



GLOBAL PROXY WATCH™

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This is the last GLOBAL PROXY WATCH of 2016. The first of 2017, published Jan. 6, is the annual look-ahead listing of governance events scheduled so far for the next 12 months. If you have an event to include, please email editor@proxywatch.com.

U Stars 2016

Each December GPW recognizes 10 people around the world who have had the most impact on corporate governance. Here is the 2016 'GPW 10':

Rients Abma of Dutch fund group Eumedion offered insightful and influential comment on a wide spectrum of European governance consultations.

Mark Carney focused corporate and investor attention on climate risk as head of the Financial Stability Board and the Bank of England.

Stephen Erlichman spearheaded a lengthy drive by the Canadian Coalition for Good Governance that set majority voting as the standard in Canada.

Mike Garland of the New York City Comptroller's office led the wildly successful US proxy access campaign.

Claudia Kruse provided leadership on global governance from her post at APG Asset Management.

Linda-Eling Lee led MSCI's ESG research team to produce a wealth of insightful studies.

Hiromichi Mizuno propelled Japan's Government Pension Investment Fund onto the global stage with creative approaches to stewardship.

Kurt Schacht steered a deeply divided US SEC's Investor Advisory Group to meaningful positions.

Simon Walker of the UK Institute of Directors spoke out forcefully against excessive executive pay.

Kerrie Waring adroitly positioned the International Corporate Governance Network through partnerships with like-minded groups.

Briefings

Go Global *New moves to prod Japanese investors and corporates to adopt global good-governance practices:*

➤ **Managers.** Asset managers should adopt specific policies for avoiding conflicts of interest and carry

them out through independent boards or third-party committees that oversee AGM voting. So recommends an opinion recently released in English by the Financial Services Agency Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code. The opinion takes direct aim at well-known conflicts that plague Japan's system of cross shareholding, documented in a blunt manager review conducted by the Government Pension Investment Fund (GPIF) this year (GPW XX-06). The Council calls on managers and owners alike to publicly disclose how they cast AGM votes at each company, in addition to the aggregate disclosure called for in the stewardship code. It points to such disclosure requirements in the US and similar practices in the UK and other markets.

➤ **Owners.** The Council's opinion was endorsed at the inaugural meeting last month of the GPIF's Global Asset Owners' Forum that attracted 12 non-Japanese funds, including co-organizers CalPERS and CalSTRS, says a summary posted Wednesday (GPW XX-31). "We generally regard asset managers' executive compensation linked to short-term metrics as inadequately aligned to the interest of asset owners," the group stated.

➤ **Issuers.** The JPX-Nikkei Mid and Small Cap Index will launch in March to extend the good-governance standards of the JPX-Nikkei Index 400, the Tokyo Stock Exchange said December 14. The exchange did not say whether the new index will require three independent directors rather than two, a move the JPX-Nikkei 400 will make next year (GPW XX-31).

➤ **Audit.** A draft audit firm governance code (in Japanese only so far) was published December 5 by a Financial Services Agency Council of Experts to address shortcomings exposed by the Toshiba accounting scandal (GPW XX-30).

Verify Investors should insist on segregated accounts for their portfolio holdings as a means of advancing a global standard to ensure that proxy votes are cast as directed, suggests a December 16 viewpoint from the International Corporate Governance Network. They also should work with issuers to ensure shareholder identification, another key element in vote confirmation. The viewpoint proposes nine practices that should be adopted by investors, investors and other participants in the voting chain. It builds on draft