



Freeze

Paul Atkins is reported to be laying behind-the-scenes plans to step down from the US [Securities and Exchange Commission](#) (SEC) when his term ends in June, GPW has learned from multiple sources. Atkins yesterday denied the story. But if it proves true, his exit would strip the agency's top body of a quorum, rendering it incapable of taking formal decisions—unless the White House fills at least one of three seats that would be vacant on the five-person board.

The Bush administration has so far failed to submit nominations to the Senate for the two places reserved for Democrats. Last November, Senate Democratic leader Harry Reid proposed Elisse Walter, a longtime regulator now at the [Financial Industry Regulatory Authority](#), and Luis Aguilar, a corporate lawyer in Atlanta. Observers speculate that Bush is sitting on the nominations, preferring an all-Republican—if shorthanded—commission. But Atkins's possible impending departure would change the hardball game. Reid could freeze Senate action on any Republican replacement unless Bush also moves on the Democratic nominees.

corporates to use the Ceres "Climate Change Governance Checklist" as a benchmark. And INCR will score 100 top global companies on how well they handle climate disruption risks.

The INCR move came as the [McKinsey Global Institute](#) released [The Case for Investing in Energy Productivity](#), which pinpoints high-yield returns investors can capture if they focus on climate change. Former US Vice President Al Gore put a finer point on the issue in remarks to 450 attendees. "You need to scrub your portfolios of 'subprime carbon assets'...[or] be held accountable for risks you should have seen." □



Briefings

G Factor Governance, it turns out, is a handy marker for both nastiness and gain. First the bad stuff. Excessive CEO compensation, especially high base pay and annual bonuses, is the single most important governance indicator of a company's risk of getting tied up in lawsuits, according to the latest annual litigation study by [The Corporate Library](#) (TCL). And 2007 was a banner year for court actions. Excessive executive pay, subprime woes and tainted toys from China led to a 43% jump in US securities class action suits last year, to 169 cases. Expect even more to be filed in 2008. TCL's *Predicting Securities Litigation* classifies some 3,300 US companies according to the risk they face of getting hit with a filing. But governance can offer an upside forecast, too. Using data from rater [GovernanceMetrics International](#), [AXA Investment Managers](#)'s Raj Thamotheram found that between 2003 and 2007 companies upgraded for their corporate governance scores were more likely to outperform the benchmark index. His [article in Pensions World](#) also found that companies with higher governance scores tended to have lower volatility, lower beta and lower value at risk than those with higher scores. Expect money managers at AXA, one of the world's largest fund companies, to factor governance more routinely into portfolio decisions.



Melt


Fund leaders join push to fuse climate risks into investment decisions


Get ready, money managers. Meeting yesterday at the United Nations, 50 US and European investors with nearly US\$2 trillion pledged to require all investment agents to report on how they assess "risks and opportunities associated with climate change." Fund managers could now find their ability to win mandates in the balance depending in part on how they respond.


Treasurers from 14 US states joined the [2008 Action Plan](#) of the [Investor Network on Climate Risk](#) (INCR) summit, organized by [Ceres](#). The funds will insist that other intermediaries—stock analysts and credit rating agencies—take climate change into account. Plus, the shareowners took direct aim at portfolio companies. The plan calls on



Toolbox

 **Pay Master** How are funds to judge whether a Byzantine corporate pay package really aligns with shareowner interests? The [CFA Institute](#) has just come to the rescue with a primer: [The Compensation of Senior Executives at Listed Companies—A Manual for Investors](#). It updates a 2005 corporate governance handbook. The latest version aims at an international audience but focuses on the US, where executive pay misalignment is most acute. The global financial analysts group does not prescribe pay formulas shareowners can follow, but helps them “make reasoned analyses as to whether the compensation arrangements and strategies used to pay senior managers are fair, transparent, and performance based.”

