

## INTERNATIONAL CORPORATE GOVERNANCE NETWORK

### Minutes of the Annual General Meeting Held on Friday, 6 July 2007 At the International Convention Centre, Cape Town, South Africa

#### In attendance:

##### Board of Governors

Mark Anson (Chair)	Hermes, USA
Philip Armstrong	Global Corporate Governance Forum, South Africa
Bruce Babcock	Broadridge Financial Solutions, USA
Andrew Clearfield	Investment Initiatives LLC, USA
Peggy Foran	Pfizer Inc, USA
Kayla Gillan	Public Company Accounting Oversight Board, USA
Hasung Jang	Korea University Business School, Korea
Peter Montagnon	Association of British Insurers, UK
Michael O'Sullivan	Australian Council of Superannuation Investors, Australia
Anne Simpson	Executive Director, ICGN
Anita Skipper	Morley Fund Management, UK

##### Apologies:

Jean-Pierre Hellebuyck	AXA Investment Managers, France
Stilpon Nestor	Nestor Advisors, Greece

##### Plus:

156 ICGN members registered to attend the Annual General Meeting (AGM) in person and 5 were represented by proxy. It was noted that a number of members had not been able to participate due to travel disruptions in London.

The Chairman called the AGM to order at 1504. It was announced that five valid and one spoiled proxies had been received.

#### 1. Minutes

The minutes of the meeting held on 7 July 2006 were received by the meeting.

As noted in the minutes of the meeting, John Wilcox had undertaken to clarify in writing his suggestion that a broader definition of corporate governance, which would focus on developing markets and on social responsibility, be developed. Guy Jubb requested that the Board of Governors would give the membership further clarification on this during the course of the year. Mr Jubb encouraged the Board to continue the inclusive approach which had been evident in the content of the 2007 annual conference. Anne Simpson thanked him for this and highlighted the work of the Non-financial Business Reporting Committee, among other initiatives which showed that the ICGN had taken up the issue seriously.

## 2. Chairman's Report

The Chairman referred the membership to the letter which had been circulated and commented on the progress achieved during the year. He informed the meeting that the Board had held a one-day strategy session in February which had considered a number of significant issues facing the Network, as a result of which a number of recommendations were before the meeting with the aim of establishing the infrastructure of the Network for the next five or more years.

The Chairman announced that the Board, recognising the importance of involving directors in the development of good corporate governance, had established a Working Group, as had been suggested at the 2006 AGM. This would focus on the relationship between shareholders and boards in order to promote dialogue.

Having announced at the gala dinner that André Baladi was the recipient of the ICGN Award for 2007, the Chairman formally presented him with the trophy to general applause.

The Chairman's Report was received.

## 6. Election of Board Members

The Chairman introduced the twelve candidates shown in the report of the Nominating Committee:

Rients Abma	The Netherlands	New
Bruce Babcock	USA/UK	3 <sup>rd</sup> term
Andrew Clearfield	USA	3 <sup>rd</sup> term
Marjorie Fine Knowles	USA	New
Kayla Gillan	USA	2 <sup>nd</sup> term
Jean-Piere Hellebuyck	France	2 <sup>nd</sup> term
Hasung Jang	Korea	2 <sup>nd</sup> term
Yuji Kage	Japan	New
Peter Montagnon	UK	3 <sup>rd</sup> term
Michael O'Sullivan	Australia	2 <sup>nd</sup> term
Mark Preisinger	USA	New
Anita Skipper	UK	2 <sup>nd</sup> term

### 6.1 Nominating Committee Report

In the interests of timeliness, the report of the Nominating Committee was taken as read.

### 6.2 Election of the Board of Governors for the year 2007/08

The resolutions on each director were voted on separately. The outcome of the polls was checked by the scrutineers, Bill Crist, André Baladi and Shann Turnbull, and reported after the discussion on item 5.

