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A Series of Scandals at SK Group

Just a few months ago, the world witnessed the international media sensation surrounding the News Corporation empire and the Murdoch family in light of the phone hacking scandal. During his deposition, Rupert Murdoch sat next to his son, James Murdoch, blatantly denying his involvement in the debacle. Half way across the world, South Korea faced off with its own—perhaps less publicized, but equally embarrassing—scandal, involving the recent investigation into SK Holdings Co., Ltd. (“SK”). SK, the country’s third largest family-controlled conglomerate, also known as Chaebol, has been one of the driving forces behind Korea’s economy.

On December 1, 2011, the Seoul Central District prosecutors’ office issued a summons against CHEY Jae Won (“Jae”), vice chairman of the SK Group and the younger brother of CHEY Tae Won (“Tae”), the chairman of the SK Group, on multiple charges of securities fraud, embezzlement and creation of slush funds amounting to tens of billions of won, including internal money laundering. Authorities have been investigating 10 of 92 subsidiaries and SK affiliates, including the country’s largest wireless provider and cash cow, SK Telecom. Five of these were found to be injecting capital funds into the Company’s

investment brokerage firm, Benex Investment. Nearly KRW 280 billion was transferred to Benex Investment to invest in various entities controlled by SK and some of the money was allegedly used to form illegal funds. Tae will be summoned later this week for questioning regarding his collusion



(From Left) Chey Tae-won, Chey Jae-won

with his brother. Similar clashes with the investigative authority are not new to the top management at SK, formerly known as SK Corporation. In past Proxy Papers, Glass Lewis noted Tae and nine other executives were found guilty of illegal trading and accounting fraud, and Glass Lewis repeatedly recommended voting against Tae and other directors who were involved in the illicit behavior in addition to other directors who were not involved in the scandals but supported the re-nomination of Tae as a board member even after such serious wrongdoing. Tae was sentenced to three years in prison

in September 2003; however, he was released on bail and resumed his position at the Company and his sentence was reduced to five years of probation. In response to the public backlash after the scandal, SK made efforts to reshape its corporate governance, including: (i) addressing concerns by establishing in-house offices for external auditors; and (ii) increasing the number of independent directors on the board to 70%.

However, given the weight of the recent issues involving the CHEY brothers and SK Group, it appears that all the reforms SK has made have not been working in the ways initially intended and announced to the public and shareholders. A

number of personnel connected to the claims have been probed, including the representative director of Benex Investment, KIM Jun Hong (“KIM”), who was responsible for making multiple fund transfers out of/to Benex Investment. Tae had previously lost over KRW 100 billion in futures, but the National Tax Service later confirmed these funds as his personal money. Nevertheless, KIM is suspected of supplementing Tae’s costly investment by misappropriating finances. Meanwhile, Tae has been in the media spotlight for spearheading an extensive corporate social responsibility (CSR) program as a keynote speaker at the G20 Business Summits in Cannes,

France and was named one of the “Global Leaders for Tomorrow” at the World Economic Forum in Davos, Switzerland. Furthermore, his fundraising initiative to support underprivileged countries on a sustainable growth path was applauded by business leaders around the world. Such contradictory behavior on the part of the CHEY family in and out of the country is stirring skepticism and proving puzzling to international investors. While the investigations are not yet finalized, such issues involving founding family members in conglomerates still remain a serious obstacle to transparent and responsible corporate governance in Korea.

Proxy Voting Requirements in Canada and the Need for Reform

In response to various institutional shareholder requests and a lawsuit filed with the Ontario Superior Court, Magna International Inc. (“Magna”) issued a press release on December 6, 2011, with detailed voting results from its 2011 annual meeting. The meeting was a contentious one, as it followed a highly controversial and expensive payout to Magna’s founder, Frank Stronach, in exchange for collapsing the dual-class share structure that had allowed Mr. Stronach to maintain majority voting power despite owning a comparably small economic interest.

