

INTERNATIONAL CORPORATE GOVERNANCE NETWORK

Minutes of the Annual General Meeting held on Friday 9 July 2004 at the Sofitel Hotel, Rio de Janeiro, Brazil

In attendance

Board of Governors

Alastair Ross Goobey (Chair)	Hermes Focus Asset Management Ltd, UK
Pierre Bollon	AFG, France
Jennifer Choi	Investment Company Institute, USA
Peter Dey	Osler Hoskin & Harcourt, Canada
Leo Goldschmidt	APCIMS-EASD, Belgium
Sandra Guerra	CPM S.A., Brazil
Rich Koppes	Jones Day, USA
Alan MacDougall (Secretary)	Pensions and Investment Research Consultants Ltd, UK
Taiji Okusu	Credit Suisse First Boston, Japan
John Wilcox	Georgeson Shareholder Communication, USA

Apologies:

Sophie L'Helias (Treasurer)	Attorney, France
Christian Strenger	DWS Investment GmbH, Germany

Plus:

85 ICGN members in person and 13 represented by proxy

Other ICGN conference delegates, as onlookers

The Chairman called the annual general meeting to order at 14.08 and explained the electronic voting system that would be used during the meeting.

1 – Minutes

The Chairman explained that a member had asked for the addition of three words to the 6th bullet point of item 7 of the minutes of the previous AGM held at the Beurs van Berlage, Amsterdam on 11 July 2003. He was happy to make the necessary manual alteration to the minutes, so that the sentence would then read *Action institutional investors can take to help individual investors vote their shares*.

There were no questions on the minutes, which were received subject to the alteration.

2 – Chairman's Report

The Chairman summarised the report that had been circulated.

A member requested that ICGN should carry out some academic research on corporate governance matters, outside of the research carried out by the ICGN Committees. The Chairman remarked that there was likely to be a call on the ICGN reserves with the appointment of the new Executive Director, however the Board would bear the request in mind.

The Chairman's Report was received.

3 – Committee Reports

The chairmen of the Committees joined the Board members on the stage.

3.1 Communications Committee

The Chairman reported that unfortunately the Committee chair, Sophie L'Helias, could not be at the meeting. He summarised the Committee's report that showed it had been very active, to good effect, in the year. It had proposed the hiring of an executive director, exploring new conference formulas and redeveloping the website to become a proper tool for members, all of which were well under way.

There being no questions on the report, it was received.

3.2 Bylaws and Procedures Committee

Summarising the Committee report, the Chairman stated that the committee, chaired jointly by Leo Goldschmidt and Caroline Phillips, had:

- produced some changes to the procedures for the election of directors, which were attached to the report for the information of members
- set out the detailed procedures to supplement the Bylaws on board nomination procedures, produced committee procedures and reviewed some of the procedures for running the AGM

In the forthcoming year, the committee were looking to review the procedures for approving ICGN Policies and guidelines and to set down guidance for the organisation of the annual conference.

There being no questions on the report, it was received.

3.3 Accounting and Auditing Practices Committee

The Chairman summarised the Committee report that it had monitored developments around the world and made representations where it thought appropriate, particularly on International Accounting Standards. Unfortunately the Committee chair, Claude Lamoureux had had to leave, but another member of the Committee, Guy Jubb, was on the stage to answer questions.

In reply to a member querying whether the committee had discussed the poor solutions being proposed for the expensing of options, Guy Jubb reported that the Committee had concentrated on getting the principle of expensing options agreed by regulating bodies, so had not re-visited the technical aspect. He would reflect the comment back to the Committee.

It was queried why no mention was made of the International Auditing and Assurance Standards Board in the report. It was agreed that further information about this body would be sought outside the meeting.

There being no further questions, the report was received.

3.4 Executive Remuneration Committee

The Chairman, in summarising the Committee report, said that the Committee had organised a response to an Exposure Draft on Share-based Payments and compiled reports on compliance with ICGN's Executive Remuneration Principles in Australia, the UK and the US. The Committee was proposing to update those Principles in the coming year to include Non-Executive Directors, and the establishment of an electronic "grapevine" for members.