	<u>For</u>	<u>Against</u>	<u>Vote Withheld</u>
Rients Abma	79	3	7
Bruce Babcock	79	5	4
Andrew Clearfield	69	12	9
Kayla Gillan	84	2	6
Jean-Pierre Hellebuyck	75	6	9

Hasung Jang	91	0	2
Yuji Kage	80	4	7
Marjorie Fine Knowles	78	7	6
Peter Montagnon	89	1	3
Michael O'Sullivan	83	5	2
Mark Preisinger	84	7	1
Anita Skipper	89	2	1

**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.

#### 4. Financial Statements

The Chairman introduced the accounts to the end of December 2006.

There being no questions or comments thereon, the resolution **“to approve the financial statements for the year ended 31 December 2006”** was passed by 82 votes of approval, with no votes against and three votes withheld.

#### 5. Reappointment of Auditors

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 88 votes of approval, with one vote against and four votes withheld.

### 3. Reports to Members

#### 3.1 Shareholder Responsibilities Committee

Peter Montagnon, as Chair of the Committee, informed the meeting that the draft of the responsibilities statement produced the previous year had been revised to incorporate comments received during the consultation period. The open session of the committee held on 4 July had invited comments on work to be done in the future, as a result of which work would be done to see how far the statement would be applicable to mutual funds.

The resolution **“to approve the revised ICGN Statement of Institutional Shareholder Responsibilities”** was passed by 90 votes of approval, with one vote against and two withheld.

The Chairman thanked Mr Montagnon and the Committee for their work in producing the revised Statement.

#### 3.2 Securities Lending Committee

Andrew Clearfield, as Chair of the Securities Lending Committee, reported that the Committee had been working to promote adoption by both investors and issuers of the code adopted in 2005. The recent focus of the Committee had been on attempting to tighten up stock lending practices to ensure that shares could be recalled in a timely manner to enable votes to be cast by the owner. Paragraph 7.2 recommended that disclosures of significant movements of stock should be required by stock lenders. It was further proposed that the code be renamed the ICGN Securities Lending Code of Best Practice to reflect the inclusion of instruments more analogous to Fixed Income.

Russell Reid requested that following the spot poll during the conference which had indicated that there was 92% support for the one share, one vote principle, that the Committee consider developing a formal stance on the issue.

The resolution “**to approve the revised ICGN Securities Lending Code of Best Practice**” was passed by 85 votes of approval, with one vote against and seven votes withheld.

### **3.3 Accounting and Auditing Practices Committee**

The work undertaken by the Committee during the year had included consideration of the Financial Accounting Standards Board proposal to improve reporting for all forms of share based payment, producing a statement on International Standards on Auditing, developing a survey to focus on investors’ attitudes on financial reporting and audit, investor representation on committees and representation in the audit market.

The Chairman informed the meeting that after years of service, Claude Lamoureux had decided to stand down as Chairman of the Committee and that Christy Wood of CalPERS had agreed to take on this role. Ms Wood thanked the ICGN for the privilege, and opined that the work of the Committee was very important and this time where convergence and global audit issues were under increasing scrutiny.

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

### **3.4 Cross Border Voting Practices Committee**

John Wilcox, as Chair of the Committee, referred the membership to the written report of the Committee and informed the meeting that the Committee were currently formulating a response to the European Commission’s consultation on shareholder rights. Mr Wilcox requested that the Board consider carefully the Terms of Reference of its various committees to ensure that there is clarity on which committee should be responsible for a particular issue, to avoid the duplication previously experienced. The Chairman responded that the Board would consider this issue carefully, and thanked the Committee for its hard work.

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

### **3.5 Executive Remuneration Committee**

In the absence of Ted White, Chair of the Committee, Hans Hirt reported that the Committee’s programme during the previous year had been fairly limited, but that it had kept a watching brief on developments on executive remuneration and had made a number of interventions to support policy reforms which would improve standards. The Committee was currently considering items for the work programme for the coming year and would be considering proposals which had come forward at the open session earlier in the week. The Committee would be inviting representation from Asia and Africa to expand the breadth of representation.

