

**International Comparison
of Corporate Governance
Guidelines and
Codes of Best Practice:
Investor Viewpoints**

Holly J. Gregory

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**Egon
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International**

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Ms. Gregory, a Partner in Weil, Gotshal & Manges LLP (New York), specializes in corporate governance as a field of legal practice.

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Founded in 1931, Weil, Gotshal & Manges LLP has evolved into one of the world's largest and most highly regarded full-service law firms, with approximately 650 attorneys in 11 offices worldwide.

The Firm's Corporate Governance Practice spans virtually all its departments — including Corporate, Trade Practices & Regulatory Law, Business & Securities Litigation, Business Finance & Restructuring and Tax. The Practice encompasses ongoing representation and counseling of boards (of both for-profit and not-for-profit entities), directors, trustees, board committees, management, institutional investors and investment funds. Frequently, WG&M is called on to counsel on issues of board transition, CEO succession, crisis management, and strategic decision-making; oversight of financial management and financial controls; investigations and employee-related matters; board composition, structure, process and evaluation; board independence and accountability mechanisms; board/CEO and investor relations; director and trustee responsibilities and business judgment requirements; stock option-based incentive compensation plans; proxy rule compliance; and, tax and SEC disclosure requirements. In addition to corporate governance counseling, WG&M provides a full range of legal services, including representation in the various forms of litigation involving shareholders.



Egon Zehnder International Global Corporate Governance Advisory Board

Corporate Governance refers to that blend of law, regulation, and appropriate voluntary private-sector practices which enables the corporation to attract financial and human capital, perform efficiently, and thereby perpetuate itself by generating long-term economic value for its shareholders, while respecting the interests of stakeholders and society as a whole.

The principal characteristics of effective corporate governance are: transparency (disclosure of relevant financial and operational information and internal processes of management oversight and control); protection and enforceability of the rights and prerogatives of all shareholders; and, directors capable of independently approving the corporation's strategy and major business plans and decisions, and of independently hiring management, monitoring management's performance and integrity, and replacing management when necessary.

Ira M. Millstein

*Senior Partner, Weil, Gotshal & Manges LLP, Counsel to the Advisory Board
and noted authority on corporate governance*

The Global Corporate Governance Advisory Board was conceived and founded by Egon Zehnder International in 1998 as a unique forum for the discussion of a wide range of corporate governance issues of global relevance in a world where the trading of goods and services, and competition for capital and information themselves, have no boundaries.

Comprised of 20 internationally renowned business leaders from 16 different

countries, the Global Corporate Governance Advisory Board hopes to advance understanding of the roles and responsibilities of boards of directors in international companies, as well as identify and advocate best practices. The Advisory Board plans to collaborate with major institutional investors — through the Institutional Investors Advisory Group — to help transform nation-based corporate governance guidelines into practices

that, globally, meet investor expectations.

The Global Corporate Governance Advisory Board is a unique forum. It is the only organization of its type; its membership is international, with diverse experiences at the highest executive levels in the global business community, and its agenda encompasses a wide range of global corporate governance issues of worldwide importance.



Egon Zehnder International Global Corporate Governance Advisory Board

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Egon Zehnder International Institutional Investors Advisory Group

In 1998, Egon Zehnder International organized the Institutional Investors Advisory Group to provide the Global Corporate Governance Advisory Board with insights on investor viewpoints and concerns. The Advisory Group is comprised of some of the most prominent and most active representatives of the institutional investor community, including senior executives from both the largest public and private pension funds in the world.

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INTERNATIONAL COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE – INVESTOR VIEWPOINTS

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INTERNATIONAL COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE

INVESTOR VIEWPOINTS

Holly J. Gregory¹
2001 Edition

General Motors Board Guidelines ²	ICGN Principles (International) ³	IFSA Guidelines (Australia) ⁴	Hellebuyck Commission Recommendations (France) ⁵
OVERVIEW			
<p><i>The General Motors' Board Guidelines, developed by the GM Board in 1994 (and regularly updated), are widely viewed as a seminal expression of a board's voluntary efforts to improve its own governance. The GM Guidelines have been widely discussed and emulated, and their influence has extended well beyond the U.S.A.</i></p>	<p><i>The International Corporate Governance Network ("ICGN"), founded in 1995 with the objective of facilitating a fruitful international dialogue on ways to strengthen the accountability of companies to owners and to enhance shareholder value, is a membership organization of primarily institutional and other investors worldwide representing approximately \$10 trillion (U.S.) in invested assets.</i></p> <p><i>The ICGN "Statement on Global Corporate Governance Principles" endorses the OECD Principles of Corporate Governance⁶ as "a declaration of minimum acceptable standards" and expands upon them. It is divided into a "Working Kit" of ten Corporate Governance Criteria (hereinafter the "ICGN Statements") and a discussion of OECD Principles as Amplified (hereinafter "ICGN Amplified OECD Principles")</i></p>	<p><i>The Investment & Financial Services Association ("IFSA"), formerly the Australian Investment Managers' Association ("AIMA") is a national not-for-profit organization representing the retail and wholesale funds management and life insurance industries. IFSA's 90 members have more than AUD 550 billion under investment.</i></p> <p><i>The primary role of the IFSA is to communicate with governments, regulators, other industry groups, media and the community on issues affecting its members. IFSA promotes sound industry practices and provides information and education for its members. (See www.ifsa.com)</i></p> <p><i>The IFSA Guidelines are divided into Guidelines for Investment Managers, Guidelines for Corporations, and Commentary on them.</i></p>	<p><i>Privatization, the presence of foreign shareholders, the emergence of pension funds, the desire to modernize the Paris financial market and the publication of the 1995 Vienot Report⁷ spurred the Board of Directors of the French Financial Investment Management Association ("AFG-ASFFI") to create a Commission on Corporate Governance ("the Hellebuyck Commission") to draft Recommendations regarding publicly-traded companies belonging to AFG-ASFFI. The Commission's Recommendations were adopted by the AFG-ASFFI Board on June 9, 1998.</i></p> <p><i>The Recommendations are designed to serve as the basis for discussion of corporate governance issues for listed companies throughout the Euro zone. (Cf. Introduction)</i></p>

¹ Holly J. Gregory, a partner in the law firm of Weil, Gotshal & Manges LLP, practices in the Firm's corporate governance group, which is led by Ira M. Millstein. Frederick W. Philippi, a senior paralegal, assisted in this comparative analysis. See also Holly J. Gregory, INTERNATIONAL COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE IN DEVELOPED MARKETS 1997 and regularly updated); INTERNATIONAL COMPARISON—DEVELOPING AND EMERGING MARKETS (1998 and regularly updated); COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE —EUROPEAN UNION MEMBER STATES & OECD (2000 and regularly updated); COMPARISON—EUROPEAN UNION-BASED INVESTOR VIEWPOINTS & EASD (2000 and regularly updated); and COMPARISON—UNITED STATES (1997 and regularly updated).

² General Motors Board of Directors, GM Board of Directors Corporate Governance Guidelines on Significant Corporate Governance Issues (January 1994; revised August 1995, June 1997, March 1999, June 2000).

³ International Corporate Governance Network ("ICGN"), Statement on Global Corporate Governance Principles (July 9, 1999).

⁴ The Investment & Financial Services Association ("IFSA"), Corporate Governance: A Guide for Investment Managers and Corporations (2d edition, July 1997).

⁵ Association Française de la Gestion Financière – Association des Sociétés et Fonds Français d'Investissement ("AFG-ASFFI"), Recommendations on Corporate Governance (Hellebuyck Commission Recommendations) (June 9, 1998). English translation by AFG-ASFFI.

⁶ For OECD Principles, see either Holly J. Gregory, INTERNATIONAL COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE IN DEVELOPED MARKETS or COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE —EUROPEAN UNION MEMBER STATES & OECD. CalPERS and Hermes Investment Management Ltd. (see below) have adopted the ICGN Statements. (See GLOBAL PROXY WATCH, Vol. III, No. 45 (November 12, 1999) at 1 and No. 46 (December 16, 1999) at 1.) TIAA-CREF guidelines support accepted principles of global corporate governance such as those promulgated by the ICGN. (See below, p. 3.)

⁷ See either Holly J. Gregory, INTERNATIONAL COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE IN DEVELOPED MARKETS or COMPARISON OF CORPORATE GOVERNANCE GUIDELINES AND CODES OF BEST PRACTICE —EUROPEAN UNION MEMBER STATES & OECD.

Panel on Corporate Governance (Germany) ⁸	IAIM Statement (Ireland) ⁹	Hermes Statement (United Kingdom) ¹⁰	PIRC Guidelines (United Kingdom) ¹¹
OVERVIEW			
<p><i>The Grundsatzkommission Corporate Governance (“GCG” – German Panel on Corporate Governance) “Code of Best Practice” (hereinafter “the Code”), a voluntary private sector initiative by governance scholars, representatives of shareholder advocacy groups and corporate executives, is designed to provide general guidance for the governance of enterprises whose shares are listed on a German stock exchange or traded over-the-counter. GCG consulted with various institutional investors including CalPERS, TIAA-CREF and Hermes Investment Management.</i></p> <p><i>The Code, revised in July 2000, imparts greater specificity to many issues previously addressed in the OECD Principles.</i></p>	<p><i>The Irish Association of Investment Managers (“IAIM”) represents institutional investors who have more than £140 billion under management on behalf of both Irish and other clients.</i></p> <p><i>In its 1999 Corporate Governance and Incentive Scheme Guidelines, the IAIM has endorsed the U.K. Combined Code and urges the Irish Stock Exchange to amend its Listing Rules accordingly. (Cf. 1999 Guidelines, Introduction, § 1 at 1.)</i></p> <p><i>Previously, in its 1992 Statement of Best Practice, the IAIM provided directors of companies listed on the Irish Stock Exchange and their advisers with an understanding of the expectations of institutional shareholders regarding corporate governance matters in areas such as the composition of boards, appointment of directors, definition and role of non-executive directors, nature and purposes of board committees, designation of boards of subsidiary companies, and management buyouts. (Cf. 1992 Statement, Introduction.)</i></p> <p><i>The information below cites either to the IAIM 1992 Statement, to the IAIM 1999 Guidelines, and/or to the U.K. Combined Code endorsed by the IAIM 1999 Guidelines.</i></p>	<p><i>Hermes Investment Management Ltd. oversees pension schemes for British Telecom and Post Office pension funds, with more than £50 billion (U.K.) in assets under investment. The Hermes Statement on Corporate Governance and Voting Policy consists of Statements, three Appendices and a Code of Conduct in Support of Companies.</i></p> <p>Hermes welcomes the publication of the U.K. Combined Code on Corporate Governance and will normally apply its recommendations. Consideration will also be given to the fuller discussions in the Cadbury, Greenbury and Hampel reports that underlie the Combined Code. . . . There are some issues that Hermes believes, primarily because of its investment policies, require greater emphasis or an alternative approach. (Code of Conduct 6)</p> <p><i>Hermes intends to apply its corporate governance and voting policies with pragmatic adaptations where appropriate. (Cf. 1.5 and Code of Conduct 7)</i></p> <p><i>Hermes has embraced as its own a 10-point Working Kit of best practices adopted by the International Corporate Governance Network (“ICGN”).</i></p>	<p><i>Pensions Investment Research Consultants, Ltd. (“PIRC”) is an investor group and corporate governance adviser with more than £150 billion (U.K.) in assets under investment.</i></p> <p><i>PIRC has long argued that institutional share-holders should exercise their voting rights as part of their fiduciary duty in relation to financial assets, and as a central means of communicating with companies and holding directors accountable.</i></p> <p><i>The purpose of the PIRC Guidelines is to ensure consistency and fairness in determining voting advice, but not to anticipate all eventualities. PIRC’s “Shareholder Voting Guidelines 2001” support the UK’s Combined Code Recommendations. In a number of areas, however, they extend beyond the Combined Code, or reflect a difference in emphasis or approach. PIRC believes that its clients bear ultimate responsibility for voting decisions in accordance with their fiduciary obligations. (Cf. Part 1: Introduction)</i></p> <p><i>The PIRC Guidelines consist of an Introduction, Parts 2-7, and an APPENDIX:</i></p> <ul style="list-style-type: none"> ▪ Part 1: Introduction ▪ Part 2: Directors ▪ Part 3: Directors’ Remuneration ▪ Part 4: Audit and Reporting ▪ Part 5: Share Capital and Shareholder Relations ▪ Part 6: Other Voting Issues ▪ Part 7: Environment, and ▪ APPENDIX: Standard Voting Outcomes. <p><i>Parts 2-7 each contain an initial presentation of basic issues, followed by Principles and elaboration on the Principles; the APPENDIX contains the principles underpinning PIRC’s standard voting advice.</i></p>

⁸ Grundsatzkommission Corporate Governance (German Panel on Corporate Governance), Code of Best Practice (January 2000, revised July 2000).

⁹ The Irish Association of Investment Managers (“IAIM”), Statement of Best Practice on the Role and Responsibilities of Directors of Public Limited Companies (May 1992); IAIM, Corporate Governance, Share Option and Other Incentive Scheme Guidelines (March 1999).

¹⁰ Hermes Investment Management Ltd., Statement on Corporate Governance and Voting Policy (July 1998).

¹¹ Pensions Investment Research Consultants, Ltd. (“PIRC”), PIRC Shareholder Voting Guidelines (1993, revised 1996, 1999, 2001).

CalPERS Core Principles & Guidelines (U.S.A.) ¹²	CII Core Policies, Principles, Positions (U.S.A.) ¹³	TIAA-CREF Policy Statement (U.S.A.) ¹⁴	AFL-CIO Voting Guidelines (U.S.A.) ¹⁵
OVERVIEW			
<p><i>California Public Employees' Retirement System ("CalPERS") is the largest U.S. public pension fund with \$168 billion (U.S.) in assets under investment. In 1998, CalPERS published "U.S. Corporate Governance Core Principles and Guidelines," setting forth its viewpoints on governance principles.</i></p> <p>CalPERS believes the criteria contained in both its Core Principles and its Governance Guidelines are important considerations for all companies within the U.S. market. However, CalPERS does not expect nor seek that each company will adopt or embrace every aspect of either the Principles or Guidelines. CalPERS recognizes that some of these may not be appropriate for every company. . . . As one shareowner, CalPERS believes that the Core Principles represent the foundation for accountability between a corporation's management and its owners. The Guidelines represent additional features that may further advance this relationship of accountability. (Purpose, p. 7)</p> <p><i>CalPERS has embraced as its own a 10-point Working Kit of best practices adopted by the International Corporate Governance Network ("ICGN") (see the ICGN column in this COMPARISON).</i></p>	<p><i>The Council of Institutional Investors ("CII") represents more than 100 pension funds with more than \$1 trillion (U.S.) in assets under investment.</i></p> <p>[CII's] corporate governance policies establish goals and guidelines for the effective governance of publicly traded corporations. The policies include fundamental core policies that [CII] believes should be implemented by all companies, general principles of shareholder rights and board accountability, and a number of more general position statements on various corporate governance issues. It is [CII's] hope that corporate boards will meet or exceed these standards and adopt similarly appropriate additional policies to best protect shareholders' interests.</p> <p>[CII's] policies bind neither members nor corporations. They are designed to provide guidelines that [CII] has found to be appropriate in most situations.</p> <p>(Preamble)</p>	<p><i>Teachers Insurance and Annuity Association – College Retirement Equities Fund ("TIAA-CREF"), a private pension fund, is the largest U.S. pension fund, public or private, with assets of more than \$300 billion (U.S.) under investment. Its "Policy Statement on Corporate Governance" (1997, revised 2000) sets forth its viewpoints.</i></p> <p>TIAA-CREF believes that certain principles are the hallmark of an equitable and efficient corporate governance structure. Good corporate governance must be expected to maintain an appropriate balance between the rights of shareholders – the owners of the corporation – and the need of the board and management to direct and manage the corporation's affairs free from non-strategic short-term influences. TIAA-CREF acknowledges a responsibility to be an advocate for improved corporate governance and performance discipline. (p. 1)</p> <p><i>While the TIAA-CREF Policy Statement is addressed primarily to U.S.-incorporated companies, it nevertheless reflects the fact that TIAA-CREF has become diversified internationally.</i></p> <p>[T]here are now accepted principles of global corporate governance that we support, such as those promulgated by the International Corporate Governance Network and others. These principles recognize that not every country needs to adopt a one-size-fits-all code of practice. (p. 13)</p>	<p><i>The American Federation of Labor and Congress of Industrial Organizations ("AFL-CIO") represents 13 million working people in 68 national and international labor unions. It has issued Proxy Voting Guidelines to help multi-employer pension fund trustees meet their fiduciary obligations when voting their funds' shareholder proxies.</i></p> <p>The guidelines assist trustees to exercise their ownership rights in ways that achieve long-term shareholder value and provide a stable and secure retirement plan for participants and beneficiaries. . . . [L]ong-term shareholder value is best achieved through management accountability to owners, including worker-owners. (Foreword)</p> <p>These Guidelines have been developed to serve as a guide for for Taft-Hartley and union benefit fund trustees in meettheir fiduciary duties as outlined in the Employee Retirement Income Security Act of 1974 (ERISA) and subsequent Department of Labor policy statements. The Guidelines were drafted specifically for the occasion when proxy voting authority is not retained by the plan trustee(s) but is instead delegated to another voting fiduciary. (p. 1)</p>

¹² California Public Employees' Retirement System ("CalPERS"), U.S. Corporate Governance – Core Principles & Guidelines (April 13, 1998).

¹³ Council of Institutional Investors ("CII"), Core Policies, General Principles, Positions & Explanatory Notes (March 31, 1998; revised March 29, 1999).

¹⁴ Teachers Insurance and Annuity Association – College Retirement Equities Fund ("TIAA-CREF"), TIAA-CREF Policy Statement on Corporate Governance (October 1997, revised 2000).

¹⁵ American Federation of Labor and Congress of Industrial Organizations ("AFL-CIO"), Investing in Our Future: AFL-CIO Proxy Voting Guidelines (1997).

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
1. The Mission of the Board of Directors ¹⁶			
<p>The General Motors Board of Directors represents the owners' interest in perpetuating a successful business, including optimizing long term financial returns. The Board is responsible for determining that the Corporation is managed in such a way to ensure this result. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that in good times, as well as difficult ones, management is capably executing its responsibilities. The Board's responsibility is to regularly monitor the effectiveness of management policies and decisions including the execution of its strategies.</p> <p>In addition to fulfilling its obligations for increased stockholder value, the Board has responsibility to GM's customers, employees, suppliers and to the communities where it operates – all of whom are essential to a successful business. All of these responsibilities, however, are founded upon the successful perpetuation of the business.</p> <p>(Introduction)</p>	<p><i>The ICGN Statement adopts</i> OECD Principle V (The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.)</p> <p>The overriding objective of the corporation should be to optimize over time the returns to its shareholders. Where other considerations affect this objective, they should be disclosed. To achieve this objective, the corporation should endeavour to ensure the long-term viability of its business, and to manage effectively its relationships with stakeholders. (ICGN Statement 1 at 3)</p> <p>The ICGN is of the view that the board should be accountable to shareholders and responsible for managing successful and productive relationships with the corporation's stakeholders. (ICGN Amplified OECD Principle III at 7)</p>	<p>The board of directors of every corporation should explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:</p> <ol style="list-style-type: none"> 1. adoption of a corporate strategy; 2. succession planning, including appointing, training and monitoring senior management; 3. an investor relations program for the corporation; 4. the integrity of the corporation's internal control and management information system; 5. setting of remuneration policy which incorporates appropriate performance hurdles. <p>(Guidelines for Corporations, Introduction to Commentary at 19)</p>	<p>The Board of Directors is a strategic decision-making body whose choices affect the future of the company and involve the responsibility of its members. Its actions must be governed by openness, accountability and effectiveness. (II)</p> <p>The Commission takes the view that, to the degree the Board of Directors is responsible to all shareholders, it must act over time in the interest and on behalf of all. (II.A.1)</p> <p><i>See</i> II.A.3 (The Commission finds that the separation of the oversight or supervisory function from the executive function is favoured by adoption of the Supervisory Board / Management Board corporate structure.).</p>

¹⁶ *See also* The Business Roundtable, Statement on Corporate Governance and American Competitiveness at 7 (1990) ("1990 Business Roundtable Statement") ("The principal responsibility of boards of directors of American corporations is to exercise governance so as to ensure the long-term successful performance of their corporation."); American Bar Association, Committee on Corporate Laws, Section of Business Law, Corporate Director's Guidebook 2d ed. at 5 (1994) ("ABA Guidebook") ("Stated broadly, the principal responsibility of a corporate director is to promote the best interests of the corporation and its shareholder's business and affairs.").

