



The Newsletter of the International Corporate Governance Network

Challenges for ICGN membership

Encouraging commercial fund managers to take corporate governance seriously is crucial to the success of the ICGN according to its chairman, Alastair Ross Goobey. Speaking in July at the ICGN's ninth annual conference in Amsterdam, 'Making Corporate Governance Work' Ross Goobey said that without demonstrating to the bulk of asset managers that corporate governance added value and good corporate governance would bring them rewards the participants and delegates would all be wasting their time.

However, Ross Goobey praised the achievements of the past 12 months and the role of ICGN members in bringing about change. "If we look back at the last 12 months it has been an extremely important year for corporate governance," he said.

Global Progress

Within the US, which has been hit by a series of corporate scandals, there had been the Sarbanes-Oxley Act, and changes to the listing requirements of the New York and Nasdaq stock exchanges. In Europe there had been the Winter report and country developments such as the Higgs review in the UK and the Tabaksblat code in

the Netherlands. The Organisation for Economic Co-operation and Development was also undertaking a review of its guidelines on corporate governance.

One of the most extraordinary changes of attitude had been within the US, he believed, following the recommendations of the Conference Board's blue ribbon group which suggested that the role of chairman should be split from the chief executive. Companies were now prepared to appoint a lead non-executive director to bring more balance to the US board. "One of the most pleasing things is that the ICGN or ICGN members have been involved in most of these initiatives. It is a tribute to the global approach that the ICGN can take."

There were four areas that the ICGN needed to concentrate on according to Ross Goobey. These were shareholder rights, transparency, the role of the independent director and the responsibilities of shareholders.

He noted that the European Union's Takeover Directive was held up but is seen as important in providing better shareholder rights.

Ross Goobey said people running companies needed to be persuaded to be more transparent. Companies, he said, do not run themselves entirely on quarterly numbers.

There had to be a much stronger role for independent directors, he said, and shareholders needed this because they rely on them for so much.

Investor Duties

At the ICGN annual meeting that followed the conference the membership voted unanimously to approve the draft statement on institutional shareholder responsibilities submitted by the shareholder rights and responsibilities committee chaired by Geert Raaijmakers, senior legal counsel at ABP Investments. (see icgn.org/documents)

Ross Goobey said there were representatives from 27 commercial fund managers at the conference which he believed was progress. There was also a lot of pressure from their clients and he hoped the fund manager interest could be developed.

He said, "If we don't get the backing of these fund managers we won't achieve what we want."

Dutch announce reforms

The ICGN conference in Amsterdam was timely. A new corporate governance code had been launched in the Netherlands at the beginning of July, the latest example of a European country attempting to meet the demands of proponents of better corporate governance.

The committee which formulated the code was chaired by Morris Tabaksblat, former chief executive of Unilever.

The code contains both principles and best practice guidelines. Recommendations include the requirement for disclosure of the remuneration policy and the remuneration of individual management board members. No member should receive more than a year's worth of salary on the event of termination of their contract.

The remuneration should be determined by the supervisory board following a proposal by its remuneration committee. Details of supervisory board members should be disclosed by the company on its website. The committee recommended that there needs to be at least one member with financial expertise and the members should be independent of the company, each other and any sectional interest. No one should serve on more than five supervisory boards.

The shareholder meeting should decide on the remuneration of the supervisory board members and this should be disclosed for individuals. From the membership of the supervisory board a remuneration, audit and selection and appointment committee should be appointed.

In Dutch companies that have a one-tier board structure there must be a majority of board members that are not responsible for the day-to-day management of the firm and most should be independent. These members will make up the board committees.

The code is due to come into effect at the beginning of 2004 but is being consulted on until September 5 2003. More details can be found at: www.corpgov.nl/home.

Board Changes

There were six new members elected to the board of governors at its meeting in Amsterdam. The new board members are Pierre Bollon, chief executive of the French fund managers association (AFG-ASFFI), Jennifer Choi of the Investment Company Institute in the US, Richard H Koppes partner at US law firm, Jones Day Reavis & Pogue, Alan MacDougall, managing director of Pensions and Investment Research Consultants (PIRC) in the UK, Taiji Okusu managing director of UBS Warburg (Japan) and Christian Strenger a director of DWS Investment in Germany. The outgoing board members were Stephen Davis head of Davis Global Advisers, Peter de Koning of the Corporate Governance Research Foundation for Pension Funds in the Netherlands, Jon Lukomnik managing partner at Sinclair Capital, Ayoshi Okumura chairman of Lotus Corporate Advisory, Linda Selbach global corporate governance and proxy manager at Barclays Global Investors and Dario Trevisan, partner at Trevisan & Associati in Italy. Board members can serve for up to three years.

