# Investors globally want better corporate governance

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**By Edward Iwata, USA TODAY**

Just like activist U.S. shareholders monitoring companies, investors worldwide want businesses they own to embrace tougher corporate governance standards, according to a report being released this week.

Global shareholders also would like companies in their countries to disclose more financial data, to adopt CEO pay plans that reward only strong performance and to use independent boards with no ties to management.

The report is by Institutional Shareholder Services, a research and consulting firm that surveyed 320 large investors overseeing $10.5 trillion in assets in 19 countries, including the USA, Canada, Great Britain, Australia, New Zealand, Japan and China.

Randy Hancock, ISS executive vice president for global research, says investors in every market "believe that corporate governance is important and will grow in importance over time."

Some 90% of Chinese investors, for instance, think corporate governance is "a necessary building block for successful capital markets" in China.

The 88-page report found that investors see corporate governance not as a legal obligation they must comply with, but as "a business imperative" that gives them an edge over competition.

While there's debate over whether good corporate governance practices improve a company's performance, 28% of those surveyed say such practices afford a competitive advantage for the shareholders' investment funds.

Some 67% of shareholders say corporate governance "offers value, but it's hard to quantify" in earnings results, investment returns and other traditional business measures.

The report also found that more investors seek to shape corporate governance standards in other nations, from voting on proxy measures at annual company meetings to engaging directly with management on key issues.

Others are going to court, says ISS senior counsel Patrick McGurn. Recently, 13 institutional investors in the USA, Australia, Great Britain and the Netherlands sued News Corp., accusing Chairman Rupert Murdoch of reneging on promises to shareholders, including the right to vote on a "poison pill" anti-takeover defense. The lawsuit was settled last week.

Why is global governance gaining momentum? Half of the investors cited their countries' corporate scandals, including Parmalat in Europe, Hollinger International in Canada, HIH in Australia and stock-market scams in China.

Among the biggest obstacles to stronger worldwide governance: clashing business laws and practices, with no international body to police corporate governance issues; distrust of ever-changing U.S. accounting rules and complex Sarbanes-Oxley-style laws; lack of regulation and poor financial disclosure in countries such as China, where state-run companies dominate the business landscape.

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