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

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

Frank Curtiss, as Chair of the Non-Financial Business Reporting Committee informed the meeting that a consultation paper had been published to provide a more in-depth review of the framework for non-financial business reporting to that detailed in the Committee’s interim paper published in 2006. Mr Curtiss invited members to review the document and to revert with comments. He further informed the meeting that he and Christy Wood would be working together to ensure that areas of overlap

between their two committees were properly addressed, and were considering the possibility of cross-membership of the two committees.

Stephen Davis questioned whether consideration of endorsement of the UN Principles for Responsible Investment was in the Committee's agenda. Mr Curtiss responded that the committee was reviewing the Principles, and that it would be a question for the Board to consider whether they wished to endorse these principles. Karina Litvak counselled caution as the UN Principles were very specific and had resulted in difficult decisions being taken by those institutions which had endorsed them. The Chairman responded that the Board had recently decided that the ICGN corporate governance principles should be reviewed, and that a comparison of the two documents would be made at that time.

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

### **3.7 Shareholder Rights Committee**

Anne Simpson informed the meeting that whilst Alastair Ross Goobey continued to participate actively in the work of the Committee, treatment for a medical condition had resulted in him requesting Stilpon Nestor to assume the Chair, which he had done. Michelle Edkins would now be replacing Stilpon as interim Chair to provide support for Mr Ross Goobey whilst he was indisposed.

Ms Edkins outlined the work undertaken during the past year, the bulk of which had focused on European Commission consultations and on revisions to the corporate governance code in Japan.

The Committee wished to become more proactive, and as such would welcome notification by members of any informal discussion or impending consultations taking place in various countries on shareholder rights. Work on the role of custodial banks in Europe and the resultant hindrances on cross border voting would also be undertaken during the next year.

Ms Edkins concluded by stating that the Committee was considering developing a central resource on shareholder rights, which would be initiated by the construction of a template for members to complete. The Committee had also taken note of members' comments that the website should be developed to be a more sophisticated tool which could be better used to share information.

Sandy Easterbrook expressed concern that action be taken on the governance issues arising from the European Transparency Directive which enabled institutions to reach decisions on issues affecting shareholder rights. Ms Edkins responded that the need for more proactive engagement with the regulators had been recognised.

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

### **3.8 Bylaws and Procedures Committee**

The Chairman informed the meeting that there were four key issues to be decided by the membership, which concerned the incorporation of the ICGN as a company limited by guarantee, applying for charitable status, increasing the number of years which Board members could serve, and raising the membership fee. Presentations had been made to the Town Hall meetings, but as travel difficulties had prevented a number of members from attending, these presentations were repeated at the General Meeting. Agenda item 7 was considered under this item.

Leo Goldschmidt outlined the history and growth of the ICGN and stressed that the aim of the proposed corporate changes was to remove liability from the membership,

which had become more of an issue with the higher value of contracts being entered into. To achieve this it was proposed to incorporate the ICGN as a company limited by guarantee under English law. In order to reduce the tax burden on the ICGN, its members and donors, consideration had been given to seeking charitable status for the entity, and legal advice had been received.

A further advantage to the membership of incorporation was that the entity would fall within the ambit of the Companies Act 2006 which required certain standards of disclosure and a requirement that directors' duties be explicit. Companies limited by guarantee are eligible to seek charitable status. The draft statutory constitutional documents of the entity (the "Memorandum and Articles of Association") were before the membership, and once adopted could only be amended with the consent of the membership.

Liability of members would be limited to £1 payable upon dissolution of the company. There would be greater disclosure of personal details, with English law requiring that members' names and addresses be submitted to the Registrar of Companies, and publicly available upon payment of a fee. Admission of individuals to membership would be at the discretion of directors, although following a request at the Town Hall meeting, the possibility of inserting an appeals clause would be considered. The documents also made provision for creating new classes of members at the discretion of the directors. Remote attendance at General Meetings was also provided for within the documentation.

With respect to directors, the number of terms which could be served would be increased from three to four one-year terms to ensure continuity, particularly for the Chairman. Removal of directors under UK law was both by the membership and by the Board itself. The Board had taken note of comments made at the Town Hall meeting that members wished this right to be reserved for the membership and would revisit this clause.

