



## INTERNATIONAL CORPORATE GOVERNANCE NETWORK

### Minutes of the Annual General Meeting Held on Friday, 7 July 2006 At the Omni Shoreham Hotel, Washington DC, USA

#### **In attendance:**

##### *Board of Governors*

Christian Strenger (Chair)	DWS Investment GmbH, Germany
Mark Anson	Hermes, UK
Philip Armstrong	ENF Corporate Governance, South Africa
Bruce Babcock	ADP ICS-Europe and Asia, UK
Andrew Clearfield	Investment Initiatives LLC, USA
Peggy Foran	Pfizer Inc, USA
Richard Koppes	Jones Day, USA
Peter Montagnon	ABI, UK
Stilpon Nestor	Nestor Advisors, UK
Taiji Okusu	CSFB Securities (Japan) Ltd, Japan
Anne Simpson	Executive Director, ICGN

##### Apologies:

Pierre Bollon	AFG, France
Alan MacDougall	PIRC, UK

##### Plus:

[ 112 ] ICGN members in person and [20] represented by proxy.  
Those members attending the meeting who had previously submitted a proxy did not vote electronically in person, relying instead on their proxies.

The Chairman called the Annual General Meeting to order at 1405 and explained the electronic voting system which would be used during the meeting.

#### **1. Minutes**

There were no questions on the minutes of the meeting held on 8 July 2005, which were received by the meeting.

#### **2. Chairman's Report**

The Chairman summarised the report which had been circulated. He commented on the significant progress achieved during the year with particular reference to the increased membership and widened geographic reach of the Network.

The Chairman thanked the Board members who had suggested that an ICGN research foundation be established. He explained to the meeting that sponsorship

was required and that it was important that the correct person be appointed to perform the research, which could be commissioned by the ICGN alone, or in conjunction with other institutions. Members were invited to contact the Executive Director if they wished to contribute to the scope of the foundation.

The Chairman's Report was received.

### **3. Financial Statements**

Anne Simpson introduced the accounts to the end of December 2005, which for the first time represented a consolidated statement of income and expenditure by the ICGN, incorporating revenue from the annual conference. Ms Simpson advised the conference that debt collection in relation to the London conference, held in difficult circumstances, continued and that it was anticipated that a positive adjustment would be required to the accounts for 2006. The 2005 accounts had taken a prudent approach to all outstanding debts, which had resulted in a loss for the year of £38,484. The reserve account stood at £345,444 as at 31 December 2005.

The resolution **"to approve the financial statements for the year ended 31 December 2005"** was passed by 109 votes of approval, with two votes against and two votes withheld.

### **4. Appointment of Auditors**

In response to a question from Sarah Wilson as to whether consideration should be given not having statutory audited accounts in future years as the ICGN was exempt from the requirement for its accounts to be audited under UK law, Miss Simpson responded that having statutory audited accounts was best practice and as such more applicable for the ICGN.

Kayla Gillan requested that consideration be given to using a different audit partnership, as this would be the sixth successive year that PKF had been appointed as auditors. The Chairman noted Ms Gillan's request, and requested that the incoming Board consider this in due course.

Shann Turnbull expressed the view that the auditors should be controlled by an audit committee comprising members of the ICGN rather than Board members. His view was noted by the meeting.

The resolution **"to approve the reappointment of PKF LLP as auditors"** for the period to end at the close of the next AGM, was passed by 103 votes of approval, with eleven votes against and five votes withheld.

### **5. Reports to Members**

#### **5.1 Executive Remuneration Committee**

Ted White, as Chair of the Committee since February 2006, explained that a new set of guidelines on executive remuneration had been developed, updating the ICGN's current policy adopted in 2002. The Committee had also approved a letter to the SEC requesting specific amendments to the disclosure proposals being proposed by the SEC in respect of the timing of grants and the issue of springloading. Mr White requested that members who wished to support the committee's view write to the SEC, and offered to supply an electronic copy of the letter upon request.

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

The Executive Remuneration guidelines had been available for consultation on the ICGN website and the meeting was invited to request any amendments. Mr White thanked the Board and Committee members for their extensive reviews and informed the meeting that Sandy Easterbrook had requested an amendment to reflect the situation in Australia whereby shareholder approval is required before an option is valid, which should not be considered backdating. This comment would be accommodated in the final guidelines. Anthony Williams requested that the wording in respect of holding requirements in section 3.4.2 should be amended to read that “executives shall hold significant portions of equity grants for extended periods, which should include requirements to hold some portion of grants *for a fixed period of time after employment is ceased.*” The rationale for this request was to neutralise executives’ ability to take advantage of the short-term effects on share prices of senior management change. Mr White stated that this change was acceptable and invited the meeting to vote on the resolution “**to adopt the updated Executive Remuneration Guidelines subject to amendment at the AGM**”. The resolution was passed with 104 votes of approval, with three votes against and five votes withheld.