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
1. The Mission of the Board of Directors			
<p><u>Management Board</u></p> <p>The Management Board develops the strategy for the Group in consultation with the Supervisory Board and is responsible for its implementation. (The Code, II.1.b))</p> <p>The Management Board shall inform the Supervisory Board on a regular basis, in good time and comprehensively, about all relevant matters regarding business development, risk exposure and risk management of the company and major group subsidiaries. (The Code, II.2.e))</p> <p><u>Supervisory Board</u></p> <p>The Supervisory Board advises the Management Board on a regular basis regarding the management of the Company and the Group, and monitors the achievement of long-term corporate goals (monitoring: §111 German Stock Corporation Act). (The Code, III.2.a))</p>	<p>The responsibilities of directors are well established in company law. In essence, directors have a fiduciary responsibility to act in good faith and to exercise care and skill in the short- and long-term interests of the company as a whole.</p> <p>The Board of Directors is responsible and accountable for the performance of the company. The Board approves strategy, hires the Chief Executive and monitors and evaluates the performance of management. (1992 Statement, § 2)</p> <p>See the Combined Code, Principle A.1 (Every listed company should be headed by an effective board which should lead and control the company. (Code Principle A.1)</p>	<p>Directors of public companies are responsible for running companies in the long-term interests of shareholders. (1.1)</p>	<p>The role of the board is to lead and control the business. It should establish corporate strategy, set appropriate policies for its implementation, ensure reporting and decision-making procedures are effective, select and monitor key executives, manage potential conflicts of interest for the executives, manage relations with stakeholders, determine risk management systems and hold the executives accountable for their actions. (Part 2: Directors, p. 4)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
1. The Mission of the Board of Directors			
<p><i>Not covered directly, but see p. 7</i> (Independence is the cornerstone of accountability. It is now widely recognized throughout the U.S. that independent boards are essential to a sound governance structure.).</p> <p><i>See also</i> p. 8 (“A director’s greatest virtue is the independence which allows him or her to challenge management decisions and evaluate corporate performance from a completely free and objective perspective. A director should not be beholden to management in any way.” <i>Quoting</i> R.H. Rock, Chairman NACD, DIRECTORS & BOARDS 5 (1996).).</p>	<p><i>Not covered directly, but see</i> Position A.2 (Corporate governance structures and practices should protect and enhance accountability to, and equal financial treatment of, shareholders. An action should not be taken if its purpose is to reduce accountability to shareholders.).</p>	<p>[T]he primary responsibility of the board of directors is to foster the long-term success of the corporation consistent with its fiduciary responsibility to the shareholders. TIAA-CREF supports the primary authority of the board in such area as the selection of the chief executive officer, review and ratification of the corporation’s long-term strategy, assurance of sufficient financial resources and maintenance of financial integrity, and selection of nominees for election to the board. (p. 2)</p>	<p>Directors bear ultimate responsibility to shareholders for the success or failure of the company. Therefore, they should be held accountable for actions taken that may not be in shareholders’ best interests, such as awarding excessive compensation to executives or themselves; for acting against shareholders’ properly expressed wishes, such as failing to implement an appropriate proposal approved by a majority of shareholders; for demonstrating a “lack of duty of care” in approving corporate restructurings or downsizings that are not in the shareholders’ best interest; for adopting anti-takeover provisions not in the shareholders’ best interests; for refusing to provide information to which the shareholders are entitled; or for other actions taken by their company that may not be in the shareholders’ best interests. (pp. 4-5)</p> <p>[D]irectors . . . select, monitor and compensate management. (p. 5)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
1a. The Role of Stakeholders			
<p>In addition to fulfilling its obligations for increased stockholder value, the Board has responsibility to GM’s customers, employees, suppliers and to the communities where it operates – all of whom are essential to a successful business. All of these responsibilities, however, are founded upon the successful perpetuation of the business. (Introduction)</p>	<p>The overriding objective of the corporation should be to optimize over time the returns to its shareholders. Where other considerations affect this objective, they should be disclosed. To achieve this objective, the corporation should . . . manage effectively its relationships with stakeholders. (ICGN Statement 1 at 3)</p> <p>Boards that strive for active cooperation between corporations and stakeholders will be most likely to create wealth, employment and sustainable economies. They should disclose their policies on issues involving stakeholders, <i>e.g.</i>, workplace and environmental matters. (ICGN Statement 9 at 5)</p> <p>[T]he board is expected to manage successfully its relationships with other stakeholders, <i>i.e.</i>, those with a legitimate interest in the operation of the business such as employees, customers, suppliers, creditors, and the communities in which the company operates. (ICGN Amplified OECD Principles, Preamble at 6)</p> <p>The ICGN is of the view that the board should be accountable to shareholders and responsible for managing successful and productive relationships with the corporation’s stakeholders. The ICGN concurs with the OECD Principle that “active cooperation between corporations and stakeholders” is essential in creating wealth, employment and financially-sound enterprises over time.</p> <p>The ICGN affirms that performance-enhancing mechanisms promote employee participation and align shareholder and stakeholder interests. (ICGN Amplified OECD Principle III at 7)</p>	<p>[T]he board should determine policies where the interests of shareholders and other stakeholders require them to limit the discretion of management to act in particular areas such as legal compliance and environmental policy. (Guidelines for Corporations, Guideline 7 Commentary at 24)</p>	<p><i>Not covered.</i></p>

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
1. The Role of Stakeholders¹⁷			
<p><i>Not covered directly, but see the Code, I (Corporate Governance Rules promote and reinforce the confidence of current and future shareholders, lenders, employees, business partners and the general public in national and international markets.).</i></p>	<p>[S]hare option and other incentive schemes . . . involve making available some of the equity or profits of the company to employees/directors of the company. . . .</p> <p>In voting in favor of share option and other incentive schemes, institutional shareholders have a responsibility to ensure that, in return, enhanced performance is achieved, giving an enhanced return to their clients. (1999 Guidelines, Introduction, 3)</p> <p>Over a period of 10 years, no more than 10% of issued ordinary share capital . . . should be utilized for share options, LTIS, PSS and SAYE [schemes] of all kinds. (1999 Guideline 5)</p> <p>In acknowledging a trend to wider share ownership, it is emphasized that part or all of the 10% of issued ordinary share capital available under Guideline 5 is available for broadly based employee share schemes meeting the requirements set out in these Guidelines. In addition, over a period of 10 years, a further amount of up to a total of 5% of issued ordinary share capital . . . may, following approval by the IAIM, be used for broadly based employee share schemes of all kinds. (1999 Introduction to Employee-Wide Share Schemes)</p> <p><i>See 1999 Guidelines 11 & 13 (employee participation in Long-term Incentive Schemes (LTIS)).</i></p> <p><i>See also Guideline 19 (Profit Sharing Schemes (PSS)).</i></p> <p><i>See also 1999 Guideline 20 (Save As You Earn (SAYE) Schemes).</i></p> <p><i>See also 1999 Guideline 21 (Employee Share Ownership Plans (ESOP schemes)).</i></p>	<p>A company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, and with regard to the commonweal. (1.2)</p>	<p>[P]ension fund clients in particular are . . . developing socially responsible investment strategies. . . . The extent to which [such] considerations are taken into account by pension fund investors, and whether such concerns should be expressed through a voting policy, is currently under debate. . . . PIRC is an active participant in this debate and has launched our Socially Responsible Investment Service, which provides profiles and ratings of companies' policies and practices on stakeholder issues. (Part 1: Introduction, p. 3)</p> <p>Remuneration structures should reward the efforts of all staff since a motivated and well-rewarded workforce is an important component of company performance. (Part 3: Directors' Remuneration, p. 11)</p> <p>Although the prime focus [of corporate governance] is on the board and accountability to shareholders, directors should identify their key stakeholders, and should report on and be held accountable for the quality of these relationships since they underpin long-term business success. . . . [C]ompanies should identify their key stakeholder relationships and adopt an appropriate format to report on each. Specifically in relation to stakeholder issues, companies should disclose policies for managing relationships, lines of accountability, methods and scope of engagement, performance targets and measurement systems and any external independent verification procedures. (Part 4: Audit and Reporting, p. 12)</p> <p><i>See Part 6: Other Voting Issues, p. 18 (all-employee share option schemes).</i></p> <p><i>See also Part 7: Environmental Reporting, pp. 20-21.</i></p>

¹⁷ *See also* The Business Roundtable, *Statement on Corporate Governance and American Competitiveness* at 7 (1990) (“1990 Business Roundtable Statement”) (“The principal responsibility of boards of directors of American corporations is to exercise governance so as to ensure the long-term successful performance of their corporation.”); American Bar Association, Committee on Corporate Laws, Section of Business Law, *Corporate Director’s Guidebook* (“ABA Guidebook”) (2d ed. 1994) at 5 (“Stated broadly, the principal responsibility of a corporate director is to promote the best interests of the corporation and its shareholder’s business and affairs.”).

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
1. The Role of Stakeholders ¹⁸			
<i>Not covered.</i>	<i>Not covered.</i>	<p>Boards of both U.S. and international companies should develop policies and practices to address the following issues:</p> <ul style="list-style-type: none"> ▪ The environmental impact of the corporation's operations and products. ▪ Equal employment opportunities for all segments of the population. ▪ Employee training and development. ▪ Evaluation of corporate actions that can negatively affect the common good of the corporation's communities and its constituencies. <p>Each company should avoid the deliberate and knowing exploitation of any of the non-shareholder constituencies and should establish open channels of communication permitting employees, customers, suppliers, and the community to express their concerns. (p. 15)</p>	<p>[T]he great responsibility and authority of directors justify holding them accountable for their actions. . . . The voting fiduciary may support liability-limiting proposals when the company persuasively argues that such action is necessary to attract and retain directors [but may] support shareholder proposals for director liability in light of trustees' philosophy of promoting director accountability. (p. 6)</p> <p>[T]he voting fiduciary should oppose management proposals that limit a director's liability for (i) a breach of the duty of loyalty, (ii) acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law, (iii) acts involving the unlawful purchase or redemption of stock, (iv) the payment of unlawful dividends or (v) the receipt of improper personal benefits. In addition, the voting fiduciary generally should oppose proposals to reduce or eliminate directors' personal liability when litigation is pending against current board members. (p. 6)</p> <p>The voting fiduciary may support [proposals for indemnification of directors] when the company persuasively argues that such action is necessary to attract and retain directors, but the voting fiduciary generally should oppose indemnification when it is being proposed to insulate directors from actions they have already taken. (p. 6)</p>

¹⁸ See also The Business Roundtable, Statement on Corporate Governance and American Competitiveness at 7 (1990) ("1990 Business Roundtable Statement") ("The principal responsibility of boards of directors of American corporations is to exercise governance so as to ensure the long-term successful performance of their corporation."); American Bar Association, Committee on Corporate Laws, Section of Business Law, Corporate Director's Guidebook 2d ed. at 5 (1994) ("ABA Guidebook") ("Stated broadly, the principal responsibility of a corporate director is to promote the best interests of the corporation and its shareholder's business and affairs.").

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
2. Board Membership Criteria¹⁹			
<p>The Committee on Director Affairs is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of judgment, diversity, age, skills such as understanding of manufacturing technologies, international background, etc. – all in the context of an assessment of the perceived needs of the Board at that point in time. (Guideline 1)</p>	<p><i>Not covered directly, but see</i> OECD Principle IV (The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including . . . governance of the company.).</p> <p><i>See also</i> ICGN Amplified OECD Principle IV at 8 (The ICGN further asserts that corporations should disclose upon appointment to the board and thereafter in each annual report or proxy statement sufficient information on the identities, core competencies, professional backgrounds, other board memberships, factors affecting independence, and overall qualifications of board members and nominees so as to enable the assessment of the value they add to the company. Information on the appointment procedure should also be disclosed annually.).</p>	<p><i>Not covered directly, but see</i> Guidelines for Corporations, Guideline 2 Commentary at 20 (The composition of the board of directors of a listed company is one of the most crucial issues of corporate governance. International best practice requires that the majority of the individuals on the board should be genuinely independent.).</p> <p><i>See also</i> Guidelines for Corporations, Guideline 2 Commentary at 21 ([I]t is likely that there will be certain skills and experience which are so strategic and/or fundamental to the success of the company that they should exist at board level itself and, in particular, amongst the independent directors.).</p>	<p><i>Not covered.</i></p>

¹⁹ *See also* National Association of Corporate Directors, Report of the NACD Blue Ribbon Commission on Performance Evaluation of Chief Executive Officers, Board and Directors (1994) (“1994 NACD Report”) at 7-8 (Directors “should be chosen on the basis of . . . talent, expertise, and accomplishment. Diversity of race, gender, age, and nationality . . . may also be taken into account. . . . Diversity should not, however, be confused with constituency representation. . . . Also, each director should be a shareholder of the corporation.”); 1990 Business Roundtable Statement at 9, 11-12 (Directors should be “highly experienced in business, investments, large organizations or public affairs, [and] willing and able to commit the time and effort needed to be an effective director. . . .”); ABA Guidebook at 15, 39 (“[T]he focus should be on the personal qualities and business experience of the individual directors, and the overall mix of experience, independence, and diversity of backgrounds likely to make the board of directors, as a body, most effective in monitoring the performance of the corporation. . . . The principal qualities . . . include strength of character, an inquiring and independent mind, practical wisdom and mature judgment.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
2. Board Membership Criteria			
<p><i>Not covered directly, but see</i> The Code, III.1.a) (The proposals for elections of Supervisory Board members to the General Meeting shall ensure that the proposed candidates have both the required knowledge and skills as well as the relevant professional experience.).</p> <p><i>See also</i> The Code, III.1.b) (The proposal for election to the Supervisory Board shall not include, as a matter of course, the election of retiring Management Board members.).</p>	<p><i>Not covered directly, but see</i> 1992 Statement, § 4 ([B]rief biographical details of each director should be set out in the Annual Report showing the director’s relevant experience and age. Information should also be given on any professional involvement that a director or his/her firm may have with the company.).</p> <p><i>See also</i> the Combined Code, A.6.2 (The names of directors submitted for election or reelection should be accompanied by sufficient biographical details to enable shareholders to take an informed decision on their election.).</p>	<p>The expression of fresh views and genuine debate across the board table are of considerable value and importance. For this reason at least one new independent non-executive director should join the board every three years and non-executive directors should not normally serve for more than ten years. (2.6)</p>	<p>The composition and effectiveness of the board is a crucial element in determining corporate performance. (Part 2: Directors, p. 4)</p> <p>In order to widen the basis of experience on boards and improve their accountability and representativeness, [boards] should extend their search for non-executives beyond the boards of other listed companies to include individuals with a greater diversity of backgrounds. International candidates, those with relevant experience in the public, academic or voluntary sectors, or at divisional level in other companies, may well fulfill the task. (Part 2: Directors, p. 5)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
2. Board Membership Criteria			
<p>No director may also serve as a consultant or service provider to the company. (Core Principle A.5)</p> <p>With each director nomination recommendation, the board considers the mix of director characteristics, experiences, diverse perspectives and skills that is most appropriate for the company. (Core Principle B.2)</p> <p>In CalPERS' view, each director should add something unique and valuable to the board as a whole. Each director should fit within the skill sets identified by the board. (p. 9)</p> <p>The board has adopted guidelines that address the competing time commitments that are faced when director candidates serve on multiple boards. These guidelines are published annually in the company's proxy statement. (Core Principle C.1)</p> <p>The board has adopted director diversity guidelines, seeking qualified people who bring with them the benefits of different perspectives. (Core Principle C.2)</p> <p>To be renominated, directors must satisfactorily perform based on the established criteria. Renomination on any other basis is neither expected nor guaranteed. (Guideline C.2)</p> <p>The board should establish and make available to shareowners the skill sets which it seeks for director candidates. Minimally, these <i>core competencies</i> should address: accounting or finance, international markets, business or management experience, industry knowledge, customer-base experience or perspective, crisis response, or leadership or strategic planning. (Guideline C.4)</p>	<p><i>Not covered directly, but see the following Positions:</i></p> <p>Position A.5 (Shareholders should have meaningful opportunity to suggest processes and criteria for director selection and evaluation.).</p> <p>Position A.7 (Absent compelling and stated reasons, directors who attend fewer than 75% of board and board-committee meetings for two years running should not be renominated.).</p> <p>Position B.2 (Companies should set and publish guidelines specifying on how many other boards their directors may serve. Absent unusual, specified circumstances, directors with full-time jobs should not serve on more than two other boards. If the director is a currently serving CEO, he or she should only serve as a director of one other company, and do so only if the CEO's own company is in the top half of its peer group. No person should serve on more than five for-profit company boards.).</p> <p><i>See also</i> Topic Heading 3, <i>below</i>.</p>	<p>The board should be composed of qualified individuals and should reflect diversity of experience, gender, race and age. (p. 3)</p>	<p>In determining its vote on an election of directors . . . the voting fiduciary must consider:</p> <ul style="list-style-type: none"> i) The company's financial performance ii) Independence iii) The overall conduct of the company [including directors' demonstrated] "duty of care" iv) Attendance records of incumbent directors v) The ability of candidate(s) to devote sufficient time and energy to the oversight of the company vi) The views of employee and shareholder groups. (pp. 4-5) <p>[S]upport should be withheld from directors who have failed to attend at least 75% of board and committee meetings. (p. 5)</p> <p>[F]ailure to disclose [attendance] information may be considered in determining whether to withhold support for board nominees. (p. 5)</p> <p>[T]he trustees support holding individual nominees to high standards when they seek election; requiring annual elections of directors better advances shareholders' interests. (p. 5)</p> <p>The voting fiduciary should support proposals requesting . . . more women and minority group members for service on boards. A more diverse board of qualified directors benefits the company and shareholders. (p. 7)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
3. Selecting, Inviting and Orientating New Directors ²⁰			
<p>The Board itself should be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election by the stockholders. The Board delegates the screening process involved to the Committee on Director Affairs with the direct input from the Chairman of the Board and the Chief Executive Officer. The Board and the Company have a complete orientation process for new Directors that includes background material, meetings with senior management and visits to Company facilities. (Guideline 2)</p> <p>The invitation to join the Board should be extended by the Board itself via the Chairman of the Board and Chief Executive Officer of the Company, together with an independent director, when appropriate. (Guideline 3)</p>	<p><i>The ICGN Statement adopts</i> OECD Principle I.A (Basic shareholder rights include the right to . . . elect members of the board.).</p> <p><i>See also</i> OECD Principle V.D.3 (The board should fulfil certain key functions, including . . . ensuring a formal and transparent board nomination process.).</p> <p><i>See also</i> ICGN Amplified OECD Principle IV at 8 (Information on the appointment procedure should be disclosed annually.).</p> <p><i>See also</i> OECD Principle V.E.2 Annotation at 42 (In order to improve board practices and the performance of its members, some companies have found it useful to engage in training and voluntary self-evaluation that meets the needs of the individual company. This might include that board members acquire appropriate skills upon appointment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks.).</p> <p><i>See also</i> Topic Heading 2, <i>above</i>.</p>	<p>Before accepting appointment, non-executive directors should be formally advised of the reasons they have been asked to join the board and given an outline of what the board expects of them. They should also be advised of their rights as a director. (Guidelines for Corporations, Guideline 6)</p> <p>A letter of appointment should cover, <i>inter alia</i>, the duties and rights of the director and the orientation system for directors:</p> <ul style="list-style-type: none"> ▪ the duties should include special skills or experience which are expected to be contributed by the director and the time which the director should expect to devote to the company. The rights should include the rights to obtain independent advice, resources and information at company expense, according to a formal procedure approved by the board; ▪ the letter should also record relevant policies of the company, such as board, director and CEO evaluation. . . . <p>Non-executive directors should undergo a formal system approved by the board of orientation and education on the business of the company and the workings of the board and its committees. (Guidelines for Corporations, Guideline 6 Commentary at 23)</p>	<p>The Commission favours each Board having a nominating committee responsible for proposing candidates to Board membership. (II.B.2)</p>

