First of Two Part Series on Corporate Governance,
Part 1 on the Rights of Retail and Activist Shareholders
Part 2 on Reform to Corporative Governance

Shareholder Rights—Retail Investors Have Too Few Rights, Activists Have Too Many

Weekly CEO/Business Leader Poll by COMPAS in *Canadian Business* for Publication Week of March 19th, 2012

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1.0 Introduction

In this first of a two part series on corporate governance, the CEOs and business leaders on the COMPAS business panel express their views on shareholder rights. On balance they believe that ordinary retail investors have too few rights under the law while activist investors, as in the case of Pershing Square Capital and CP Rail, have too many rights.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine.

2.0 Details

Table 2.1: As you may know, there has been talk in the media about corporate board decisions and the rights of retail investors in publicly traded corporations. On a 7 point scale where 7 means retail investors have too many rights compared to management and 1, means investors have too few rights, what score would you give?

MEAN	7	6	5	4	3	2	1	DNK
3.5	*[1]	5	15	33	19	11	11	8

[1] Denotes a cell that rounds to zero.

Table 2.2: There's also been talk about large activist investors as in the case of Bill Ackman of Pershing Square Capital Management who wishes to improve the efficiency and value of Canadian Pacific Railway. On a 7 point scale where 7 means these activist investors have too many rights compared to management and 1, too few rights, what score would you give?

MEAN	7	6	5	4	3	2	1	DNK
4.3	5	12	23	27	23	5	1	5

The following verbatim comments provide a nuanced sense of respondent opinion:

> It should be appreciated that the rules presently governing directors are already onerous. There is currently a view that being a corporate director is not what it was in the past. The fees do not reflect the responsibilities each has and, with the extensive roster of rules and regulation, D and O insurance becomes key in the decision to act as a director. Where there should be tightening up is in the enforcement of rules by the various government and investment bodies in cases of improper actions. Being an owner of shares in the corporation that a director sits on is laudable, but must be tempered against what they earn from that corporation and how large a holding would be required. That is a decision a director must make in investment terms both at a money and time level.

> The difference between Canada and the US is that Canadian businessmen, generally have a higher level of integrity when it comes to business. The US need strict rules and lots of them to prevent abuse. Morally we all know what is right and what is wrong but our American counterparts will frequently do whatever they think they can get away with, if it enriches them personally. This is less of an issue in Canada. However, unless we get tough on corporate crime, we are only encouraging those who have the will to abuse their position and power.

Board governance is a tough one to legislate. Shareholders need to be more active in overseeing the people who oversee their investments.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted March 16 - 20, 2012. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=86 are deemed accurate to within approximate 10.6 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.