Although all of Magna’s directors were elected by shareholders, chairman Mike Harris and directors Louis Lataif and Donald Resnick each received less than 40% shareholder approval (“Magna Provides Additional Voting Information From 2011 Annual Meeting of Shareholders. Press Release. December 6, 2011). That these

directors were elected with only minority approval is due to the fact that, under Canadian voting rules, shareholders may only vote for a director or withhold their votes from being considered. As such, unless a company has adopted majority voting—and to date, only 58% of the 255 companies listed in the S&P/TSX Composite have (“Shareholder Group Pushes for Detailed Reports of Board Votes.” The Globe and Mail. November 27, 2011)—a director can be elected despite failing to gain majority shareholder support.

Currently, Canadian law does not require companies to disclose detailed voting results. As is evidenced in the voting results from Magna’s 2011 annual meeting, this lax policy can be extremely obstructive to shareholders’ rights, especially when combined with the plurality voting system under which many companies operate. Access to the voting results

for shareholders’ meetings can alert investors to areas of concern or significant dissent, as well as trends in the overall voting breakdown, and in time, should help highlight the need for majority voting across the board.

In March, the Canadian Coalition for Good Governance (the “CCGG”), which represents a wide range of institutional investors, asked the Ontario Securities Commission (“OSC”) to require full voting disclosure and a majority voting standard as part of a package of corporate governance reforms. This request was echoed in an October CCGG letter to the TSX, which is also reviewing these issues.

The CCGG’s 2011 Best Practices for Proxy Circular Disclosure recommends that disclosure of voting results include a detailed breakdown of votes for each proposal, including director elections, with

Imperial Oil Limited (“Imperial Oil”) cited as a prime example. Despite the fact that voting outcomes are rarely in doubt given the Company’s controlling shareholder, Imperial Oil discloses results both for ballots cast by the controlling shareholder, and for ballots cast by holders of publicly-traded shares. As such, minority shareholders are able to understand the level of minority opposition or support for each resolution, regardless of the outcome.

Mandatory voting disclosure, coupled with a majority voting policy, would represent a significant achievement for shareholder democracy in Canada. As noted above, only 58% of companies in the S&P/TSX Composite have adopted majority voting. Further, only 62% of S&P/TSX Composite constituents disclosed detailed

voting results for their last annual meeting (“Shareholder Group



Man counts ballot card.

Pushes for Detailed Reports of Board Votes.” The Globe and Mail.

November 27, 2011). This figure is likely far lower for smaller companies outside of the index. Lacking these policies, shareholder voting power can be severely muted.

For the upcoming proxy season, at S&P/TSX companies, Glass Lewis will be recommending that shareholders withhold their votes from the chair of a board’s nominating/governance committee if the company fails to adequately disclose voting results for its previous annual meeting. We believe that such disclosure should be a basic and fundamental standard for public companies, rather than an option that shareholders must fight companies to obtain. The results of Magna’s 2011 annual meeting only confirm the need for this reform.

The Latin America Common Market

Over the past two decades, there have been increasing efforts to integrate the Latin American capital markets, focusing primarily on Brazil, Chile, Colombia, Mexico and Peru -- the most developed of the region. Launched in May 2011, the Mercado Integrado Latinoamericano (“MILA”), which integrated the Chilean, Colombian and Peruvian bourses, became Latin America’s first regional equity market.

While it took decades for this to come to fruition, integration is quickly gaining momentum. In early December 2011, the Bolsa Mexicana de Valores (Mexican Stock Exchange or “BMV”) signed a letter of intent to explore the possibilities of becoming the newest member of the MILA. The MILA currently has a greater number of

listed securities, mainly in the mining, energy, retail and services sectors, than any other Latin American market. The incorporation of the BMV would add approximately 134 companies, primarily in the telecommunications, media, construction and retail sectors to the MILA, and would increase the MILA’s current market capitalization by \$450 billion, to approximately \$1.0 trillion.

Investor Benefits

As a result of the incorporation of the BMV into the MILA, investors can expect an increase in international investment opportunities and the potential to more easily diversify their portfolios. Transaction costs, which often prevent smaller investors from entering the scene, will continue to decrease as

a result of the elimination of the need to go through intermediaries or partner brokers to invest in the MILA member countries. In addition, the integration of the BMV would increase overall MILA trading volumes. As they rise, investing across Chile, Colombia, Mexico and Peru will become much more attractive to small, large, local, foreign and institutional investors alike.