Committees would be required to have Terms of Reference and would only be permitted to pass resolutions if so authorised by the Terms of Reference.

The presentation concluded by outlining the timescale for change, which would commence with the text being finalised by early September, the final text being put to the vote by members at an EGM, which if approved would then lead to registration with Companies House and incorporation by 1 January 2008.

The following comments were received from the membership:

Jon Lukomnik repeated concerns expressed at the Town Hall that governors should not be able to remove governors without reference to the membership.

Peter Butler requested that the Bylaw providing that fees could be paid to governors should be deleted, and that membership approval should be sought to amend the Articles if there were a specific need.

Paul Lee expressed concern that only the twelve candidates approved by the Nominating Committee were standing for election, and questioned whether the membership should not have more choice. He requested that consideration be given to changing the Articles. Mr Montagnon responded that the points were well made and that the Nominating Committee process was on the agenda for the new Board to review. Sandy Easterbrook, as a member of the Nominating Committee, opined that offering candidates the opportunity to withdraw from the process if they were not

being endorsed by the Nominating Committee attracted a larger number of good candidates.

Paul Lee further queried whether the work of the Network committee in advocating corporate governance reform with policy makers would be compromised by obtaining charitable status. Ms Simpson thanked Mr Lee for raising the issue and informed him that the lawyers had stated that since the overall purpose of the Network was for public good, the exchange of information and advocacy to regulators and politicians was considered to be an integral part of the process. Ms Simpson informed the meeting that one of the benefits of charitable status was that there was the potential to fall within the UK's mutual recognition agreement with the USA, which would enable tax relief to be claimed on donations originating from, and the ICGN's activities within, the USA. In response to a query from Jamie Allen, it was confirmed that the international aspect of the ICGN's operations should not preclude it from achieving charitable status under UK regulations.

Rick Bennett associated himself with Jon Lukomnik's comments and echoed the request that decisions on such issues as removal of governors should be taken by the membership.

Shann Turnbull placed on record his congratulations to Leo Goldschmidt and team for the work they had done. He concurred with the request that the Network remain a membership driven organisation and reiterated his request that consideration be given to having a membership driven Audit Committee. Anne Simpson responded that only ICGN members sat on the committee, although the majority were board members also. She agreed with this point and others who had expressed the need to ensure that the ICGN must remain membership driven.

The members were thanked for their comments, and were assured that these would be taken into consideration in compiling the final constitutional documents which would come back to them for approval in electronic Extraordinary General Meeting.

The resolution "**to authorise the Board of Governors to pursue incorporation of ICGN as a not-for-profit company limited by guarantee**" was passed by 86 votes of approval, with two votes against and no votes withheld.

The resolution "**to authorise the Board of Governors to seek charitable status for ICGN and to seek Member approval for the final constitution at an Extraordinary General Meeting following consultation**" was passed by 86 votes of approval, with three votes against and no votes withheld.

### **3.9 Finance and General Purposes Committee**

Mr Montagnon presented the financial status of the ICGN, highlighting that the growth in the organisation, whose membership had doubled in the past three years, had not been matched by the growth in resources. The organisation was lean in terms of resources and needed to strengthen its financial position. The revenue from conferences had proven to be volatile. The Finance and General Purposes Committee had worked with the Executive Director and the Board to ensure that sound financial controls were exercised over finances and that the management accounts were produced and reviewed regularly.

The year-end results showed a deficit due to the accounting treatment for pre-conference income for Cape Town. The Board had recognised that the reserves needed to be built. Work had been ongoing to strengthen the ICGN's financial position by seeking to raise additional income through Mid-year conferences, by

looking to attract new income on such issues as publications, and by focusing on fund raising from non-conference activity. The Board was considering recruiting a new member of staff to focus on fund raising, conference organisation and financial control. Considering all aspects of the financial position, the Board was recommending a one-off membership fee increase to strengthen the finances of the Network. The proposed fee of up to £400 was low in comparison with other similar organisations, although the Board recognised that it was a sizeable increase.

