

Corporate Governance 101: An Introduction for Investors



W I N S L O W
M A N A G E M E N T C O M P A N Y

April 2005

Enron. WorldCom. Qwest. Tyco. Adelphia. Global Crossing. Vivendi. Hollinger. Marsh & McLennan. The list goes on, as concerned investors and citizens well know. The beginning of this decade has seen a disappointing number of "corporate scandals"—companies' failures to meet the behavioral expectations of stakeholders, including employees and shareholders, often in order to meet Wall Street expectations. The end results of such scandals, however, benefit no one: executives face jail time, employees lose their jobs and shareholders lose their investment.

These failures have called the investment community's attention to corporate governance practices, which monitor how a corporation is directed and controlled. Both investors and regulators have gained a new interest in, and appreciation for, corporate governance practices after the scandals. They continue to cast a critical eye on governance behavior and to call attention to practices once carried out behind closed doors.

In this paper, we address the recent history of the corporate governance movement and present a summary of where it stands today. We begin with a look at the federal government's response, the Sarbanes-Oxley Act. We then turn to look at the basic governance issues, some of which are addressed by Sarbanes-Oxley, but most of which have been dealt with by investors, companies and activists in different and independent ways. We go on to discuss how corporate governance fits on the larger stage of environmentally responsible and socially responsible investment. Several agencies that provide various analytical tools for the SRI community have also begun offering services to analyze corporate governance, some of which we mention. We then look at how investors advocate for good corporate governance, how they make their opinions heard, and how successful they have been to date. We also include some detail on what Winslow itself has done.

We close the article with a discussion of the corporate reaction to the increasing importance of corporate governance, and counter that with the growing body of research that claims to demonstrate that improved governance, despite its potential drain on executives' time and resources, actually enhances performance. Although it is still difficult to come to any definitive conclusions, the corporate governance concerns being raised today by diverse constituencies—from shareholders to activists to the federal government—can no longer be ignored.

Regulatory Response

The federal government's immediate reaction to the Enron-like corporate scandals was the Sarbanes-Oxley Act, passed in 2002. Introducing the Act in the Senate in July 2002, Senator Paul Sarbanes stated that it is "intended to address systemic and structural weaknesses that I think have been revealed in recent months and that show failures of audit effectiveness and a breakdown in corporate financial and broker-dealer responsibility." To do this, Sarbanes-Oxley established the Public Company Accounting Oversight Board to oversee auditors of public companies. Sarbanes-Oxley also set out new rules for accounting firms and new governance requirements for public companies listed on American stock exchanges (See Box 1 for a summary of Sarbanes-Oxley's provisions). Not surprisingly, the corporate response to the Sarbanes-Oxley has been less than enthusiastic, with many CEOs arguing that the millions of dollars spent on complying with Sarbanes-Oxley far outweigh whatever benefits it may provide.

Box 1

Summary of Key Corporate Governance Requirements of Sarbanes-Oxley Act of 2002

- Audit committee composed of independent directors, including one financial expert
- Accountant reports to the audit committee
- Loans or credit prohibited to executives or directors
- CEO and CFO sign quarterly and annual reports, certifying they know of no untrue statements in the reports
- Management submits assessment and evaluation of internal controls in annual reports
- Whistleblowers protected after providing information on violation of rules
- Criminal penalties increased for defrauding shareholders, etc.
- Disclosure of whether the company has a code of ethics; where it can be found; and if there is not one, why
- Disclosure of transactions involving management, directors, and principal shareholders within two business days
- Disclosure in real time of financial information of the company

Adapted from Palmer & Dodge

Defining Corporate Governance

While some investors are sympathetic to the argument that Sarbanes-Oxley compliance can distract management and waste company resources, they also appreciate the strengthening of corporate governance observed over the past few years. It can be difficult to draw a line to between what is good and bad corporate governance, however. How do companies fairly balance the competing interests of shareholders, employees, and customers? How can entrepreneurial executives with a specific vision for a company ensure that the culture is upheld when a company goes public? What are the trade-offs implied by certain progressive corporate governance practices, such as flexibility versus stability in the case of classified and declassified boards? While some issues, such as executive compensation levels, have attracted the interest of investors for years, many more investors are now interested in many more factors. Box 2 contains a description of several corporate governance issues that investors are concerned about, as well as a handful of the more progressive solutions recently advocated. Fairly evaluating governance practices requires contextual analysis of a company's particular situation, however. It's not always correct to simply label some practices as good and others as bad.