Rio Bound

The 10th annual ICGN conference will be held 7-9 July 2004 in Rio de Janeiro, Brazil. The conference will be hosted by CVM, the Brazilian Securities and Exchange Commission, IBGC, the Brazilian Institute of Corporate Governance and BOVESPA, Brazil's stock exchange.

The hosts will be offering delegates tours before and after the conference so that they are able to make the most of the trip to Brazil.

The 11th annual ICGN conference in 2005 is due to be held in London.

Governance pioneers rewarded

Dr. William D. Crist, former chairman of the California Public Employees' Retirement System (CalPERS), and the Commonwealth Association for Corporate Governance (CACG) based in New Zealand, were the winners of the 2003 ICGN awards recognising outstanding commitment to corporate governance.

Crist began as a trustee of Calpers in 1986 and was among the founders of the ICGN. He is regarded as having a massive influence on the development of good corporate governance globally and on shareholder activism.

Accepting the award at the gala dinner in Amsterdam Crist thanked his wife, Donna for the support she had given him.

He said, "I am very proud of the ICGN. I believe it is a force for good and may the force be with you!"

Geoffrey Bowes, chief executive of the CACG, collected the organisation's award and thanked the Commonwealth secretariat for its

assistance. The CACG was established in April 1998 in response to the Edinburgh Declaration of the Commonwealth heads of government meeting in 1997, with the aim of promoting excellence in corporate governance in the Commonwealth. It now has 30 affiliate organisations from across the world. These all promote corporate governance through education and information. It is estimated that the CACG will have trained about 1,000 directors on its five day company directors' course by the end of 2003.

Stephen Davies, chairman of the ICGN awards committee, said this had been the first time a short list had been produced of potential winners following the submission of nominations. Among those short listed were Axa Investment Managers from France, the Ontario Teachers Pension Plan Board from Canada, the Japanese Orix Corporation, the trustees of the BT Pension Scheme in the UK and Webb-site.com from Hong Kong.

Former ICGN award winners include Bob Monks, Dr Jesus Estanislao, Ira Millstein and Sir Adrian Cadbury.

Investor principles endorsed

The ICGN's membership has endorsed the draft of its new principles. These were formulated by a committee under the chairmanship of Peter Dey, a partner of Toronto law firm Osler, Hoskin & Harcourt.

Speaking at the ICGN annual meeting Dey said that the original ICGN principles had lent heavily on the Organisation for Economic Co-operation & Development (OECD) principles and his committee had attempted to produce a more stand alone document.

The OECD itself is in the process of reviewing its principles on corporate governance and it is hoped this exposure draft can be used to provide more input into the new OECD principles. The ICGN draft principles can be found at www.icgn.org/documents.

ADR survey

John Wilcox, chairman of the cross-border voting committee and vice-chairman of Georgeson Shareholder made a plea for ICGN members to return their questionnaires requesting information on American Depositary Receipts (ADRs).

It is hoped that solutions can be found to problems shareholders face in respect of ADRs. However, the ICGN committee needs to know how widespread the problems are.

Securities Lending Committee

Andrew Clearfield, managing director at TIAA-Cref and chairman of the new ICGN committee set up to investigate the governance implications of securities or stock lending, said it would be looking at the potential negative aspects of the practice.

Issues he outlined included the money made by intermediaries in the transactions; the market impact of stock lending such as how much less voting by shareholders was taking place and the potential abuses that could occur. Clearfield hopes that a survey of ICGN members will reveal the extent of some of these problems.

He said there was ignorance about exactly what stock lending is. Stocks are not in fact lent but are sold and stock lenders are selling their right to vote. Among ICGN members there appeared to be instances when stock lending had been used to try and alter the results of votes.

The International Corporate Governance Network seeks to bridge the gap between corporate management and shareholders. The ICGN is an international, informal network of institutional investors, shareholder advocates and corporate governance experts. ICGN members together hold assets totalling some US\$10 trillion.

The ICGN Board of Governors

- Alastair Ross Goobey (chairman) Hermes Focus Asset Management, UK
- Pierre Bollon Association Francaise de Gestion, France
- Jennifer Choi Investment Company Institute, US
- Peter Dey Osler Hoskin and Harcourt, US
- Leo Goldschmidt APCIMS-EASD, Belgium
- Sandra Guerra CPM S/A, Brazil

- Richard H Koppes Jones Day Reavis & Pogue, US
- Sophie L'Hellias Franklin Global Investor Services, France
- Alan MacDougall Pensions & Investment Research Consultants, UK
- Taiji Okusu UBS Warburg, Japan
- Christian Strenger DWS Investment, Germany
- John Wilcox Georgeson Shareholder Communication, US

The ICGN Secretariat is administered by Ms. Caroline Phillips, Director of the Policy Unit of the Institute of Chartered Secretaries & Administrators (ICSA)

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