Anthony Williams complimented Sandra Guerra on the income stream from the Rio conference and requested that the Board consider other means of raising revenue. He also requested that consideration be given to distinguishing between corporate and individual members, with the latter group potentially finding the fee increase prohibitive. Mr Montagnon responded that all efforts were being taken to retain members and that his personal view was that a two tier membership should be avoided, whilst looking at ways to assist in those cases where there was hardship. The scholarships which had been offered for this conference had proved to be a great success.

Dennis Johnson requested that cash flow statements be made available to the membership. Mr Montagnon agreed that these would be useful and would be provided for the coming year.

Karina Litvak stated that the cost of travel to attend conferences was high and requested that the Board give consideration to approaching airlines and hotels to reduce the cost to members. The Chairman welcomed this suggestion and requested that the incoming Board action this request.

Mavis Robertson expressed concern that the proposed increase was too low, and that the resources of the Network were being stretched, with a potential loss of efficiency. She suggested that serious concern be given to adopting the increase and following it with a higher fee level to support the organisation's growth in the medium term. This view was endorsed by Janice Hester-Amey.

Mr Montagnon thanked the membership for their comments and confirmed that the Board would consider financial issues further during the coming year.

The resolution **"to authorise the Board to increase the annual membership fee up to a limit of £400 from 1 January 2008"** was passed by 57 votes of approval, with 15 votes against and two votes withheld.

## **8. Activities for 2007/08**

Suggestions were invited from the floor for activities to be conducted by the ICGN during the coming year.

John Wilcox suggested that the issue of corruption be considered in discussions on corporate governance, as well as the question of social responsibility and environmental issues. He requested that a working group be established to develop guidance on how to engage with companies on corruption. The Chairman thanked Mr Wilcox for his comments and said the incoming board would take this up.

Peter Butler requested that the Board of Governors reconsider the timing of the Annual Meeting for future years, as the 2008 meeting was currently scheduled to be held one week prior the date on which Japanese companies' AGMs were held which would limit the number of Japanese delegates who could attend. The Chairman explained that the meeting for 2008 was being brought forward two weeks in order to

avoid public holidays and associated security threats around 4<sup>th</sup> July, and in the case of Korea, the typhoon season. It was hoped that the proximity to Japan would allow for their participation.

## 9. Conference Site Selection

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, to ensure regional balance. The London and New York Mid-year meetings were intended to achieve this. Karina Litvak requested that serious consideration be given to holding an event in Moscow.

The resolution “**to agree that the site for the 2009 ICGN Conference and AGM will be Sydney**” was **agreed** with 71 in favour, 2 against and 2 votes withheld.

Mr O’Sullivan thanked members for their support and looked forward to welcoming members to Sydney in 2009.

## 10. Any Other Business

The Chairman informed the meeting that Stilpon Nestor had volunteered to stand down as a Board member, and that he wished to place on record his thanks to Mr Nestor for this action. He further informed the meeting that the recommended chair of the incoming Board was Peter Montagnon.

Mr Chouhan of ACGA thanked the ICGN for holding a Mid-year event in Mumbai and informed the meeting that a white paper would shortly be issued on proceedings in India.

Jon Lukomnik thanked the organisers for a thought provoking conference, and reminded the meeting of how corporate governance reform had progressed around the world. He welcomed the joint invitation for ICGN to come to Seoul from Hasung Jang, the Korea Exchange and the Korea Corporate Governance Service as an example.

Peter Montagnon paid tribute to the retiring chair, Mark Anson, who had led the ICGN wisely during a challenging period. He informed the membership that Mr Anson had volunteered to stand down to make room for others, and that whilst understanding this decision, it was much regretted by the Board. A vote of appreciation for all that Mr Anson had contributed was proposed, which was passed with acclamation and a standing ovation.

There being no further business, the Chairman declared the meeting closed at 17.45.

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Chairman

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Date