Box 2

Important Corporate Governance Factors

- Board size—Moderately sized boards, ideally 9-12 members, tend to have the necessary skills without being too large to effectively function.
- Board composition—A majority or plurality of independent versus inside directors on the board helps ensure that the board is able to challenge and evaluate management. § Chairman-CEO roles—Separating the two functions allows the board to evaluate more effectively the performance of the CEO and other officers.
- Related party transactions—CEOs and other officers and directors should not be involved in transactions that might violate the self-interest of one of the parties.
- Committee composition—Having solely independent directors comprising the compensation, audit, and nominating committees of the board can ensure that the committees function properly in their oversight roles.
- Board structure—The annual election of all directors, rather than a classified board with staggered director terms, holds directors more immediately accountable to shareholders.
- Director attendance records—Good attendance records (e.g., at least 75%) of all directors demonstrate a commitment to their roles as directors.
- Compensation of executives and directors—Executive bonuses should be tied to corporate performance. A reasonable level of equity-based compensation can be used to align management and directors' interests with those of shareholders. Contractually guaranteed executive severance packages should not be excessively large.
- Voting procedures—A simple majority requirement to elect directors, amend bylaws, and pass resolutions is the most transparent form of governance.
- Capital structure—The use of multiple share classes can limit the voting power of shareholders or concentrate power in the hands of a few directors.
- Officer and director ownership—When members of management and the board have a personal stake in the company's performance, they can align their interests with those of the shareholders.
- Anti-takeover measures—Shareholder rights plans, also known as poison pills, can make an unwelcome takeover prohibitively expensive. Poison pills with shareholder-friendly attributes, such as requiring shareholder approval or including a trigger threshold, are preferred to those that enable management entrenchment.
- Non-audit fees—To ensure objectivity, fees paid to the auditor firm for services other than the audit should be less than audit fees.

Progressive Practices

- Board guidelines—Policies and standards on governance issues can be published in a company's annual proxy statement or on its website.
- Diversity—Incorporating racial, ethnic, gender, and other diversity into the ranks of executives and directors can bring a variety of perspectives to decision making.
- Independent director meetings—Meetings without management representatives can allow for open evaluation of executives and other sensitive issues.

Adapted from ISS and IRRG

Many investors and advocacy organizations see corporate governance as inevitably linked to many of the other social issues on their minds. In an effort to illustrate this point, the Coalition for Environmentally Responsible Economies, CERES, and the Investor Responsibility Research Center, IRRRC, co-sponsored a report in June 2003 called "Corporate Governance and Climate Change: Making the Connection." According to Douglas Cogan, Director of Social Issues at IRRRC and author of the report, there is not only "a connection between climate change and corporate governance, but [a] connection between how institutional investors analyze corporate behavior relative to any issue that may come before them." In the past, companies have developed policies to deal with different issues separately—corporate governance policy is just one example. Cogan, however, believes that, "rather than having a piecemeal approach, [a] company will realize it should really have a corporate strategy."

In response to the increasing importance and relevance of corporate governance issues to both investors and companies, a number of rating agencies have developed services to assist in the analysis of corporate governance criteria. For example, Institutional Shareholder Services (ISS) offers the Corporate Governance Quotient (CGQ) rating system, which evaluates eight core topic areas and compares a given company to its market index (e.g., S&P 500) and its specific industry (e.g., Software and Services). CGQ's universe includes over 7,500 companies worldwide. Similarly, the Corporate Library, a research firm, offers a Board Effectiveness Rating through its Board Analyst tool, in addition to corporate governance and company research sources. This service also assesses points in eight different categories for its universe of 2,000 U.S. companies. Like ISS and the Corporate Library, GovernanceMetrics International (GMI) offers an overall company rating, which it bases on six different six research categories. GMI also provides ratings for each of its categories and various summary governance statistics for companies. A fourth example of the variety of corporate governance rating systems is the Investor Responsibility Research Center's (IRRC) Corporate Governance Benchmarker, a service for its universe of 1,500 U.S. companies. Though it does not provide a numerical score, the Benchmarker gives company-specific information on over 70 data points in five topic areas, and provides averages on these same metrics for the company's peers in its S&P index and economic sector. While each of these services is slightly different, together their existence and success demonstrate the growing interest of investors in governance issues that their ratings and research products address.

