ICGN Global Share Voting Principles

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INTRODUCTION

The International Corporate Governance Network (ICGN), formed in 1995, represents institutional investors and others involved in the development of global corporate governance practices. Its objective is to facilitate international dialogue on ways to strengthen the accountability of companies to owners so as to enhance shareholder value. Through this process, the ICGN holds, companies can compete more effectively and economies can best prosper. The organization’s charter empowers it to adopt guidelines when it feels they can contribute to achieving this objective.

RATIONALE

A key factor in the accountability of companies to owners is the process by which shareholders vote. With ownership spreading widely across frontiers, attention has begun to focus on the efficiency of systems addressing cross-border voting. In most markets, share voting systems developed without regard to the particular situation of shareholders based abroad. Indeed, until about 1993, foreign investors exhibited little interest in routine share voting across borders. But the rise in overseas equity ownership in companies coincided with the demand from institutions to vote shares held outside the home market. In some cases, certain institutions are obliged by regulation to vote everywhere they hold securities. But many were following an emerging consensus that the prudent obligation of fiduciaries is to consider the share vote an asset to be used to protect and further the shareholder’s interests. This consensus rests on the recognition that voting can positively influence an investee company’s performance.

But barriers in the form of cost, logistics, regulation and law make it difficult for many institutions based outside the home market to exercise their full responsibility as owners and vote. As a consequence, company boards—particularly those heading firms with internationally diverse shareholders—risk being more remote from their owners’ interests. Institutions, for their part, are hampered when they seek to use a legitimate tool to convey support or warnings to management. And an economy as a whole shoulders a competitive disadvantage in attempting to draw international equity capital.
The ICGN recognizes that variations in voting rights themselves, in addition to procedural problems, can present barriers to shareholder influence. Voting rights clearly vary across markets.

The ICGN Share Voting Principles outlined below constitute an effort to help clear away outmoded and counter-productive structural impediments to accountability so that market forces can operate more efficiently across national frontiers. They are founded on the belief that both intentional efforts to interfere with the right to cast votes, and impediments which over time have unintentionally hampered voting, must be considered counterproductive and undesirable for owners, companies and economies.

1. EQUAL AND FAIR VOTING RIGHTS

The same voting rights should attach to shares regardless of how much equity a shareholder holds, or how geographically distant a shareholder may be from the company. Votes should be cast only according to instructions by the owner or the owner’s agent.

2. MEETING NOTICES

Company law, corporate articles and/or voluntary coordination among companies should allow firms to structure their reporting calendar and notice distribution so as to give priority to creating a reasonable time for shareholders to receive meeting agendas, consider voting items, make arrangements to attend the meeting if they so desire, and vote in time for the ballot to count. The notice should be clear as to the actual date and location of the meeting and it should be distributed as widely as possible so as to reach investors.

3. MEETING AGENDAS

Meeting agendas should be presented in such a way that shareholders can understand and ascertain which items are to be voted. Companies should faithfully present the principal purpose of each resolution. Voting items should be numbered in the order in which they will be taken up at the meeting.

4. VOTING DEADLINES

Companies should set the voting deadline for mailed ballots as close to the meeting as is practical, with the emphasis on ease of share voting. At the same time, custodians, voting agents and depositary institutions (for instruments such as Global Depositary Receipts and American Depositary Receipts) should move their own voting deadlines as close as practical to the company deadline date.

5. BLOCKING/DEPOSITING SHARES

Shareholders should be able to vote at companies they own without facing the cost and inconvenience of having their shares blocked from trading or deposited in a designated institution for a period of time. But at the same time, companies should be assured that investors casting
ballots are legitimate owners eligible to cast a specific number of votes. Each market should seek solutions that reconcile these two needs.

6. LANGUAGE

Companies with internationally diversified ownership should ensure that agendas and notices are accessible to shareholders in at least one internationally-accepted language. Companies should ensure that translations are timely, accurate and complete, with the meaning and purpose of resolutions clear.

7. PROCEDURES

Procedures should be re-examined, simplified and updated with a view to enfranchising and facilitating share voting by investors. Companies should make available to shareholders a variety of voting methods, such as voting by mail, telephone, fax, Internet, Swift, and/or email.

8. VOTE COUNTS AND VERIFICATION

All votes should be counted regardless of whether they are received by proxy or other means, or cast by hand or voice at the meeting, and the results should be declared. Companies should ensure that a process exists by which shareholders can ascertain that their votes were correctly and officially cast at shareholder meetings.

9. COSTS

To the extent possible, share voting systems should be designed to minimize costs imposed on intermediaries and shareholders in exercising voting rights.

10. MARKET OVERSIGHT

There should be appropriate regulation or an effective mechanism to ensure that shareholder meeting agendas are released according to established rules and procedures, and that the correct amount and appropriate content of proxy information is distributed to shareholders.

11. PROMOTING THE PRINCIPLES

A relevant body or bodies in each market should pursue implementation of the ICGN share voting principles.

ICGN FOLLOW-THROUGH

The ICGN recommends that one or more specific institutions in a market devise ways to implement technical share voting reforms, preferably using as a model the share voting principles adopted by the ICGN. Any such initiative should be certain to address cross-border voting issues by means of either 1) including formal, advisory, observer or ex-officio representation by an
appropriate foreign shareholder representative; or 2) a fixed relationship with the ICG involving ICGN input, review and commentary on national proposals. The national body or bodies should report on whether changes require legislation, article amendments on a company-by-company basis, changes in listing requirements, or reforms in voluntary common practice. It or they should then be responsible for shepherding those to reality. The national body or bodies, or the appropriate national ICGN members, should, annually, supply the ICGN secretariat with a summary of progress.

The ICGN recommends a target date of July 1, 2001 for implementation of share voting principles in markets around the world.

Just prior to each ICGN annual meeting, the ICGN secretariat will ensure that members receive a concise update on progress or lack of progress in markets on implementing recommended share voting principles. The annual disclosure of share voting practices is intended to sustain pressure on slow-moving markets and encourage member institutions to add their voices to pressure for reform. The ICGN will maintain a standing share voting panel to monitor progress and consider recommending additional changes in share voting principles as they become evident.