## **5.2 Accounting and Auditing Practices Committee**

Claude Lamoureux, as Chair of the Accounting and Auditing Practices Committee, stated that arising from a committee meeting held in Washington earlier in the week it had become clear that the question of establishing basic principles for the engagement letter, to be modified for us in different jurisdictions, should be addressed. Both this and the issue of alternative dispute resolution would be addressed by the Committee over the course of the next year.

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

## **5.3 Bylaws and Procedures Committee**

Léo Goldschmidt, as Chair of the Bylaws and Procedures Committee, reported on the possible change in the legal status of the ICGN and outlined the procedures by which this could be achieved.

To enable more members to participate in the Network’s AGM, consideration was being given to permitting remote electronic voting for members, taking into account the associated technical and legal issues. Comments received from the floor supported this idea.

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

## **5.4 Cross Border Voting Practices Committee**

John Wilcox, as Chair of the Committee, stated that the Committee had submitted a comment letter to the European Commission on the proposed shareholder rights directive, to the European Parliament on the final shareholder rights directive, and had contributed to developing a comment letter on majority voting sent by the Shareholder Rights Committee to the American Bar Association’s Committee on Corporate Laws on the issue of majority voting in the election of directors of US companies. Following publication of the Committee’s report to members, a comment letter had been sent to the New York Stock Exchange in response to its decision to eliminate discretionary voting in director elections.

Mr Strenger commented on the positive feedback received from Brussels to the work of this committee.

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

### **5.5 Non-Financial Business Reporting Committee**

Frank Curtiss, as Chair of the Committee, stated that the main thrust of the Committee's work was to address the value question, expressed as the gap between traditional financial (book) values and market capitalisation.

A paper had been published by the Committee during the ICGN Washington conference on the initial framework for non-financial business reporting, setting out the Committee's views on the value question. This had formed the basis for discussion at the hot topic workshop, and Mr Curtiss welcomed questions from members. In response to questions and comments from the floor, Mr Curtiss stated that consideration would be given to changing the name of the committee to better reflect the work it was undertaking. Suggestions from members were welcomed.

A member requested that consideration be given to the inequality in the amount of information available to debt holders and equity holders. Mr Curtiss stated that the Committee would do so.

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

### **5.6 Securities Lending Committee**

In addition to the work highlighted in the Committee's report, Andrew Clearfield, as Chair of the Securities Lending Committee, stated that in recent weeks the Committee had considered the issue of how to persuade lenders of their responsibilities in respect of stock lending. A document had been prepared which would be available to members.

The Committee recommended that the ICGN should address the issue of disclosure positions and consider whether investors should be compelled to disclose their gross positions. A paper would be prepared for the ICGN Board to consider, and if thought appropriate pass to the appropriate Committee.

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

### **5.7 Shareholder Responsibilities Committee**

Peter Montagnon, as Chair of the Shareholder Responsibilities Committee, thanked members for their responses to its draft guidelines on institutional shareholder responsibilities. As a result of responses received additional work would be done on refining language within the text and in including additional information on conflicts of interest. It was the Committee's intention to produce a final document for the Board's consideration during the autumn, to be followed by endorsement by the membership via e-mail.

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

### **5.8 Shareholder Rights Committee**

Alastair Ross Goobey, Chair of the Shareholder Responsibilities Committee, outlined the responses made by the Committee during the year and informed the meeting that these were available on the ICGN website. The Committee had worked closely with the Cross Border Voting Committee.

The new Japanese Corporate Law and the proposed new Japanese voluntary corporate governance code were the subjects of a study currently being undertaken.

Mr Ross Goobey stated that the work of the Committee was largely reactive to new proposals in governance, and requested that members alert the Committee to changes, developments in codes, or new proposals.

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

### **5.9 Corporate Governance Principles Committee**

Stilpon Nestor stated that he had been monitoring the voluntary codes being adopted or amended on a global basis, to ascertain the impact on them of the ICGN Corporate Governance Principles. A survey had been sent to members to determine whether the ICGN Principles had been used as a means of influencing the development of codes or as a benchmarking tool. The Chairman encouraged members to respond and to offer support to Mr Nestor.

The Chairman thanked all Committee chairs and members for their efforts during the year.