Investors Wake Up

While these ratings services have only materialized in the past few years, some investors have been concerned with corporate governance over a longer time frame. For example, the Teachers Insurance and Annuity Association - College Retirement Equities Fund, TIAA-CREF, has been a well-known and generally progressive supporter of shareholder rights and sound corporate governance for many years. As a representative of more than two million individuals and a long-term investor in the U.S. and international equity markets, TIAA-CREF's position is that "sound corporate governance contributes significantly to long-term corporate performance" and it has issued a Policy Statement on Corporate Governance detailing its stance.

TIAA-CREF's central question in its corporate assessment program is: "Does the company have a vital and independent board performing a vigorous and challenging role in overseeing management's conduct of business?" In recent years, TIAA-CREF has been particularly concerned with issues such as companies' procedures for setting executive compensation, the extent of companies' fiduciary oversight and how companies ensure that their audit committees function properly. Among the other factors that TIAA-CREF examines are the quality of the board (e.g., independence, diversity, organization, selection procedures, compensation and evaluation), shareholder rights and proxy voting procedures, management evaluation process, company's strategic planning process, board's attention to good corporate citizenship, and director education. As Peter Clapman, TIAA-CREF's Senior Vice President and Corporate Counsel of Corporate Governance, explained, "More investors now appreciate the link between value and serious corporate governance engagement. At a very minimum, corporate governance is a good measure of risk... [and] corporate governance problems affect portfolio risk as well as return."

Many other investors have followed the lead of TIAA-CREF and other forerunners in the movement towards stronger corporate governance. For example, some investors are choosing to invest in companies with strong governance practices. In response, ISS and the FTSE Group, a global index provider, announced in 2004 a collaboration to develop the FTSE ISS Corporate Governance Index series. ISS stated that these indices will "allow investors to identify corporate governance risks across a global portfolio, and provide standard and customized benchmarks which will enable investors to manage their exposure to companies with poorer corporate governance performance." Another example is the Shareholder Rights Index, a product being developed by Lucian Bebchuk, a Harvard law and economics professor, and Glass Lewis & Co., a San Francisco-based proxy advisory service. This index, based on the S&P 500, overweights companies with good governance and underweights those with bad governance.

Once they have purchased a stake in a company, investors are also choosing to use their rights at annual general meetings as a tool to enhance governance. At these meetings, shareholders have the opportunity to elect board members and vote on resolutions brought up by management, voting either at the meeting or beforehand, using a proxy. Investors—and especially institutional investors such as TIAA-CREF and state pension plans such as the California Public Employees' Retirement System (CalPERS)—have begun more frequently to withhold votes from directors to express displeasure with a company's governance or to vote against management on specific resolutions. TIAA-CREF's proxy policy, for example, states that it aims to "balance fiduciary responsibility with a commitment to corporate social responsibility and a belief that companies should be allowed flexibility in dealing with these issues." For information on Winslow's proxy voting and corporate governance activities, see Box 3.

In addition to voting on issues raised by management, investors can also sponsor their own resolutions, requesting that a company take specific actions. IRRRC reported that in 2004, shareholders sponsored 450 corporate governance-related proposals, 133 of which received a majority vote. For example, in 2003, Amalgamated Bank of Longview, an investor in Whole Foods Market, sponsored a resolution on Whole Foods's proxy statement. The resolution requested that Whole Foods declassify its board, moving to a

system where all directors are elected annually. In the resolution, the bank explained, "We believe that electing directors in this manner is one of the best methods available to stockholders to ensure that the Company will be managed in a manner that is in the best interest of stockholders...We regard as unfounded the concern expressed by some

Box 3

Winslow's Corporate Governance Activities

Winslow has long been interested in and aware of the basic corporate governance principles of our portfolio companies. Over the past year, however, we have been strengthening our own corporate governance work, particularly in two areas: corporate governance screening and proxy voting.

