



☑ Multiply

The corporate governance world saw more build-out this week with new funds, websites and professional bodies.

Governance Funds. Welcome two new funds dedicated to corporate governance engagement. **First, former US Vice President Al Gore is chairing London-based Generation Investment Management, which aims to invest in some 50 stocks around the world.** Portfolio managers led by ex-Goldman Sachs Asset Management CEO David Blood will try to spotlight long term value defined by a corporation's record on sustainability and corporate governance. Generation is already pledging to peg bonus pay for its 20 staff to long-term out-performance, and it backs the investor [Enhanced Analytics Initiative](#), designed to incentivize broker analysis of corporate governance and social responsibility risks (GPW VIII-38). **Second, Roy Disney plans to raise an ambitious US\$1.25 billion for his [Shamrock Governance Fund](#), which is expected to invest in misgoverned US companies.** Disney and partner Stanley Gold helped engineer an investor campaign that resulted in Michael Eisner's announced retirement as CEO of Walt Disney Co. Now they say they have US\$220 billion from five funds to help Shamrock Governance apply activism at other firms.

Abusers Online. Need a one-stop screen of companies with records of shareowner abuse? **India now has one in the online www.watchoutinvestors.com, opened yesterday.** The innovative free service is sponsored by the federal **Ministry of Company Affairs**, which is kicking in US\$67,000 per year as one way of boosting domestic and foreign shareowner confidence in the Indian market. Quickly find out, for instance, if any of a company's directors have ever been charged with insider trading. Eighteen months in construction, the site already covers more than 28,000 business entities. Expect the service to become a template for other markets.

Ethics I. Up to now, most services providing governance advice have been black boxes. Few reveal standards on, say, how they handle conflicts of interest. Few disclose anything about their own governance. So can they be trusted? Last week 16 vendors specializing in one branch of the field, social responsibility research, tried to answer the question. **Firms in 10 markets founded a professional body—the [Association of Independent Corporate Sustainability and Responsibility Research](#)—and issued first draft**

Voluntary Quality Standards. So far the initiative is confined to Europe and social responsibility advisors. **But expect it to serve as the starting point for a global assurance standard for the governance industry.** GPW-publisher Davis Global Advisors, for one, intends to adapt the code.

Ethics II. Money managers got a collective new voice for governance reform and a fresh code of ethics for themselves with the launch this week of the **CFA Centre for Financial Market Integrity**. Kurt Schacht, respected former general counsel of the **State of Wisconsin Investment Board**, comes on as the Centre's first executive director. Outfitted with its own multinational advisory council, the Centre is a wing of the [CFA Institute](#) (formerly AIMR), which sets voluntary standards for the global investment industry. Schacht's first product: an [Asset Manager Code of Professional Conduct](#). *Comment on it by Dec. 31 to standardsetting@cfainstitute.org.*

Directors Aid. Board professionalism in Canada got two boosts on Nov. 1. **First, David Brown became founding CEO of [The Directors College](#), a joint program of The Conference Board of Canada and Ontario's [McMaster University](#).** The program offers a university certification; those who complete the course can put Chartered Director, or C.Dir., after their name. First graduates are to be announced this month. The UK and Australia led with similar credentialing (GPW III-16). **Second, The Institute of Corporate Directors (ICD) "Directors Register" went live with a unique, online database of board candidates.** The ICD operates a [Director Education Program](#) with the **Rotman School of Management at the University of Toronto.**

Rule Watchers. As more governments sniff opportunities to herd corporate governance, demand grows for probes of just what regulators and lawmakers are doing—or failing to do. Enter the [Amsterdam Research Centre for Corporate Governance Regulation](#). **Scholars at the [Vrije Universiteit Amsterdam](#) founded the unique Centre in May, but this week undraped a website and published a first newsletter.** An inaugural workshop is set for Dec. 17-18. Program chief Dr. Henk Overbeek wants studies to illuminate the drivers of governance rulemaking. The Centre is funded through May 2008 by the **Netherlands Organisation for Scientific Research.** □



[Walt Disney Co.](#) deserves an acting prize for the lamest-ever excuse why it cannot support an investor proposal for an independent nonexecutive board chair. The [Connecticut Retirement Plans and Trust Funds](#) filed the resolution; Disney is asking the US [Securities and Exchange Commission](#) (SEC) to block it. Management's reason: the board can't be certain that enough independents will be elected, or that any would be qualified to serve as chair. Of course, since it alone has control over independent candidate nominations, and shareowners have no power to vote 'no,' the argument seems patent nonsense. Will the SEC agree?