²⁰ *See also* [1994 NACD Report](#) at 10 (“The Nominating Committee should evaluate the profile of the board and discuss it with the CEO and the rest of the board, forming a consensus on the number of additional directors to be added at the time and the ideal set of job skills. The Nominating Committee, with input from the entire board, should make a list of candidates. The CEO should have input into the process, as well. Once a list of candidates has been established, the members of the Nominating Committee, the Chairman and CEO should meet with each candidate to evaluate his or her suitability. The Nominating Committee can recommend a candidate to the board, or the board as a whole can select, based on the Nominating Committee’s advice.”); [1990 Business Roundtable Statement](#) at 9, 13 (“The directors are in the best position to recommend the slate of nominees for board membership which is presented to the shareholders for election at the annual meeting. Nominating committees should develop their own process for dealing with shareholders suggestions of nominees to the board. . . . In addition, the nominating committee is responsible for recommending a slate of nominees to the board.”); [ABA Guidebook](#) at 38 (“The Nominating Committee Chair should have prominent involvement in the recruiting process in order to reinforce the perception as well as the reality that the invitee’s selection is being made by the Committee and the board, and not by the CEO.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
3. Selecting, Inviting and Orientating New Directors			
<p><u>Supervisory Board</u></p> <p>[M]andatory law (§23 German Stock Corporation Act) [covers] election of members of the Supervisory Board (§101). (The Code, I)</p> <p>The proposals [made] to the General Meeting [by the Nominations Committee] for elections of Supervisory Board members shall ensure that the proposed candidates have both the required knowledge and skills as well as the relevant professional experience. (The Code, III.1.a))</p> <p>To enable regular adjustments to material developments, the election or re-election of Supervisory Board members can take place at different dates. (The Code, III.1.c))</p> <p>The Nomination Committee is in charge of the composition, size and balance of the Supervisory Board and the proposals for election to the General Meeting. (The Code, III.3)</p> <p><u>Management Board</u></p> <p>The Supervisory Board appoints the members of the Management Board. (The Code, III.2.a))</p> <p>The Mediation Committee . . . delivers proposals for the appointment of Management Board members if the required two-thirds majority for the appointment or termination of Management Board members has not been achieved. (The Code, III.3)</p>	<p>[I]n selecting non-executive directors for approval by shareholders, the Board as a whole (or a subcommittee of the Board) should be involved in the selection process. (1992 Statement, § 4)</p> <p>See The Combined Code:</p> <p>Principle A.5 (There should be a formal and transparent procedure for the appointment of new directors to the board.).</p> <p>A.1.6 (Every director should receive appropriate training on the first occasion that he or she is appointed to the board of a listed company, and subsequently as necessary.).</p> <p>A.6.2 (The names of directors submitted for election or re-election should be accompanied by sufficient biographical details to enable shareholders to take an informed decision on their election.).</p>	<p>The expression of fresh views and genuine debate across the board table are of considerable value and importance. For this reason at least one new independent non-executive director should join the board every three years. (2.6)</p> <p>Hermes recommends that companies encourage non-executive directors to participate in the range of seminars and workshops offered by organizations such as Cranfield School of Management, Henley Management College, Institute of Directors, Spencer Stuart and University of Exeter. Hermes contributes to several of these development <i>fora</i> , which encourage a participatory approach and include case studies illustrating difficult situations. (2.8)</p> <p>Hermes recommends that the nomination committee be responsible, after consultation with other directors, for finalizing the candidate specification for all board appointments and for approving the process by which suitable candidates are identified and short-listed. (App. III.5)</p> <p>The nomination committee should ensure that all board appointees undergo an appropriate induction programme. (App. III.6)</p>	<p>PRINCIPLE: There should be an independent and transparent appointments and review process. (Part 2: Directors, p. 6)</p> <p>Voting on the appointment of the directors is the most important routine issue for shareholders to consider at general meetings. (Part 2, Directors, p. 4)</p> <p>[On two-tiered boards,] we consider that . . . shareholders should have the right to elect [all] directors [on the supervisory board] and hold them accountable through regular election. . . . This applies [even] to stakeholder representatives. (Part 2, Directors, p. 4)</p> <p>Directors should receive general training on their responsibilities and also company-specific training. Companies should have a formal induction policy for new directors, and specialist training on particular issues related to certain committees, such as remuneration and internal controls. There should be a continuing development program, and standards of competence should be established in core skills, knowledge and expertise. (Part 2: Directors, p. 7)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
3. Selecting, Inviting and Orienting New Directors			
<p>Shareowners should have effective access to the director nomination process. (Guideline D.10)</p> <p>[The Lead Independent Director will] interview, along with the chair of the [nominating committee], all Board candidates, and make recommendations to the [nominating committee] and the Board. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p><i>See</i> Appendix C: Independent Chair Position Duty Statement ([The Independent Chair will] interview, along with the chair of the [nominating committee] all Board candidates, and make recommendations to the [nominating committee] and the Board.).</p>	<p>Directors should be elected annually by confidential ballots counted by independent tabulators. Confidentiality should be automatic and permanent. Rules and practices concerning the casting, counting and verifying of shareholder votes should be clearly disclosed. (Core Policy 1)</p> <p>Shareholders should have meaningful opportunities to suggest or nominate director candidates. (Position A.4)</p> <p>Shareholders should have meaningful opportunities to suggest processes and criteria for director selection and evaluation. (Position A.5)</p> <p><i>See</i> Topic Heading 2, <i>above</i>.</p>	<p>TIAA-CREF supports the primary authority of the board in such area as . . . selection of nominees for election to the board. (p. 2)</p> <p><i>See</i> p. 3 ([I]n the absence of special circumstances, [TIAA-CREF] would not support . . . the requirement that candidates for the board be nominated by shareholders . . . unless the board supports such measures.).</p>	<p><i>See</i> Topic Heading 2, <i>above</i>.</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
4. Separation of Chairman and CEO ²¹			
<p>The Board should be free to make this choice any way that seems best for the Company at a given point in time.</p> <p>Therefore, the Board does not have a policy, one way or the other, on whether or not the role of the Chief Executive and Chairman should be separate or combined and, if it is to be separate, whether the Chairman should be selected from the non-employee Directors or be an employee. (Guideline 4)</p>	<p><i>The ICGN Statement adopts</i> OECD Principle V.E Annotation at 42 (In unitary board systems, the separation of the roles of the Chief Executive and Chairman is often proposed as a method of ensuring an appropriate balance of power, increasing accountability and increasing the capacity of the board for independent decision making.).</p>	<p>The chairperson should be an independent director or, if the chairperson is not an independent director, the independent directors should appoint one of their number to be lead director and to monitor and report to them on issues falling within the normal purview of a non-executive chairperson. (Guidelines for Corporations, Guideline 3)</p> <p>The chairperson’s role in leading the Board, including working with the chief executive officer to determine the Board agenda and fostering the contribution of other members of the Board to its deliberations, is another crucial issue of international best practice. A strong independent chairperson provides the appropriate counterbalance and check to the power of the CEO. (Guidelines for Corporations, Guideline 3 Commentary at 21)</p>	<p><i>Not covered directly, but see</i> II.A.3 (The Commission finds that the separation of the oversight or supervisory function from the executive function is favored by adoption of the Supervisory Board / Management Board corporate structure. The present Recommendations are applicable to the Supervisory Board function as well.).</p>

²¹ See also ABA Guidebook at 16-17 (suggesting ways to strengthen the role of independent directors, including having an “independent director serve as chair of the board, thus separating the roles of chair and CEO”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
4. Separation of Chairman and CEO			
<p><i>Not covered directly but, in the larger German Aktiengesellschaft (“AG”) companies, the chairman of the Supervisory Board is drawn from the shareholders’ representatives.</i></p>	<p>IAIM considers that the roles of Chairman and Chief Executive should not be combined. (1992 Statement, § 2)</p>	<p>Hermes favours separation of the roles of chairman and chief executive and is generally opposed to a chief executive becoming chairman in the same company. Hermes prefers to discuss any departure from this guideline in advance of decisions being taken. The over-riding consideration will be whether the composition and balance of the board will ensure that no individual can wield undue influence on board decisions. The calibre of the independent non-executive directors, in particular the deputy chairman or senior non-executive director, will be considered carefully. (2.4)</p>	<p>PRINCIPLE: There should be a clear division of responsibilities at the head of the company.</p> <p>A. <u>There is a separate chairman and chief executive.</u> The roles of chairman and chief executive should be separate. Combining the two roles in one person represents a concentration of power which is potentially detrimental to board balance. Equally, in terms of ensuring effective functioning of the board, the chairman should have a key role in determining board appraisal in which the performance of the chief executive and their succession must be considered objectively. This can only be done if the posts are separate. The combination of roles is only justified on a temporary basis under exceptional circumstances.</p> <p>B. <u>There is a non-executive chairman.</u> Chairmen should not be executive directors and should not have any operational involvement in the company’s affairs, as this will detract from their ability to stand back from the company and its executives and apply objective judgment.</p> <p>C. <u>The chairman has not previously been chief executive.</u> Former chief executives should not be appointed as chairmen (whether executive or non-executive) as this may also inhibit an objective assessment of the executive management and their strategy. It may also obstruct the ability of the new chief executive in developing different policies. (Part 2: Directors, p. 6)</p> <p>Given the board’s role in holding the executive management accountable, the board chairman should be seen as a separate role to that of an executive director with operational responsibilities. The role expected of the chairman may well also affect his or her ability to perform the function of a fully independent director, with implications for board structure. We consider that the chairman’s position should be non-executive. (Part 2: Directors, p. 4)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
4. Separation of Chairman and CEO			
<p>When selecting a new chief executive officer, boards should reexamine the traditional combination of the “chief executive” and “chairman” positions. (Guideline A.3)</p> <p><i>See Topic Heading 5, below.</i></p>	<p><i>Not covered directly, but see Position C.5</i> (If the CEO is chairman, a contact director should be specified for directors wishing to discuss issues or add agenda items that are not appropriately or best forwarded to the chair/CEO.).</p>	<p>[TIAA-CREF] would not support shareholder resolutions concerning separation of the positions of CEO and chairman . . . unless the board supports such measures. (pp. 3-4)</p>	<p>In general, the voting fiduciary should support shareholder proposals seeking to require that different persons serve as the chairperson and the chief executive officer. The chairperson’s duty to oversee management is obviously compromised when self-monitoring is required. However, in certain circumstances, such as a small-cap company with a limited group of leaders, it may be appropriate for these positions to be combined for some period of time. (p. 5)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
5. Lead Director ²²			
<p>The Chairman of the Committee on Director Affairs will be an independent Director responsible for chairing the regular sessions of the independent Directors and communicating the Board’s annual evaluation of the chairman and the CEO to those individuals. The chairman of the Committee, together with the members of that Committee, will develop the agendas for those regular sessions and periodically review the Board’s governance procedures (guidelines). (Guideline 5)</p>	<p><i>Not covered directly, but see Topic Heading 4, above.</i></p>	<p>[I]f the chairperson is not an independent director, the independent directors should appoint one of their number to be lead director and to monitor and report to them on issues falling within the normal purview of a non-executive chairperson. (Guidelines for Corporations, Guideline 3)</p>	<p><i>Not covered directly, but see Topic Heading 4, above.</i></p>

²² See also [1994 NACD Report](#) at 4 (discussing board appointment of a lead director for the CEO evaluation process); [ABA Guidebook](#) at 17 (suggesting ways to strengthen the role of independent directors, including having “the independent directors designate one of the members to act as a lead director, if the CEO serves as chair”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
5. Lead Director			
<p><i>Not covered directly, but see Topic Heading 4, above.</i></p>	<p><i>Not covered directly, but see the Combined Code, A.2.1 (Whether the posts [of chairman and chief executive officer] are held by different people or by the same person, there should be a strong and independent non-executive element on the board, with a recognized senior member other than the chairman to whom concerns can be conveyed. The chairman, chief executive officer and senior independent director should be identified in the annual report.)</i></p>	<p>The calibre of . . . the deputy chairman or senior non-executive director will be considered carefully. (2.4)</p> <p>Hermes supports the appointment of a senior non-executive director and sees the role as an extension of that of deputy chairman. This is an important position; Hermes' detailed views on the role of the senior non-executive directors are at Appendix 2. (2.5)</p> <p>In many respects Hermes sees the role [of senior non-executive director] as an extension of that of deputy chairman and supports combining the roles of independent deputy chairman and senior non-executive director. Hermes believes that the main responsibilities of the role are to ensure that the views of each non-executive director are given due consideration and to provide a communication channel between non-executive directors and shareholders. (App. II, Introduction)</p>	<p><i>Not covered directly, but see Topic Heading 4, above.</i></p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement) (U.S.A.)	AFL-CIO Voting Guidelines) (U.S.A.)
5. Lead Director			
<p>When the chair of the board also serves as the company’s chief executive officer, the board designates — formally or informally — an independent director who acts in a <i>lead capacity</i> to coordinate the other independent directors. (Core Principle A.3)</p> <p>[T]he Lead Independent Director is responsible for coordinating the activities of the independent directors. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p><i>For a list of responsibilities of the Lead Independent Director, see Appendix A: Lead Independent Director Position Duty Statement.</i></p>	<p>If the CEO is chairman, a contact director should be specified for directors wishing to discuss issues or add agenda items that are not appropriately or best forwarded to the chair/CEO. (Position C.5)</p>	<p>[TIAA-CREF] would not support shareholder resolutions concerning . . . designation of a lead director . . . unless the board supports such measures. (pp. 3-4)</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
6. Board Size ²³			
The Board in recent years has averaged fifteen members. It is the sense of the Board that this size is about right. However, the Board would be willing to go to a somewhat larger size in order to accommodate the availability of an outstanding candidate(s). (Guideline 6)	<i>Not covered.</i>	<i>Not covered.</i>	Under French law, the board must be composed of at least 3 and no more than 24 members. The Commission recommends that the number of directors be kept at a reasonable number to ensure the board's proper functioning, with a limit of 16 members. (II.D.1)

²³ See also 1994 NACD Report at 7 (“Ideally, a board should be small enough to permit thorough discussion of important issues, with enough ‘air time’ for each view presented, yet large enough to bring a sufficient variety of views and talents to the table.”); 1990 Business Roundtable Statement at 11 (“Many authorities believe small, cohesive boards work more effectively than large boards. From experience it would appear that the optimum number of non-management board members for a large U.S. corporation ranges between 8 and 15. The average size of the board of directors of large publicly-traded U.S. corporations (Fortune 500) is estimated to be 13.”); ABA Guidebook at 17-18 (“Each corporation should determine the best board size to accommodate key objectives, including sufficient independent directors to perform the functions normally assigned to the oversight committees and . . . effective functioning in terms of discussing and decision making. . . . Other factors that might influence board size are the special needs of certain types of corporations to maintain a strong community presence, to establish or maintain relationships with customers or other constituencies, and to respond to other factors that may be idiosyncratic to the corporation or industry in which it operates. In accommodating these other needs, the board size should not be expanded to such an extent as to interfere with its effective functioning.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
6. Board Size			
<p><i>Not covered directly, but see the Code, III.3 (The Nomination Committee is in charge of the . . . size . . . of the Supervisory Board.).</i></p> <p><i>See also the Code, III.1.a) (To ensure efficiency, regard will be given to size and composition of the Supervisory Board.).</i></p>	<p><i>Not covered.</i></p>	<p>The precise number of executive directors and non-executive directors for any company is for its board to determine with the approval of its shareholders. (2.1)</p>	<p>[B]oards with large numbers of directors may become unwieldy. Fifteen is probably the maximum upper limit if the board is able to function effectively. (Part 2: Directors, p. 4)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
6. Board Size			
<p>The board should periodically review its own size, and determine the size that is most effective toward future operations. (Guideline B.3)</p>	<p>A board should neither be too small to maintain the needed expertise and independence, nor too large to be efficiently functional. Absent compelling, unusual circumstances, a board should have no fewer than 5 and no more than 15 members. Shareholders should be allowed to vote on any major change in board size. (Position B.1)</p>	<p><i>Not covered.</i></p>	<p>The voting fiduciary generally may support a management proposal to change the number of directors provided a satisfactory explanation justifying the change is given in the proxy statement. (p. 8)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
7. Mix of Inside and Outside Directors²⁴			
<p>The Board believes that as a matter of policy, there should be a majority of independent Directors on the GM Board (as defined in By-law 2.12). The Board believes that management should encourage senior managers to understand that Board membership is not necessary or a prerequisite to any higher management position in the Company. Managers other than the Chairman and Chief Executive Officer and the Vice Chairman currently attend Board meetings on a regular basis even though they are not members of the Board.</p> <p>On matters of corporate governance, the Board assumes decisions will be made by the independent Directors. (Guideline 7)</p>	<p>[E]ach board should include sufficient independent non-executive members with appropriate competencies. Responsibilities should include monitoring and contributing effectively to the strategy and performance of management, staff key committees of the board, and influence the conduct of the board as a whole. Accordingly, independent non-executives should comprise no fewer than 3 members and as much as a substantial majority. (ICGN Amplified OECD Principle V at 9)</p> <p><i>The ICGN Statement adopts</i> OECD Principle V.E (The board should be able to exercise objective judgement on corporate affairs independent, in particular, from management.).</p> <p><i>See also</i> OECD Principle V.E.1 (Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination and executive and board remuneration.).</p>	<p>The board of directors of a listed company should be constituted with a majority of individuals who qualify as independent directors as defined in these Guidelines. (Guidelines for Corporations, Guideline 2)</p> <p><i>See</i> Topic Heading 8, <i>below</i>.</p>	<p>The Commission believes that board membership should include at least two outside members. These directors should be “free of any interest” in the company, which means they should have no conflicts of interest. (II.B.1)</p>

²⁴ *See also 1990 Business Roundtable Statement* at 11 (“Boards of directors of large publicly-held public corporations should be composed predominantly of independent directors who do not hold management responsibilities within the corporation. In addition, a number of board functions should be reserved for non-management directors only, such as membership on the audit, compensation/personnel, and nominating committees, selection and evaluation of the CEO, and board evaluation and selection.”); *ABA Guidebook* at 16 (“To encourage an environment likely to nurture independence in fact and to communicate the appearance of independence, at least a majority of members of the boards of publicly held corporations should be independent of management.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
7. Mix of Inside and Outside Directors			
<p>The Supervisory Board shall ensure independent advice and monitoring of the Management Board through a sufficient number of independent persons who have no current or former business association with the Group. (The Code, III.1.b))</p>	<p>IAIM considers that . . . there should be a majority of independent non-executive directors on the Board. (1992 Statement, § 2)</p>	<p>The precise number of executive directors and non-executive directors for any company is for its board to determine with the approval of its shareholders. It is the overall balance of the board that is important. Not all non-executive directors need to be independent but there should be a strong core of non-executive directors that are both independent and seen to be independent. (2.1)</p>	<p>PRINCIPLE: The board should contain sufficient numbers of independent non-executives.</p> <p>D. Non-executives comprise more than 50% of the board. . . .</p> <p>E. There are at least three non-executives on the board. . . .</p> <p>F. A clear majority of the [non-executive directors] are independent by PIRC Guidelines. (Part 2: Directors, p. 6)</p> <p>The ratio of different types of director is important as is the overall size of the board. Independent directors may find themselves outnumbered and outvoted on large boards where there are many executive directors. (Part 2: Directors, p. 4)</p> <p>[On one-tier boards,] there should be a balance of executive directors and non-executive directors with broader experience who are in a position to act independently. . . . Two-tier board structures can be a means of overcoming some of the tensions within a unitary board between the executive function and the monitoring function. . . . On two-tiered boards,] we consider that appropriate divisions of responsibility and checks and balances should be in place. (Part 2, Directors, p. 4)</p> <p>In order that non-executives can properly fulfill their role, we consider that a majority of the board should be non-executive. (Part 2: Directors, p. 5)</p> <p>PIRC does not consider that each non-executive director can be expected to fulfill both an advisory and a supervisory function. For example, it may benefit the company to retain a former employee in a non-executive capacity, although the individual will not have an outsider’s independent perspective. However, in order to ensure that there is a strong independent voice on the board, a majority of the non-executives should be independent. (Part 2: Directors, p. 5)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
7. Mix of Inside and Outside Directors			
A substantial majority of the board consists of directors who are independent. (Core Principle A.1)	At least two-thirds of a corporation's directors should be independent. (Core Policy 2).	The board should be composed of a substantial majority of independent directors. (p. 2)	In general, the voting fiduciary should support shareholder proposals seeking to require that a majority of directors be independent. . . . However, in the context of a change in control, the voting fiduciary should consider that inside directors may be more responsive to the interests of employees and the community in which they operate. (p. 5)