Winslow began including corporate governance factors as part of our environmental review process in 2003, initially considering a few factors such as board independence. Our current environmental review now also includes a full section on corporate governance practices, such as board structure, board committee composition, director attendance records, capital structure, board and management compensation, and board and management diversity. Winslow now considers this information during the environmental review process.

An SEC rule requires that mutual funds annually disclose their proxy voting records, beginning in the summer of 2004. While proxy vote records for mutual funds can now be found on the SEC's website, Winslow has also posted the record for the Winslow Green Growth Fund on our website. In addition, we have posted the guidelines that inform our voting, prepared by the Social Investment Research Service of Institutional Shareholder Services (ISS).

that the annual election of all directors could leave companies without experienced directors in the event that all incumbents are voted out by stockholders...such a decision would express a dissatisfaction with the incumbent directors and would reflect the need for change." Over 60% of Whole Foods shareholders agreed, and the board amended the bylaws to reflect the change.

Winning a proxy vote does not always guarantee success, however, as management is not obligated to enact changes approved by shareholders, and often will not. An article by Brownstein and Kirman in the November 2004 issue of *Business Lawyer* pointed out that, according to ISS, only 28% of companies with majority vote resolutions complied with their demands in 2003. They stated that "directors not only may, but should, at times, come to the conclusion that the change sought in a majority vote resolution is a bad idea for the company... State law requires that directors exercise their independent business judgment in considering majority vote resolutions...but...we also note that the changed corporate governance climate makes it essential for companies and their directors to treat majority vote resolutions seriously and to enhance their procedures for considering and acting on such resolutions."

On the other hand, a majority vote is not always necessary to achieve reform. Frequently, management will enter into a dialogue with investors who have filed or are

planning to file a resolution in order to prevent the resolution from showing up on a proxy statement. This dialogue can often lead management to make the changes that the resolution was seeking, and investors withdrawing the resolution. In fact, in a recent article in the *New York Law Journal*, David Katz pointed out that the number of proposals that came to a vote in 2004 actually declined by about 3% from 2003, but that the number of proposals submitted but subsequently omitted or withdrawn rose by 22%. TIAA-CREF, for example, relies mainly on confidential talks with executive management regarding relevant issues, and resorts to filing shareholder resolutions only when it has reached an impasse.

The decrease in proposals filed in 2004 therefore can be seen as an indication of the success of shareholder driven campaigns, not their failure. Or, as Katz noted, "[it] is not attributable to any reduction in shareholder activism but instead appears to result from the fact that public companies increasingly are electing to adopt governance changes rather than facing dissident shareholder campaigns." Compounding this driver is a possible proxy access rule that, if adopted by the SEC, would allow investors directly to nominate alternate directors for the board.

Corporate Resistance

Predictably, many corporate leaders have not been thrilled with the increased attention to corporate governance practices coming from investors. An article in *CFO Magazine's* September 2004 issue commented "observers say this year's annual general meetings were more like open season than proxy season, with institutional investors targeting big game." A survey published in the same issue found that 53% of finance executives had spent more time dealing with shareholders as compared to the previous year, and the remainder spent the same amount of time. None spent less. In the same survey, 56% of the executives responded that they felt shareholder activists were distracting management and the board from running the business.

Similarly, company managers are critical of the governance ratings process. Some claim that a blanket checklist cannot adequately assess the specific situation of a particular company's governance. Jay Gould, from Huntington Bancshares, commented in *IR Magazine's* December 2004 issue, "These ratings are not accurate—they're too general. They do all the right things to show particular governance areas that people focus on—such as classified boards—but all they do is measure that statistic. They seldom provide the context in which to evaluate the issue."