Challenges and Opportunities

Nonetheless, the problems of integrating capital markets remain. For instance, differences in capital gains tax rates among the current MILA member countries, which range from 5% to 30%, may mean that tax disincentives for investors may persist. Plans to mitigate differing tax regimes have not yet

been proposed.

To combat one of the challenges of market integration, Colombia, Peru and Chile are in the midst of setting up a regional currency market for foreign-exchange trading where transactions between currencies in the three countries will be carried out using the U.S. dollar. Although this is a separate venture from the MILA, it is a strong indication that market integration is forging ahead. If Mexico joins MILA, it will likely adopt the regional currency plan.

In terms of regulation, MILA member companies will continue to be subject to the legal framework and corporate governance practices of the countries in which they are listed. However, the integration of Latin American capital markets is a key opportunity for Chilean,

Colombian, Mexican and Peruvian regulators and corporate governance advocates to join forces. To accomplish true integration of the capital markets, uniform reporting, transparency and corporate governance standards among MILA member companies must be established.

“The Latin America common market is inevitable.”

– Gilberto Mifano, former CEO of the BM&FBOVESPA.

What About Brazil?

While the attention is currently focused on the MILA and Mexico, it should be noted that Brazil has

long been an advocate of regional capital market integration. Currently, the chairman of Brazil Investments and Business (“BRAIN”), Paulo Oliveira, is expected to visit Argentina, Chile, Colombia, Mexico and Peru to present a proposal for the integration of the capital, investment fund and corporate debt markets of Brazil and the aforementioned countries. BRAIN is proposing that the listing rules of member bourses be modeled on the best standards currently applied in the six markets, such as the requirement that chairmen be independent for certain listing segments. Since Brazil has some of the best corporate governance and transparency practices in Latin America, investors should certainly keep an eye on this initiative.

Italy and Greece Share More than Just Olives

There are many commonalities between Italy and Greece. Beyond contributing to the foundation of western civilization, both countries offer picturesque landscapes, impeccable cuisine, architectural triumphs – and colossal debt. In 2010, Greece had the highest public debt to GDP ratio (142%) in the Eurozone, closely followed only by Italy (119%).

Gross Debt as Percentage of GDP:

Economists and credit rating companies have identified the most significant causal factor in the current debt crisis to be GDP growth, which for both countries has been low or stagnant and has moved in tandem since 2000. Other obstacles to reducing national debt can be attributed to the countries’ related governance issues, including: (i) major

government spending ; (ii) high unemployment of youths and women ; (iii) prohibitive labor laws, (iv) rampant tax evasion ; and (v) excessive political turmoil, with both prime ministers Berlusconi and Papandreou stepping down in recent months.

Corporate Structure Affects Economic Growth

Although limited economic growth has been identified as the major source of the current debt crisis, the root of the problem is less apparent. In Greece and Italy, company size and ownership structure are significant contributing factors to the lack of economic growth on a national scale.

