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## Japan Seminar in London

In conjunction with the GO Dinner & Debate, we organised a seminar entitled **Japan: The Way Forward** on Monday 18th October at the Deloitte Academy. This event gathered speakers from the Japan Securities Investment Advisers Association, Tokio Marine Asset Management (TMAM), Universities Superannuation Scheme (USS) and GO to examine recent developments in Japan and GO's activities in that country.

Yoichiro Iwama, Chairman of the Japan Securities Investment Advisers Association, kicked off the seminar with remarks on the importance of engagement by institutional investors to improve corporate performance in Japan, stressing that "investors cannot wait and rely on government" to bring about change. He also emphasised that there was a "hope to realize a win-win status of cooperation between investee companies and institutional investors."

A panel discussion followed on the GO Japan Engagement Consortium (JEC), which has pioneered a "Japanese way of engagement" at more than 15 leading companies on behalf of members Railpen, TMAM, and USS. GO Japan Representative Director Toshi Oguchi reviewed the JEC's first year of operations, highlighting the successes in gaining access to top management at JEC portfolio companies and emphasising the need for sensitivity and persistence when addressing governance matters.

USS Head of Responsible Investment Dr. Daniel Summerfield provided an assessment of the JEC from a member's perspective (see extract of speech below). He noted the importance of forging alliances with domestic investors and other partners in overseas markets in order to understand different market practices and ensure their voice is heard. Summerfield cited the JEC's on-the-ground expertise and integrated engagement approach – covering strategic, financial, operational and governance matters – as key benefits for USS's Responsible Investment Team and in-house portfolio managers.

The final segment of the Japan Seminar focused on a prospective TMAM-GO Japan Engagement Fund (JEF) to invest in underperforming companies and engage with



management and boards in a "Japanese way" to improve long-term performance. TMAM CIO Hirofumi Kasai set the stage for the ensuing discussion by highlighting the poor performance of the Japanese stock market over the past 20 years. He then shared TMAM's vision for an engagement fund, expected to be launched in 2011, that would amalgamate GO's skill in engagement and TMAM's expertise in Japanese equities to help "secure appropriate returns on equity investments."

GO Founder Partner and Chairman of the Investment Committee Steve Brown followed with comments on the parallels between the role that the legendary Bob Monks played when he and Peter Butler started a UK engagement fund in the late 1990s with the relationship GO and TMAM have established with respect to the JEF.

In his presentation, TMAM Senior Analyst Ken Kobayashi remarked that an adverse macro-environment in Japan, generational shift in the mindset of Japanese managers and growing reform pressures provide an opportune window to launch an engagement fund in that country.

The lively exchange of views amongst the panellists and 50-plus attendees was moderated by GO Founder and CEO Peter Butler.

### USS Answers Japan Challenge With JEC

Below is an excerpt of Dr Daniel Summerfield's speech, explaining why USS became a member of the Japan Engagement Consortium.

"As we started to roll out our voting and engagement programme across all our markets, we encountered the same challenge as most global investors – how do we make our voices heard in overseas markets with

## Japan Seminar in London *Continued*

resource constraints and maximise our effectiveness, whilst taking into account the cultural sensitivities and different market practices? We were looking for local market-based solutions. The approach we have adopted in different markets is to seek to forge alliances with domestic investors and other partners who will be in a better position to act on our behalf when necessary and to guide us appropriately.

Far Eastern markets such as Japan are particularly sensitive. We are cognisant of cultural sensitivities and we have seen the governance graveyards of activist investors who have been in before. There have been some serious doubts cast about some investors' identification of companies, issues and engagement approaches.

Secondly, our objective in the Responsible Investment Team is to approach corporate governance in an integrated manner. We therefore work closely with the portfolio managers in our engagements with companies to ensure governance does not operate as a 'silo' function but is seen within context of strategy, operations and financial performance.