Critics also decry the potential conflicts of interest that they see as inherent in the business models of services such as ISS and GovernanceMetrics, which, in addition to corporate governance ratings, provide governance consulting services to corporations. For example, *CFO* reported that AutoZone's CEO Stephen Odland objected at an SEC-sponsored panel discussion in 2004 that "when you get a [governance] rating, you have to buy [ISS's] services to understand its rating." ISS, however, points out that all rated companies have the ability to check their own CGQ rating and the data that informed it, as well as request changes to factually incorrect data. ISS also has a conflict of interest policy (publicly available on its website) in place to prevent different services from influencing each other. ISS's corporate counsel, Patrick McGurn, countered the criticism, stating, "If

companies are going to accuse us of accepting money for improving a company's corporate governance, I'll take that every time."

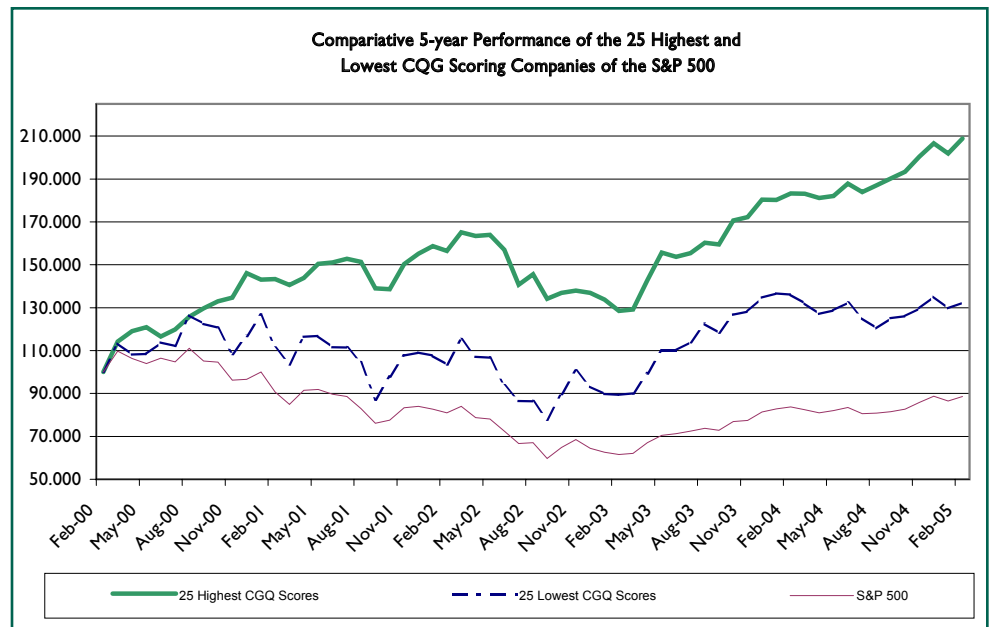
Of course, some companies hold that investors should not care about corporate governance at all. The 2004 CFO survey found that 11% of CFOs felt that adopting governance practices advocated by "activist" investors such as CalPERS would improve companies' ability to create value, while 42% believed it would reduce their ability. In a March 2005 speech at Boston College, Nestlé CEO Peter Brabeck-Letmathe espoused this attitude, blaming the increase in corporate governance regulations for the decreasing competitiveness and productivity in Europe as a whole. In his speech, Brabeck-Letmathe described corporate governance as based on the "flawed concept of a shareholder democracy," and detailed his company's resistance to splitting the Chairman and CEO functions. He asserted, "We must urgently bring back some pragmatism to corporate governance that facilitates the choice for the best option under given circumstances." Only in this way, he claimed, will companies be able to create value for their shareholders, as they are mandated to do.

