



ICGN

International Corporate Governance Network

ICGN Global
Corporate Governance
Principles:
Revised (2009)

Preamble

The International Corporate Governance Network (ICGN), founded in 1995 at the instigation of major institutional investors, represents investors, companies, financial intermediaries, academics and other parties interested in the development of global corporate governance practices. One of its objectives is to facilitate international dialogue on issues of concern to investors. High standards of corporate governance, including effective dialogue between companies and their shareholders, the ICGN believes, are a prerequisite for companies to compete effectively and for economies to prosper. The ICGN also believes that it is in the public interest to encourage and enable the owners of corporations to participate in their governance.

The ICGN has in the past developed Global Corporate Governance Principles to contribute to achieving these objectives, and particularly to fulfil its objective to promote high standards of corporate governance. These Principles are the third generation.

The aim of these Principles is to assert standards of corporate governance to which we believe that all companies should aspire. By seeking to live up to high quality corporate governance standards, companies will be better able to take the decisions which will protect and enhance value for their long-term shareholders. Boards with high standards of corporate governance will be better able to make robust strategic decisions, to challenge and promote the effectiveness of management's operational oversight of the business and to oversee the approach to risk management. This process enhances investor returns over time.

The Principles intend clearly to express the expectations and concerns of international investors with regard to the governance of companies in which they invest, and also to express their commitment to play their role in the governance of those companies. ICGN members recognise that they have responsibilities as shareholders as well as rights, and these Principles outline these responsibilities as well as shareholder expectations of companies. The Principles are intended to apply to public companies predominantly, providing them with guidance as to the behaviour which will influence investors' investment decisions; they will also be of value for companies seeking investment from the international investment community. Aspects of the Principles will also be of relevance to governments, legislators, regulators, operators of investment markets, audit firms and investment

intermediaries. Good corporate governance plays an important role in the integrity and attractiveness of public investment markets, and where relevant ICGN members will seek to enhance regulatory and other rules impacting shareholder rights in particular markets.

These Principles are the ICGN's overarching set of Principles. Under them sit a variety of other best practice guidelines; these are cross-referenced within this document.

The Principles are intended to be of general application around the world, irrespective of legislative background or listing rules. As global guidelines, they need to be read with an understanding that local rules and structures may lead to different approaches to these concepts. Members of the ICGN are strong supporters of the concepts of flexible application of standards (known variously around the world as apply or explain, comply or explain or if not, why not), and will expect that these Principles will be applied with flexibility and understanding of the specific circumstances of individual companies and their markets.

The ICGN strongly believes that dialogue between shareholders on the one hand and senior executives and board members (both executive and non-executive) on the other is a necessary part of effective corporate governance and it will continue to encourage steps towards more effective dialogue, particularly in those markets where it is not so well developed. Such dialogue will start from a more productive base where companies make public disclosures which are substantive and company-specific rather than boilerplate. Where these Principles call for disclosures it is substantive and company-specific disclosures which are sought.

The ICGN will also seek change to legislation, regulation or guidance in particular markets where it believes that this will be helpful to generating corporate governance improvements and particularly where such change will facilitate dialogue and accountability. For the ICGN, the core aspects of corporate governance are the accountability of board members to shareholders and alignment between the interests of management and investors. These core aspects inform the Principles which follow.

The ICGN Global Corporate Governance Principles: Revised (2009) has been developed by the ICGN Global Corporate Governance Principles Committee in consultation with ICGN members. The first draft was published on 5th June 2009 and a consultation paper on the subject was sent to ICGN members for comment. A wide range of responses were received and contributed towards the final draft.

There was further consultation at an open meeting of the Global Corporate Governance Principles Committee with ICGN members at the 2009 ICGN Annual Conference and AGM in Sydney, Australia. ICGN members attending the AGM voted to approve the draft document, after which the final draft was ratified by the membership by email in August 2009. In November 2009, the ICGN Global Corporate Governance Principles: Revised (2009) was published and launched at an ICGN conference in Washington, DC (USA).

