



Unleashed!

The US [Securities and Exchange Commission](#) (SEC) is back! New chair Mary Schapiro is about to announce a powerful step aimed at getting beyond the agency's discredited recent past. **She will name Kayla Gillan, a prominent corporate governance champion, to a top chief-of-staff-like post.** "My role will be to outreach to the investor community and try to restore the organization's reputation there," Gillan told GPW. Gillan was a key architect of the governance program at the [California Public Employees' Retirement System](#) before the SEC appointed her as a founding board member of the [Public Company Accounting Oversight Board](#) in 2002. She left last year for become the chief administrative officer of [RiskMetrics](#). Expect investors to celebrate the move, as it promises them a direct information channel to SEC decision-making. Under ex chair Christopher Cox, funds felt frozen out of the agency, whose motto is "the investors advocate."

Shapiro is also laying plans to expand the SEC's depleted enforcement staff and lift the need for board approval before it can negotiate penalties with accused firms—a rule that cut fines by 85% since it was adopted in 2006. She will have to act quickly: the agency is getting mauled in Congress. At a Wednesday [hearing](#) on Bernard Madoff's US\$50 billion Ponzi scheme, lawmakers blasted the SEC as incapable of protecting investors.



Payback

Global ire over irresponsible executive remuneration has reached a breaking point:

In the US, President [Barack Obama](#) Wednesday **announced** one of the world's first hard [salary caps](#), which limits top pay to US\$500,000 a year for executives at firms receiving "exceptional financial assistance" from Uncle Sam. The cap applies to only a handful of firms taking future handouts—and firms could exploit loopholes. **But it is amplified by the first mandated 'say on pay' advisory shareowner votes on executive compensation plans.** Expect more curbs to follow: Even before Obama

acted, Congress saw a rash of proposals that upped the ante from last month's [bill](#) by House [Financial Services Committee](#) chief Barney Frank (GPW XII-03). Missouri Senator [Claire McCaskill](#)'s [bill](#) would restrict compensation at firms receiving government handouts to the US\$400,000 salary of the US president. Senator [Sheldon Whitehouse](#) of Rhode Island [vowed](#) a bill to create a temporary economic recovery oversight court to restrain executive pay. House Democratic Caucus Chairman [John Larson](#) [wants](#) an independent commission to investigate Wall Street pay abuses. For insight into the US\$18 billion in Wall Street bonuses that triggered this week's actions, see a [PBS NewsHour interview](#) with Nell Minow of [The Corporate Library](#).

In the UK, a [Financial Services Authority](#) report is due soon on whether pay schemes at banks and other financial services companies are properly aligned with long-term results. The pay rebellion reaches well beyond the financial industry. **Last month, a whopping 59% of [Bellway](#) shareowners [voted](#) against the builder's remuneration report after it dished out executive bonuses despite a plunging share price last year--the biggest such defeat in the UK since a [GlaxoSmithKline](#) vote in 2003.**

The [European Commission](#) is mulling new executive pay rules and promises recommendations soon. Meanwhile, the [German Corporate Governance Commission](#) last month [announced](#) plans to consider amendments to the country's corporate governance code that would strengthen the link between pay and performance. [Hermes Equity Ownership Services](#) has called on the Commission to add a 'say on pay' advisory vote on executive remuneration.

In Canada, the [Canadian Coalition for Good Governance](#) just issued draft [principles](#) on executive compensation updating 2005 guidance to more directly link risk management and pay for performance.



Briefings

Insight The UK Parliament's [Treasury Committee](#) sure got an earful when it launched an [inquiry](#) into the global financial crisis. Dozens of groups testified and submitted written [comments](#), include many shareowner groups. The [Association of](#)

[British Insurers](#) contended that short-termism and the financial incentives that fueled it must be curtailed. The [Investment Management Association](#) suggested that shareowner engagement has proven to be a limited method of preventing the global collapse, since investors and managers aren't privy to the same information as boards and management—which themselves “failed to fully appreciate the risks on their balance sheets.” [Pensions Investment Research Consultants](#) (PIRC) agreed and [argued](#) for “a larger role for the state and/or regulators in corporate governance in the future.” Expect more input as the inquiry continues.

AA **Split Decision** Are US boards finally splitting the chairman and CEO jobs? The share of S&P 1,500 firms with separate chairs climbed to a striking 46% last year, up from a mere 17% in 2003, according to a new [study](#) by [RiskMetrics](#) (RMG). Of course, investors favor independent leaders—and only about half the separate chairs found by RMG can be considered outsiders, the study found. Still, split posts are winning out over many boards' initial response of installing a 'lead' director as a counterweight to a combined chair/CEO: While lead directors remain at 49% of boards, they're down sharply from 57% in 2006. Expect the figures to fuel rising investor pressure for splits.



Research

Here is a recent study on key corporate governance issues:

How much clout do US proxy advisory firms wield? Maybe not as much as some critics' say, finds an [analysis](#) by New York University law professor [Steven Choi](#) and two colleagues, presented Tuesday at [Yale Law School](#). RiskMetrics's ISS guidance can account for between 6 and 12% of the average director vote, the team finds. That's less than the 20% often cited. Researchers drew figures from voting recommendations supplied by [RiskMetrics](#), [Glass Lewis](#), [Proxy Governance](#) and [Egan-Jones](#) in all US director elections at S&P 1,500 companies in 2005 and 2006. Authors don't address contested cases, where the proxy firms' advice may be far more likely to sway shareowner opinion. The same scholars compared the four rivals in a 2008 [paper](#). Reverse engineering the recommendations, they found that each firm takes a very different approach, and examines different factors, when making decisions about director election votes.



Services

[RepRisk](#), a service started last year by Zurich-based [ECOFACT](#), tracks negative comments about environmental and social issues on any public or private corporation or international infrastructure project around the world. A web search tool scours the media, watchdog groups, newsletters, news sites, blogs and other websites on a daily basis, looking for controversial remarks on issues ranging from employee and community relations to environmental footprint risks. **Analysts assess the relevance, severity and novelty of allegations and quantify them in an index that allows clients to compare reputational risks among companies, industries and even countries.** To date, RepRisk had tagged 9,000 companies and 1,600 projects as controversial.



People/Jobs

[Pru Bennett](#), a longtime partner in [CGI Glass Lewis](#), is leaving to join [Regnan](#), which provides engagement services to many of the same Australian shareowners who subscribe to the Sydney-based proxy advisor. Filling Bennett's shoes at CGI: veteran governance executive [Lisa Fazio](#), formerly of [Hesta](#) and [VicSuper](#).

[Bill Mackenzie](#), who pioneered governance monitoring at Fairvest (née Allenvest), now part of [RiskMetrics](#), has left the [Canadian Coalition for Good Governance](#) to represent [Hermes Equity Ownership Services](#), the global engagement specialist, in Canada.

[David Sellors](#) has taken the post of Chief Operating Officer at the [Local Authority Pension Fund Forum](#), which represents 48 UK civil service funds with assets of £95 billion. The Forum is a key shareowner advocate. Sellors comes from [Capital International](#), where he set up the global corporate governance team.

[Bursa Malaysia](#) is looking to hire a corporate governance manager to help raise standards of issuers listed on the exchange. The job is located in Kuala Lumpur. *Send a CV and cover letter by February 20 to monashafini@bursamalaysia.com.*

[The Corporate Library](#) seeks to fill two full-time [jobs](#) in its Portland, Maine headquarters.

[The Investor Suffrage Movement](#) is recruiting 20 volunteers in the Boston area to start its first national chapter. *Contact glyn@isuffrage.org.*