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
8. Definition of “Independence”²⁵			
<p>GM’s By-law 2.12, defining independent Directors, was approved by the Board in January 1991. The Board believes there is no current relationship between any independent Director and GM that would be construed in any way to compromise any Board member being designated independent. Compliance with the By-law is reviewed annually by the Committee on Director Affairs. (Guideline 8)</p> <p><i>By-law 2.12(c) provides:</i></p> <p>For purposes of this by-law, the term “Independent Director” shall mean a director who:</p> <ul style="list-style-type: none"> i. is not and has not been employed by the corporation or its subsidiaries in an executive capacity within the five years immediately prior to the annual meeting at which the nominees of the board of directors will be voted upon; ii. is not (and is not affiliated with a company or a firm that is) a significant advisor or consultant to the corporation or its subsidiaries; iii. is not affiliated with a significant customer or supplier of the corporation or its subsidiaries; iv. does not have significant personal services contract(s) with the corporation or its subsidiaries; v. is not affiliated with a tax-exempt entity that received significant contributions from the corporation or its subsidiaries; and vi. is not a spouse, parent, sibling or child of any person described by (i) through (v). 	<p>[The ICGN] endorses the [OECD] assertion that “the board should be able to exercise objective judgment on corporate affairs independent, in particular, from management.” To meet this challenge, the ICGN holds that each company should . . . acknowledge that the board of directors, or supervisory board, as an entity, and each of its members, as an individual, is a fiduciary for all shareholders, and should be accountable to the shareholder body as a whole. (ICGN Amplified OECD Principle V at 8-9)</p> <p><i>The ICGN Statement adopts</i> OECD Principle V.E (The board should be able to exercise objective judgement on corporate affairs independent, in particular, from management.).</p> <p><i>See also</i> OECD Principle V.E Annotation at 41 (The variety of board structures and practices in different countries will require different approaches to the issue of independent board members. Board independence usually requires that a sufficient number of board members not be employed by the company and not be closely related to the company or its management through significant economic, family or other ties. This does not prevent shareholders from being board members.).</p>	<p>An independent director is a director who is not a member of management [and]:</p> <ul style="list-style-type: none"> ▪ is not a substantial shareholder of the company or an officer of . . . a substantial shareholder of the company; ▪ has not within the last three years been employed in an executive capacity by the company . . . ; ▪ is not a principal of a professional adviser to the company . . . ; ▪ is not a significant supplier or customer of the company . . . or an officer of . . . a significant supplier or customer; ▪ has no significant contractual relationship with the company . . . other than as a director of the company; and ▪ is free from any interest and any business or other relationship which could . . . materially interfere with the director’s ability to act in the best interests of the company. <p>(Guidelines for Corporations, Guideline 2 Commentary at 20)</p>	<p>[A] director “free of any interest” is one without any direct or indirect tie with the company or companies of the group, and therefore may be reputed to participate with objectivity in board discussions. He must neither be now, nor ever have been, an employee, nor chairman, nor chief executive of the company or of any company of the group. He must neither be a lead shareholder of the company nor of a company of the group, nor be related in any way to such a shareholder. Finally, he must not in any way whatsoever be related to a significant or regular commercial or financial partner of the group or of any group company. (II.B.1)</p> <p><i>See</i> II.A.2 (In the Commission’s view, the Board’s accountability to all shareholders requires that it be independent in relation to company management.).</p> <p><i>See also</i> II (The portfolio manager’s advisory role requires that his activity, and that of his employees, be governed by the principle of independence. He may therefore not serve as a member of the Board of Directors or any company whose shares are held in the portfolios he manages.).</p>

²⁵ *See also 1994 NACD Report* at 34 (“A director will be considered independent if he or she: (1) has never been an employee of the corporation or any of its subsidiaries; (2) is not a relative of any employee of the company; (3) provides no services to the company; (4) is not employed by any firm providing major services to the company; or (5) receives no compensation from the company, other than director fees.”); 1990 Business Roundtable Statement at 12 (“In order to underscore their independence, non-management directors should not be dependent financially on the companies on whose boards they serve.”); ABA Guidebook at 16 (“As a general rule a director will be viewed as independent only if he or she is a non-management director free of any material business or professional relationship with the corporation or its management.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
8. Definition of “Independence”			
<p><i>Not covered directly, but see the Code, III.1.b) (The Supervisory Board shall ensure independent advice and monitoring of the Management Board through a sufficient number of independent persons who have no current or former business association with the Group. . . . The proposal for election to the Supervisory Board shall not include, as a matter of course, the election of retiring Management Board members.)</i></p>	<p>Independence is more likely to be assured when the director does not have an actual or potential conflict of interest, <i>e.g.</i>,</p> <ul style="list-style-type: none"> ▪ is not retained as a professional adviser by the company; ▪ is not a significant supplier or customer to the company; ▪ has not been employed in any executive capacity by the company in the recent past; ▪ does not participate in any share option scheme within the company. <p>(1992 Statement, § 2)</p> <p><i>See</i> 1992 Statement, § 3 (Independent non-executive directors add considerably to all aspects of a Board’s deliberations, <i>e.g.</i>,</p> <ul style="list-style-type: none"> ▪ in presenting a detached, outside viewpoint when strategy is being debated; ▪ in setting or endorsing policies relating to all aspects of the business; ▪ in the appointment, remuneration and removal of the Chief Executive; ▪ in questioning the assumptions on which budgets and plans are based; ▪ in the choice of accounting policies and in the review and approval of all published financial statements; ▪ in monitoring the implementation of policy and achievements of results; ▪ when takeovers and mergers are being considered; ▪ in ensuring standards of probity in the company’s dealings with all its stakeholders.) 	<p>The board should have a core of at least three vigorously independent directors on whom shareholders can rely for the independence of their judgement and who can act as agents for change should the need arise. Hermes endorses the Cadbury committee’s definition of independence: that non-executive directors “should be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.” Hermes will interpret this to mean that to be considered independent a non-executive director must not:</p> <ul style="list-style-type: none"> ▪ be or have been an employee of the company; ▪ represent significant shareholders or other single interest groups . . . ; ▪ receive an income from the company other than non-executive director fees; ▪ participate in the company’s share option or performance-related remuneration schemes; ▪ have conflicting or cross directorships; ▪ have any other significant financial or personal tie to the company or its management which could interfere with the director’s loyalty to shareholders. (2.3) <p>In principle, all the directors, and in particular the chairman, of an investment trust should be fully independent non-executive directors. The tests of independence in paragraph 2.3 above apply to investment trusts. Directors who are not considered independent include employees or former employees of the trust’s fund manager . . . and directors of more than one investment trust managed by the same fund management company. (8.1)</p>	<p>PIRC recognizes that ‘independence’ is determined partly by an individual’s character and integrity. [However,] [i]n order to be viewed as independent, PIRC considers that directors should not:</p> <ul style="list-style-type: none"> ▪ have held an executive position within the company group; ▪ have had an association with the company of more than 9 years; ▪ be related . . . to other directors or advisors to the company; ▪ have been appointed other than through an appropriately constituted nomination committee or equivalent . . . ; ▪ be [employed with] a professional adviser to the company; ▪ have a service contract, hold share options or other conditional share awards, receive remuneration other than fees, receive consultancy payments or be eligible for pensions benefits or participate in bonus schemes; ▪ receive fees . . . indicative of significant involvement in the company’s affairs . . . ; ▪ receive remuneration from a third party in relation to the directorship; ▪ benefit from related party transactions; ▪ have cross directorships . . . ; ▪ hold . . . a senior position with a political or charitable body to which the company makes contributions . . . ; ▪ hold a notifiable holding . . . or serve as a director or employee of another company which has a notifiable holding in the company [or] in which the company has a notifiable holding; ▪ be . . . on the board of a significant customer or supplier to the company; ▪ act as the appointee or representative of a stakeholder group other than the shareholders as a whole; ▪ serve as a director or employee of a significant competitor of the company. ▪ Other criteria are relevant for investment trusts (see below section 6). <p>(Part 2: Directors, p. 5)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
8. Definition of “Independence”			
<p>[E]ach corporation should publish in their proxy statement the definition [of independence] adopted or relied upon by its board. (Guideline A.1)</p> <p>An “independent director” is one who:</p> <ul style="list-style-type: none"> ▪ has not been employed by the Company in an executive capacity within the last five years; ▪ is not, and is not affiliated with . . . an adviser, or consultant to the Company or a member of the Company’s senior management; ▪ is not affiliated with a significant customer or supplier of the Company; ▪ has no personal services contract(s) with the Company, or a member of the Company’s senior management; ▪ is not affiliated with a not-for-profit entity that receives significant contributions from the Company; ▪ within the last five years, has not had any business relationship with the Company (other than service as a director) for which the company has been required to make disclosure under Regulation S-K, ▪ is not employed by a public company at which an executive officer of the Company serves as a director; ▪ has not had any of the relationships described above with any affiliate of the Company; and ▪ is not a member of the immediate family of any person described above. <p>(Appendix B-1)</p> <p>See Core Principle 5 (No director may also serve as a consultant or service provider to the company.).</p>	<p>A director is deemed independent if his or her only non-trivial professional, familial or financial connection to the corporation or its CEO is his or her directorship. (Core Policy 2)</p> <p>A director will not generally be considered independent if he or she:</p> <ul style="list-style-type: none"> (a) has been employed by the corporation or an affiliate in an executive capacity; (b) is, or in the past two years has been, an employee or owner of a firm that is one of the corporation’s or its affiliate’s or the CEO’s paid advisers or consultants; (c) is employed by a significant customer or supplier; (d) has, or in the past two years has had, a personal services contract with the CEO, the corporation or one of its affiliates; (e) is an employee, officer or director of a foundation, university or other non-profit organization that receives significant grants or endowments from the corporation or one of its affiliates; (f) is a relative of an executive of the corporation or one of its affiliates; and (g) is part of an interlocking directorate in which the CEO or other executive officer of the corporation serves on the board of another corporation that employs the director. <p>(Explanatory Note, pp. 9-10; see entire Explanatory Note on Independent Director Definition)</p>	<p>[I]ndependence means no present or former employment by the company or any significant financial or personal tie to the company or its management that could compromise the director’s objectivity and loyalty to the shareholders. An independent director does not regularly perform services for the company, if a disinterested observer would consider the relationship material. It does not matter if the service is performed individually or as a representative of an organization that is a professional adviser, consultant, or legal counsel to the company. However, a director might be considered independent if it is clear to TIAA-CREF that the person is involved in commercial transactions that are being carried out at arm’s length in the ordinary course of business and the relationship should not interfere with the individual’s ability to exercise independent judgment. (p. 2)</p>	<p><i>Independence</i> is defined as having only one non-trivial connection to the corporation: that of his or her directorship. A director generally will not be considered independent if currently or previously employed by the company or an affiliate in an executive capacity; if employed by a firm that is one of the company’s paid advisors or consultants; if employed by a significant customer or supplier; if employed by a foundation or university that receives grants or endowments from the company; if the person has any personal services contract with the company; if related to an executive or director of the company; or if an officer of a firm on which the company’s chairman or chief executive officer also is a board member. (p. 4)</p> <p>The voting fiduciary also generally should support proposals that require the company to adopt a definition of independence such that an independent director’s only non-trivial relationship to the company is that of directorship . . . [and] should support proposals calling for the expanded disclosure of potential conflicts involving directors. (p. 5)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
9. Commitment / Changes in Job Responsibility²⁶			
<p><i>Former Chairman/Chief Executive Officer's Board Membership.</i></p> <p>The Board believes this is a matter to be decided in each individual instance. It is assumed that when the Chairman or Chief Executive Officer resigns from that position, he/she should submit his/her resignation from the Board at the same time. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chief Executive Officer and the Board. A former Chairman or Chief Executive Officer serving on the Board will not be considered an independent Director for purposes of voting on matters of corporate governance. (Guideline 9)</p> <p>It is the sense of the Board that individual Directors who change the responsibility they held when they were elected to the Board should submit a letter of resignation to the Board.</p> <p>It is not the sense of the Board that in every instance the Directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Committee on Director Affairs, to review the continued appropriateness of Board membership under these circumstances. Independent Directors are encouraged to limit the number of other boards on which they serve, taking into account potential board attendance, participation and effectiveness on these boards. Independent Directors should also advise the Chairman of the Board and the Chairman of the Committee on Director Affairs in advance of accepting an invitation to serve on another board. (Guideline 10)</p>	<p><i>The ICGN Statement adopts OECD Principle V.E.2 (Board members should devote sufficient time to their responsibilities.).</i></p> <p><i>See also OECD Annotation to Principle V.E.2 at 42 (It is widely held that service on too many boards can interfere with the performance of board members. Companies may wish to consider whether excessive board service interferes with board performance. Some countries have limited the number of board positions that can be held. Specific limitations may be less important than ensuring that members of the board enjoy legitimacy and confidence in the eyes of shareholders.).</i></p> <p><i>See also Topic Heading 10, below.</i></p>	<p><i>Not covered.</i></p>	<p><i>Not covered directly, but see II.D.2 (The Commission recommends . . . that board memberships be limited to three, including representation of legal entities as well as the director personally, except for directorships held within one's own group. The recommended directorship limit for outside directors is five.).</i></p>

²⁶ See also ABA Guidebook at 39 ("Some companies expect a director to offer to resign if the director's principal occupation changes.").

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
9. Commitment / Changes in Job Responsibility			
<p><u>Management Board</u> [O]ther activities of Management Board members, in particular the acceptance of Supervisory Board appointments, require the approval of the Supervisory Board. Any other activities of senior Group executives require the approval of the Management Board. (The Code, II.4.g))</p> <p>[The Personnel] Committee is responsible for the approval of pay for outside company work by members of the Management Board. (The Code, III.3)</p> <p><u>Supervisory Board</u> Board members must make sufficient time available to exercise their activity in a diligent manner. (The Code, III.1.a))</p>	<p>There should be an undertaking between the company and executive directors that they will not engage in, or have an interest in (except with the approval of the Board), any business similar to that carried on by any group company.</p> <p>Any service contracts entered into should be approved by the Remuneration Committee.</p> <p>Despite the provisions of the Companies Act, the IAIM considers that service contracts should not run for a period of more than 3 years and there may be circumstances where a rolling contract should be limited to a period of no more than 2 years. (1992 Statement, § 7)</p>	<p><i>Not covered.</i></p>	<p>It is important that directors have sufficient time to devote to the company's affairs. Full disclosure of directors' other commitments should be provided. . . . The full record of each director's attendance at board meetings and committee meetings should be provided in the annual report.</p> <p>To assist smaller companies to improve their quotient of experienced directors, we consider more companies should make their senior executives available for non-executive appointments, though executive directors should not have more than one other outside appointment. (Part 2: Directors, p. 5)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
9. Commitment / Changes in Job Responsibility			
<i>Not covered.</i>	<i>Not covered.</i>	<p>The board should establish . . . a requirement that all directors have a direct and material cash investment in common shares of the company. A reasonable minimum ownership interest could be defined as stock holdings equal to approximately one year’s compensation as a board member, but we recognize that what constitutes a “material” amount will necessarily vary widely from one director to another. (p. 3)</p> <p>Each director should be able and prepared to devote sufficient time and effort to his or her duties as a director. (p. 3)</p> <p><i>See pp. 3-4</i> ([I]n the absence of special circumstances, [TIAA-CREF] would not support . . . a requirement that directors must attend a specific percentage of board meetings, unless the board supports such measures.).</p>	<i>Not covered.</i>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
10. Election Term / Term Limits / Mandatory Retirement²⁷			
<p>The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the company and its operations and, therefore, provide an increasing contribution to the Board as a whole.</p> <p>As an alternative to term limits, the Committee on Director Affairs, in conjunction with the Chief Executive Officer, will formally review each Director's continuation on the Board every five years. This will also allow each Director the opportunity to conveniently confirm his/her desire to continue as a member of the Board. (Guideline 11)</p> <p>It is the sense of the Board that the current retirement age of 70 is appropriate. (Guideline 12)</p>	<p>Each elected member [of the unitary board of directors or of the supervisory board in a two-tier system] should stand for election on a regular basis. (ICGN Amplified OECD Principle V at 9)</p>	<p><i>Not covered.</i></p>	<p>In accordance with French law, a director's mandate may not exceed six years unless the General Meeting decides to revise upwards this mandate, and directors older than 70 years may not exceed one-third of board membership.</p> <p>The Commission recommends that the number of directors over 65 years not exceed one-third of the board membership. (II.D.5)</p>

²⁷ See also [ABA Guidebook](#) at 39 ("Some publicly held corporations impose term limits on directors and many have a mandatory retirement age.").

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
10. Election Term / Term Limits / Mandatory Retirement			
<p><i>Not covered directly, but see the Code, III.1.c) (To enable regular adjustments to material developments, the election or re-election of Supervisory Board members can take place at different dates.)</i></p>	<p>IAIM considers that, in addition to the provisions of the Companies Act, the following should be adopted as good practice:</p> <ul style="list-style-type: none"> ▪ all directors should retire in rotation at least every three years, and offer themselves for re-election if they so choose; ▪ where a company's articles provide that a director may be dismissed from office by a written resolution of his/her co-directors, provision should also be made that these powers can only be exercised with the support of at least 75% of co-directors. <p>(1992 Statement, § 4)</p>	<p>[A] non-executive director must not . . . serve as a director for more than 10 years or be over 70 years of age. (2.3; <i>see</i> 2.6)</p>	<p>PRINCIPLE: All directors should be accountable to shareholders by facing regular re-election.</p> <p>G. <u>Non-executives are appointed for specified terms.</u> There should be a formal opportunity to assess the contribution made by non-executives. They should therefore have a fixed period of appointment rather than an open-ended appointment. Reappointment should not be automatic. . . .</p> <p>H. <u>All directors are required to seek election in the articles.</u> It is fundamental to good corporate governance that all directors are required to seek regular re-election by shareholders. If exemption from election provisions exist in company articles, . . . they should be removed.</p> <p>I. <u>All directors face election every year.</u> Under the current system, it is merely coincidental if directors retire in a year when shareholders may wish to vote on an issue of concern which has emerged during the period. . . . In the absence of opportunities for shareholders to vote on policy issues . . . , and given the difficulties involved in putting forward a shareholder resolution on specific issues of concern, in order to strengthen accountability, we consider that all directors should retire for re-election each year.</p> <p>J. <u>Directors over 70 face annual re-election.</u> Whilst recognizing that such directors may still have much to contribute to a company, in the absence of annual election for all directors, PIRC considers that companies ensure that directors over the age of 70 stand down for election each year. (Part 2: Directors, p. 6)</p> <p>[In the case of two-tiered boards,] [s]hareholders . . . should have the power to remove [any supervisory board directors] exercising the powers of the company or charged with overseeing executive management. This applies to stakeholder representatives and also to alternate directors who are not elected. (Part 2: Directors, p. 4)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
10. Election Term / Term Limits / Mandatory Retirement			
<p>Every director should be elected annually. (Guideline D.6)</p> <p><i>See</i> Guideline A.2 (With each director nomination recommendation, the board should consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the board maintains an openness to new ideas and a willingness to critically re-examine the status quo.).</p>	<p>Directors should be elected annually by confidential ballots counted by independent tabulators. (Core Policy 1)</p> <p><i>See</i> General Principle C.1 (Corporations and/or states should not give former directors who have left office (so-called “continuing directors”) the power to take action on behalf of the corporation.).</p> <p><i>See also</i> General Principle C.2 (Boards should review the performance and qualifications of any director from whom at least 10% of the votes cast are withheld.).</p> <p><i>See also</i> Position A.7 (Absent compelling and stated reasons, directors who attend fewer than 75% of board and board-committee meetings for two years running should not be renominated.).</p>	<p>The board should establish a fixed retirement policy for directors. (p. 3)</p>	<p>The voting fiduciary may vote against proposals to limit terms of directors because they may result in prohibiting the service of directors who significantly contribute to the company’s success and represent shareholders’ interests effectively. In general, the trustees support holding individual nominees to high standards when they seek election: requiring annual elections of directors better advances shareholders’ interests. (p. 5)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
11. Board Compensation Review ²⁸			
<p>It is appropriate for the staff of the Company to report once a year to the Committee on Director Affairs the status of GM Board compensation in relation to other large U.S. companies. As part of a Director's total compensation and to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a Director's compensation should be provided and held in common stock units.</p> <p>Changes in Board compensation, if any, should come at the suggestion of the Committee on Director Affairs, but with full discussion and concurrence by the Board. (Guideline 13)</p> <p>The full Board (independent Directors) should make this evaluation [of the Chairman of the Board] annually The evaluation will be used by the Executive Compensation Committee in the course of its deliberations when considering the compensation of the Chairman. (Guideline 26)</p>	<p><i>The ICGN Statement adopts</i> OECD Principle V.D.3 (The board should fulfil certain key functions, including [reviewing] board remuneration.)</p> <p><i>See also</i> ICGN Statement 5 at 4 (Remuneration of corporate directors or supervisory board members and key executives should be aligned with the interests of shareholders.).</p>	<p>The board should establish . . . a policy to encourage non-executive directors . . . to acquire shares from allocation of a portion of their fees. (Guidelines for Corporations, Guideline 8)</p> <p>The board should disclose in the company's annual report its policies on, and the quantum and components of, remuneration for all directors. (Guidelines for Corporations, Guideline 10)</p> <p><i>See also</i> Guidelines for Corporations, Guideline 8 Commentary at 24 (The purpose of [Guideline 8] is to equate the financial interests and risks of the board with the interests and risks of the shareholders as the owners of the company.</p> <p>Equity participation by non-executive directors should be acquired by them independently and, in particular, not through a share or option scheme designed for the executives whose role is to manage the company. The directors' role is to assess effectively the performance of the company and its executives. A conflict of interest would be created if directors participated in a scheme similar to the executives.).</p>	<p>[D]irectors' fees [should be tied to the performance of the company and the value of the company's share, and] should also take into account their attendance. (II.C.2)</p> <p><i>See</i> II.C.1 (All directors should have a significant minimum investment in the company, <i>i.e.</i>, one year's directors' fees.).</p>

²⁸ *See also 1994 NACD Report* at 20 ("Each board must decide what plan best serves the needs of the company, its shareholders, and its directors. For companies that wish to increase stock ownership by directors, there is a range of possibilities, from restricted stock grants with prohibitions on resale, to stock options, to voluntary guidelines for stock purchases. Every board should develop clear and comprehensive criteria for director pay, making occasional exceptions when unforeseen events make this necessary. Also, each board must decide the most appropriate mechanics for disclosing its process for setting director compensation. Director pay should be set annually, but evaluated on an ongoing basis."); *ABA Guidebook* at 18-19 ("Directors have an unavoidable conflict of interest in fixing their own compensation. That conflict is not reduced if the recommendation is made by management. When directors recognize they have the responsibility to determine their own compensation, they are more likely to make sure they have the data necessary to reach a fair conclusion. That includes data on comparable companies, together with analysis of any special factors that may relate to the particular corporation.").