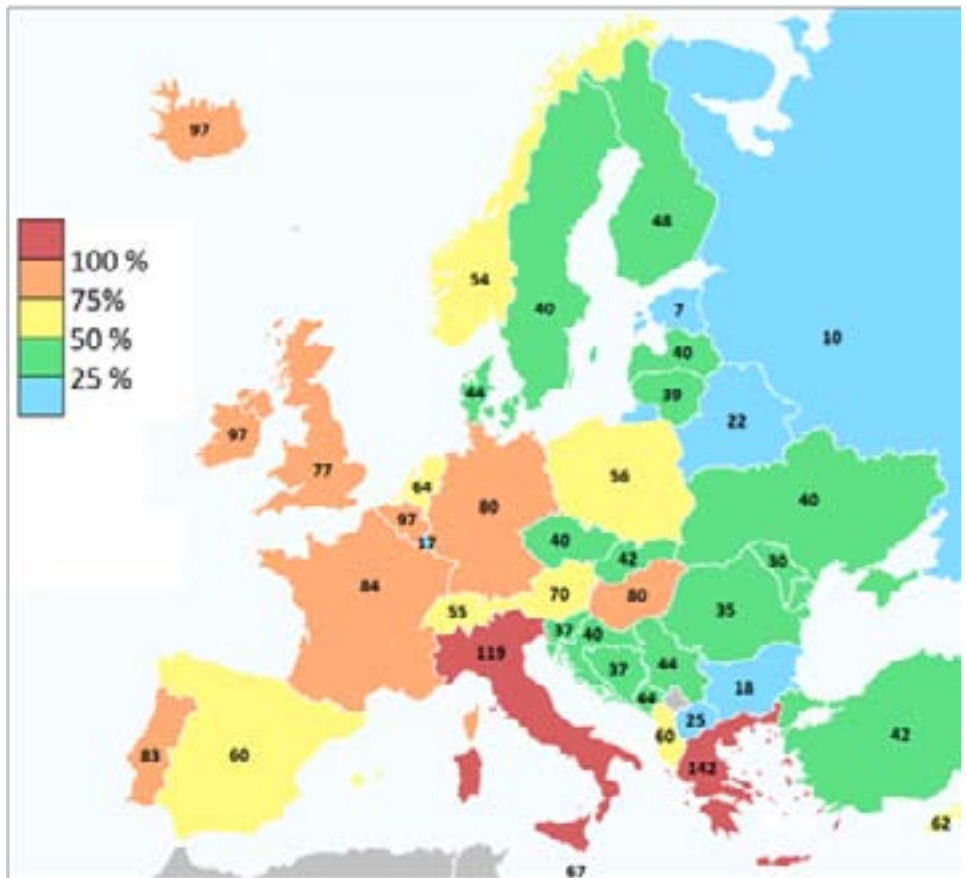
Small companies are prevalent in both nations, and this can be correlated to inefficient

court systems, a slow and often corrupt governance structure, and ingrained perceptions that condone tax evasion and stigmatize bankruptcy claims. Italian and Greek businesses are also dominated by strong family ownership in both the public and private sectors. This can compromise the independence of management, limit outside opportunities, and hinder minority shareholder participation. Furthermore, “[t]hese firms have less propensity to innovate, engage less in research and development, and rarely penetrate emerging markets,” according to Mario Draghi, ECB president and former head of the Bank of Italy.

Debt Resolution Strategy

In consultation with authorities from the ECB and IMF, the Greek

state has established a plan that involves the swapping of government bonds in order to reduce the current debt crisis. Bondholders of certain large banks may be offered four choices for debt exchange under the plan's terms, some of which come with a lower coupon but sustained principal and others which involve a loss of principal but greater interest. Together, two of the country's largest banks, ATEbank S.A. and TT Hellenic Postbank, intend to swap or roll over €8.3 billion in bonds, representing approximately 6.1% of the total bonds exchanged under this plan. Many of the banks involved in this program are predominantly owned by the Greek state. If approved, minority bondholders may not prosper from this bond swap, but will continue to hold bonds which remain viable as the Greek economy begins to recover. At this time, Italy has not established a definite plan to resolve its current debt crisis, but the Bank of Italy has denied rumors of a similar bond swap program.



Gross Debt as Percentage of GDP

Forecast for the Future

In the coming months, Greek banks will continue to participate in the current bond exchange program to reduce the country's overall debt burden. Italian companies may experience similar recovery measures; however, specific plans to reduce debt and to what extent

this will involve the privatization of government-owned assets or privately-held bonds remains uncertain. As a whole, many Greek and Italian companies will undergo significant restructuring which may involve share and/or debt issuances as well as capital reorganization to meet national and international requirements.

Let's Talk Comp: The Spread of Mandatory Say on Pay in the European Union

It's that time of year again. As proxy season approaches, some companies in Italy, Belgium and Spain are preparing to tackle the issue of executive compensation for the first time - whether they like it or not. Starting next year, companies in these markets will be required to address executive compensation practices at their general meetings. While Italian, Belgian and Spanish companies have had the option to hold a say

on pay vote in the past, such a vote will now be required as legal provisions come into force in time for the coming season. Without a doubt, the issue of executive compensation has been a topic that has received more and more attention from market participants over the past few years, especially following the fallout of the financial crisis. Questions regarding proper risk alignment and "pay for

performance" have increasingly been discussed in board rooms, where such discussion may have previously been absent. Given that the issue has attracted so much global attention, it comes as no surprise that regulators are providing greater guidance for companies in various areas of compensation – particularly in the areas of structure and disclosure. Almost three-quarters of respondents to the

European Union's Green Paper on the Corporate Governance Framework agreed that disclosure of compensation policies, annual compensation reports and individual compensation of directors should be mandatory. Respondents, representing issuers, investors, consultants and other market participants, claimed that this would contribute to a level playing field in the EU and improve the comparability of information between companies in different member states.

