



## ICGN salutes high achievers

The International Corporate Governance Network presented awards to two seminal figures in the world of international corporate governance recently.

Sir Adrian Cadbury and Ira Millstein were presented with their awards in London and New York respectively at events in October 2001. They joined Hasung Jang, a South Korean professor and activist who was presented with his award at the ICGN's annual conference in Tokyo in July 2001.

The ICGN awards, inaugurated in 2001, are made to individuals who have markedly improved the state of corporate governance in one or more jurisdictions.

### Global reform

Presenting the award to Sir Adrian Cadbury at an October 2001 seminar in London, André Baladi, immediate past co-chairman of ICGN, commented: "Sir Adrian has been in the forefront of corporate governance for almost 25 years, during which time he has sparked corporate governance reforms around the world. His most celebrated achievement, for which he will be long-remembered, is the 1992 'Cadbury Code' on corporate governance, which has become a model for reform around the world."

Sir Adrian Cadbury, said, "I am delighted to receive this award from the ICGN which has established itself as the authoritative voice of investors around the world. In the last ten years, the value of sound corporate governance has become widely recognised.

"The movement began with national codes of best governance practice which were aimed at encouraging corporate disclosure and strengthening accountability. It developed its

international dimension through the work of the OECD. Their consistent message has been that good corporate governance brings real economic and social benefits."

### Good counsel

On the other side of the Atlantic, New York attorney Ira Millstein, received his award at a ceremony held at pension fund TIAA-CREF in early October.

Ira Millstein has been an authoritative voice for improved boardroom practice, both in the US and overseas, and has played a key role in the development of the OECD's Global Corporate Governance Principles. He is also a central figure in two leading bodies promoting good governance worldwide:

- The Global Corporate Governance Advisory Board. Sponsored by search firm Egon Zehnder, the board brings together leading CEOs from 20 countries to develop cutting-edge thinking on international governance issues
- The Private Sector Advisory Group (PSAG) of the World Bank/OECD's Global Corporate Governance Forum. The Advisory Group, chaired by Millstein, provides the Forum with senior private sector participation and input to the Forum's regional and country-specific programmes.

### Korean activist

The third recipient of the inaugural ICGN awards, Professor Hasung Jang, runs the shareholder wing of the People's Solidarity for Participatory Democracy in South Korea. Filing lawsuits and attending shareholders' meeting, Jang has placed giant South

Korean conglomerates ('chaebol') under the spotlight. He has won lawsuits against Korea First Bank, and has successfully lobbied SK Telecom to appoint independent directors and form an audit committee.

He has filed shareholder resolutions at other companies including Samsung Electronics and Hyundai Heavy Industries, many of which have been supported by international pension funds.

Most recently, he won a lawsuit that forced Samsung Executives to return \$7m to shareholders.

### Date for your diary

The Eighth Annual Conference of the International Corporate Governance Conference

Palazzo Mazzanotte  
Italian Stock Exchange  
Milan  
July 10-12th, 2002

See Page Four for more details

### '02 Awards

The ICGN will be making further awards for outstanding contributions to good corporate governance at the 2002 Annual Conference in Milan. The Awards Committee is seeking nominations from members – see Page Four for details.

# Shareholder rights and responsibilities

The ICGN's Shareholder Rights and Responsibilities Committee, empanelled at the Network's annual meeting in Tokyo in July 2001, is chaired by Geert Raaijmakers, ICGN Governor and Senior Legal Counsel at giant Dutch pension fund, ABP Investments.

The membership of the committee is still being established. ICGN members who feel they have the time and expertise to contribute to this committee should contact Mr Raaijmakers – details below.

The committee's remit is "very broad in scope," said Mr Raaijmakers, but it will initially focus on the 'responsibilities' side. While the issue of shareholders' rights is a well mined subject in many national and international governance codes, the topic of investors' responsibilities receives less attention. Many corporate commentators have complained that this has led to an imbalance in the governance debate, with shareholders demanding increased corporate accountability without playing their part as committed, long-term partners in the enterprise.