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
11. Board Compensation Review			
<p><u>Management Board</u></p> <p>The Personnel Committee . . . shall make recommendations with regard to the content of the employment contracts of the Management Board including their emoluments. Recommendations for the recurring compensation elements shall be determined by systematic performance evaluation of the individual Management Board members. In addition, the Committee is responsible for the approval of pay for outside company work by members of the Management Board. (The Code, III.3)</p> <p><u>Supervisory Board</u></p> <p>The remuneration of the Supervisory Board shall appropriately reflect the responsibility, the work performed, and the increase in the corporate value. (The Code, III.1.e))</p> <p>Contracts, in particular consulting contracts of the company with members of the Supervisory Board, require the approval of the Supervisory Board (except everyday transactions). (The Code, III.2.f))</p>	<p><i>Not covered directly, but see</i> 1992 Statement, § 3 (The value of non-executive directors is the independence and experience that they contribute to the deliberations of the Board. Their responsibility in law is indistinguishable from the executive director. They should receive appropriate remuneration to reflect their responsibilities and their contribution.).</p> <p><i>See also</i> 1999 Guideline 11 (Non-executive directors should not participate in any form of share option or other long-term incentive scheme (“LTIS”) in order to avoid compromising their independent status. Shares may be made available to non-executive directors in lieu of all or part of their normal fees, and disclosed accordingly.).</p> <p><i>See</i> Topic Heading K, <i>below</i>.</p>	<p>Companies should require all directors to build over a period of time a substantial shareholding, say, to the value of at least one year’s emoluments. For non-executive directors, one way of achieving this is to pay them partly in shares which must be retained whilst they hold office. Non-executive directors who are executives elsewhere, and whose fees are paid to their primary employer, should receive the share component of their fee. Non-executive directors should not participate in performance-related pay or incentive schemes. (App. I.1.4)</p>	<p>PRINCIPLE: Contracts policy should balance potential costs to shareholders with directors’ interests. (Part 3: Directors’ Compensation, p. 9)</p> <p>PRINCIPLE: Shareholders should have the opportunity to vote on remuneration issues. (Part 3: Directors’ Compensation, p. 10)</p> <p>PRINCIPLE: Remuneration structure should align shareholders’ and directors’ interests and payments should not be excessive. (Part 3: Directors’ Compensation, p. 10)</p> <p>PRINCIPLE: Directors’ remuneration should take account of pay conditions within the company. (Part 3: Directors’ Compensation, p. 11)</p> <p>The performance basis of all . . . incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. (Part 3: Directors’ Remuneration, p. 8)</p> <p>The statement of remuneration policy should clearly explain the rationale behind the remuneration structure and should refer to all the elements. (Part 3: Directors’ Remuneration, p. 8)</p> <p><i>See</i> Part 3: Directors’ Remuneration, pp. 8-11.</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
11. Board Compensation Review			
<p>Director compensation is a combination of cash and stock in the company. The stock component is a significant portion of the total compensation. (Core Principle A.6)</p>	<p>Shareholders should have the opportunity to vote on all equity-based compensation plans that include any directors of the company. Shareholders should also have the opportunity to vote on any equity-based compensation plan where the number of reserved shares, together with the company's outstanding equity-based awards and shares available for grant, may have a material impact on the capital structure of the company and the ownership interests of its shareholders. (General Principle A.6)</p> <p>Absent unusual and compelling circumstances, all directors should own company common stock, in addition to any options and unvested shares granted by the company. (General Principle D.2)</p> <p>Directors should be compensated only in cash or stock, with the majority of the compensation in stock. (General Principle D.3)</p> <p>Directors should own a meaningful position in company common stock, appropriate to their personal circumstances. (Position A.6)</p> <p>Pay for directors and managers should be indexed to peer or market groups, absent unusual and specified reasons for not doing so. Boards should consider options with forward contracts to align managers' interests with shareholders'. (Position D.1)</p>	<p>TIAA-CREF advocates payment of directors at least partially in stock or restricted stock. (p. 3)</p> <p>All monetary arrangements with directors for services outside normal board activities should be approved by a committee of the board that is composed of independent directors. (p. 3)</p>	<p>[Directors] should be held accountable for actions taken that may not be in shareholders' best interests, such as awarding [themselves] excessive compensation. (p. 4)</p> <p>[R]easonable compensation should be awarded to [outside directors]. Shareholder evaluation of director compensation is especially important since directors are responsible for compensating themselves. . . . Thus, full disclosure in the proxy statement of the philosophy and process used in establishing director compensation and the total value of the compensation is critically important to shareholders. (p. 6)</p> <p>The trustees support compensating directors in a fashion that rewards excellent service, not marginal performance, and enhances directors' links to shareholders. Further, director compensation should be accomplished in a manner that does not compromise the independence of directors. (pp. 6-7)</p> <p>[P]ayment of directors [should be] solely in the form of equity and cash. . . . [P]ension and benefit programs [should be eliminated]. (p. 7)</p> <p>[P]roposals providing for a significant component of directors' total compensation to be in the form of stock [deserve support]. . . . [S]ignificant stock holdings by directors [are to be encouraged]. . . . Stock grants should be structured to avoid short-term holdings by directors. (p. 7)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
12. Executive Sessions of Outside Directors ²⁹			
<p>The independent Directors of the Board will meet in Executive Session two or three times each year. Executive Sessions will be chaired by the Chairman of the Committee on director Affairs. The format of these meetings will include a discussion with the Chairman and the Chief Executive Officer on each occasion. (Guideline 14)</p>	<p><i>Not covered.</i></p>	<p>The board should review its performance and the performance of individual directors, the company and management regularly. As a key part of that process, the independent directors should meet on their own at least once annually to review performance. Guidelines for Corporations, Guideline 7)</p>	<p><i>Not covered directly, but see II.A.3 (The Commission finds that the separation of the oversight or supervisory function from the executive function is favored by adoption of the Supervisory Board / Management Board corporate structure. The present Recommendations are applicable to the Supervisory Board function as well.).</i></p>

²⁹ See also 1994 NACD Report at 4 (noting that the CEO should respect the outside directors' need to meet independently); ABA Guidebook at 17 (suggesting ways to strengthen the role of independent directors, including having "the independent directors meet periodically as a body to review the performance of management and of the members of the board").

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
12. Executive Sessions of Outside Directors			
<p><i>Not covered directly, but see the Code, II.2.f) (Should the business trend or risk exposure of the Group change significantly against plan, the Management Board must immediately inform the Supervisory Board through its Chairman, who will call an extraordinary Supervisory Board meeting if so indicated.).</i></p>	<p><i>Not covered directly, but see 1992 Statement, § 3 (contributions of independent non-executive directors).</i></p>	<p>The senior non-executive director should have the authority to call a meeting of the non-executive directors if, in his opinion, it is necessary. (App. II.3)</p> <p><i>See App. II.2 (The senior non-executive director should make himself available for confidential discussions with other non-executive directors who may have concerns which they believe have not been properly considered by the board as a whole.).</i></p>	<p><i>Not covered directly, but see Part 2, Directors, p. 5 (It may be appropriate for [audit, remuneration and nomination] committees to invite executive directors to be present at certain meetings, but committees should meet without executives present at least once a year.).</i></p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
12. Executive Sessions of Outside Directors			
<p>Independent directors meet periodically (at least once a year) alone, without the CEO or other non-independent directors. (Core Principle A.2)</p> <p>[When the CEO and Independent chair positions are held by separate people, the Independent Chair will] develop the agenda for and moderate executive sessions of the Board's independent directors [and] act as the principal liaison between independent directors and the CEO on sensitive issues. (Appendix C: Independent Chair Position Duty Statement)</p> <p>[When the CEO is also the Chair, the Lead Independent Director will] develop the agenda for and moderate executive sessions of the Board's independent directors [and] act as the principal liaison between independent directors and the Chair on sensitive issues. (Appendix A: Lead Independent Director Position Duty Statement)</p>	<p>The board should hold regularly scheduled executive sessions without the CEO or staff present. The independent directors should also hold regularly scheduled in-person executive sessions without non-independent directors and staff present. (Position C.4)</p>	<p>The board should hold periodic executive sessions at which management, including the CEO, is not present. (p. 4)</p> <p>See p. 11 (The board should establish an annual review process . . . in executive session.).</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
13. Evaluating Board Performance³⁰			
<p>The Committee on Director Affairs is responsible to report annually to the Board an assessment of the Board’s performance. This will be discussed with the full Board. This should be done following the end of each fiscal year and at the same time as the report on Board membership criteria.</p> <p>This assessment should be of the Board’s contribution as a whole and specifically review areas in which the Board and/or the Management believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board, not to target individual Board members. (Guideline 15)</p> <p>The full Board (independent Directors) should make this evaluation [of the Chairman of the Board] annually, and it should be communicated to the Chairman . . . by the Chairman of the Committee on Director Affairs. The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc. (Guideline 26)</p>	<p><i>The ICGN Statement adopts</i> OECD Principle V.E.1 (Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are: financial reporting, nomination and executive and board remuneration.).</p> <p><i>See also</i> OECD Principle V.E Annotation at 41 (Independent board members . . . can bring an objective view to the evaluation of the performance of the board.).</p> <p><i>See also</i> OECD Principle V.E.2 Annotation at 42 (In order to improve board practices and the performance of its members, some companies have found it useful to engage in training and voluntary self-evaluation that meets the needs of the individual company.).</p>	<p>The Board should annually review . . . its required mix of skills, experience and other qualities, including the core competencies which the independent directors should bring to the board. (Guideline 2)</p> <p>The board should at least annually identify the mix of skills, experience and other qualities it requires for it to function competently and efficiently. (Guidelines for Corporations, Guideline 2 Commentary at 21)</p> <p>The board should review its performance and the performance of individual directors, the company and management regularly. As a key part of that process, the independent directors should meet on their own at least once annually to review performance. (Guidelines for Corporations, Guideline 7)</p> <p>In the case of directors seeking re-election, there should be a formal procedure approved by the board for evaluating the contribution of directors retiring by rotation and for reporting to shareholders in the notice of meeting on the evaluation. (Guidelines for Corporations, Guideline 7 Commentary at 24)</p> <p><i>See</i> Guidelines for Corporations, Guideline 9 (The Board should at least annually review the allocation of the work of the company between the Board and management.).</p>	<p>The Commission recommends that the board regularly evaluate its own degree of openness in terms of its membership, its organization, and its mode of functioning. It should inform shareholders of any measures taken as a result.</p> <p>It also recommends that the board examine the status and situation of its members with regard to their functions and obligations.</p> <p>The Commission further recommends that each year, in the annual report, the board publish the number of its meetings during the year, plus an attendance record, an evaluation of board organization and functioning, and a detailed résumé and list of directorships of each board member and of candidates to director posts. (II.D.3)</p> <p>It is recommended that a charter consisting of a kind of director’s code of professional conduct be established. At a minimum, it should include certain principles: the obligation to own company shares in one’s personal capacity, to attend board meetings and shareholders’ meetings, to respect the confidentiality of matters relating to company business, to abide by ethical standards applying to company employees regarding transactions in company shares, and to declare all transactions in company shares. (II.D.5)</p>

³⁰ *See also 1994 NACD Report* at 13-14 (“Directors should evaluate board performance as a whole. Each board should consider developing goals for the board as a whole and for each of its committees. . . . The board can then measure board, chairmen, and committee performance against these goals, position descriptions, and responsibilities, making any appropriate recommendations for improvement. . . . The board should evaluate not just its process for nominating director candidates, but also its process for educating and renominating new directors. It should evaluate the evaluation process itself. The focus of the evaluation should also include some evaluation of individual director performance.”); *1990 Business Roundtable Statement* at 15 (“The most difficult duties of the board include a thorough evaluation of the board’s own effectiveness including the contributions of its individual members. The non-management directors (or a committee such as the Nominating Committee) are responsible for periodically undertaking a self-evaluation. The results of this evaluation will fortify and provide excellent background for the board’s recommendation of a slate of directors to the shareholders.”); *ABA Guidebook* at 5 (The board has the responsibility to “evaluate the overall effectiveness of the board.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
13. Evaluating Board Performance			
<p><u>Management Board</u> Not covered directly, but see the Code, III.3 ([C]ompensation elements shall be determined by systematic performance evaluation of the individual Management Board members [by the Personnel Committee of the Supervisory Board]).</p> <p><u>Supervisory Board</u> The Supervisory Board shall subject its activity to a regular (<i>i.e.</i>, annual) evaluation to check opportunities for improvements on a continuous basis. (The Code, III.2.h))</p>	<p>Not covered directly, but see 1992 Statement, § 4 (Appointment and Removal of Directors).</p>	<p>It is good practice for all boards to conduct an annual review of the performance of non-executive directors and the chairman and to consider the effectiveness of the board as a whole. (2.8)</p> <p>Where the company chairman combines the role of chairman and chief executive, or has at any time been an executive director of the company, then the senior non-executive director should take a major part in the performance appraisal of the board as a whole and of individual directors. (App. II.5)</p>	<p>There should be an annual appraisal of the functioning of the board as a whole and the contribution made by all directors individually, including non-executives. The directors should disclose the process used, the timescale, the criteria applied and the overall outcome. It may be helpful to use an independent agency to perform this appraisal. (Part 2: Directors, p. 7)</p> <p>PIRC considers that a notice period [regarding a director's contract] of no longer than one year is a reasonable period which balances the interests of shareholders and the company with those of the director. (7.16)</p> <p>See Part 2: Directors, p. 5 (Full disclosure of directors' other commitments should be provided. . . . The full record of each director's attendance at board meetings and committee meetings should be provided in the annual report.).</p> <p>See Topic Heading 15, below.</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
13. Evaluating Board Performance			
<p>The board has adopted a written statement of its own governance principles, and regularly re-evaluates them. (Core Principle B.1)</p> <p>The board establishes performance criteria for itself and periodically reviews board performance against those criteria. (Core Principle B.3)</p> <p>Each board should establish performance criteria, not only for itself (acting as a collective body) but also individual behavioral expectations for its directors. Minimally, these criteria address the level of director: attendance, preparedness, participation, and candor. (Guideline C.1)</p> <p>To be re-nominated, directors must satisfactorily perform based on the established criteria. Re-nomination on any other basis should neither be expected nor guaranteed. (Guideline C.2)</p>	<p>Shareholders should have meaningful opportunity to suggest processes and criteria for director selection and evaluation. (Position A.5)</p> <p>Boards should evaluate themselves and their individual members on a regular basis. Board evaluation should include an assessment of whether the board has the necessary diversity of skills, backgrounds, experiences, ages, races and genders appropriate to the company’s on-going needs. Individual director evaluations should include high standards for in-person attendance at board and committee meetings and disclosure of all absences or conference call substitutions. (Position A.8)</p>	<p>The board should have mechanisms to evaluate and improve its performance in representing the shareholders in governing the corporation. At a minimum, there should be an annual review by the board of its performance overall, including the effectiveness of its committees, measured against criteria defined in committee charters. (p. 4)</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
14. Board Interaction with Institutional Investors, Press, Customers, etc. ³¹			
<p>The Board believes that the Management speaks for General Motors. Individual Board members may, from time to time at the request of Management, meet or otherwise communicate with various constituencies that are involved with General Motors. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman. (Guideline 16)</p>	<p><i>Not covered directly, but see</i> OECD Principle IV.D (Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users.).</p> <p><i>See also</i> OECD Principle V.D.7 (The board should fulfil certain key functions, including . . . [o]verseeing the process of disclosure and communications.).</p> <p><i>See also</i> ICGN Statement 10 at 5 (Corporate governance issues between shareholders, the board and management should be pursued by dialogue and, where appropriate, with government and regulatory representatives as well as other concerned bodies, so as to resolve disputes, if possible, through negotiation, mediation or arbitration.).</p> <p><i>See also</i> Topic Heading H, below.</p>	<p>Investment managers should encourage direct contact with companies including constructive communication with both senior management and board members. (Guidelines for Investment Managers, Guideline 1)</p> <p>[S]ome companies have a practice of making presentations to institutional or other shareholders. While these communications are necessary, they may not be sufficient. . . . A direct dialogue gives investors a better appreciation of a company’s objectives, its potential problems and the quality of its management, while also making the company aware of the expectations and concerns of shareholders. (Guidelines for Investment Managers, Guideline 1 Commentary at 15)</p> <p>[C]ommunication on corporate governance matters should generally be held between senior members of institutions and a company’s board members. (Guidelines for Investment Managers, Guideline 1 Commentary at 16)</p> <p>The board of directors of every corporation should explicitly assume responsibility for . . . an investor relations program for the corporation. (Guidelines for Corporations, Introduction to Commentary at 19)</p>	<p><i>Not covered directly, but see</i> I.A.1 (The Commission believes that shareholders should be informed as quickly as possible of their company’s situation and, through their vote on resolutions, be in a position to react quickly to that situation.).</p>

³¹ *See also* American Society of Corporate Secretaries, Suggested Guidelines for Public Disclosure and Dealing with the Investment Community (1997) at 4-9 (“Corporate Secretaries Guidelines”) (Suggested guidelines include instituting an “open-door” policy in relating to the investment community, avoiding selective disclosure and curing any such occurrences with press releases, distinguishing between voluntary and required disclosure of forward-looking information in management’s discussion and analysis, adopting a prudent approach to commenting on analysts’ reports, and advice on how to avail oneself of the benefits of the “bespeaks caution” and “safe harbor” protections regarding liability for omissions or misrepresentations.); ABA Guidebook at 14, 17 (“[A]n individual director is not usually authorized to be a spokesperson for the corporation and, particularly when market-sensitive information is involved, should avoid responding to such inquiries. A director normally should refer investors, market professionals, and the media to the CEO or other individual designated by the corporation.” The Guidebook suggests that the role of independent directors can be strengthened by having “independent directors available to meet with substantial shareholders, particularly when those shareholders are not satisfied with responses they have received from management.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
14. Board Interaction with Institutional Investors, Press, Customers, etc.			
<p>[T]he Management Board shall regularly and with due regard to equal treatment of all shareholders ('Fair Disclosure') report on all Company matters through Annual and Interim Reports, 'ad hoc' communications, analyst and press conferences. The OECD information requirements are covered by these publicity undertakings. (The Code, I)</p> <p>The Management Board will publish without delay any new facts arising in the sphere of the Company's activities which are not yet publicly known and, due to their impact on the financial position of the Company or its general course of business, are likely to impact significantly on the price of the Company's listed securities (§15 German Securities Act). (The Code, II.2.a)</p>	<p><i>Not covered directly, but see</i> The Combined Code:</p> <p>Principle C.1 (Companies should be ready, where practicable, to enter into a dialogue with institutional shareholders based on the mutual understanding of objectives.).</p> <p>Principle C.2 (Boards should use the AGM to communicate with private investors and encourage their participation.).</p> <p><i>See also</i> B.2.3 (The chairman of the board should ensure that the company maintains contact as required with its principal shareholders about remuneration in the same way as for other matters.).</p>	<p>If requested by major shareholders, the senior non-executive director should ensure that he is available for consultation and direct communication. At present, such communication is rare. When it does occur, it is invariably because of a crisis situation. Establishing direct channels of communication as a matter of routine should enable difficult issues to be aired before a crisis develops. (App. II.6)</p> <p>A company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers, and customers with regard to the common weal. (1.2)</p> <p>Formal communication channels with non-executive directors are encouraged. (Code of Conduct 8)</p>	<p><i>Not covered directly, but see</i> Part 1: Introduction, p. 2 (PIRC seeks to promote dialogue and engagement with the companies we research through:</p> <ul style="list-style-type: none"> ▪ hosting regular conferences and seminars on governance and responsibility issues; ▪ circulating these Guidelines widely to companies, investors and other market participants; ▪ giving companies opportunities to comment on our analyses both prior to publication and after publication; ▪ engaging in dialogue with companies, investors, regulators and professional bodies.).