Growing Acceptance

A number of academic and professional studies disagree with the notion that good corporate governance prevents good performance., however. Some research links corporate governance practices to risk and cost of capital. A 2002 paper by Bhojraj and Sengupta, for example, suggested that corporate governance practices can help boards monitor management and described "results consistent with a greater role for governance mechanisms in reducing default risk for poorly rated firms." There is also a growing body of research comparing the performance of companies with strong corporate governance to those with weak, and it generally indicates that good corporate governance is good for performance. A study by Gompers et al. published in the *Quarterly Journal of Economics* in February 2003 found that "firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditures, and made fewer corporate acquisitions." In a September 2004 Harvard Law School white paper, Bebchuk et al. constructed an "entrenchment index" using six of IRRC's corporate governance data points to identify companies with managements or boards that were insulated from shareholders. The study found that "firms with a higher level of the entrenchment index were associated with large negative abnormal returns during the 1990-2003 period." Deutsche Bank, in an April 2004 report commissioned by the United Nations Environment Programme Finance Initiative, found that "investments in companies with the highest quality of governance structures and behavior have significantly outperformed those with the weakest governance."

We at Winslow decided to test these findings as well. Using data from ISS's CGQ service, we compared the companies with the 25 highest CGQ scores to those with the 25 lowest over the last few years on an equally weighted basis. The data presented in the following chart shows that over the five-year period ending in February 2005, the higher CGQ scoring companies outperformed the lower ones by over 75%.¹

¹The performance of the Top and Bottom CGQ scoring indices do not represent actual trading in a client or proprietary account or the performance of securities selected on a prospective basis. Winslow selected companies for these indices based on their CGQ scores provided by ISS on February 16, 2005. The S&P 500 is an unmanaged index that includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Returns for the S&P are calculated monthly, assume reinvestment of dividends and, unlike an investment in a mutual fund or other account, do not reflect any fees, charges or expenses. An investor cannot invest directly in the S&P. **Past performance is not indicative of future results.**



Though some companies continue to fight the corporate governance movement and its premise, many directors are beginning to accept the link to good performance supported by these studies. Or, at the very least, directors are recognizing the importance of improving governance in an effort to avoid scandal-related economic and reputation damage. They have begun to take a more active role in cleaning up and strengthening their own activities, intensifying their oversight of the behavior and performance of CEOs and other executives in particular. According to a March 2005 *New York Times* article, "Amid a new culture of corporate openness, boards have acted to punish poor performance and ethical lapses to stem potential fallout from regulators, major customers and large investors." Arthur Levitt, Jr., former SEC head and senior adviser at the Carlyle group, agreed, stating in the same article that "the fraternal culture that characterized America's boards is undergoing a dramatic change to a culture of skepticism... The humility and embarrassment of the past few years, combined with regulation, have changed the culture of boardrooms." Similarly, Evan Scott, president of the Evan Scott Group International, an executive search firm in Philadelphia asserted, "That so many chief executives have been ousted amid signs of an improving economy and market shows the strength of the trend toward greater scrutiny... Boards are flexing their muscles and beginning to take on the role they are supposed to take on, and that is very healthy for American business."

A New Path

Reviewing the performance studies listed above, a January 2005 report by Hermes Pension Management, a British fund manager, concluded, "The governance-ranking research on the whole supports the proposition that good corporate governance enhances performance." The study also noted the potential benefit of an engaged shareholder base, stating that investors "engaging with companies regarding a larger set of governance standards as part of an active ownership approach will 'in itself' improve the performance of investee companies... Moreover, active ownership may help to prevent major corporate disaster."

Accordingly, the "post-Enron" era has witnessed a change in the relationships between companies' managements, directors, and shareholders. Shareholders now include governance among the factors that they use to assess investments, and are active participants, welcome or not, in determining how companies are governed. Directors have become more active and monitor executive performance more closely. And management has been forced to respond to these new roles for investors and directors, beginning with their compliance with Sarbanes-Oxley regulations and engagement with investors regarding proxy resolutions. While more active ownership may be a change, American Electric Power CFO Susan Tomasky noted in *CFO*, "We do have to get over the notion some executives have that shareholders ought not to care about governance issues."

References and Resources:

Barrionuevo, Alexei. "Ouster at A.I.G. Shows Rising Assertiveness of Boards." *The New York Times*. March 15, 2005.

