 correspondent broker clients that handle as much as 1% of the US market. Mediant president Arthur Rosenzweig says he can undercut Broadridge prices with web-based technology that's more nimble than his rival's mainframe legacy system. **Plus, Mediant says it will provide institutional shareowner clients with confirmation that their proxy ballots actually were cast.** Mediant faces stiff odds; expect Broadridge to fiercely defend its turf. But Rosenzweig has pulled off industry upsets before. He founded ProxyMonitor in 1994 to compete against **Institutional Shareholder Services**, then acquired his larger rival in a reverse merger in 2001 (ISS was later bought by RiskMetrics). The other proxy processor in the US is Swingvote, which aims at institutional rather than retail investors.

Glass Lewis (GL), the proxy firm, is beefing up its risk analysis with a deal announced Wednesday to buy Washington Analysis Corporation (WAC), which provides early warning of US public policies affecting financial markets and specific companies. The sale, due to close by year end, reunites two firms that were both briefly (and unhappily) owned by Xinhua Finance, the Shanghai-based corporation that sold GL last year and is now off-loading WAC (**GPW** XI-31). WAC does not sell research or services to corporates, so GL says it will remain free of conflicts of interest. Expect GL to seed 2009 proxy reports with WAC analyses of political risk—a factor of rising importance as the incoming Obama administration readies its business agenda. Risk is clearly the buzzword in the US proxy industry. GL rival Institutional Shareholder Services is now part of RiskMetrics, which sells whole suites of risk measurement tools—including governance research.



Briefings

Absence of Malus? World leaders have just put corporate governance—and especially executive pay—at the top of their crisis remedy agenda. The Group of 20 issued a series of “immediate mandates” at their November 15 summit in Washington, DC, telling finance ministers to formulate recommendations by March 31 on everything from banks' risk management to better accounting standards for derivatives. They demanded reviews of “compensation practices as they relate to incentives for risk taking and innovation.” The summit declaration states that: **“Financial institutions should have clear internal incentives to promote stability, and action needs to be taken, through voluntary effort or regulatory action, to avoid compensation schemes which reward excessive short-term returns or risk taking.”** One example of where this might lead came Monday in the new compensation system announced by subprime-hit UBS. **For one, UBS will break ground by giving shareowners an advisory vote on compensation as requested by Ethos, the Swiss governance fund.** Cash bonuses and stock awards to executives will pay out over three years and will be reduced (a “malus” instead of bonus) by future losses, risky trading or compliance shortcomings. Chairman Peter Kurer will get no variable pay, only a salary and stock that can't be sold for four years. Still, the new plan falls short as a standard for the financial industry, says Ethos: It puts no limit on bonuses, the three-year clawback period is too short, and there's no ban on signing bonuses. In the US, the Teamsters and Laborers unions announced plans to file shareowner resolutions advocating even stronger pay restrictions at 50-odd firms receiving government bailout funds.

Oversight What more can institutional investors do to prod corporate boards to exercise more

oversight of management? Find suggestions in a November 14 [speech](#) by new UK Financial Services Secretary [Paul Myners](#), whose widely copied 2002 pension-fund governance [Principles](#) were updated by the UK Treasury last month (**GPW** XII-39). Myners laid part of the blame for the global financial crisis on lax non-executive directors who failed to oversee risky bank practices or the executive pay plans that encouraged them. **He urged large shareowners such as insurers and pension funds to help sponsor training of board members on how to perform better.** The question is whether the market meltdown finally will prompt a majority of funds to see governance as intrinsic to investing. Expect that debate to stir in other markets, too.

T Climate Clout [Ceres](#), the US network of investors and environmentalists, has had remarkable success in getting companies to focus on climate change and related issues. **Now the group has used its shareowner muscle to convince five leading US companies to start the Business for Innovative Climate and Energy Policy (BICEP), whose goal is to advocate for legislation to spur clean energy and reduce global warming.** The five—[Levi Strauss](#), [Nike](#), [Starbucks](#), [Sun Microsystems](#) and [Timberland](#)—endorse tough goals likely to mesh well with those of the incoming Obama administration and his newly empowered Democratic allies in Congress. Among them: Slashing US greenhouse gas emissions to at least 25 percent below 1990 levels by 2020 and 80 percent below 1990 levels by 2050.

*** Border Crossing** The [Canadian Coalition for Good Governance](#) (CCGG) and the [US Council of Institutional Investors](#) (CII) have opened a new avenue for cross-border collaboration. In an October 24 teleconference initiated by the CCGG, the two groups explored ways to coordinate their advocacy efforts in response to the global financial crisis, a move that fits well with a decision to go global made by the CII international committee at the council's meeting in Chicago last month (**GPW** XII-37). The Council subsequently gave the CCGG its recent correspondence with the US [Securities & Exchange Commission](#) (SEC) on [broker voting](#) to assist the Canadians' own advocacy efforts. *Comment to the CII in international issues via internationalissues@listserv.cii.org.*



Break

GLOBAL PROXY WATCH is published 46 times a year, but will take a one week break next week. The last issue of 2008 is Dec. 19. The first issue of 2009 will be the annual worldwide look-ahead roster of governance events in the coming year.

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People

California Public Employees' Retirement System (CalPERS) is still accepting applications for a high-profile head of [corporate governance](#) to replace Dennis Johnson, who left four months ago (**GPW** XII-27). **CalPERS has had difficulty filling the job while also hunting for someone to take the CEO post Fred Buenrostro vacated in June.** That application period ended October 31; expect a successor to be named next month. The giant fund is also still searching for a new [Chief Investment Officer](#) to fill Russell Read's seat.

Damon Silvers, the [AFL-CIO](#)'s associate general counsel and a key labor voice on corporate governance, has been [named](#) to the Congressional Oversight Panel set up to supervise the US\$700 billion [bailout](#) program.

Jim Shinn is a governance specialist through his co-authored 2005 book [The New Global Politics of Corporate Governance](#), but he has lately served as a Pentagon bigwig. He has just resigned to return to [Princeton](#).

Harvey Goldschmid and Hans Hoogervorst will [co-chair](#) a new joint advisory group formed by the US [Financial Accounting Standards Board](#) and the London-based [International Accounting Standards Board](#). Its mission: re-examining financial reporting in light of the global economic crisis. Goldschmid was a member of the US [Securities and Exchange Commission](#). Hoogervorst heads the Dutch [Authority for the Financial Markets](#).



Diary

The December calendar. Click [here](#) to access the entire 2008 diary at the [Millstein Center](#) at [Yale](#).

- Dec. 1, **Evanston, Illinois.** *Accountability in the Boardroom*, Northwestern University. www.kellogg.northwestern.com.
- Dec. 8, **Washington, DC.** *Winter Conference, Corporate Responsibility*. www.theCRO.com.
- Dec. 8-9, **São Paulo.** *Annual Conference*, Brazilian Institute of Corporate Governance. www.ibgc.org.br.
- Dec. 9, **Wilmington.** *Corporate/Investor Summit, The Conference Board Governance Center*. www.conference-board.org/knowledge/govern/.
- Dec. 10, **Wilmington.** *What Now for Corporate Governance?* International Corporate Governance Network. www.icgn.org.
- Dec. 11, **Houston.** *Executive Compensation Issues Update*, National Association of Corporate Directors. www.nacdonline.org.
- Dec. 11-13, **Utrecht.** *Governance of the Modern Firm*, Utrecht University. www.universiteitutrecht.nl/EN.