Specific disclosure guidelines are especially important in markets where say on pay is mandatory. In Italy, Belgium and Spain, issuers must prepare to improve disclosure in line with new regulations accompanying mandatory say on pay in 2012. However, even in countries that do not have mandatory say on pay, such as Switzerland, regulators are focusing on improving compensation disclosure. Italy's market regulator and supervisor, Commissione Nazionale per le Società e la Borsa, or "CONSOB," is currently in the process of finalizing proposed regulations that would require uniform and more detailed disclosure of compensation practices than in the past. Shareholders, who would vote on a company's proposed remuneration policy for the coming year, would be presented with both the proposed policy and the previous year's policy. Currently, only Italian banks and financial institutions must submit a remuneration report to shareholders for approval; however, if the proposed regulations are approved by the end of the year, all companies will be subject to this requirement. These new regulations will also

provide more detailed and uniform guidelines for remuneration disclosure across the board. In Belgium, companies are now required to prepare a separate remuneration report, which must disclose the most important characteristics of the company's compensation practices. Specifically, the Belgian Companies Code mandates that the remuneration report present



Boardrooms will be busier than in past years in countries such as Belgium, Italy and Spain, as directors prepare to comply with mandatory say on pay provisions and new compensation disclosure requirements.

the compensation paid to the CEO, on an individual basis, and the rest of the executive team as a whole, broken down into fixed salary, variable compensation, pension rights, and other payments. The remuneration report must also disclose the number and terms of all equity-based awards that were granted, exercised, or expired during the last fiscal year, as well as the value of any severance package. Lastly, the company must present its procedures for developing its remuneration

policy and determining individual remuneration, and highlight any significant changes made to its remuneration policy in the last year.

Switzerland, which will not have mandatory say on pay in 2012, is also set to implement increased reporting requirements. In particular, companies must include an explicit definition of those that are responsible for compensation-related decisions. This type of disclosure is particularly relevant for companies that make use of time-vesting awards, as the process for determining the amount and payout of such awards is influenced solely by the plan's decision makers. Further, companies will be required to disclose any relationships with external consultants.

In Spain, a remuneration report should include a description of a company's remuneration practices during the year, a description of policies planned for future years, as well as a breakdown of individual remuneration. The Ley de Economía Sostenible ("LES"), which came into effect in March 2011, mandates that the Ministry of Economy and Finance and the CNVM can determine the structure and content of remuneration reports. While the LES currently provides a basic framework for remuneration disclosure, the CNMV is currently in the process of finalizing proposed regulations that would require the disclosure of remuneration in clear, uniform tables, including a robust breakdown of individual remuneration such as fixed salary, board fees, bonuses, long-term incentives and severance awards. The proposed regulations would also require companies to explain the terms of annual

bonus arrangements, including a description of performance metrics, evaluation methods used to determine if criteria has been met and information regarding deferral periods. With respect to long-term incentives, we note that companies may voluntarily disclose, but are not required to disclose by law, vesting provisions or overall dilution limits of long-term incentive awards/plans.

Due to the voluntary nature of say-on-pay proposals and the sparse information provided by Spanish issuers who did not have guidance in terms of remuneration disclosure, during the 2011 proxy season, Glass Lewis recommended voting against approximately 73% of Spain's say on pay proposals. However, we expect our recommendations to differ in the coming season when

improved, standardized disclosure is universally applied. While shareholders should expect better disclosure in all of these markets as a result of these enhanced disclosure measures, the full effect of these recommendations will probably not be felt until the next proxy season.