The Committee chair, Linda Selbach, confirmed that the accounting technique for expensing options was not included in the Exposure Draft, so had not been addressed by the Committee. Those techniques were more a matter for the Auditing and Accounting Standards Committee.

There being no further questions, the report was received.

3.5 Cross Border Voting Practices Committee

The Chairman reported, as a summary of the Committee Report, that the Committee, chaired by John Wilcox, had focussed primarily on ADR's through a sub committee chaired by Jennifer Choi. The sub committee's work had included a survey of ICGN members and the production of a set of Principles for a Model Depositary Agreement. Members of the Committee had also been involved in the planning of the ICGN conference to be held in Delaware in the autumn. The Committee planned to assist Hermes during 2004/5 in work to harmonise cross border voting in the EU.

There being no questions, the report was received.

3.6 Securities Lending Committee

The Chairman, in summarising the Committee Report, stated that the Committee, chaired by Andrew Clearfield, had carried out major research into the practices surrounding stock lending and the effect of those practices. The research showed that stock lending was widespread and that there was little understanding that over the period of a record date or AGM this effectively amounted to a sale of voting rights. The problem was compounded by a lack of communication throughout the voting chain as to the amount and timing of stock lending. The Committee had made some tentative recommendations including that investment managers should know how many shares had been lent and have mechanisms in place to decide whether share should be recalled. The Committee was seeking feedback to their tentative recommendations and hoped to offer a proposed Code of Best Practice at the next AGM.

There being no questions, the report was received.

3.7 Corporate Governance Principles Committee

The Committee chair, Peter Dey reported that the Committee was working on revisions to the ICGN Corporate Governance Principles in the light of the revised

OECD Principles, the ICGN policies on such as Institutional Shareholder Responsibilities and other changes such as a definition of “independence”. The Committee intended to produce an exposure draft to the Board in the early autumn for release to the members in mid October for comment by February 2005. All comments would be considered and a revised exposure draft would be presented to the Board for consideration before going to the AGM next year for approval.

The chair further reported that the Committee had written to the SEC in the US on 17 December 2003 about the proposals on access to the proxy process for nomination and removal of directors, which the Committee felt fell short of international standards. The Committee recommended that the SEC proposals should include provision to move to being in line with international practice.

In response to a call for questions about the revision of the ICGN Principles, a member asked about the protocols for making submissions to the Committee and serving on the Committee. The chairman explained that members would be invited to make comment. He further explained that the organisation was always looking for volunteers, however it was not always possible to accommodate members’ wishes.

There being no further questions, the report was received.

The chairman stated that there had been considerable concern amongst the ICGN members about the access in the USA to the proxy on appointment of directors and the danger of the SEC’s proposals being delayed. To re-inforce ICGN’s, and the Board’s, collegiate position as stated in its letter to the SEC of 17 December 2003, he proposed that the meeting formally resolve the following:

“The ICGN in general meeting in Rio de Janeiro on 9 July 2004 resolves that the stance taken by its Global Corporate Governance Principles Committee as expressed in its letter of 17 December 2003 to the US SEC, namely :

- 1 stating that shareholders as responsible owners of a company have basic rights in matters of appointment and removal of individual directors;
 - and
 - 2 recommending that the US reduce and ultimately eliminate the differences between US practice and international practice
- is formally endorsed.

It further resolves that the principle expressed under 1 be incorporated in the ICGN Principles currently under revision.”

In response to points made by members, the chairman explained that the resolution would be sent with a covering letter of explanation to the SEC, that it was within the ICGN Bylaws for resolutions to come forward at the AGM and that there were precedents for having important policy matters formally endorsed by the membership.

The resolution was carried by a show of hands, with three members opposing the resolution and one abstention.