## Myners Review

The Committee will use as its starting point the recent UK Review of Institutional Investment, backed by the UK finance ministry, and chaired by outgoing chairman of fund manager Gartmore, Paul Myners. The so-called Myners Review, first published in March 2001, proposes a structure of 'fund governance' to match the global corporate governance reforms of the past decade.

Myners identified numerous distortions in the way that institutional shareowner assets are invested, with the sum result that those assets aren't deployed for maximum return. For example, the Review argued that fund managers are often set objectives which give them unnecessary and artificial incentives to herd, and that managers are often reluctant to intervene in companies even where this would be in their clients' financial interests

Myners suggested that a voluntary governance code – similar

to the Cadbury model that governs UK companies – should be applied to pension funds and other institutional investors, the ultimate aim being "a culture of pension fund governance." His Review offers a two-page set of "basic principles of an effective approach to investment decision-making."

The Review also called for fund managers to have "an explicit strategy elucidating the circumstances in which they will intervene in a company; the approach they will use in doing so, and how they measure the effectiveness of this strategy." Finally, the Review argued that "a culture in which informed voting was more universal is very much to be desired."

## An international standard

Many of the points raised by Myners will form the basis of Geert Raaijmakers' committee's discussions. The aim, he said, will be to "set an international standard" of shareholders' responsibilities and duties "inspired by Myners."

While the Myners Review is only a UK guideline, the ICGN Committee will seek a statement that applies to all markets. It will focus on such issues as the ability of shareholders to vote, (and the importance that they do so), shareowner communication with companies, and (in cases of last resort) guidance on how and when shareholders should intervene in a company.

The committee is in the early stages of its work. Membership will be cemented in January, and the committee will then embark on an analysis of prevailing standards of shareholder responsibilities in major markets, such as the US, UK, France, Germany and Japan.

This analysis, which should be complete in time for the 8th annual ICGN conference in Milan in July 2002, will form the basis of a proposed statement of shareowner responsibilities to be issued thereafter.

Committee chairman: Geert Raaijmakers, Senior Legal Counsel, ABP Investments. Tel: +31 (0)45 579 2419.

Email: [g.raaijmakers@abp.nl](mailto:g.raaijmakers@abp.nl)

## Right on the numbers

The ICGN's Accounting and Auditing Practices Committee, chaired by Pfizer's Peggy Foran, is readying a detailed questionnaire for ICGN members on their experiences of auditing and accounting practices internationally. The committee will collate investors' views on those practices that are most in need of improvement, and will subsequently offer proposals for reform.

The survey should provide a compelling consensus view of those auditing practices that international institutions regard as most important. Key issues are likely to include the independence of the audit committee, the relationship of the company to the outside auditor, and the independence of auditors that also provide non-audit work.

The aim is to "raise the bar in some jurisdictions," in terms

of improved practice, said Ms Foran. But recommendations for improvement will not be limited to developing markets; some of the issues raised by the collapse of Enron will be aired for investor comment.

The questionnaire, currently in draft form, will be circulated to ICGN members in the Spring, and Foran hopes the committee will report back at the ICGN's Eighth Annual Conference in Milan in July 2002.

### The Accounting and Auditing Practices Committee

Chair: Peggy Foran  
Sandy Easterbrook  
Guy Jubb  
Mary Keegan  
Claude Lamoureux  
Jacques Manardo

## Global voting survey

The ICGN's Cross Border Voting committee is digesting the results of a survey into the global proxy voting process.

The survey was sent to fund managers, custodians, sub-custodians and registrars in a bid to analyse minutely the mechanics of the global voting system. The eventual aim will be to offer recommendations for meaningful reform, and thus improve investors' rights and influence.

The survey asked organisations for their policy on proxy votes – whether votes are cast on all issues or on contentious ones only – and the percentage of shares generally voted both domestically and overseas. It asks respondents to grade the particular difficulties posed by several areas of the proxy process, including: equal voting rights, meeting notices, voting deadlines, share blocking, and custodial arrangements.