Collapse of MF Global Prompts Questions About Investment Bank Governance

While the bond holders and clients of bankrupt futures brokerage MF Global Holdings Ltd. ("MF Global") fight for the remnants of the firm's assets, governance-minded holders of the Company's soon-to-be worthless shares are left asking what went wrong.

The short answer: plenty.

In March 2010, the board of MF Global hired Jon Corzine, a former governor of New Jersey, U.S. Senator and CEO of Goldman Sachs. The hiring was instigated by J. Christopher Flowers, who had worked with Mr. Corzine during their time at Goldman (Gina Chon. "Friendship Is Tossed in MF Global Storm." The Wall Street Journal. November 10, 2011). Mr. Flowers manages a private equity firm that in 2008 bought \$150 million in preferred shares of MF Global; in exchange, he had one seat on the board (occupied by David Schamis, a manager of Mr. Flowers' firm). The preference shares were convertible into 12 million common shares (6.8% of the Company's outstanding common stock, according to the 2011 proxy statement).

In less than two years, the board allowed Mr. Corzine, in an effort to increase the Company's

investment revenues, to build a \$6.3 billion net exposure to the bonds of some of the most troubled nations in Europe (specifically, Italy, Spain, Portugal, Ireland and Belgium). The firm's direct bets on Europe's debt reached as high as \$11.5 billion and were paired with short-term hedges that expired before the maturity of the bonds (a danger not disclosed to investors). (Miles Weiss, Cristina Alesci and Matt Leising. "Corzine Pushed Euro Bet to \$11.5 Billion." Bloomberg.com. November 29, 2011).

But while lending to the debtor governments of Europe qualifies as a decidedly "risk-on" play, the bonds themselves did not sink MF Global. Rather, the peril lay in Mr. Corzine's leveraged structuring of the trade. Specifically, the bond purchases were funded through repurchase agreements (a type of loan) with terms matching the bonds' maturities. (The use of parallel terms allowed MF Global to artificially reduce its reported liabilities.) MF Global pocketed the difference from the interest it received on the bonds and the interest it paid on the repurchase agreement (Weiss et al). However, this caused MF Global to be highly

levered (one estimate pegged its leverage ratio at an unheard of—post-Lehman Bros., that is—40:1) while its assets were heavily weighted toward illiquid European bonds (Chris Isidore and Maureen Farrell. "MF Global's warning bells." CNNMoney.com. October 28, 2011).

Thus, when Moody's (citing the sovereign debt exposure as well as poor earnings) downgraded MF Global's credit rating on October 24, lenders and trading partners sought safer collateral and clients pulled their cash, leading to a liquidity crisis a la Lehman and AIG (Weiss et al). Though investigations are ongoing, it appears that MF Global used the funds of its brokerage clients (possibly as much as \$1.2 billion) to meet the collateral calls (Charlie Gasparino. "Kiss the MF Global Money Goodbye, Sources Say." FoxBusiness.com. December 6, 2011). That these funds could not be accounted for foiled a last-hour purchase of MF Global by Interactive Brokers Group—the last chance for shareholders to salvage their investments (Weiss et al).

MF Global filed for bankruptcy protection on October 31. Its reported \$41 billion in assets

ranked it as the eighth largest bankruptcy in U.S. history. Over 3,000 employees have been laid off. As of this writing, the missing client funds are feared irretrievable, former employees have sued management and the board, and Mr. Corzine has told Congress that he has no idea where the missing funds went. Though MF Global's downward spiral mirrored that of Lehman, its governance mistakes were of a different sort. While Lehman's board had only two independent directors with experience in the financial services industry, each MF Global director appeared to be well qualified to monitor risk at the Company. Jeffrey Sonnenfeld, a dean at the Yale University School of Management, told Bloomberg, "This was a board that could not possibly have been more expert in exposure to risk, a board with at least as much, if not more, expertise than the CEO."

On the surface, there were only minor governance concerns with the board. Audit committee members David Gelber and Martin Glynn served on three additional audit committees, though each has extensive financial experience and attended the committee's meetings. In addition, the firm of director Robert Sloan had a business relationship with MF Global, though this relationship was slated to end in August 2011. However, there is no clear evidence that the board as a whole was lax in its oversight or had reason to be beholden to Mr. Corzine and his decisions.