3.8 Shareholder Responsibility Committee

Stephen Davis, deputising for the Committee chair Geert Raaijmakers, reported that the Committee was preparing a Best Practice Code on Fund Governance with some of the key issues being:

- What general fiduciary principles should the institutional investor apply in its activities?
- What disclosures should be made in the field of fund governance to live up to reasonable transparency standards (e.g. governance structure, investment policy, outsourcing, costs, risks, conflicts of interest and all matters mentioned in the ICGN Statement on Institutional Shareholder Responsibility)?
- What general best practice principles should apply on the way institutional investors are governed? Who bears what responsibilities? How is supervision organised? Are there means of control by beneficiaries? Is there an accountability standard? What other checks and balances are in place?
- How are adequate levels of professional skills safeguarded? How about integrity standards?
- What general principles should apply to the investment process itself?

The Committee planned to publish a consultation draft later in the year with a view to bringing a final version for approval by the ICGN members at the next AGM.

There being no questions on the report, it was received.

3.9 Conference Site Selection Committee

The Chairman summarised the report of the Committee, which was chaired by Andre Baladi. The Committee had received three invitations to host the 2006 conference, from Mumbai, Seoul and Washington DC. Having given careful consideration to all the invitations, the Committee recommended that the conference was held in Washington, in order to strengthen the ICGN reputation in the largest capital market in the world. He reported that the possible logistical problem of staging the conference in Washington that had been included in the report, had now been overcome. The report also noted expressions of interest to hold the 2007 conference in Geneva, Monte Carlo and Moscow.

The Chairman opened discussion on the resolution

“That the 2006 Annual Conference be held in Washington, subject to there being a satisfactory logistical sponsoring organisation, and that the invitations to host future conferences are noted”

Mr Chouhan from Mumbai provided information in support of the application from Mumbai and presented a small decorative wall hanging as a token of affection.

79 votes were in favour of the resolution with 14 votes against and no abstentions. **The chairman declared the resolution carried.**

4 – Financial Statements

In the absence of the Treasurer, Sophie L’Helias, the Chairman reported that ICGN had made a surplus of £22,400 in the year to the end of December 2003 and had

accumulated reserves of £316,000. It was against that background that the Board decided that the growth in ICGN's operations warranted the engagement of a paid Executive Director.

In response to a question from a member, Caroline Phillips from the ICGN Secretariat explained that the potential tax liability had been avoided because the cost of the PR consultant used in 2003 had been allowable against the taxable income from the conference.

The resolution "That the financial statements for the year ended 31 December 2003 are approved" was passed by 94 votes of approval with no votes against and one vote withheld.

5 – Appointment of Auditors

The resolution "that PKF are re-appointed ICGN auditors for the period to end at the close of the next AGM" was passed by 92 votes of approval with no votes against and three votes withheld.

6 – Election of Board Members

The Chairman introduced the thirteen candidates shown in the report of the Nominating Committee, which was chaired by Peter Butler:

Philip Armstrong*	South Africa	new
Pierre Bollon*	France	2 nd term
Jennifer Choi*	USA	2 nd term
Peter Dey*	Canada	3 rd term
Peggy Foran*	USA	new
Richard Koppes*	USA	2 nd term
Alan MacDougall*	UK	2 nd term
Roderick Munsters*	The Netherlands	new
Taiji Okusu*	Japan	2 nd term
Alastair Ross Goobey*	UK	3 rd term
Christian Strenger*	Germany	2 nd term
Shann Turnbull	Australia	new
John Wilcox*	USA	3 rd term

(* Nominating Committee recommendations for the twelve vacancies)

He explained that Peggy Foran was not able to be at the AGM because, as President of the American Society of Corporate Secretaries, she was chairing the ASCS annual conference, and that Christian Strenger had to be at the wedding of his goddaughter.