 **Ethical Alpha** Puzzled about how to integrate environmental, social and governance (ESG) factors into portfolios? If you invest in banks, [Ceres](#), the environmental coalition, offers help. [Corporate Governance and Climate Change: The Banking Sector](#), released last month, compares how financial institutions fare against a checklist. The top five: HSBC (with 70 out of 100 points), ABN AMRO, Barclays, HBOS and Deutsche Bank. Who's worst? BlackRock, T. Rowe Price, Legg Mason, Franklin Resources and, at dead last with an emphatic 0 points, Bear Stearns. Author Doug Cogan, of [RiskMetrics](#), offers governance guidance for investors scrutinizing banks, and for bank boards searching to improve. For more international ESG guidance, check Boston College's [Center for Corporate Citizenship](#). With [Eurosif](#) and the [Social Investment Forum](#), the Center has just published a unique [Handbook on Responsible Investment Across Asset Classes](#). Intended for asset owners, money managers and consultants alike, the detailed booklet offers advice about applying ESG analysis not just to garden variety equity investments, but also to fixed income, private equity, real estate, venture capital—even commodities.

 **Get the Leash** Some pension fund managers are getting whacked with criticism over investments in controversial hedge funds—which might even behave contrary to a trustee board's agreed practices. Now the [International Organisation of Pension Supervisors](#) (IOPS) has produced sensible [guidelines for how pension decision-makers should oversee alternative investments](#). IOPS is an independent group of pension supervisors in 50 countries. It urges funds to gauge extra risks involved and check that alternatives fit into a plan's total risk profile. Pension gatekeepers should do extensive due diligence before investing. IOPS says, and insist on contracts with a leash on risks.



People

Anne Byrne will take over next month as the first full time CEO of the [Australian Council of Superannuation Investors](#) (ACSI). The appointment is a major catch for one of the world's leading pension fund organizations—and a big leap forward in status and strength. Byrne has been the respected CEO of [UniSuper](#), the retirement fund for higher education employees. Phil Spathis, ACSI's founding part-time chief, will stay in charge of governance and engagement. Michael O'Sullivan remains the non-executive president. ACSI speaks for 41 funds with A\$250 billion in assets. UniSuper will now launch a search for a new CEO.

Dennis Johnson, head of corporate governance at the [California Public Employees' Retirement System](#), (CalPERS) looks to be the front-runner in the election for chair of the [Council of Institutional Investors](#). The board post will be filled at the group's spring meeting in Washington, DC on April 11. If he is elected, don't expect major changes in CII's direction. Johnson's perspective is close to that of current chair Jack Ehnes, CEO of the [California State Teachers' Retirement System](#), whose term is expiring. Johnson joined CalPERS in late 2005 after a stint as managing director for [CitiGroup](#)'s global markets unit. He oversees the California civil service fund's annual Focus List of companies with subpar corporate governance.

Wayne Kozun is the new overseer of corporate governance at the C\$106 billion [Ontario Teachers' Pension Plan](#). A 13-year Teachers veteran, he just won promotion to senior VP of public equities, where he is also responsible for the fund's actively-managed public equities and relationship investing portfolios.

Jane Ambachtsheer, chief of Mercer's crack [Responsible Investment](#) (RI) unit, is heading out on maternity leave for a year beginning in March. Filling in will be colleague **Danyelle Guyatt** from Mercer's London office. The move coincides with a major expansion of the practice, which advises institutional investors on implementing RI strategies. Ambachtsheer has added six [staffers](#), bringing the Mercer RI team to 15. Newcomers include **Jordan Berger**, former chair of the [Ontario Public Service Employees Union](#) pension trustee board; **Megumi Terayama**, ex KPMG and a senior consultant in Tokyo; and Stockholm-based **Eric Gelfgren**, the former global head of marketing and sales at [Sustainable Asset Management](#).

Kimberly Gladman is the new Director of Ratings at [The Corporate Library](#). She had been an associate manager of research at [Domini](#), where she also had chaired the Investment Committee of its European Social Equity Fund. Gladman helped develop the firm's screening standards and methodology.