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
14. Board Interaction with Institutional Investors, Press, Customers, etc.			
<p><i>See Topic Headings G-I, below.</i></p>	<p><i>Not covered directly, but see General Principle C.5 (Directors should respond to communications from shareholders and should seek shareholder views on important governance, management and performance matters.).</i></p> <p><i>See also Position A.3 (Shareholders should have meaningful ability to participate in the major fundamental decisions that affect corporate viability.).</i></p>	<p>TIAA-CREF advocates the strengthening of corporate governance both through serious and widely publicized statements of policy and principle, and through direct communication with portfolio companies. (p. 14)</p> <p>TIAA-CREF believes that its policies on corporate governance should be shaped and allowed to evolve in collaboration with the companies in which it invests. Accordingly, we will continue to take the following steps, which have proven valuable in the past:</p> <p style="padding-left: 40px;">Provide copies of these guidelines and their updates to companies in which we invest. We will suggest that the companies distribute the guidelines to all executive officers and directors.</p> <p style="padding-left: 40px;">Periodically seek suggestions from companies and knowledgeable observers for ways to improve the guidelines.</p> <p style="padding-left: 40px;">Arrange for occasional informal forums for company managers, directors, and TIAA-CREF managers to review the guidelines.</p> <p style="padding-left: 40px;">Send copies of the guidelines to other large institutional investors, make them available upon request, send them to appropriate information clearinghouses, and publish them for TIAA-CREF participants and participating institutions to review and offer suggestions for change.</p> <p style="padding-left: 40px;">Enter into private discussions with companies regarding perceived shortcomings in governance structure or policies. (pp. 15-16)</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
15. Attendance of Non-Directors at Board Meetings / Board Access to Senior Management³²			
<p>The Board welcomes the regular attendance at each Board meeting of non-Board members who are in the most senior management positions of the company.</p> <p>Should the Chairman or the Chief Executive Officer want to add additional people as attendees on a regular basis, it is expected that this suggestion would be made to the Board for its concurrence. (Guideline 17)</p> <p>Board members have complete access to GM's management.</p> <p>It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairman or Chief Executive Officer, as appropriate.</p> <p>Furthermore, the Board encourages the Management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board. (Guideline 18)</p>	<p><i>The ICGN Statement adopts</i> OECD Principle V.F (In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.).</p> <p><i>See also</i> OECD Principle V.F Annotation at 43 (The contributions of non-executive board members to the company can be enhanced by providing access to certain key managers within the company.).</p>	<p>Before accepting appointment, non-executive directors should be formally advised . . . of their rights as a director, including their access to company employees. (Guidelines for Corporations, Guideline 6)</p> <p>One or more non-executive directors should be entitled, with the approval of the chairperson (or, if the chairman is not an independent director, the lead director) to obtain such resources and information from the company, including direct access to the employees and advisers to the company, as they may require. (Guidelines for Corporations, Guideline 6 Commentary at 23)</p>	<p>The members of [the compensation and performance committee, and the audit committee] should be free to call on and hear from company personnel. (II.B.3)</p>

³² See also [ABA Guidebook](#) at 41 & 21 (“[S]ome argue that attendance at board meetings of senior [management] officers in a non-director, nonvoting capacity is sufficient to ensure that directors have ready access to all necessary information regarding the business and operations of the corporation, without compromising the independence of judgment that an effective director must enjoy. . . . The law recognizes certain prerogatives as necessary to performance of a director’s duties. Among the most important [is] the right to communicate with key executives, subject to reasonable time constraints.”)

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
15. Attendance of Non-Directors at Board Meetings / Board Access to Senior Management			
<i>Not covered.</i>	<i>Not covered.</i>	<i>Not covered.</i>	<i>Not covered.</i>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
15. Attendance of Non-Directors at Board Meetings / Board Access to Senior Management			
All directors should have access to senior management. However, the CEO, chair, or independent lead director may be designated as liaison between management and directors to ensure that the role between board oversight and management operations is respected. (Guideline B.2)	[D]irectors should be allowed reasonable access to management to discuss board issues. (Position C.1)	<i>Not covered.</i>	<i>Not covered.</i>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
16. Board Meetings and Agenda ³³			
The Chairman of the Board/Chief Executive Officer will establish the agenda for each Board meeting. They will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). Each Board member is free to suggest the inclusion of item(s) on the agenda. (Guideline 19)	<i>Not covered.</i>	<i>Not covered.</i>	<i>Not covered.</i>

³³ See also ABA Guidebook at 10, 20 (“While agendas for both board and committee meetings are generally initiated by management, a director is entitled to place matters the director reasonably considers to be important on the agenda. . . . Further, the board should satisfy itself that there is an overall annual agenda of matters that require recurring and focused attention, such as achievement of principal operational or financial objectives and review of the performance of the CEO and other members of executive management.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
16. Board Meetings and Agenda			
<p><i>Not covered directly, but see the Code, II.2.e) (The Management Board shall inform the Supervisory Board on a regular basis, in good time and comprehensively, about all relevant matters regarding business development, risk exposure and risk management of the company and major group subsidiaries.)</i></p> <p><i>See also the Code, III.2.e) (All members of the Supervisory Board shall receive the Audit Reports in good time before the pertinent Supervisory Board meetings (§170 German Stock Corporation Act). Audit-related meetings shall be held in the presence of the Auditors.)</i></p>	<p><i>Not covered directly, but see the Combined Code:</i></p> <p>A.1.1 (The board should meet regularly.);</p> <p>A.1.2 (The board should have a formal schedule of matters specifically reserved to it for decision.).</p>	<p><i>Not covered.</i></p>	<p><i>Not covered.</i></p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
16. Board Meetings and Agenda			
<p>[The Lead Independent Director will] advise the Chair as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of Company operations. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p>[The Lead Independent Director will] provide the Chair with input as to the preparation of the agendas for the Board and Committee meetings. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p><i>See</i> Appendix C: Independent Chair Position Duty Statement ([The Independent Chair will] schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of Company operations.).</p> <p><i>See also</i> Appendix C: Independent Chair Position Duty Statement ([The Independent Chair will] prepare, in consultation with the CEO and other directors and Committee chairs, the agendas for the Board and Committee meetings.).</p>	<p>Directors should be allowed to place items on board agendas. (Position C.2)</p>	<p><i>Not covered directly, but see</i> pp. 12-13 ([T]he board should:</p> <p style="padding-left: 40px;">Assure a corporate environment of strong internal controls, fiscal accountability, high ethical standards, and compliance with all applicable laws and regulations.</p> <p style="padding-left: 40px;">Develop appropriate procedures to ensure the board is advised of alleged or suspected violations of corporate standards or of noncompliance and management’s resolution thereof, on a timely basis.</p> <p style="padding-left: 40px;">Appoint an audit committee of at least three independent directors, all of whom are financially literate, as is now required by rules of the New York Exchange and the [NACD]. . . .</p> <p style="padding-left: 40px;">Install a mechanism to review corporate operating and expense reimbursement policies and practices . . . to ensure proper use of corporate resources.).</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
17. Board Materials and Presentations³⁴			
<p>Information and data that is important to the Board’s understanding of the business [should] be distributed in writing to the Board before the Board meets. The Management will make every attempt to see that this material is as brief as possible while still providing the desired information. (Guideline 20)</p> <p>As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting. (Guideline 21)</p>	<p><i>Not covered directly, but see OECD Principle V.F (In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.).</i></p> <p><i>See also OECD Principle V.F Annotation at 43 (Board members require relevant information on a timely basis in order to support their decision-making. Non-executive board members do not typically have the same access to information as key managers within the company. . . . In order to fulfil their responsibilities, board members should ensure that they obtain accurate, relevant and timely information.).</i></p>	<p><i>Not covered.</i></p>	<p><i>Not covered.</i></p>

³⁴ See also 1990 Business Roundtable Statement at 14 (“A carefully planned agenda is very important for effective board meetings. In practice, the items on the agenda are determined by the chairman in consultation with the board, with important subjects being suggested by various outside board members. A board member’s request to add a specific subject to a future agenda is almost always complied with promptly. To ensure continuing effective board operations, the CEO can periodically ask the directors for their evaluation of the general items for board meetings and any suggestions they may have for improvement.”); ABA Guidebook at 10 & 20 (“When specific actions are contemplated, directors should receive appropriate information sufficiently in advance of the board or committee meeting to allow study of and reflection on the issues raised. Important time-sensitive materials that become available between meetings should be distributed to board members. . . . A balance should be sought between management presentations and discussion among directors and management” at board and committee meetings.).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
17. Board Materials and Presentations			
<p>The Management Board shall inform the Supervisory Board on a regular basis, in good time and comprehensively, about all relevant matters regarding business development, risk exposure and risk management of the company and major group subsidiaries. (The Code, II.2.e)</p> <p>All members of the Supervisory Board shall receive the Audit Reports in good time before the pertinent Supervisory Board meetings (§170 German Stock Corporation Act). Audit-related meetings shall be held in the presence of the Auditors. (The Code, III.2.e))</p> <p>See the Code, III.2.g) (The Supervisory Board shall receive regularly (at least annually) a report by the Management Board with regard to donations exceeding an amount determined by the Supervisory Board.)</p>	<p><i>Not covered directly, but see</i> 1992 Statement, § 5 (the Audit Committee facilitates the Board in carrying out its responsibilities primarily through . . . reporting back to the Board).</p> <p><i>See also</i> the Combined Code: Principle A.4 (The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.); A.4.1 (Management has an obligation to provide the board with appropriate and timely information, but information volunteered by management is unlikely to be enough in all circumstances and directors should make further enquiries where necessary. The chairman should ensure that all directors are properly briefed on issues arising at board meetings.).</p>	<p><i>Not covered.</i></p>	<p><i>Not covered.</i></p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
17. Board Materials and Presentations			
<p>[A]lthough Company management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p><i>See</i> Appendix C: Independent Chair Position Duty Statement ([A]lthough Company management is responsible for the preparation of materials for the Board, the Independent Chair may specifically request the inclusion of certain material.).</p>	<p>Directors should be provided meaningful information in a timely manner prior to board meetings. (Position C.1)</p> <p><i>See</i> Position C.3 (Directors have an affirmative obligation to become and remain independently familiar with company operations; directors should not rely exclusively on information provided to them by the CEO to do their jobs.).</p>	<p><i>Not covered for the board as a whole, but see</i> Appendix, p. 27 (A basic agenda listing the topics to be covered at each [executive compensation committee] meeting should also be prepared. All related material should be made available to committee members well before meetings.).</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
18. Number, Structure and Independence of Committees ³⁵			
<p>From time to time, the Board may want to form a new committee or disband a current Committee depending upon the circumstances. The current six Committees are Audit, Capital Stock, Director Affairs, Executive Compensation, Investment Funds and Public Policy. Except for the Investment Funds Committee, committee membership will consist only of independent Directors as defined in By-law 2.12. (Guideline 22)</p>	<p>The ICGN backs active, independent board audit committees. (ICGN Amplified OECD Principle IV at 8)</p> <p><i>The ICGN Statement adopts OECD Principle V.E.1 (Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination and executive and board remuneration.)</i></p> <p>To further strengthen the professionalism of boards, the ICGN endorses earlier language considered by the OECD. "Certain key responsibilities of the board such as audit, nomination and executive remuneration, require the attention of independent, non-executive members of the board. Boards should consider establishing committees containing a sufficient number of independent non-executive board members in these areas where there is a potential for conflict of interest or where independent business judgment is advisable." The ICGN considers that to meet this challenge, audit, remuneration and nomination board committees should be composed wholly or predominantly of independent non-executives. (ICGN Amplified OECD Principle V at 9; cf. ICGN Statement 4)</p>	<p>Committees of the board of directors should: generally be constituted with a majority who are independent directors; be entitled to obtain independent professional or other advice at the cost of the company; and be entitled to obtain such resources and information from the company, including direct access to employees of and advisers to the company, as they may require. (Guidelines for Corporations, Guideline 4)</p> <p>The Board should appoint an audit committee, a remuneration committee and a nominating committee constituted as defined in these Guidelines. (Guidelines for Corporations, Guideline 5)</p> <p>[B]oard committees . . . operate on behalf of, and not to bypass, the full board. (Guidelines for Corporations, Guideline 3 Commentary at 21)</p> <p><i>See Guidelines for Corporations, Guideline 5 Commentary at 22-23 (Audit, Remuneration and Nomination Committees should be chaired by independent directors, be composed entirely of non-executive directors (a majority of whom should be independent directors), and be composed of directors with the mix of skills, experience and other qualities appropriate for each committee).</i></p>	<p>The Commission favours each Board having a nominating committee responsible for proposing candidates to Board membership. The committee should be composed of three to five directors and include the chairman and at least one outside director. This committee should draw up a report, with supporting information, on the recommendations it makes. (II.B.2)</p> <p>The existence of standing committees is a central element to corporate governance and hence to board functioning. The Commission recommends the creation of at least three standing committees: a nominating or appointments committee, a compensation and performance committee, and an audit committee. Each committee must be composed of at least three directors, including one outside director. Company executives or employees should not be members of the compensation and performance committee or of the audit committee. The members of these two committees should be free to call on and hear from company personnel. (II.B.3)</p> <p>[Cross shareholding] runs counter to openness and independent decision-making. No director representing cross shareholdings should be allowed to sit on the compensation and performance committee. (II.B.4)</p>

³⁵ See also 1990 Business Roundtable Statement at 12-13 ("A wide diversity of approach in committee structure and function responds to the specific needs of companies facing different business challenges and different corporate cultures, and reflects the need to allow organizational experimentation. Each corporation should have an audit committee, a compensation/personnel committee, and a nominating committee. Other common committees are an executive committee to act for the board between meetings and handle other specifically assigned duties, and a finance committee. Some boards have a pension or retirement plan committee, a social responsibility or public policy committee, or other special function committees."); ABA Guidebook at 24 ("Diversity in board structure and size does not allow uniform mandates for a particular committee organization." Note that the Guidebook specifically discusses the Nominating, Audit and Compensation Committees (at 27-42). It also mentions the executive, finance and strategic planning committees, stating that each corporation needs to tailor the functions of these committees to its own needs (at 26).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
18. Number, Structure and Independence of Committees			
<p>The Supervisory Board shall ensure independent advice and monitoring of the Management Board through a sufficient number of independent persons who have no current or former business association with the Group. This shall also be taken into consideration for the composition of the Supervisory Board committees. (The Code, III.1.b))</p> <p>The Supervisory Board shall establish, in line with its Standing Rules, various committees to deal with complex business matters. . . . Incorporation and duties of committees are subject to the specific circumstances and the size of the Company. The following committees could be instituted:</p> <ul style="list-style-type: none"> ▪ General Committee. . . . ▪ Accounts and Audit Committee. . . . ▪ Personnel Committee. . . . ▪ Nomination Committee. . . . ▪ Market- and Credit Risk Committee. . . . ▪ Mediation Committee. <p>(The Code, III.3)</p> <p><i>For a description of the agenda of each committee, see Topic Heading 20, below.</i></p>	<p>[I]n selecting non-executive directors for approval by shareholders, the Board as a whole (or a subcommittee of the Board) should be involved in the selection process. (1992 Statement, § 4)</p> <p>An effective audit committee must have the full support of the Board and must be independent of management. The IAIM considers that:</p> <ul style="list-style-type: none"> ▪ companies should establish an audit committee comprised solely of non-executive directors; ▪ membership of the committee should be disclosed in the company’s Annual Report. <p>(1992 Statement, § 5)</p> <p>The IAIM considers that companies should establish a remuneration committee which should be comprised of non-executive directors and, where appropriate, the Chief Executive. (1992 Statement, § 6)</p> <p>In the event of a Management Buy-Out, the Board should appoint a separate committee consisting wholly or mainly of non-executive directors with direct access to independent advisers. (1992 Statement, § 9)</p> <p>The Combined Code recommends that the boards of listed companies should establish a remuneration committee to make recommendations to the board in relation to policy on the remuneration of executive directors and that the membership of this committee should be made up wholly of independent non-executive directors. (1999 Guideline 1)</p>	<p>A remuneration committee of independent non-executive directors is best placed to decide executive remuneration on behalf of the board. (1.4)</p> <p>The nomination committee should comprise a minimum of three directors, a majority of whom should be independent non-executive directors. (App. III.1)</p> <p>The chairman of the company and the senior independent non-executive director should always be members of the [nomination] committee. (App. III.2)</p> <p>Hermes recommends that the nomination committee be responsible, after consultation with other directors, for finalizing the candidate specification for all board appointments and for approving the process by which suitable candidates are identified and short listed, including choosing a third-party advisor where appropriate. (App. III.5)</p> <p>The chairman of the remuneration committee should normally be a fully independent non-executive director. (App. III.4)</p>	<p>Board committees of independent non-executives should be established to deal with matters where executive directors face a conflict of interest. At the least there should be standing audit, remuneration and nomination committees [which] should have a minimum of three members and should comprise solely independent non-executive directors. It may be appropriate for these committees to invite executive directors to be present at certain meetings, but committees should meet without executives present at least once a year. (Part 2, Directors, p. 5)</p> <p>PRINCIPLE: Executive remuneration should be determined by a formal and independent procedure.</p> <p><u>Remuneration committee exists comprising wholly independent directors.</u> Executive director remuneration policy should be determined by a remuneration committee which is free from executive influence and the members of which are fully independent by PIRC guidelines. It should have access to independent advice. (Part 2: Directors, p. 7)</p> <p>PRINCIPLE: The audit relationship should be overseen by an independent audit committee.</p> <p><u>An audit committee exists comprising wholly independent directors.</u> In order to perform its functions effectively, the audit committee should be fully independent. (Part 2: Directors, p. 7)</p> <p>Appointments of all directors, whether executive or non-executive, should be handled by the nomination committee. . . . [T]he committee should comprise solely independent directors, though executive directors may well be invited to contribute to discussions on new executive director appointments, and appointment will be subject to board ratification. (Part 2: Directors, p. 6)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
18. Number, Structure and Independence of Committees			
<p>Certain board committees consist entirely of independent directors. These include the committees who perform the following functions:</p> <ul style="list-style-type: none"> Audit Director Nomination Board Evaluation & Governance CEO Evaluation and Management Compensation Compliance and Ethics. <p>(Core Principle A.4)</p>	<p>Companies should have audit, nominating and compensation committees. All members of these committees should be independent. The board (rather than the CEO) should appoint committee chairs and members. Committees should have the opportunity to select their own service providers. Some regularly scheduled committee meetings should be held with only the committee members (and, if appropriate, the committee’s independent consultants) present. The process by which committee members and chairs are selected should be disclosed to shareholders. (Core Policy 4)</p>	<p>The board committee structure should include audit, compensation, and nominating and/or governance committees consisting entirely of independent directors. (p. 2)</p> <p>The board should . . . [a]ppoint an audit committee of at least 3 independent directors, all of whom are financially literate, as is now required by the New York Stock Exchange and the National Association of Securities Dealers. (p. 12)</p> <p>Members of the [compensation] committee, especially its chairman, should be . . . [i]ndependent, not only formally as defined by the SEC, but free of substantial ties to the company and its executives, especially the chief executive officer. (Appendix, p. 26)</p>	<p>The voting fiduciary should support proposals that all, or a majority of, directors on [the nominating, compensation and audit] committees be independent directors. . . . Such independence is necessary for the effective functioning of these committees. (p. 5)</p> <p>[Shareholder resolutions may be put forth for establishing] special committees of the board to address broad corporate policy and provide a forum for an ongoing dialogue on issues including but not limited to shareholder relations, the environment, occupational health and safety, and executive compensation. In evaluating these proposals, the voting fiduciary must consider the fact that such committees are a potentially effective method of enhancing shareholder influence on company policy. (pp. 10-11)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
19. Assignment and Rotation of Committee Members³⁶			
<p>The Committee on Director Affairs is responsible, after consultation with the Chairman of the Board and with consideration of the desires of individual Board members, for the assignment of Board members to various Committees.</p> <p>It is the sense of the Board that consideration should be given to rotating Committee members periodically at about a five year interval, but the Board does not feel that such a rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual Director's Committee membership for a longer period. (Guideline 23)</p>	<p>Responsibilities [of independent non-executive directors] should include . . . staffing key committees of the board. (ICGN Amplified OECD Principle V at 9)</p> <p><i>See</i> OECD Principle V.E Annotation at 41-42 ([Independent board members] can play an important role in areas where the interests of management, the company and shareholders may diverge, such as executive remuneration, succession planning, changes of corporate control, takeover defenses, large acquisitions and the audit function.).</p>	<p><i>See</i> Topic Heading 18, <i>above</i>.</p>	<p>Each committee must be composed of at least three directors, including one outside director. Company executives or employees should not be members of the compensation and performance committee or of the audit committee. (II.B.3)</p>