### So why were we attracted to the GO JEC?

- The consortium works as a partnership – the JEC is currently made up of Tokio Marine Asset Management, RailPen Investments and GO
- There is an integrated approach towards engagement

– strategic, financial, operational and governance concerns are all addressed

- The JEC has experts on the ground – local relationships have been developed with financial analysts and Japanese regulatory representatives
- The 'great and good' in Japan are involved with JEC through the Advisory Committee (senior representatives from corporates and investment institutions) which facilitates access to companies where necessary
- It is about qualitative engagements as opposed to quantitative engagements
- Voting advice is provided
- Market and regulatory issues are covered
- The engagement approach is flexible and is adapted to changing circumstances
- As members, the JEC organises meetings for us directly when we visit Japan
- Regular reports and updates are provided and we also have a quarterly meeting as part of an International Users Group. In addition, regular reports are received from our Japanese colleagues
- The JEC is receptive to new ideas and our suggestions are also considered. There is flexibility to undertake ad-hoc engagements"

## GO Dinner & Debate 2010

On the evening of Monday 18th October, we held our fourth Dinner & Debate at Christie's in London. The topic of the debate this year was "Beyond political correctness – does Board diversity really improve corporate decision-making?". We were delighted to welcome Mrs Money Penny, columnist for the FT and businesswoman, and Dr Sarah Rutherford, a widely respected figure in the diversity field, as our key speakers. Anthony Hilton, Financial Editor of the Evening Standard, chaired proceedings.

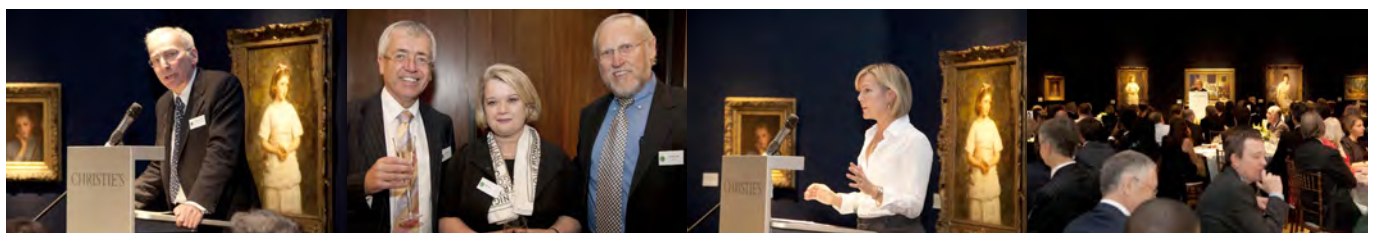
We had a very enjoyable evening and our guests

contributed to a lively debate before the dinner. Our thanks to all who joined us for the evening and made it such a success.

This is an excerpt of Anthony Hilton's column in the Evening Standard, commenting on the debate.

### A Case For Taking Quotas On Board

A few years ago, Governance for Owners had its first dinner and debate in a church in Spitalfields. Last night, the organisation – which has made a business out



## GO Dinner & Debate 2010 *Continued*



*of improving corporate performance through intelligent shareholder engagement — held this year's event, this time in Christie's West End auction rooms. The move from God to Mammon was, however, purely symbolic — GO remains firmly on the side of the angels.*

*Last night's topic was boardroom diversity; political correctness aside, does boardroom diversity actually improve corporate decision-making? But it is a sign of how far opinions, or at least the opinions people are prepared to express publicly, have shifted that there was no serious objection to the principle of diversity.*

*Even FT columnist Mrs Money Penny, who opposed the motion, was not against diversity, just against it being an end in itself. Her point was that board selection must be on the basis of talent and ability, not race or gender. Tokenism would do no one any good.*

*But the problem is that, however positive the thinking, there has been very little change in the reality of boardroom composition. It is still the preserve of white middle-aged men in suits, many of whom have been senior executives*

*elsewhere. Indeed, the pace of change may be slower now than it was a decade ago.*

*A report just published in the US shows there has been no progress in the past five years in the numbers of women on corporate boards, where it is stuck around 15%. Change here is similarly glacial. So the big issue is whether it is time to insist on quotas as a way to force a change in behaviours. This is what they have done in Norway, where the law requires at least 40% female representation.*

*This might indeed be the next big debate. EU Commissioner Michel Barnier appears interested in the idea and it may also appeal to Lord Davies, the trade minister in the last government who is producing a government-commissioned report on why there are so few women in the boardroom. The UK in general may have no enthusiasm for quotas, but it may well be something it has to think about.*

**Anthony Hilton**, *the Evening Standard*,  
19th October 2010

## Conference for Investors in New York City

**On 14th October 2010, GO and Milberg LLP, one of the premier class action and complex litigation firms, representing a host of institutional and individual investors and consumers worldwide, sponsored their first conference for institutional investors in New York City.**

Over 100 people from US public pension funds, investment firms and advisory services attended The Institutional Investor Information Exchange (3iX) — Taking the Lead: A New Era of Shareholder Activism in the Age of Financial Reform.

