







## Briefings

***Foresight*** Maybe no one could have predicted [Société Générale](#)'s US\$7 billion blowout loss from a junior trader. **But the bank's generally low corporate governance rankings gave strong hints of the risks shareowners faced even before the meltdown.** [RiskMetrics](#)' CGQ unit ranked it as better than 76% of its industry, while it pegged rivals [BNP Paribas](#) at 96% and [Deutsche Bank](#) at 85%. CGQ "does not measure the way companies manage their internal controls or risk management systems," it told **GPW**. [GovernanceMetrics International](#) (GMI) tagged SocGen with a governance ranking of 6 out of 10—barely average compared to all 4,100 companies GMI rates globally. More importantly, GMI gave SocGen an anemic, below average score of 5.5 on financial disclosure and internal controls, the category which includes risk management. By contrast, Deutsche Bank and BNP Paribas each scored a 7.0 in the same areas. Two of SocGen's four audit committee members may have been outside financial experts, but they clearly didn't have a good grasp of the bank's internal controls. What shareowners want are early warnings of such failure. **Expect that appetite to drive business to profilers such as RiskMetrics, GMI or [The Corporate Library](#).** [Note: **GPW** editor Stephen Davis was a GMI co-founder and holds a small subordinated equity stake.]

***Round Number***  A London-based engagement fund yesterday cleared a milestone. **Thanks to fresh mandates, [Governance for Owners](#) now has a bulky €1 billion for its GO European Focus Funds.** [CalSTRS](#) and the [Los Angeles City Employees' Retirement System](#) each joined for the first time, and another GO client upped its allocation, bringing a total of €30 million in new money. GO invests in underperforming European corporates and uses engagement strategies to raise value. To expand the firm's capacity, CEO Peter Butler has just hired Hélène Jelman, ex CIO of [Arlington Capital Investors](#), and seen corporate heavyweight André Lévy-Lang join GO's board.

***Conflict Free Zone?***  [Egan-Jones Proxy](#) (EJ), the least-known US proxy advisory service, just got a present from the [Securities & Exchange Commission](#). After an 11 year wait, regulators finally **accredited** parent Egan-Jones as a **Nationally Recognized Statistical Rating Organization on a par with [Standard & Poor's](#), [Moody's](#) and [Fitch Ratings](#).** Co-founder Sean Egan says the stamp of approval should give both sides of his firm a leg up at a time when institutional investors are seeking independent advice. EJ has long touted its services as conflict-free because investors, rather than issuers, pay its fees, both for proxy and credit analysis products. The firm pointedly notes that [RiskMetrics](#), the leading proxy advisor, pulls revenue from investors and issuers alike. EJ's credit rating rivals are paid by the companies they score, a subject of renewed worldwide scrutiny following the high marks agencies awarded subprime products that today languish in junk status.

***Sweet & Sour***  Lots of companies sign the UN [Global Compact](#) committing themselves to lofty CSR behavior. **But there's no compulsion to comply—and more than 900 signatories don't bother to do so.** That may now change. In mid January UK asset manager [Morley](#) turned to the opt-in shareowner engagement tool being tested by the United Nation's [Principles for Responsible Investment](#) (PRI). Members are asset owners and managers who believe that environmental, social and governance concerns should be factored into investment decisions. Morley's initiative drew 18 pension funds and money managers, including the UK's [Universities Superannuation Scheme](#), France's [Crédit Agricole Asset Management](#) and Sweden's [Carlson Asset Management](#). They signed a collective [letter](#) to 78 CEOs whose companies are among the largest listed by the Compact as non-compliant. Among targets: [Arcelor Mittal](#), [Caisse d'Espargne](#), [Edelman](#) and [Standard Chartered](#). The investor coalition asked CEOs for progress reports on meeting the Compact's ten principles. **So boards are now getting a message that signing the Compact for show comes at a cost of fund impatience.** But the shareowner group wasn't all sour. It praised another 25 companies for their good reporting. Expect the PRI's 'engagement clearinghouse' to see more such action in 2008.

