



## Bang!

### **Xinhua Finance to buy Glass Lewis, world's second largest proxy service**

Ending the year with an industry bang, Shanghai-based [Xinhua Finance](#) (XF) is to buy [Glass Lewis](#) (GL), the world's second largest proxy advisory service, **GPW** learned this week. The two confirmed the deal in a press release yesterday. The Tokyo-listed company is paying a total of US\$45 million in cash and stock. The accord marks the second market-rocking change in control among global proxy services. Next month [RiskMetrics](#) is to take over industry leader [Institutional Shareholder Services](#) for some US\$553 million (**GPW** X-40). ISS is said to have tried to acquire GL, a transaction that would have narrowed service choices for investors. Instead, ISS looks set to face a persistent rival with capital resources. Competition now is fierce. In the past month GL has lured two huge voting agency accounts—[CalPERS](#) and [Bank of America](#)—from ISS, say industry sources.

XF released information on the takeover in a new [filing](#). The company had already bought 19.9% of Glass Lewis for US\$9 million last August (**GPW** X-31). In the total takeover GL shareowners—including top employees and Silicon Valley venture capital firm [Rustic Canyon](#)—will reap an amount worth some 5 times revenue. But they finalized the price *before* ISS sold at its stratospheric valuation. GL is one quarter the size of ISS; its sale price is one twelfth. Closing is in February.

GL executives including CEO Gregory Taxin, research director Lynn Turner, vice president Robert McCormick and directors Sandy Easterbrook and Pru Bennett are staying on. But XF's takeover would be the first time a US-based proxy provider has fallen under control of a non-resident corporation. Negative reaction is possible. **XF is not well known, but critics are already questioning whether a company assumed to have close ties to Beijing should influence sensitive corporate voting outcomes around the world.**

**XF is a widely held global corporation with a stable of six financial information companies in the US.** Top owners include finance houses: Japan's [Nissin Co.](#), Switzerland's [UBS](#) and the US's [Patriarch Partners](#) and [Oppenheimerfunds](#). The Chinese government is thought to own some 3%. Nearly 80% of XF revenues derive from North America. No reports of political interference have surfaced. US-born CEO and founder Fredy Bush sees a first-mover advantage in integrating Glass Lewis into business media, especially in the under-served Chinese

market. GL will now expand Asia coverage. But the deal comes just as the US [Government Accountability Office](#) is probing the proxy voting service industry (**GPW** X-33). Expect analysts now to explore the impact of multinational ownership.

For their part, commercial rivals such as [Proxy Governance](#), [Egan Jones](#), [PIRC](#) and [Manifest](#) are likely to try prying contracts from GL on charges that the advisor is no longer conflict-free. Why? Parent XF owns investor relations firm [Taylor Rafferty](#), whose clients are mostly corporates. □



## Architects

*Who most influenced the shape of international corporate governance in '06? Below is **GPW**'s third year-end honor roll.*

**David Beatty**, director of the [Canadian Coalition for Good Governance](#), this year deployed financial muscle and quiet lobbying to implant majority rule director voting at listed companies. Banks converted virtually en masse.

**Ethan Berman**, CEO of [RiskMetrics](#), took a risk this year when he bought [Institutional Shareholder Services](#) for a lofty US\$553 million—with a vision of taking governance into the heart of Wall Street capital management.

**Fredy Bush**, CEO of [Xinhua Finance](#), purchased stakes in [Glass Lewis](#) as part of her long term vision that Chinese listed companies—and their investors—need quality governance analysis to fuel market growth.

**Rich Ferlauto** of the [AFSCME](#) union spearheaded drives that promise to transform investor rights in the US. His initiatives spurred majority rule for director elections, annual investor votes on pay policies and shareowner access to the proxy to nominate candidates for director.

**Mats Isaksson**, director of corporate affairs at the [Organisation for Economic Co-operation and Development](#), has pushed governance roundtables in emerging markets to outline real paths to reform. Example: the [Latin American Companies Circle](#). His shop also just produced a powerful governance assessment [tool](#).

**Knut Kjaer**, executive director of [Norges Bank Investment Management](#), this year piloted the **Government Pension Fund**—now one of the world's largest—into the ranks of shareowner activism alongside **ABP**, **Hermes** and others.


**Mike Lubrano**, unit head in the [International Finance Corp.](#)'s corporate governance department, led a classic [case study](#) of shareowner engagement at [Banca Commerciale Romana](#) that produced a 713% return (**GPW** X-13).

**Nasser Saidi** is the determined head of [Hawkamah](#), the new, Dubai-based group driving to promote corporate governance progress in the Middle East and North Africa.