In a day-long series of panel discussions, speeches and networking opportunities, institutional investors engaged in lively debate about the full range of strategies available to exercise shareholder rights and promote responsible investing in the current environment — from corporate engagement to media to securities litigation.

GO Chief Executive Peter Butler participated in a panel on The International Agenda — Perspectives on Governance and Litigation Outside the US. Peter Clapman, Chairman

of GO USA, was a panellist on Public Pension Fund Challenges.

Other panels addressed issues of critical importance to today's institutional investors, including corporate governance reform, investment fund governance, litigation, and the role of the media. Panellists included well-known experts in U.S. and international corporate governance and securities litigation.

The keynote speaker was Dan Abrams, host of MSNBC's "Verdict with Dan Abrams" and chief legal correspondent for NBC News. Panel discussions were moderated by Todd Benjamin, anchor, correspondent and financial editor for CNN and Professor Arthur Miller, expert on Federal Civil Procedure.

Governance for Owners and Milberg LLP are working together to advance the cause of good corporate governance. We share a commitment to building governance structures that provide long-term management accountability and improved shareholder value.

## New Partners at GO

During 2010, two new partners have joined Governance for Owners. In May, Pedro Yáguez joined as Partner, working in the investment team of the GO European Focus Fund and in August, Staffan Elmgren joined as Partner, Marketing & Business Development.

### Pedro Yáguez

Pedro, a Spanish national, joined GO from AIB Investment Management in Dublin, where he headed the Pan-European equity team. Previously he spent 17 years at Citigroup Asset Management where he more recently managed the S&P AA rated Citiselect Euroland and Citiequity PanEuropean Funds.



Pedro brings over 20 years experience in managing equity markets with strong performance and in-depth understanding of corporate governance.

Pedro holds a Degree in Economics from Universidad Complutense in Madrid, MBA from IE and a Masters in Finance from London Business School.

### Staffan Elmgren

Staffan, who is Swedish, has over 30 years investment industry experience, initially in corporate finance, private equity and corporate governance, and for the past 10 years in marketing and consulting.



As of late 2000, Staffan was an independent advisor to international and Nordic clients, including acting as Hermes Nordic Advisor for nine years.

Previous to this, Staffan spent 12 years at Alecta (formerly SPP) in Stockholm and Brussels. His roles included Head of Operations at SPP Investment Management, Head of Private Equity and Head of International Property. He was Chairman of the Swedish Venture Capital Association 1989-1992.

Staffan has also worked at Barings Securities as Head of European Research and Lazard Brothers in London. He holds a Degree in Accounting and Finance from the Stockholm School of Economics.

## Seasons Greetings from Everyone at GO!

Wishing you a very Merry Christmas and all good wishes for 2011 from everyone at GO. As in past years, this year we are supporting the Crisis Christmas Card Challenge, in partnership with the Financial Times. Crisis is the national charity for single homeless

people and is dedicated to ending homelessness by delivering life-changing services and campaigning for change. Please click on this link for more information: [www.crisis.org.uk](http://www.crisis.org.uk)

## About Governance for Owners

Governance for Owners Group LLP (GO) is an independent partnership between major financial institutions, shareowners and executives dedicated to adding long-term value for clients by exercising owners' rights. GO has two main offerings. The GO European Focus Fund invests in a small number of European public companies where value can be added through exercising owners' rights to address governance issues that have historically

impaired company performance. The GO Stewardship Service offers independent corporate governance voting advice and engagement covering all of the world's major markets. In addition, the Japan Engagement Consortium was launched by GO and Tokio Marine Asset Management in 2009. GO has its group and European headquarters in London, and has offices in the New York and Tokyo. Please visit [www.g4owners.com](http://www.g4owners.com) for further information.

## Contact

**For further information contact:**  
Hattie Burgess, Marketing Director  
[h.burgess@g4owners.com](mailto:h.burgess@g4owners.com)

**Governance for Owners**  
26 Throgmorton Street  
London EC2N 2AN  
Tel: +44 (0)20 7614 4759  
[www.g4owners.com](http://www.g4owners.com)

