Tough Advice

The draft code of conduct released in October by six proxy advisors defines proxy voting advice so broadly that it could apply to asset managers and nonprofit investor groups, warns a comment submitted Monday by Dutch fund group Eumedion (GPW XVII-39). Surprisingly, it also gives credence to charges of conflict of interest and other complaints against advisors that have mostly been leveled so far only by corporates. Eumedion, which represents 69 Dutch and foreign pension funds and asset managers, calls for a tougher code applied on a comply-or-explain basis and overseen by an independent body. That’s a sharp contrast from largely supportive remarks by investors at a US SEC roundtable this month (GPW XVII-40).

Rotate!

European issuers will have to switch auditors every 10 to 24 years under a deal reached Tuesday by the European Commission and European Union member states. The agreement is a compromise by EC internal markets chief Michel Barnier, who had proposed six years in 2011 (GPW XV-43). He also dropped a plan to require audit firms to set up separate business units to offer non-audit activities. Instead, they will face new limits on non-audit work. Rotation has been blocked in the US and rejected by the UK Competition Commission (GPW XVII-28, 30).

Northern Front

Large Canadian issuers may face majority voting for directors and mandatory say-on-pay ballots under a sweeping consultation launched December 11 by federal Industry minister James Moore. The inquiry asks about...
amending the Canada Business Corporations Act, which covers about half of the country’s largest issuers. The inquiry raises a host of other reforms, such as mandatory ESG reporting and board diversity requirements that could range from voluntary guidelines to quotas or mandatory policies. Moore is careful to give no hint of what Ottawa might back. Expect the consultation to produce larger and quicker change than the government’sdrawn-out plan to create a national securities regulator (GPW XVII-34).

**Talk To Me** Year-round dialogue among boards and shareowners is gaining traction. The latest sign: a paper endorsing the idea published December 10 by the Global Network of Director Institutes. It even says issuers and investors gain when shareowners can “pool resources through collective engagement” and points to the UK stewardship code as a model. GNDI suggests it may be necessary to change legislation in some markets to facilitate dialogue, although the group opposes mandates requiring board-shareowner communication. Still, a striking 60% of US issuers do not allow directors to talk directly to investors, according to an October National Investor Relations Institute survey.

**Report Card** The Global Initiative for Sustainability Ratings (GISR) Wednesday released final principles intended to bring rigor and comparability to the 100-plus entities around the world that offer corporate ESG ratings (GPW XVII-09). GISR now plans to define the issues raters should cover and the kinds of indicators they should use. It hopes to have complete ratings standards by 2015, when it will begin offering accreditation to ratings firms.

**Objection** Six Danish pension funs quit the UN Principles for Responsible Investment Monday after objecting to its “undemocratic” governance. The PRI said it had initiated a governance review at its annual event in Cape Town in October (GPW XVII-27). The Danish funds have complained about the issue since the PRI allowed asset managers into its governing bodies in 2011 but kept final decision-making in the hands of asset owners (GPW XV-11). Although the Danish funds are asset owners, their complaints have so far not gained support from other signatories.

**Update** Draft legislation to require mandatory ESG reporting passed a key European Parliament committee vote Tuesday, diluted by amendments that allow companies not to disclose anything they deem to “be seriously prejudicial to their commercial position” (GPW XVII-42). The bill now goes to the European Union Council.

**Investors** and issuers alike do not support extra voting rights or other rewards for long-term share ownership, concludes a final study released yesterday from a research project on short-termism by Mercer and Canadian law firm Stikeman Elliott (GPW XVII-24).

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**Draft Toolkit**

The Value Driver Model aims to help companies measure the return on their sustainability strategies using standard metrics such as return on capital employed. The model, with an explanatory paper and case studies, was published December 11 jointly by the UN Global Compact and the PRI. The two hope companies will use it to hold ESG Investor Briefings, a program they started last year patterned after earnings calls (GPW XVI-27).

**Diary**

The calendar for January 2014, Part 2. Click here to access the entire year’s diary on GPW’s website.


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GLOBAL PROXY WATCH © 2013 Global Proxy Watch LLC www.proxywatch.com All rights reserved ISSN 1534-8822 Dec. 20 2013
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