Some members expressed concern about the proposal for Peggy Foran, Vice President, Corporate Governance for Pfizer Inc to join the Board. The concerns centred on the appropriateness of appointing someone from a corporation and on her leadership of the Business Roundtable in the USA which was seen as opposing the SEC's proposals on allowing shareholder access to the appointment and removal of directors.

Peter Butler explained that the Nominating Committee had used its judgment to interpret the ICGN Bylaws, which included the duty to recognise, as far as possible, the different types of organisations, backgrounds and experience represented amongst the membership. The Chairman stated that there was no question of the control of ICGN moving away from the institutional investors and that it would be beneficial to have the view of corporations within the Board. John Wilcox, on behalf of Peggy Foran, stated that she was able to endorse fully the ICGN position on the access to the appointment of directors.

The suggestion was made that the Board should seek the views of the members on the future direction and membership of the organisation..

The recommendation on each Director was voted on separately. The outcome of the polls was checked by the scrutineers Frank Curtis (Railpen), David Gould (NAPF), Mike McKersey (ABI) and Harry Frost and reported after the discussion on item 7.

	<u>For</u>	<u>Against</u>	<u>Vote Withheld</u>
Philip Armstrong*	83	10	4
Pierre Bollon*	85	4	4
Jennifer Choi*	82	9	4
Peter Dey*	87	6	3
Peggy Foran*	53	35	6
Richard Koppes*	85	8	2
Alan MacDougall*	81	8	7
Roderick Munsters*	78	3	11
Taiji Okusu*	90	3	2
Alastair Ross Goobey*	87	8	1
Christian Strenger*	81	9	4
Shann Turnbull	28	34	19
John Wilcox*	77	11	8

The Chairman declared the candidates marked * above as being elected to the Board of governors to serve until the end of the next AGM.

6 – Activities for 2004/5

The Chairman reported plans for 2004/5 as follows:

- Recruitment of Executive Director
The headhunter Roddy Gow was assisting in the selection of the Executive Director on a pro bono basis. The list of candidates was of a high calibre. A sub-committee of the Board, comprising the Chairman, John Wilcox, Alan MacDougall and Peter Dey, would select three candidates for interview by the whole Board, possibly by video link.

In response to questions he explained that it would be easiest for the Executive Director to be based in the European time zone and that the appointment would be for an initial term of three years after a probationary period.

- Responses to Corporate Governance Initiatives
The continuation of ICGN's work in responding to corporate governance initiatives from regulators and legislators.
- Committee Output
As well as responding to corporate governance initiatives, important work was due to include guidance on Fund Governance from the Shareholder Responsibilities Committee, on non-financial measures from a new committee, the Non-financial Disclosure Committee to be chaired by Alan MacDougall, the revised ICGN Corporate Governance Principles and a Best Practice Code on securities lending.
- Additional Conference
There was an additional ICGN conference on October 21 and 22 in conjunction with the State of Delaware, for which a flyer was now available.
- Website
There would be continuing development of the new ICGN website. Thanks were expressed to the Corporate Library for all their work on the previous site.

There were suggestions from members that ICGN should:

- Document, on a country-by-country basis, the rules and limitations affecting shareowners' rights to work together on shareholder engagement activities. Subsequently to define global best practice and then campaign on a country-by-country basis to achieve the best practice.
- Consider the provision of providing a certificate and continuing education for corporate governance practitioners.
- Review issues that prevent achievement of a global standard of audit practices and answer the following:
 - How to reconnect auditors with their real client, the shareowner.
 - How to increase from 4 to more than 10, the number of major global audit firms capable of auditing leading quoted companies.

The Chairman agreed to bring these matters before the Board.

7 – Any Other Business

Members gave a standing ovation to Sandra Guerra and Stephen Davis for their work in producing such an excellent conference.

The Chairman expressed thanks to the outgoing members of the Board, Sophie L'Helias, Sandra Guerra and Leo Goldschmidt. They had each made outstanding contributions to ICGN and hopefully would continue to contribute by serving on committees.

The Chairman declared the meeting closed at 16.05.

Chairman

Date