☑ Briefing

🔧 **Keep Trying**. Russia has flunked 39 of 40 progress tests set for it in 2002 by the [Russian Corporate Governance Roundtable](#), backed by the [OECD](#), [World Bank Group](#) and Russian bodies. A [Standard & Poor's](#) point-by-point assessment released in Moscow yesterday was scathing. The only recommendation companies had mostly met was in naming board committees—and even this S&P found cosmetic. **Not surprisingly, the biggest obstacle is the wild political terrain.** Moscow's manhandling of [Yukos](#) has wrecked havoc with investor trust. But the Roundtable is dogged. Parties today are reviewing measures to boost disclosure of related party (read state and oligarch) transactions and ownership.

♿ **Board Quake**. Should a company's unions have rights to select half the directors in its boardroom? That debate finally burst into the open this week in Germany, where a 1976 law requires such co-determination—or *mitbestimmung*—for all corporates employing more than 2,000. **Employees should hold one-third rather than 50% of supervisory board seats, concludes a market-shaking joint report released Tuesday by the [BDI](#) and [BDA](#) industry federations.** Until now, *mitbestimmung* has been a political sacred cow, something no major group would openly challenge. But critics have conducted a vigorous underground debate, arguing that co-determination's rigidities cement stagnation, curb executive leadership, cap accountability to shareowners and deter investment. Sensing impending public attack, the [Hans Böckler Stiftung](#)—a union think tank largely funded by co-determination board fees—just published a preemptive magazine defending *mitbestimmung*. The BDI-BDA report urged a careful retreat from current practice—prompting immediate condemnation by Chancellor Gerhard Schröder and trade unions, but a surprise endorsement from one opposition Christian Democratic Union leader. The CDU has considered *mitbestimmung* reform a radioactive issue bound to cost them votes. Corporates, too, have stayed quiet for fear of igniting workforce uprisings. Expect the BDI-BDA report to force more of them to take sides.

💣 **Perfidy?** The ink was hardly dry on [News Corp.](#)'s reincorporation from Australia to Delaware before Rupert Murdoch forced a US-style poison pill through the board on Monday. Murdoch acted after rival John Malone of [Liberty Media](#) raided News voting stock in the bustle of share reshuffling that accompanied the firm's relocation. The takeover defense in effect caps Malone's holding, keeps Murdoch in charge—and could suppress share value. **It sparked an outcry in Australia, where poison pills are unknown. Some charged Murdoch with duplicity in striking a deal with investors (GPW VIII-36, 37).** “Rupert played [the [Australian Council of Superannuation Investors](#) and [Corporate Governance International](#)] like mugs,” sprayed [Crikey.com](#). [Proxy Australia](#) warned again that the governance provisions News accepted to lure investor votes have loopholes that presage an “almighty shafting” of shareowners. Such judgments may be over-harsh. News will be under high pressure to honor its promise to put the pill to a shareowner vote—something almost no other US corporation does. News must also allow dissident-called special meetings if thresholds are met. **These brakes would never have occurred without the landmark pressure of funds around the world.** Even so, Delaware affords Murdoch a far bigger arsenal than he could have tapped in Australia.

📍 **Toehold**. Two proxy services opened a one-way transatlantic bridge this week. **The US's [Egan-Jones \(EJ\)](#) struck an alliance with the [European Corporate Governance Service \(ECGS\)](#) giving EJ clients access to annual meeting reports and advice on Eurotop 300 and FTSE All-Share Index companies.** Funds will pay EJ a premium, per-company fee for the European reports. But the deal is a limited test of collaboration. ECGS—an eight-firm federation managed by London-based [PIRC](#)—won't be getting EJ reports on US companies in return. Still, ECGS benefits by gaining a toehold client base in the US, and EJ subscribers get thorough, on-site advice on European governance contests to compete with [Institutional Shareholder Services](#) and [Glass-Lewis](#).

📅 Calendar

Late entries to the November list of governance events.

➔ Nov. 18, **London**. *Corporate Governance Annual Review 2004*, [PIRC](#). 📧 janiceh@pirc.co.uk.