Nor can the board's compensation policies be faulted for Mr. Corzine's outsized risks. The key features of Mr. Corzine's pay package were a sign-on award of 2.5 million stock options with a \$9.25 strike price

(which vested within one year), a guaranteed \$2 million annual bonus (which he declined to accept in full in fiscal 2011), and a three-year employment contract. (In addition, according to the proxy statement, he owned 333,200 shares of MF Global common stock and is reported to have had over \$50 million invested in the firm (Sital Patel. "Corzine's Wealth Is Eroding With His Reputation." FoxBusiness.com. November 8, 2011).)



Jon Corzine

While none of the aforementioned would count as best practices—Glass Lewis recommended that shareholders vote against MF Global's 2011 say on pay proposal—neither are they likely to have provoked the risks taken by Mr. Corzine. All of the Euro bonds purchased by MF Global mature in 2012, so this does not appear to be a case of an executive who sought short-term profits by exposing his firm to long-term risks, as occurred at Lehman, AIG and others during the mortgage-backed security craze (Weiss et al). Due to their duration, the bonds purchased by Mr. Corzine could

not hurt shareholders at some point far in the future, after annual bonuses had been awarded. On the timeline of risk, Mr. Corzine and his shareholders were in step. Rather, blame for MF Global's downfall may lie in the board's failure to carrying out its risk management function. According to published reports, the chief risk officer was dismissed months after questioning Corzine's gamble on Europe (Aaron Lucchetti and Julie Steinberg. "Corzine Rebuffed Internal Warnings on Risk." The Wall Street Journal. December 6, 2011). Corzine then brought on Bradley Abelow—his former chief of staff as New Jersey governor—as COO, with duties including risk oversight. Apparently, Corzine's decisions were not subject to the Company's risk management procedures and required only the consent of the board. The board questioned Corzine on the investments and set dollar limits on his bond purchases (Weiss et al). However, the directors did not want to offend Corzine by limiting his trades, perhaps because they worried their star hire would leave if the board would not sate his risk appetite (Lucchetti and Steinberg). The portrait offered by these reports does not exactly square with the risk management procedures detailed in the Company's 2011 proxy statement, in which the board tells shareholders that it sets the Company's risk tolerance and forms the framework by which risk management is delegated. Further, the board states that the audit committee, which was charged with risk oversight, met with the chief risk officer and others, reviewed risk management procedures and made relevant recommendations to the full

board. The disclosure mentions neither the firing of the chief risk officer during 2011 nor the interactions between Mr. Corzine and the board concerning the Company's exposure to Europe. It seems that the risk management framework set by MF Global was mutable if it contradicted the wishes of Mr. Corzine. In the words of Mr. Sonnenfeld, the Yale business school dean, "This was an example of people not having the courage to stand up to the CEO." More facts concerning the actions of the MF Global board will come to light in the coming weeks, as the bankruptcy, criminal investigations and civil lawsuits develop. These facts may answer the questions of some stakeholders, or they may simply provoke more questions. For those shareholders concerned with ensuring that their investments in other investment banks can be protected through corporate governance, Glass Lewis believes the key questions raised by the MF Global debacle are the following:

- How did Mr. Corzine gain the authority to alter the firm's risk profile within a year and a half?
- How did Christopher Flowers, whose stake in the Company was matched or exceeded by several institutional investors, achieve such sway over the board as to bring about the hiring of Corzine (which effectively gave him two seats on the board)?

- Should an independent chairman be appointed when a CEO with the celebrity status of Corzine is hired?
- Did the Company have sufficient internal controls to prevent the apparent commingling of client and firm funds that occurred during the onset of the liquidity crisis?
- Finally, should the risk oversight disclosure in proxy statements be enhanced so that changes to the process (like the firing of the risk officer) are required to be disclosed? And should significant risks like those taken by Mr. Corzine be discussed with specificity?

One question that need not be asked is whether the legislative and regulatory reforms provoked by the financial crisis of 2008 were sufficient to prevent undue risk taking at investment banks. Perhaps the failure of MF Global will move shareholders to prevent another by strengthening the governance tools at their disposal.

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