### Post Mortem

Responses were received from nearly ten percent of the ICGN membership, mainly representing the US and UK, though with some European respondents as well. An early parse of the results suggest that investors are keen to vote their shares, both home and abroad, but frequently run into administrative brick walls.

All but one respondent said they attempted to vote all their domestic stock, and all but two aim to vote overseas as well. More than 70 percent of respondents vote between 80-100 percent of their domestic stock, and only two had a lower rate for voting overseas.

But significant problems remain. The survey revealed an overwhelming desire for electronic solutions, including online proxy voting and for the SEC's online reporting EDGAR model to be replicated.

Respondents also reported frustrations with the lack of timely communications from overseas markets, share blocking, the problems caused by diverse company law, and language issues.

In addition, in 2002 the committee will seek to conduct a detailed post mortem of the proxy process at six major companies from diverse markets, including France, Spain, Germany, Finland and Japan.

The committee hopes to report back to the ICGN membership on both these initiatives at the 2002 annual conference in Milan.

To view the survey, visit: [www.icgn.org/survey/index.htm](http://www.icgn.org/survey/index.htm)

#### Cross-Border Voting Practices Committee

Chair: John Wilcox	Payman Akhaveissy
Christine Mallin	Philip Armstrong
James Kroll	Jennifer Choi
Anthony Quinn	David Dando
John Rogers	Stephen Davis
Theodore Rothschild	Michelle Edkins
Kurt Schacht	Harry Frost
Linda Selbach	Pierre-Henri Leroy
Dario Trevisan	Alan MacDougall
Jaap Winter	

## Compensation consensus

The ICGN annual meeting that followed the Tokyo conference in July 2001 approved the formation of a committee to pursue an international consensus on minimum acceptable standards for the setting of executive pay.

Chaired by Hermes chief executive, Alastair Ross Goobey, the committee consists of investor representatives from several major markets, as well as an executive search specialist and a delegate from a major global corporation. Rob Collinge, director of HR at Glaxo SmithKline, will provide an opinion on the realities of recruitment at a multinational firm.

### Common denominators

This range of opinions is important, says Ross Goobey, if the committee's work is to be more than yet another statement of investors' views. The committee will hope to establish the 'common denominators' of pay issues such as disclosure, monitoring and use of incentives, that will achieve consensus with both corporations, consultants and shareowners worldwide.

"Expectations and disclosures are very different in various markets," said Ross Goobey, and the committee's aim will be to set down standards that will find harmony in markets as diverse as Japan, the US, the UK, Europe and emerging markets.

One question the committee will address is how global is the market in management. While there are several US chief executives in the UK, the pattern in most markets is for major companies to be run by nationals from the country of domicile. The argument, therefore, that levels of pay must necessarily spiral upwards to reflect the international competition for management talent is one that deserves close scrutiny.

### Resisting infection

Another related question for the committee is the effect that pay patterns in the US (where pay is typically many orders of magnitude greater than the levels found in other markets) are having on compensation arrangements elsewhere. Ross Goobey himself has spoken of US pay levels as an 'infection' that is having a disastrous effect on domestic habits.

There is a "distinct feeling," says Ross Goobey "that we can't allow the global remuneration structure to be determined by a quirk of the US tax code." It remains to be seen if the committee can come up with a set of common denominators that US compensation committees can accept.

The Committee will report on progress at the Milan conference in July 2002.

#### Executive Compensation committee

Alastair Ross Goobey  
Sandy Easterbrook  
Linda Selbach  
Arioshi Okumura  
Colin Melvin  
Florian Schilling  
Rob Collinge

## Eighth annual conference – Milan 2002

Don't forget to reserve July 10-12th, 2002, for the eighth annual ICGN conference, to be held in Milan.

The ICGN has been invited by Professor Angelo Tamtazzi, chairman of the Borsa Italiano, to hold the conference on the historic trading floor of the Milan stock exchange. It will be the first time in the eight year history of the ICGN that the annual conference will be held on a trading floor.

The 2002 conference committee, led by Milan attorney and ICGN governor, Dario Trevisan, is still in the process of developing the programme. ICGN members can be assured that a high-powered collection of international speakers and panels will be convened, including significant figures from Italian commercial and financial life.