³⁶ *See also 1990 Business Roundtable Statement* at 12 (“It is recommended that the audit committee, compensation/personnel committee and nominating committee limit their membership to non-management directors only.”); *ABA Guidebook* at 25, 27, 34, 38, 40 (“The composition of the committee should be appropriate to its purpose. This includes relevant experience and independence from management by all or at least a majority of the members of such key committee as audit, nominating, and compensation. . . . “The role of the Nominating Committee in some corporations has been broadened to include making recommendations to the board regarding the responsibilities, organization, and membership of board committees. . . . The Compensation Committee should be composed solely of non-management directors. The Audit Committee should be composed solely of independent directors. The Nominating Committee should be composed of directors who are not officers or employees of the corporation.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
19. Assignment and Rotation of Committee Members			
With regard to the composition of [Supervisory Board] committees, the Supervisory Board shall ensure the requisite professional experience. (The Code, III.3)	<i>See Topic Heading 18, above.</i>	<p>Where the board chairman either combines the role of chairman and chief executive, or has at any time been an executive director of the company, then the senior non-executive director might chair both the nomination committee and the remuneration committee. (App. II.1)</p> <p>The chairman of the company and the senior independent non-executive officer should always be members of the [nomination] committee. (App. III.2)</p> <p>The chairman of the remuneration committee should normally be a fully independent non-executive director. (App. III.4)</p>	<i>Not covered.</i>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
19. Assignment and Rotation of Committee Members			
<p>[The Lead Independent Director will] recommend to the Chair the membership of the various Board Committees, as well as the selection of the Committee chairs. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p><i>See Appendix C: Independent Chair Position Duty Statement</i> ([The Independent Chair will] recommend to the full Board the membership for the various Board Committees, as well as selection of the Committee chairs [and will] serve as an <i>ex-officio</i> member of each of the committees of the Board of which the Independent Chair is not a member.).</p>	<p><i>See Topic Heading 18, above.</i></p>	<p><i>Not covered directly, but see Appendix, p. 26</i> (Care should be taken to avoid interlocking compensation committee membership with other boards.).</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
20. Committee Meeting Frequency, Length and Agenda ³⁷			
<p>The Committee Chairman, in consultation with committee members, will determine the frequency and length of the meetings of the Committee. (Guideline 24)</p> <p>The Chairman of the Committee, in consultation with the appropriate members of Committee and management, will develop the Committee’s agenda.</p> <p>Each Committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). This forward agenda will also be shared with the Board. (Guideline 25)</p>	<i>Not covered.</i>	<i>Not covered.</i>	<p><i>Not covered directly, but see II.B.3 (Through the Shareholders’ Meeting, the board should inform shareholders of the existence of [the standing] committees and the frequency of their meetings.).</i></p>

³⁷ See also ABA Guidebook at 20 & 25 (“Time at . . . committee meetings should be budgeted carefully. A balance should be sought between management presentations and discussion among directors and management. Written reports that can be given concisely and effectively in advance should be furnished. . . . The full board should satisfy itself that its committees are following an appropriate schedule of meetings and have agendas and procedures to enable them to fulfill their delegated functions. Furthermore, the full board should be kept informed of committee activities. This includes periodic reports at board meetings and circulation of committee minutes and reports of meetings to all directors.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
20. Committee Meeting Frequency, Length and Agenda			
<p>The General Committee shall advise the Management Board and prepare the decisions to be taken by the Supervisory Board. . . . It discusses the strategy and planning for the Group and its business segments submitted by the Management Board on the basis of different scenarios and their feasibility. . . . It reviews Corporate Governance Rules and their compliance. . . .</p> <p>The Accounts and Audit Committee . . . evaluates the Auditor’s reports, and reports to the Supervisory Board on its assessment of the comments in the audit report, particularly with regard to the future development of the Group. It verifies the Management Board’s assumptions on the budget figures for the Group and its business segments. . . .</p> <p>The Personnel Committee deals with the personnel issues of the Management Board. . . . [It] shall make recommendations with regard to the content of the employment contracts of the Management Board. . . .</p> <p>The Nomination Committee is in charge of the composition, size and balance of the Supervisory Board and the proposals for election to the General Meeting. . . .</p> <p>The Market- and Credit Risk Committee supervises the handling of markets risks and credit matters of the Group. . . .</p> <p>The Mediation Committee . . . delivers proposals for the appointment of Management Board members if the required two-thirds majority for the appointment or termination of Management Board members has not been achieved. (The Code, III.3)</p>	<p>The Audit Committee facilitates Board responsibilities primarily through:</p> <ul style="list-style-type: none"> ▪ reviewing accounting policies, financial statements and the reporting process; ▪ communicating with the external auditor throughout the audit process; ▪ reviewing the appointment of external auditors; ▪ reviewing findings of external auditors; ▪ reviewing the internal controls structure and the internal audit function; ▪ reviewing legal . . . obligations . . . ; ▪ reviewing and monitoring exposures of all types . . . ; ▪ reviewing, where appropriate, compliance with corporate code of conduct; ▪ reporting back to the Board. <p>(1992 Statement, § 5)</p> <p>The remuneration committee should:</p> <ul style="list-style-type: none"> ▪ determine the salaries and emoluments of executive directors, including participation in share option and profit schemes and other incentivization schemes; and ▪ approve the service contracts of executive directors. <p>(1992 Statement, § 6)</p> <p>[The remuneration] committee should take responsibility for the framing and explanation of company share option and other long-term incentive schemes (LTISs) and is expected to:</p> <ul style="list-style-type: none"> ▪ select appropriate performance measures . . . ; ▪ satisfy itself that relevant performance measures have been fully met on a consistent basis prior to the exercise of options or other LTISs; and ▪ ensure that options and other LTISs are only exercised where the company has enjoyed real long-term sustained performance improvement. <p>(1999 Guideline 1)</p> <p><i>See 1999 Guidelines 13 and 16(ii) (additional remuneration committee functions).</i></p>	<p>Remuneration committees of independent non-executive directors are best placed to decide the remuneration packages necessary to recruit, retain and motivate executives. They should take professional advice as necessary. Where independent advisers are appointed, they should be responsible to the remuneration committee and not the company executive directors. (App. I.1.2)</p> <p>Remuneration committees should explain proposed schemes clearly to shareholders, justifying the structure of the scheme and the relevance of the performance criteria chosen. (App. I.3.4)</p>	<p>All companies, including those with small boards, should establish nomination committees with clear terms of reference. Shareholders need to have confidence in the independence and transparency of the appointments process which results in proposals to nominate or re-elect directors to the board. Appointments should be demonstrably made on merit alone. The directors should make a clear statement regarding these processes. (Part 2: Directors, pp. 6-7)</p> <p>[A]n audit committee [reviews] the financial statements provided to the auditors and [provides] an opportunity for the auditors to meet privately over issues of concern. (Part 4, Audit and Reporting, p. 12)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
20. Committee Meeting Frequency, Length and Agenda			
<p>[The Lead Independent Director will] provide the chair with input as to the preparation of the agendas for the Board and Committee meetings. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p><i>See Appendix C: Independent Chair Position Duty Statement</i> ([The Independent Chair will] schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of Company operations [and will] prepare, in consultation with the CEO and other directors and Committee chairs, the agendas for the Board and Committee meetings.).</p>	<p><i>See Topic Heading 18, above.</i></p>	<p>The company’s executive compensation program should be under the direction and oversight of a committee of the board of directors consisting of independent directors who are knowledgeable in the field of executive compensation. Through this committee, the board of directors should ensure that the program is structured consistent with [TIAA-CREF’s executive compensation] principles, complies with all ethical, regulatory and legal imperatives, and is reasonable relative to the shareholder value created. (p. 10)</p> <p>The audit committee has both the authority and the responsibility to select and evaluate the outside auditor and to assure its independence, to review quarterly and annual audit statements, and to assess the adequacy of internal controls and internal risk management processes. (p. 13)</p> <p>A compensation committee calendar should be established and circulated to all members. It should specify the dates of meetings, subjects to be covered at each meeting, and material to be provided to members for preparation before each meeting.</p> <p>A basic agenda listing the topics to be covered at each meeting should also be prepared. All related material should be made available to committee members well before meetings. (Appendix, p. 27)</p> <p><i>See generally</i> Appendix, The Compensation Committee’s Mission, pp. 26-27.</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
21. Formal Evaluation of the Chief Executive Officer³⁸			
<p>The full Board (independent Directors) should make this evaluation [of the CEO] annually, and it should be communicated to . . . the Chief Executive Officer by the Chairman of the Committee on Director Affairs. The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc. The evaluation will be used by the Executive Compensation Committee in the course of its deliberations when considering the compensation of the . . . Chief Executive Officer. (Guideline 26)</p>	<p><i>Not covered directly, but see</i> OECD Principle V.D.2 (The board should fulfil certain key functions, including . . . [s]elect-ing, compensating, monitoring and, when necessary, replacing key executives.).</p> <p><i>See also</i> OECD Principle V.E Annotation at 41 ([Independent board members] can bring an objective view to the evaluation of the performance of . . . management.).</p>	<p>The board should review . . . the performance of . . . management regularly. As a key part of that process, the independent directors should meet on their own at least once annually to review performance. (Guidelines for Corporations, Guideline 7)</p> <p>Regular and independent review of the performance of . . . management, including the CEO, is an important element of the board’s monitoring role, especially with regard to the long-term growth of the company and of shareholder value. A key element in that process is for the independent directors to meet to discuss these issues without other directors or management being present. Other directors or management may be invited to attend part of the meeting, but the independent directors should make their ultimate assessment on their own. (Guidelines for Corporations, Guideline 7 Commentary at 23.)</p>	<p><i>Not covered directly, but see</i> Topic Heading K, <i>below</i>.</p>

³⁸ *See also 1994 NACD Report* at 1, 3 (“Formal performance reviews of the CEO are necessary. The process can take many different forms, depending on the company. Every board should consider developing a job description for the CEO. The CEO and the board should agree to performance objectives, established in advance of each fiscal year. Such objectives might include quantitative performance factors and qualitative ones, such as integrity, vision and leadership.”); *1990 Business Roundtable Statement* at 8, 15 (“Boards must have in place a credible process that ensures that the CEO’s performance is reviewed periodically. That review must lead to appropriate compensation and continuation decisions. . . . The most difficult duties of the board include a thorough evaluation of the CEO. The non-management directors (or a committee such as the Compensation Committee) are responsible for periodically evaluating the CEO’s performance. This evaluation is used to guide the board’s decisions about the CEO’s compensation, incentive pay and continued employment, as well as to identify strengths or areas needing improvement. The CEO will, of course, be informed of the results of the evaluation.”); *ABA Guidebook* at 4 (The board has the responsibility to evaluate “the performance of senior management and to take appropriate action, including removal, when warranted. . . . Nominating Committee members should actively and directly review the performance of the CEO and members of senior management.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
21. Formal Evaluation of the Chief Executive Officer			
<p><i>Not covered directly, but see</i> the Code, III.3 ([C]ompensation elements shall be determined by systematic performance evaluation of the individual Management Board members [by the Personnel Committee of the Supervisory Board].).</p>	<p>The Board . . . hires the Chief Executive and monitors and evaluates the performance of management. (1992 Statement, § 2)</p> <p>Independent, non-executive directors add considerably to all aspects of a Board’s deliberations, <i>e.g.</i>, . . . in the appointment, remuneration and removal of the Chief Executive. (1992 Statement, § 3)</p> <p>[The remuneration committee] is expected to select appropriate performance measures [for evaluating and remunerating the CEO and any other executive directors, and] satisfy itself that relevant performance measures have been met. (1999 Guideline 1)</p> <p><i>See</i> 1999 Guideline 2 (All share option and other LTISs should require the satisfaction of measurement criteria which are based on sustained and significant improvement in the underlying financial performance of the company.).</p> <p><i>See also</i> 1999 Guidelines, Appendix 1: (The responsibility for setting performance criteria to be used as the basis on which share option and other long-term LTISs are exercisable is a matter for the remuneration committee.).</p>	<p><i>Not covered directly, but see</i> App. II.4 (The senior non-executive director should be responsible for completing a periodic performance appraisal of the company chairman.).</p> <p><i>See also</i> Topic Heading K, <i>below</i>.</p>	<p><i>Not covered directly, but see</i> Part 2: Directors, p. 4 (Given the board’s role in holding the executive management accountable, the board chairman should be seen as a separate role to that of an executive director with operational responsibilities.).</p> <p><i>See also</i> Part 2, Directors, p. 6 (Former chief executives should not be appointed as chairmen (whether executive or non-executive) as this may also inhibit an objective assessment of the executive management and their strategy. . . .</p> <p>Equally, the board’s function of holding the executive management accountable will be impeded if a majority of the board are executives. In order that the board is able to fulfill its primary roles of leading the company and holding executive management accountable, we consider it best practice that a clear majority of the directors are non-executive.).</p> <p><i>See also</i> Topic Heading 25, <i>below</i>.</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
21. Formal Evaluation of the Chief Executive Officer			
<p>The independent directors establish performance criteria and compensation incentives for the CEO, and regularly review the CEO's performance against those criteria. The independent directors have access to advisers on this subject, who are independent of management. Minimally, the criteria ensure that the CEO's interests are aligned with the long-term interests of shareowners, that the CEO is evaluated against comparable peer groups, and that a significant portion of the CEO's total compensation is at risk. (Core Principle B.4)</p> <p>[The Lead Independent Director will] evaluate, along with members of the [compensation committee/full board], the CEO's performance [and] meet with the CEO to discuss the Board's evaluation. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p>See Appendix C: Independent Chair Position Duty Statement ([The Independent Chair will] evaluate, along with the members of the [compensation committee/full board], the CEO's performance [and] meet with the CEO to discuss this evaluation.).</p>	<p><i>Not covered.</i></p>	<p>[E]valuation of a corporation's chief executive officer is critical. A clear understanding between the board and the CEO regarding the corporation's expected performance and how that performance will be measured is very important. We believe:</p> <p style="padding-left: 40px;">The leadership of the corporation should set a high standard of performance accountability and ethical behavior.</p> <p style="padding-left: 40px;">The board should establish a specific set of performance objectives for the CEO annually. These should include concerns of shareholders, other investors, employees, customers and the community in which the company is located. Performance objectives should include both annual and multi-year time periods.</p> <p style="padding-left: 40px;">The board should establish an annual review process that incorporates CEO performance evaluation in executive session. Results of the evaluation should be conveyed to the CEO. (pp. 10-11)</p>	<p><i>Not covered directly, but see p. 5</i> ([D]irectors . . . select, monitor and compensate management.).</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
22. Succession Planning³⁹ / Management Development⁴⁰			
<p>There should be an annual report by the Chief Executive Officer to the Board on succession planning.</p> <p>There should also be available, on a continuing basis, the Chairman’s and the Chief Executive Officer’s recommendation as to a successor should he/she be unexpectedly disabled. (Guideline 27)</p> <p>There should be an annual report to the Board by the Chief Executive Officer on the Company’s program for management development.</p> <p>This report should be given to the Board at the same time as the succession planning report noted previously. (Guideline 28)</p>	<p><i>The ICGN Statement adopts</i> OECD Principle V.D.2 (The board should fulfil certain key functions, including . . . overseeing succession planning.).</p> <p><i>See also</i> OECD Principle V.E Annotation at 41-42 ([Independent board members] can play an important role in areas where the interests of management, the company and shareholders may diverge, such as . . . succession planning.).</p>	<p>The board of directors of every corporation should explicitly assume responsibility for . . . succession planning, including appointing, training and monitoring senior management. (Guidelines for Corporations, Introduction to Commentary at 19)</p>	<p><i>Not covered.</i></p>

³⁹ See also 1994 NACD Report at 3, 7 (the CEO’s performance objectives should include an evaluation of the CEO’s proposed succession plan; and “directors should provide for senior management succession”); 1990 Business Roundtable Statement at 7, 13 (“One of the primary functions of the board of directors is to review succession planning. . . . The compensation/personnel committee is responsible for assuring that management succession plans and key people are reviewed periodically. In some companies succession planning is handled by the nominating committee.”). ABA Guidebook at 4, 41, 42 (“The board has the responsibility to require, approve and implement senior executive succession plans. . . . The Nominating Committee is increasingly vested with the responsibility for recommending to the full board a successor to the CEO when a vacancy occurs through retirement or otherwise. . . . The Nominating Committee may also wish to consider establishing emergency procedures for management succession in the event of unexpected death, disability, or departure of the CEO and to review management planning for the replacement of other members of the senior management team.”).