 **Uncreative** Bill Gates won worldwide headlines for his January 24 [speech](#) to the [World Economic Forum](#) in Davos. The Microsoft founder called on global corporations to lift up the world's poor through "creative capitalism." Companies can serve "a twin mission: making profits and also improving lives for those who don't fully benefit from market forces," he told the powwow. One problem, though. Gates controls a US\$35 billion-plus [foundation](#), plus another US\$30 billion-odd more from [Berkshire Hathaway](#) CEO Warren Buffet. Is he aligning that financial muscle with his push for creative capitalism at portfolio companies? **That's hard to say, because the Gates Foundation discloses few specifics.** One year ago Gates got [slammed](#) for investments in companies responsible for contributing to the very global health and other ills the foundation is trying to solve. **Today the Foundation will say only that Bill and Melinda personally review investments to steer clear of companies whose practices the two find unpalatable.** Um, OK. But how do they make those judgments? And does the foundation engage with boards as stockowners on creative capitalism? There's no sign of a formal process or disclosure of expert sources. So the churlish question: Is Gates's creative capitalism just talk?



## X-Rays

*The rap against mutual funds is that they charge too much and vote shares in their own business interests rather than for clients. Now retail investors have gained two new high-tech tools to check for themselves—and do comparison shopping never before possible. As more people use sites like these, expect fund boards to come under pressure to review their fund managers' policies.*

**Voting:** [Proxy Democracy](#) allows investors to browse or search a newly-populated database of 600,000 mutual fund proxy votes going back to 2003.. Although still in beta form, retail investors can use it to compare voting records across both funds and fund families and factor the results into mutual fund purchases. The online site is timely; a recent study found mutual funds may be skewing their votes to draw corporate business (GPW XI-38). Director Andrew Eggers is on the outlook for ways to make the system more accessible to novices. [Contact aegggers@gmail.com](mailto:aegggers@gmail.com).

**Fees:** [Mutual Fund Expense Analyzer](#) offers individuals a long-sought independent way to compare the true cost of fund fees. The Analyzer allows retail investors to look at fund and share-class costs after all fees and sales charges are factored in. Courtesy of the **Financial Industry Regulatory Authority**, the private brokerage-firm regulator formerly known as the National Association of Securities Dealers, the analyzer even lets you tailor results to expected holding periods and estimated returns.

## People

**Christianna Wood**, a leading voice in global corporate governance, is leaving her job as senior investment officer of US\$239 billion [CalPERS](#) to become CEO of [Capital Z Asset Management](#), which invests seed capital in new hedge funds. Wood has overseen equity investments since she started at the California civil service retirement fund in 2002. Eric Baggesen, an in-house portfolio manager, will take over as acting senior investment officer until the board names a replacement. **But expect Wood's exit to enhance Dennis Johnson's position as CalPERS's chief strategist on corporate governance.**

**René Maatman** has announced that he will retire as chief counsel at €209 billion [ABP](#) as of May 1. A 20 year veteran, Maatman has been the brain behind the Dutch fund giant's embrace of environmental, social and governance factors in investment. But he will still have a big, behind-the-scenes say in the field. Minister of Finance Wouter Bos last week named Maatman to the executive board of the [Autoriteit Financiële Markten](#), the securities regulator. ABP is now searching for a successor chief counsel.

**Martin Steindl** last month took over as the [International Finance Corp.](#)'s corporate governance chief for the Middle East North Africa (MENA) region. He succeeds Sebastian Molineus, who has moved to [World Bank Group](#) headquarters in Washington, DC. Steindl is an Austrian lawyer with a Ph.D. in corporate governance and an MBA from [HEC](#). Working from Cairo, his office aids MENA governance initiatives such as Dubai-based [Hawkamah](#).

## Living Dead

There *is* life after death—at least when it comes to CEO pay schemes. Just peek at this little-noticed [compensation agreement](#) that [Comcast](#) filed with the US [Securities & Exchange Commission](#) in the news cycle black hole two days after Christmas. **The cable giant's board commits to pay 87-year-old founder Ralph Roberts' salary for five years—after he dies.** Comcast didn't disclose his current salary. But he collected US\$24 million in 2006. **So shareowners could wind up paying the ex-Mr. Roberts US\$120 million.** Roberts' son and current CEO Brian is fending off attacks aimed at the company's lackluster performance; the stock price has fallen some 40% in the past year. But a dual-class voting structure gives effective control to the Roberts family even though it owns just 1% of shares. Expect Comcast's 'pay for death' to become the latest icon of US compensation excess.