Contents

	Page
1.0 Corporate objective	9
1.1 Sustainable value creation	9
2.0 Corporate boards	9
2.1 Directors as fiduciaries	9
2.2 Effective board behaviour	9
2.3 Responsibilities of the board	10
2.4 Composition and structure of the board	10
2.4.1 Skills and experience	10
2.4.2 Time commitment	11
2.4.3 Independence	11
2.4.4 Composition of board committees	11-12
2.5 Role of the chair	12
2.6 Lead independent director	13
2.7 Company secretary	13
2.8 Knowledge of company	13
2.9 Appointment of directors	13
2.9.1 Election of directors	13-14
2.9.2 Information on board nominees	14
2.10 Board and director development and evaluation	14
2.11 Related party transactions and conflicts	15
2.11.1 Related Party Transactions	15
2.11.2 Director Conflicts of Interest	15

3.0	Corporate culture	15
3.1	Culture and ethical behaviour	15
3.2	Integrity	15
3.3	Codes of ethics and conduct	15-16
3.4	Bribery and corruption	16
3.5	Employee share dealing	16
3.6	Compliance with laws	16
3.7	Whistle-blowing	16
4.0	Risk management	16
4.1	Effective and appropriate risk management	16
4.2	Dynamic management process	16-17
4.3	Board oversight	17
4.4	Comprehensive approach	17
4.5	Disclosure	17
5.0	Remuneration	17
5.1	Alignment with long term	17
5.2	Link to value-creation	17
5.3	Pay for non-executive directors	18
5.4	Transparency	18
5.5	Share ownership	18
5.6	Hedging	18
5.7	Shareholder approval and dialogue	18
5.8	Employee remuneration	19

6.0	Audit	19
6.1	Robust and independent audit	19
6.2	Annual audit	19
6.3	Scope of audit	19
6.4	Independent audit	19-20
6.5	Ethical standards	20
6.6	Internal audit	20
6.7	Audit committee role	20
7.0	Disclosure and transparency	20
7.1	Transparent and open communication	20-21
7.2	Timely disclosure	21
7.3	Affirmation of financial statements	21
7.4	Accounting standards	21
7.5	Non-financial business reporting	21
7.6	Disclosure of ownership	21
8.0	Shareholder rights	21
8.1	Accountability	21
8.2	Corporate charter	22
8.3	Shareholder protections	22
8.3.1	Unequal voting rights	22
8.3.2	Shareholder participation in governance	22
8.3.3	Major decisions	22
8.3.4	Pre-emption	22

8.3.5	Shareholders' right to call a meeting of shareholders	22-23
8.3.6	Shareholder resolutions	23
8.3.7	Shareholder questions	23
8.3.8	Consultation among institutional shareholders	23
8.4	Voting-related rights	23
8.4.1	Shareholder ownership rights	23
8.4.2	Vote execution	23
8.4.3	Vote count	23
8.4.4	Disclosing voting results	24
8.5	Shareholder rights of action	23-24
8.6	Record of ownership of a company's shares	24
8.7	Promoting shareholder rights	24
9.0	Shareholder responsibilities	24
9.1	Alignment	24
9.2	Integration into mandates	24
9.3	Integration into investment decision-making	24-25
9.4	Collaboration	25
9.5	Active and considered voting	25
9.6	Commitment to Principles	25
9.7	Internal corporate governance	25
Annex 1:	Acknowledgements	26
Annex 2:	Contacts	27

1.0 Corporate objective

1.1 Sustainable value creation

The objective of companies is to generate sustainable shareholder value over the long term. Sustainability implies that the company must manage effectively the governance, social and environmental aspects of its activities as well as the financial. Each company needs over time to generate a return on the capital invested in it over and above the cost of that capital.

Companies will only succeed in achieving this in the long run if their focus on economic returns and their long-term strategic planning include the effective management of their relationships with stakeholders such as employees, suppliers, customers, local communities and the environment as a whole.

2.0 Corporate boards

2.1 Directors as fiduciaries

Members of company boards are fiduciaries who must act in the best interests of the company and its shareholders and are accountable to the shareholder body as a whole. As fiduciaries, directors owe a duty of care and diligence to, and must act in the best interests of, the company.

2.2 Effective board behaviour

Boards need to generate effective debate and discussion around current operations, potential risks and proposed developments.

Effective debate and discussion requires:

- (a) that the board has independent leadership;
- (b) that the chair works to create and maintain a culture of openness and constructive challenge which allows a diversity of views to be expressed;
- (c) that there is a sufficient mix of relevant skills, competence, and diversity of perspectives within the board to generate appropriate challenge and discussion;
- (d) that the independent element of the board is sufficiently objective in relation to the executives and dominant shareholders to provide robust challenge without undermining the spirit of collective endeavour on the board;
- (e) that the non-executive element of the board have enough knowledge of the business and sources of information about its operations to understand the company sufficiently to contribute effectively to its development;
- (f) that the board is provided with enough information about the performance of the company and matters to be discussed at the board, and enough time to consider it properly; and
- (g) that the board is conscious of its accountability to shareholders for its actions.