## **6. Election of Board Members**

The Chairman introduced the twelve candidates shown in the report of the Nominating Committee (showing nationality and country of residence):

Mark Anson	USA/UK	2 <sup>nd</sup> term
Philip Armstrong	South Africa/USA	3 <sup>rd</sup> term
Bruce Babcock	USA/UK	2 <sup>nd</sup> term
Andrew Clearfield	USA/USA	2 <sup>nd</sup> term
Peggy Foran	USA/USA	3 <sup>rd</sup> term
Kayla Gillan	USA/USA	new
Jean-Piere Hellebuyck	France/France	new
Hasung Jang	Korea/Korea	new
Peter Montagnon	UK/UK	2 <sup>nd</sup> term
Stilpon Nestor	Greece/UK	2 <sup>nd</sup> term
Michael O'Sullivan	Australia/Australia	new
Anita Skipper	UK/UK	new

The Chairman informed the meeting that those current board members who were standing for re-election had indicated that, subject to his election, they would propose Mark Anson as ICGN Chairman for 2006/07. Mark had indicated that he would take on the role.

### **6.1 Nominating Committee Report**

Peter Butler, Chair of the Nominating Committee, stated that the candidates who had been nominated this year had been of an exceptionally high standard. With the growth in the membership of the ICGN, he requested that Board members consider serving for the full three-year term to be on an exception basis, with a move towards most Board members serving only two.

In response to a question from a member, Mr Butler informed the meeting that the Nominating Committee's deliberations took note of attendance records, but also of the contribution made by each Board member, as appraised by the Chairman.

### **6.2 Election of the Board of Governors for the year 2006/07**

The recommendation on each Director was voted on separately. The outcome of the polls was checked by the scrutineers, Jon Lukomnik, Holly Gregory and Tim Bush, and reported after the discussion on item 8.

	<u>For</u>	<u>Against</u>	<u>Vote Withheld</u>
Mark Anson	110	2	2
Philip Armstrong	106	2	3
Bruce Babcock	104	5	5
Andrew Clearfield	100	13	2
Peggy Foran	94	14	7
Kayla Gillan	109	1	6
Jean-Pierre Hellebuyck	105	4	7
Hasung Jang	113	2	1
Peter Montagnon	104	1	7
Stilpon Nestor	108	6	4
Michael O'Sullivan	105	3	6
Anita Skipper	105	5	2

**The Chairman declared the twelve candidates named above as being elected to the Board of Governors** to serve until the end of the next AGM and wished them every success in their endeavours.

## **7. Conference Site Selection**

The Executive Director presented the report, which recommended that Seoul be selected as the venue for the 2008 Annual Conference. In recommending Seoul she had been impressed by the support for the bid from both the public and private sectors in Korea, and felt that the Conference could provide a boost to reform in that region.

In response to questions from members, the Chairman stated that the Board were mindful of the need to hold the Conferences in both developed and developing markets, and that the mid-year meetings aimed to redress the balance. The meeting were reminded that a meeting would be held in Mumbai in November 2006.

The resolution **“to agree that the site for the 2008 ICGN Conference and AGM will be Korea”** was **agreed** with 97 in favour, 6 against and 3 votes withheld.

The Korean delegation thanked members for their support and looked forward to welcoming members to Seoul in 2008.

## **8. Activities for 2006/07**

Ms Simpson invited members to propose items of work which they would like the ICGN to consider for the coming year. With limited resources, thoughts on prioritisation were also invited.

Suggestions from members included:

- Endorsement of the Enhanced Analytics Initiative
- A broader definition of corporate governance which would focus on the developing markets and also on social responsibility. The latter suggestion occasioned strong views, both in favour and opposed to the proposal. John Wilcox undertook to clarify the suggestion in writing.
- A revision of the governance of audit practices, with focus on determining whether auditors appointed by directors rather than shareholders could be deemed to be independent. The Chairman stated that the new Board would

consider this suggestion. The proposer, Shann Turnbull, volunteered to assist in any way the Board considered appropriate.

- The establishment of a Directors' committee to encourage directors of corporations to engage with the work done by the ICGN, and to produce guidelines for best practice. The Chairman stated that the establishment of this Committee would be considered by the incoming Board.

## **9. Any Other Business**

The Chairman thanked all involved in making the Washington event such a success, and asked the meeting to join him in paying silent tribute to the victims of the London bombing on 7 July 2005.

Anne Simpson proposed a vote of appreciation for the Chairman, whose term of office was expiring, in which she said that Christian Strenger had set a relentless pace for the organisation, had worked tirelessly for the ICGN and had a tremendous eye for detail. His punctuality was legendary, and the Board were delighted to present him with a clock as a memento. The vote of appreciation was passed with acclamation.

There being no further business, the Chairman declared the meeting closed at 4.20 pm.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date