**Jean-Pierre Sicard**, Head of Sustainable Development at [Caisse des Dépôts](#), has catalyzed steep rises in socially responsible investment and led financing of the landmark [UN Principles for Responsible Investment](#) project.


**Vigitt Supinet**, chair of the [Stock Exchange of Thailand](#), has overseen path breaking initiatives—including steering one third of all earnings to a foundation promoting corporate attention to environmental, social and governance risks.

## Briefing


 **Tips on Fusion** Are you cementing a merger or acquisition? Ignore governance at your peril. The latest lesson is the [New York Stock Exchange](#)'s bid to fuse with [Euronext](#). This week two influential investor players—[Eumedion](#), the Dutch fund coalition, and [Proxinvest](#), the leading French governance advisor—argued separately that Delaware rules governing the proposed company would drastically reduce shareowner rights common to Europe. For one, directors of NYSE Euronext are to be elected by plurality rather than majority rule, making it nearly impossible for investors to oust a director. Euronext's present board members must gain a majority of votes to win their seats. Critics also argue that the merged company board would have authority to install a poison pill takeover defense without first having to secure shareowner approval. Euronext today would have to win an investor vote to erect defenses. Finally, US regulations limit voting rights by any one investor to 10%. To protect shareowner power, Eumedion wants the merged company to incorporate in the EU. The interventions come very late; Euronext shareowners meet Tuesday to vote on the deal. Proponents of the merger, among them the influential [Institutional Shareholder Services](#), say benefits outweigh shortfalls. Expect identical issues to dog [Nasdaq](#)'s fight to take over the [London Stock Exchange](#).



## Moves

 **Morgan Stanley** is taking a signal step Monday to embed corporate governance oversight into money management. It is hiring **Kenneth Bertsch** in a new senior position to oversee proxy voting—and to coordinate governance monitoring by portfolio managers worldwide. Bertsch has deep roots in corporate governance, having run key programs at the **Investor Responsibility Research Center**, [TIAA-CREF](#) and, most recently, [Moodys](#), where he built a respected unit that now tucks governance assessments into credit analyses.

[Morgan Stanley Investment Management](#) runs some US\$448 billion. One of its London-based portfolio managers has drawn attention for pressing governance reform at the **New York Times Co.** But MS mutual funds have been known up to now for their voting timidity. **Here is the tip-off that MS suddenly sees governance as a value enhancer: Bertsch will serve an investment function, not as a compliance officer.** Mark Watson, who boasts his own long governance pedigree, is succeeding Bertsch at Moodys. The rater is now in the market to hire two senior analysts. Contact [Mark.Watson@moodys.com](mailto:Mark.Watson@moodys.com). [NOTE: GPW publisher [Davis Global Advisors](#) is an advisor to MS on the New York Times Co. case.]

 **PIRC** has lit on a new tactic to raise its profile now that corporate governance—which the non-profit advisor virtually pioneered 17 years ago—is ubiquitous. **It just hired Tom Powdrill of the Trades Union Congress (TUC) to become Head of Communications as of Jan. 15.** The post is a new one for [PIRC](#). But Powdrill comes with high-profile experience, having led TUC pension trustee training and governance intervention. PIRC's gain, though, leaves the TUC short. Michelle Lewis, the union federation's pension expert, is also leaving next month. She will join the [National Association of Pension Funds](#). So the TUC is looking for two replacements, probably from inside. **Expect PIRC, for its part, to see Powdrill lead it into more headline activist initiatives in 2007.**

## Year-End Wisdom

*"I think the whole [compensation] consultant group should be flushed into the East River and no value loss would ever be seen by man...[Corporate governance] is completely misunderstood, certainly by the birdbrains that write about it..."* **Barry Diller**, chairman/CEO of [IAC/InterActiveCorp](#), at the Reuters Media Summit, Nov. 27. Diller was the highest paid US CEO in 2005, collecting an estimated \$295 million. *New York Times* columnist Nicholas Kristof reckoned Diller's earning velocity at some US\$150,000 an hour.



## Calendar

Selected January governance events. See the full list on Jan. 5.

- Jan. 9-10, **London**. *Beyond the Myth of Anglo-American Corporate Governance*, Institute of Chartered Accountants in England and Wales. [www.icaew.co.uk](http://www.icaew.co.uk).
- Jan. 10-12, **Scottsdale**. *Public Funds Summit*, Opal Financial Group. [www.opalgroup.net/](http://www.opalgroup.net/).



## Party!

**GLOBAL PROXY WATCH** is published 46 times a year. This is the last issue of 2006. The first of 2007, published Friday Jan. 5, is the annual calendar look-ahead listing of events scheduled so far for the next 12 months. If you want an event included, please email us at [gpw@davisglobal.com](mailto:gpw@davisglobal.com).