The 2002 conference will be held in the historic Palazzo Mezzanotte, site of the Milan Stock Exchange until it went fully electronic in 1994. Conference speakers will have to make their views known in the refurbished Salle delle Grida, or 'Room of Shouts.'

Check the ICGN website ([www.icgn.org](http://www.icgn.org)) for details of the conference programme in the Spring.

### Milan Conference 2002 committee

Chair: Dario Trevisan  
 André Baladi  
 Peter Clapman  
 Stephen Davis  
 Manuella Muller  
 Alessandro Pavesi  
 Linda Selbach  
 John Wilcox

## 2002 awards

The ICGN will be making further awards for outstanding contributions to good corporate governance at the 2002 Annual Conference in Milan. The Awards Committee is currently seeking nominations. The criteria are as follows:

- Exceptional achievements in the corporate governance field.
- Contribution to significant improvements of corporate governance practices in one or more jurisdictions.
- Positive impact, with long-term significance, on one or more economies.
- Overcome challenging obstacles requiring vision, courage, and fortitude.
- Enhancement of their future corporate governance initiatives through such recognition by the ICGN.

Other points to consider include:

- Only members of the ICGN may propose a candidate for award.
- The ICGN will make no more than two awards per year, and reserves

the right to award just one or none at all in any given year.

- Winner(s) can be an individual, organisation, company or other entity.
- The Awards Committee has the responsibility of soliciting, reviewing and recommending nominations. Final decisions are to be made by the Board of Governors.
- The name or names of awardees are to be kept secret until the presentation at the ICGN annual conference.
- In normal circumstances, the ICGN will not consider current or prior members of the Board of Governors for award.

The committee requests the help of ICGN members in identifying candidates for the ICGN Award 2001. For a nominating form, please email ICGN Governor Stephen Davis at: [smd@davisglobal.com](mailto:smd@davisglobal.com).

The ICGN Awards Committee  
 Dr. Stephen Davis (chair)  
 Jon Lukomnik  
 Christian Strenger

## Tokyo Conference CD

Fear not if you missed the ICGN's Seventh Annual conference in Tokyo in July 2001. Full recordings of every speech and panel – in both English and Japanese – are available on a recently released CD-ROM.

The conference has been broken down by panel and speaker, so you can click directly on the speech you want to hear.

The CD was produced by Tokyo-based e-Associates, an investor relations consultancy that describes its mission as "helping Japanese companies become more transparent and thereby regain their vitality and strength."

[www.c-hotline.com](http://www.c-hotline.com)

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

- Peter Butler, Hermes, UK  
 - Peter Clapman, senior vice president and chief counsel, TIAA-CREF, USA (chairman)  
 - Stephen Davis, Davis Global Advisors, USA  
 - Sandra Guerra, CPM, Brazil

- Peter de Koning, Foundation on Corporate Governance Research for Pension Funds, Netherlands  
 - Claude Lamoureux, Ontario Teachers' Pension Plan, Canada  
 - Sophie L'Helias, Franklin Global Investor Services, France  
 - Jon Lukomnik, Sinclair Capital, USA

- Ariyoshi Okumura, Lotus Corporate Advisory, Japan  
 - Linda Selbach, Barclays Global Investors, USA  
 - Dario Trevisan, Trevisan & Associati, Italy  
 - Leo Goldschmidt, European Association of Securities Dealers, Belgium

The ICGN Secretariat is administered by Ms Caroline Phillips, Director of the Policy Unit of the Institute of Chartered Secretaries & Administrators (ICSA).  
 16 Park Crescent, London W1B 1AH, UK Tel: +44 (0)20 7580 4741 Fax: +44 (0)20 7612 7034 Email: [icgn@icsa.co.uk](mailto:icgn@icsa.co.uk)

Editor, ICGN News: Kit Bingham Tel: +44 (0)20 7328 6656 Fax: +44 (0)20 7328 7237 Email: [kbingham@governance.co.uk](mailto:kbingham@governance.co.uk)