Bebchuk, Cohen and Ferrell. "What Matters in Corporate Governance." Harvard University, John M. Olin Center For Law, Economics, And Business. Discussion Paper No. 491. November 2004.
Available at : http://papers.ssrn.com/sol3/papers.cfm?abstract_id=593423.

Bhojraj, Sanjeev and Sengupta, Partha. "Effect of Corporate Governance on Bond Ratings and Yields: The Role of Institutional Investors and Outside Directors." January 2002. Available at: <http://ssrn.com/abstract=291056>.

Brabeck-Letmathe, Peter. Remarks made at Boston College's Chief Executives' Club, March 8, 2005.

Brownstein, Andrew R. and Igor Kirman. "Can a Board Say No When Shareholders Say Yes? Responding to Majority Vote Resolutions." *Business Lawyer*. November 1, 2004.

Burton, Jonathan. "Losing the Battle, Winning the War." *MarketWatch*. March 3, 2005. Available at: <http://www.cbs.market-watch.com>.

Clapman, Peter. "Shareholder Corporate Governance Activism at TIAA-CREF." Courtesy of author.

Clapman, Peter. Interview. February 24, 2005.

Cogan, Douglas. "Corporate Governance and Climate Change: Making the Connection." CERES and IRRC. June 2003.
Available at: www.ceres.org/pdf/ceres_cg_rprt.pdf.

Cogan, Douglas C. "Climate Of Concern." *The Environmental Forum*. November/December 2003. p. 36 - 45.

Cogan, Douglas. Interview. February 15, 2005.

Goff, John. "Who's the Boss?" *CFO Magazine*. September 1, 2004. Available at:
http://www.cfo.com/article.cfm/3127506/c_3148382?f=magazine_coverstory.

Gompers, Paul A. "Corporate Governance And Equity Prices." *Quarterly Journal of Economics*. February 2003. Available at:
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=379261.

GovernanceMetrics International web site. www.gmiratings.com.

Gradmont, Grant and Silva. "Beyond the Numbers." Deutsche Bank AG. April 1, 2004. Available at:
http://www.unepfi.org/fileadmin/documents/materiality1/cg_deutsche_bank_2004.pdf.

Hermes Pensions Management, Ltd. "Corporate Governance and Performance." January 2005. Available at: http://www.hermes.co.uk/pdf/corporate_governance/corporate_governance_and_performance_060105.pdf.

Institutional Shareholder Services Corporate Governance Quotient web site. www.isscgq.com.

Institutional Shareholder Services. "ISS Corporate Governance: Best Practices User Guide & Glossary." 2003. Courtesy of ISS.

Invensys plc. *Annual Report & Accounts 2004*. Corporate Governance section. May 2004. p. 17-24.

Investor Responsibility Research Center web site. www.irrc.com.

Investor Responsibility Research Center. "IRRC Corporate Governance Benchmark: Guide to the Primary Data Elements." Courtesy of IRRC.

Katz, David. "Corporate Governance: Shareholder Activism in 2004 And Implications for 2005." *New York Law Journal*. February 3, 2005.

Keller, Stanley. "Sarbanes-Oxley Act Of 2002." Palmer & Dodge LLP. July 2002. Available at:
<http://www.palmerdodge.com/pdf/sarbanes.pdf>.

Robinson, Jackson. "Forging the Link: Corporate Governance and Shareholder Returns." *Winslow Environmental News*. April 2004. Available at: <http://winslowgreen.com/docs/news/index.asp>.

Securities Exchange Commission web site. www.sec.gov.

The Corporate Library web site. www.thecorporatelibrary.com.



99 High Street
Boston, MA 02110
T 866-804-5414
www.winslowgreen.com

The authors would like to thank the following people for their suggestions and comments on this paper: Douglas Cogan and Ginny Rosenbaum of IRR, Peter Clapman of TIAA-CREF, Joe Henzlik and Paul Wanner of ISS, Tracey Rembert of the Social Investment Forum and Erica Schroeder. We also thank the participants of the Social Investment Research Analysts Network's list serve, maintained by the Social Investment Forum, for their excellent information and postings.