⁴⁰ See also 1990 Business Roundtable Statement at 7 (“The primary function of the board of directors includes concurrence with the CEO’s selection of the company’s top management team.”); ABA Guidebook at 41 (“[N]on-management directors may wish to utilize one or more board positions to evaluate the succession prospects of certain individuals and to ensure that they themselves develop a peer relationship and first-hand contact with senior executives who have detailed knowledge of the corporation’s business.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
22. Succession Planning / Management Development			
<p>The Supervisory Board appoints the members of the Management Board and ensures orderly long-term succession planning (§84 German Stock Corporation Act). (The Code, III.2.a))</p> <p>The Personnel Committee [of the Supervisory Board] deals with the personnel issues of the Management Board (including its succession planning). (The Code, III.3)</p>	<i>Not covered.</i>	<i>Not covered.</i>	<i>Not covered.</i>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
22. Succession Planning / Management Development			
<p>The board should have in place an effective CEO succession plan, and receive periodic reports from management on the development of other members of senior management. (Guideline B.1)</p>	<p>The board should approve and maintain a CEO succession plan. (Position C.6)</p>	<p>Ensuring continuity of strong leadership is a primary and exclusive responsibility of the board of directors. . . .</p> <p>Processes should be in place to:</p> <ul style="list-style-type: none"> Assure an adequate pool of competent, qualified managers throughout the organization. Permit the board to review the performance and potential of key executives. Identify and develop high potential individuals. Ensure continuity of top leadership, including CEO succession. <p>(p. 11)</p>	<p><i>Not covered.</i></p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
A. Board Job Description⁴¹			
<p><i>Not covered directly, but see Topic Heading 1, above.</i></p>	<p><i>The ICGN Statement adopts OECD Principle V.D (The board should fulfill certain key functions, including:</i></p> <p style="padding-left: 20px;"><i>Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; overseeing major capital expenditures, acquisitions, divestitures.</i></p> <p style="padding-left: 20px;"><i>Selecting, compensating, monitoring and . . . replacing key executives and overseeing succession planning.</i></p> <p style="padding-left: 20px;"><i>Reviewing key executive and board remuneration, and ensuring a formal and transparent board nomination process.</i></p> <p style="padding-left: 20px;"><i>Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.</i></p> <p style="padding-left: 20px;"><i>Ensuring the integrity of the corporation’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.</i></p> <p style="padding-left: 20px;"><i>Monitoring the effectiveness of governance practices under which it operates and making changes as needed.</i></p> <p style="padding-left: 20px;"><i>Overseeing the process of disclosure and communications.).</i></p>	<p>Regular and independent review of the performance of the board, individual directors, the company and management, including the CEO, is an important element of the board’s monitoring role, especially with regard to the long-term growth of the company and of shareholder value. A key element in that process is for the independent directors to meet to discuss these issues without other directors or management being present. (Guidelines for Corporations, Guideline 7 Commentary at 23.)</p> <p>The board should at least annually review the allocation of the work of the company between the board and management. (Guidelines for Corporations, Guideline 9)</p> <p>The purpose of [Guideline 9] is to ensure:</p> <ul style="list-style-type: none"> the functions of board and management are clearly defined and understood; the board retains full control over the company, including identification of specific matters reserved for board decision and of the company’s system of internal control and information; the board can efficiently organize and conduct its own functions; and the board can effectively monitor management in the conduct of its functions. <p>(Guidelines for Corporations, Guideline 9 Commentary at 24-25)</p>	<p><i>Not covered directly, but see I.B (The shareholders’ meeting is the occasion when the Board of Directors renders its accounts to the shareholders on the exercise of its duties. The directors’ presence is therefore essential.).</i></p>

⁴¹ See also 1990 Business Roundtable Statement at 7 (“The board of directors should: (i) Select, regularly evaluate and, if necessary, replace the CEO. Determine management compensation. Review succession planning; (ii) Review and, where appropriate, approve the financial objectives, major strategies, and plans of the corporation; (iii) Provide advice and counsel to top management; (iv) Select and recommend to shareholders for election an appropriate slate of candidates for the board of directors, evaluate board processes and performance; (v) Review the adequacy of systems to comply with all applicable laws/regulations.”); ABA Guidebook at 4-5 (Under Model Act Section 8.01(b) “[a]ll corporate powers shall be exercised by or under authority of, and the business and affairs of the corporation managed under the direction of, its board of directors. . . . This language is used to emphasize the responsibility of directors, especially directors of publicly held corporations, to oversee the management of the corporation — not to manage, but to oversee.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
A. Board Job Description			
<p><u>Management Board</u> [A]ccording to §77 German Stock Corporation Act, the Management Board is bound by Corporate interest, Company policy and the Group’s guidelines, as well as the basic principles of proper management. (The Code, II.1.a))</p> <p>The Management Board is responsible for ensuring compliance with legal requirements within the Group and to ensure their observation by the Group companies. (The Code, II.1.c))</p> <p><i>For a list of additional duties, see the Code, II.2.a) - j).</i></p> <p><u>Supervisory Board</u> The Supervisory Board can subject certain transactions to its approval (§111 German Stock Corporation Act). This refers in particular to investment projects, loans, the establishment of subsidiaries as well as the acquisition or disposal of shareholdings above a certain size. (The Code, III.2.b))</p> <p>The Supervisory Board issues its own Standing Rules and stipulates the information and reporting duties of the Management Board. (The Code, III.2.d))</p> <p><i>For a list of additional responsibilities, see the Code, III.2.a) - h).</i></p>	<p>Independent non-executive directors add considerably to all aspects of a Board’s deliberations, <i>e.g.</i>,</p> <ul style="list-style-type: none"> ▪ in presenting a detached, outside viewpoint when strategy is being debated; ▪ in setting or endorsing policies relating to all aspects of the business; ▪ in the appointment, remuneration and removal of the Chief Executive; ▪ in questioning the assumptions on which budgets and plans are based; ▪ in the choice of accounting policies and in the review and approval of all published financial statements; ▪ in monitoring the implementation of policy and achievements of results; ▪ when takeovers and mergers are being considered; ▪ in ensuring standards of probity in the company’s dealings with all its stakeholders.) <p>(1992 Statement, § 3)</p> <p>The Board must at all times be conscious that it is responsible to shareholders for the activities and performance of subsidiary companies. This involves, <i>inter alia</i>, that the appointment of directors to the boards of subsidiary companies is the sole prerogative of the parent company Board. (1992 Statement, § 8)</p> <p><i>See 1999 Guidelines, Introduction, § 3 at 1 (The fundamental responsibility for initiating, operating and controlling share option and other incentive schemes lies with companies themselves.).</i></p>	<p>Non-executive directors should work cooperatively with their executive colleagues and demonstrate objectivity and robust independence of judgment in their decision-making. (1.3)</p> <p>The key role of non-executive directors is to ensure that the chief executive and the board as a whole concentrate on maximizing long-term shareholder value. There are three aspects to this for which non-executive directors should expect to be held accountable:</p> <p style="padding-left: 20px;">Strategic function – bringing their independent judgement to strategic decision-making;</p> <p style="padding-left: 20px;">Expertise – providing skills and experience that may not otherwise be readily available to the company. . . ;</p> <p style="padding-left: 20px;">Governance function – ensuring compliance with best practice, participating in the appointment of new directors and monitoring the performance of executive directors. (2.2)</p> <p>The senior non-executive director should chair some (or all) of the board subcommittees. (App. II.1)</p> <p>The senior non-executive director should [be] available for confidential discussions with other non-executive directors who may have concerns which they believe have not been properly considered by the board as a whole. (App. II.2)</p>	<p>PRINCIPLE: The directors . . . should describe their respective responsibilities for the accounts.</p> <p>There are a variety of roles to be performed within a unitary board, notwithstanding the legal position that all directors are equally responsible for the board’s actions and all are equally accountable to the shareholders. . . . Two-tier board structures can be a means of overcoming some of the tensions within a unitary board between the executive function and the monitoring function. (Part 2, Directors, p. 4)</p> <p>Directors should act in the interests of the company as a whole, and not be beholden to a particular shareholder. (Part 2, Directors, p. 4)</p> <p>Non-executive directors are central to an effective and accountable board structure. They fulfill two functions which may be broadly described as supervisory and advisory. They bring an independent perspective to bear on issues where the executive directors face a conflict of interest. They also strengthen the board by expanding its range of experience. They have a crucial role to play in reviewing the performance of the executives, upon which commercial success will be substantially reliant. (Part 2: Directors, p. 5)</p> <p>[I]t is the board’s responsibility to set internal control policies. (Part 4: Audit and Reporting, p. 12)</p> <p><i>See Part 4: Audit and Reporting, p. 12 (list of directors’ stewardship issues).</i></p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
A. Board Job Description			
<p><i>Not covered.</i></p>	<p>Directors have an affirmative obligation to stay up-to-date on developments in finance, accounting and corporate governance. Directors have an affirmative obligation to become and remain independently familiar with company operations; directors should not rely exclusively on information provided to them by the CEO to do their jobs. (Position C.3)</p> <p>Directors have an affirmative obligation to stay up-to-date on developments in finance, accounting and corporate governance. Directors have an affirmative obligation to become and remain independently familiar with company operations; directors should not rely exclusively on information provided to them by the CEO to do their jobs. (Position C.3)</p> <p><i>See</i> Preamble ([CII] believes that the meaningful oversight a board provides may owe most, on a routine basis, to the quality and commitment of the individuals on that board.).</p>	<p>A sound board of directors, representing the most fundamental long-term interests of the shareholders, will ensure that a rational compensation program is in place. (p. 7)</p> <p>The strategic allocation of corporate resources to each of the company’s businesses is critical to its future success and to the increased shareholder value needed for efficient capital formation. The board should discuss the strategic plan of each of the company’s major businesses at least annually. (p. 11)</p> <p><i>See</i> pp. 11-12 (<i>components of strategic planning</i>).</p> <p>The board has a primary duty to exercise its fiduciary responsibility in the best interest of the corporation and its shareholders. This includes periodic review to ensure that corporate resources are used only for appropriate business purposes. (p. 12)</p> <p><i>See</i> pp. 12-13 (<i>fiduciary responsibilities</i>).</p>	<p>Directors bear ultimate responsibility to shareholders for the success or failure of the company. Therefore, they should be held accountable for actions taken that may not be in shareholders’ best interests, such as awarding excessive compensation to executives or themselves; for acting against shareholders’ properly expressed wishes, such as failing to implement an appropriate proposal approved by a majority of shareholders; for demonstrating a “lack of duty of care” in approving corporate restructurings or downsizings that are not in the shareholders’ best interests; for adopting anti-takeover provisions not in the shareholders’ best interests; for refusing to provide information to which the shareholders are entitled; or for other actions taken by their company that may not be in the shareholders’ best interests. (pp. 4-5)</p> <p>[D]irectors . . . select, monitor and compensate management. (p. 5)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
B. Outside Advice⁴²			
<p><i>Not covered.</i></p>	<p><i>The ICGN Statement adopts OECD Principle IV.C (An annual audit should be conducted by an independent auditor in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.).</i></p> <p>The ICGN advocates annual audits of corporations by independent, outside auditors, together with measures that enhance confidence in the quality and independence of the audit. The ICGN itself has voted support for the development of the highest quality international accounting standards, and would encourage corporations to apply those or other standards of comparable quality. The ICGN also backs active, independent board audit committees and, to limit the risks of possible conflicts of interest, disclosure of the fees paid to auditors for non-audit services. (<i>See ICGN Amplified OECD Principle IV at 8</i>)</p> <p><i>See also OECD Principle V.F Annotation at 43 (The contributions of non-executive board members to the company can be enhanced by providing . . . recourse to independent external advice at the expense of the company.).</i></p>	<p>Before accepting appointment, non-executive directors should be formally advised . . . of their rights as a director, including . . . obtaining independent advice and access to information and resources. (Guidelines for Corporations, Guideline 6)</p> <p>One or more non-executive directors should be entitled, with the approval of the chairperson (or, if the chairman is not an independent director, the lead director) to obtain independent professional advice at the cost of the company.</p> <p>One or more non-executive directors should be entitled, with the approval of the chairperson (or, if the chairman is not an independent director, the lead director) to obtain such resources and information from the company, including direct access to the employees and advisers to the company, as they may require. (Guidelines for Corporations, Guideline 6 Commentary at 23)</p>	<p><i>Not covered.</i></p>

⁴² See also [ABA Guidebook](#) at 7 (“A director should be able to communicate directly with the corporation’s principal external and internal advisers, including its auditors, legal counsel, and, when such relationships exist, its investment banking and executive compensation advisers. Further, there may be occasions when an outside adviser should be specially retained to assist the board or a committee in connection with a particular matter.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
B. Outside Advice			
<p>The Supervisory Board mandates the Auditors to audit the Company and the Group annual accounts (§111 German Stock Corporation Act). To ensure the independence of the auditors, particular regard shall be given:</p> <ul style="list-style-type: none"> ▪ that the mandated Auditor has not achieved during the last 5 years with the Audit and advice of the Company . . . more than 30% of its total revenue. . . ; ▪ that no auditor is employed in the Audit that has issued the auditors’ confirmation for the Annual Accounts or Group Accounts in more than 6 instances in the 10 years preceding the audit; ▪ that no conflicts of interest exist for the auditor. <p>The Supervisory Board may call for additional audit issues that extend the legally required scope and focus of the audit. The stipulation of the audit fee is part of the appointment process. . . . Audit-related meetings shall be held in the presence of the Auditors (§171 German Stock Corporation Act). (The Code, III.2.e))</p> <p>[The tasks of the Accounts and Audit Committee include] selection of the Auditor, the determination of additional major auditing issues, as well as the determination of the Auditor’s fee. The selection of the Auditor takes into account the participation of the Auditor in a regular external peer review. . . . Furthermore, the fees for other consulting services shall be seen in relation to the auditing fee; if necessary, this relationship can lead to limiting consulting fees. (The Code, III.3)</p>	<p>The audit Committee facilitates the Board in carrying out its responsibilities primarily through:</p> <p>. . . .</p> <ul style="list-style-type: none"> ▪ communicating with the external auditor throughout the audit process; ▪ reviewing the appointment of external auditors; [and] ▪ reviewing the findings of the external auditors. <p>(1992 Statement, § 5)</p> <p>In the event of a Management Buy-Out, the Board should appoint a separate committee consisting wholly or mainly of non-executive directors with direct access to independent advisers.</p> <p>The independent advisers should have access to all information necessary to enable them to give a fully informed opinion on the merits of the offer. The committee should be responsible for a separate statement to shareholders, giving both its views and those of the independent advisers on the bid. (1992 Statement, § 9)</p> <p><i>See</i> The Combined Code, A.1.3 (There should be a procedure agreed by the board for directors in the furtherance of their duties to take independent professional advice if necessary, at the company’s expense.)</p> <p><i>See also</i> The Combined Code, B.2.5 (Remuneration committees should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice inside and outside the company.).</p>	<p>[Remuneration committees] should take professional advice as necessary. Where independent advisers are appointed, they should be responsible to the remuneration committee and not the company executive directors. Consideration should be given to naming the advisers in the board’s remuneration report. (App. I.1.2)</p> <p>Hermes recommends that the nomination committee be responsible, after consultation with other directors, for . . . choosing a third-party advisor where appropriate. (App. III.5)</p>	<p>PRINCIPLE: [A]uditors should describe their respective responsibilities for the accounts. (Part 4, Audit and Reporting, p. 13)</p> <p>PRINCIPLE: The auditors should be independent of the company.</p> <p>F. <u>No directors have a significant connection with the auditors.</u> . . .</p> <p>G. <u>There are no provisions for indemnification or liability insurance.</u> It is inappropriate for auditors to be indemnified by the company. . . . Such relationships can affect independent judgment. (Part 4: Audit and Reporting, p. 13)</p> <p>[The remuneration committee] should have access to independent advice. (Part 2: Directors, p. 7)</p> <p>When considering pay policy, remuneration committees should have access to independent advisers, separate from those used by executives. (Part 3: Directors’ Remuneration, p. 8)</p> <p><i>See</i> Part 4, p. 12 (The Cadbury Committee called the annual audit ‘one of the cornerstones of corporate governance.’ It is vital that the audit process is, and is seen to be, objective, rigorous and independent.).</p> <p><i>See</i> Part 4: Audit and Reporting, pp. 12-14.</p>

CalPERS Core principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
B. Outside Advice			
<p>The independent directors have access to advisers [on performance and compensation criteria for the CEO] who are independent of management. (Core Principle B.4)</p> <p>[The Lead Independent Director will] recommend to the Chair the retention of consultants who report directly to the Board. (Appendix A: Lead Independent Director Position Duty Statement)</p> <p>See Appendix C: Independent Chair Position Duty Statement ([The Independent Chair will] approve, in consultation with other directors, the retention of consultants who report directly to the board.).</p>	<p>[C]ommittees should have the opportunity to select their own chairs and service providers. Some regularly scheduled committee meetings should be held with only the committee members (and, if appropriate, the committee's independent consultants) present. (Core Policy 4)</p>	<p>The audit committee has both the authority and the responsibility to select and evaluate the outside auditor and to assure its independence. . . . The committee should take care to discuss the quality of accounting principles used by the company with the outside auditors, and act to ensure the objectivity and independence of the auditor. (p. 13)</p> <p>[S]hareholders may reasonably expect country and company practice to include . . . [i]ndependent oversight of managers and accounts (including independent audits of financial statements based on high quality accounting principles). (pp. 13-14)</p> <p>Independent access to professional consultants should be made available if requested by the compensation committee. The compensation committee should . . . guide the selection and use of consultants. (Appendix, p. 17)</p>	<p><i>Not covered directly, but see p. 12</i> (When there is reason to believe that the company's auditors have become complacent in the performance of their auditing duties, the voting fiduciary should consider a vote against ratification. In addition, in those cases where there has been a change in auditors from prior years and it is determined that the cause is strict enforcement of accounting principles and practices by the terminated firm, the voting fiduciary should vote against the new auditing firm. Shareholder proposals relating to auditors should be judged on the same basis.).</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
C. Content and Character of Disclosure⁴³			
<p><i>Not covered.</i></p>	<p>The overriding objective of the corporation should be to optimize over time the returns to its shareholders. Where other considerations affect this objective, they should be clearly stated and disclosed. (ICGN Statement 1 at 3)</p> <p><i>The ICGN Statement adopts</i> OECD Principle IV.A (The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.</p> <p>Disclosure should include, but not be limited to, material information on:</p> <ul style="list-style-type: none"> The financial and operating results of the company. Company objectives. Major share ownership and voting rights. Members of the board and key executives, and their remuneration. Material foreseeable risk factors. Material issues regarding employees and other stakeholders. Governance structures and policies.). <p><i>See also</i> OECD Principles I.D (re: degree of control disproportionate with equity ownership) and II.C (re: material interests of the directors and managers).</p>	<p>In announcing to the ASX the decisions made by shareholders in general meeting, a listed company should report the aggregate proxy votes validly received for each item of business in the notice of meeting. The report should disclose, in the case of a resolution passed on a show of hands, the aggregate number of proxy votes received in each voting category (“For”, “Against”, “Left to Proxy’s Discretion” and “Abstain”) and the aggregate number of votes not exercised by shareholders who submitted proxies (“No Intention”). In the case of a resolution submitted to the poll, the report should disclose both the information specified in the preceding sentence and the aggregate number of votes cast “For” and “Against” on the poll. (Guidelines for Corporations, Guideline 11)</p> <p>Shareholders should be able to authorize an agent to inspect or obtain copies of minutes of shareholders’ meetings. (Guidelines for Corporations, Guideline 11)</p> <p>Information about beneficial shareholding obtained by companies in response to their enquiries should be immediately disclosed by them to the market. (Guidelines for Corporations, Guideline 12)</p>	<p>The Commission is in favour of companies publishing two annual reports, one complete, the other in summary form, making company information and, in particular, the proposed resolutions more easily accessible for shareholders who are less expert on the company. Every shareholder should receive the summary report, with the complete report available upon request. These reports should also be available through electronic means, in both French and English. (I.B.2)</p> <p>As soon as possible following the general meeting, the Commission would like to see companies publish an extract of the meeting’s minutes informing shareholders, in particular foreign shareholders, of the results of the votes on the resolutions, along with an analysis of those votes.</p> <p>It is recommended that systematically, within 15 days at the latest following the shareholders’ meeting, this report be sent (by electronic or other means) to all holders of registered shares and to shareholders present or represented at the meeting. (I.B.5)</p>

⁴³ See also [Corporate Secretaries Guidelines](#) at 9-10 (In outlining how to design disclosure policies and procedures, the Guidelines suggest the following components: careful due diligence, designation of press/analyst spokespersons, centralized accountability for the disclosure process, approval of speeches to the investment community, avoidance of leaks and protection of confidential information, and monitoring of electronic communication.).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
C. Content and Character of Disclosure			
<p>The point ‘Disclosure and Transparency’ of the OECD Principles is generally covered by law for German companies through the corresponding provisions on the obligation to provide and enclose information (§§20-22, 160, 328 German Stock Corporation Act; §§15, 25 German Securities Trading Act; §§285, 325 ff German Commercial Code; §§35, 39 German Antitrust Act; §24 German Banking Act). (The Code, I)</p> <p>The Management Board will publish without delay any new facts arising in the sphere of the Company’s activities which are not yet publicly known and, due to their impact on the financial position of the Company or its general course of business, are likely to impact significantly on the price of the Company’s listed securities (§15 German Securities Act). (The Code, II.2.a))</p> <p>The Company shall pursue the principle of equal treatment of all shareholders in the matter of information dissemination. (The Code, II.2.b))</p> <p>The regular financial reporting (annual and quarterly reports) will be timely. The quarterly reports shall be published no later than two months after the close of the quarter and shall contain segment reporting as well as the results per share. (The Code, II.2.c))</p> <p>As soon as the Company . . . becomes . . . aware that another party has obtained, exceeds or no longer holds 5, 10, 25, 50 or 75% of the voting rights in the Company, this will immediately be published by the Management Board. (The Code, II.2.i))</p> <p><i>See the Code, II.2.d) - j) (Management Board disclosure requirements) and Topic Heading E, below.</i></p>	<p>The IAIM considers that the following information should be disclosed in the Annual Report:</p> <ul style="list-style-type: none"> ▪ the composition of the Remuneration Committee; ▪ a summary of all types of share options, profit sharing and other incentive schemes; ▪ details of <i>ex gratia</i> payments to directors by way of compensation; ▪ a schedule setting out details of directors’ total remuneration; ▪ a schedule setting out, in £5,000 bands, the total remuneration of top management. <p>(1992 Statement, § 6)</p> <p>The committee [for considering a Management Buy-Out] should be responsible for a separate statement to shareholders, giving both its views and those of the independent advisers on the bid. (1992 Statement, § 9)</p> <p><i>See Topic Heading 7, above.</i></p>	<p><i>Not covered.</i></p>	<p>Disclosure about the directors and the board is critical in enabling shareholders to form a proper judgment when voting. Apart from the areas set out in the Combined Code, particular features on which PIRC considers there should be full disclosure include:</p> <ul style="list-style-type: none"> ▪ The cycle of board and committee meetings; ▪ The availability of the terms of reference for the board and the committees; ▪ Directors’ attendance record at board and committee meetings held during the year; ▪ Training provided and required for directors, and a record of who has completed this; ▪ Procedures and responsibilities for succession planning; ▪ Full biographies for all directors including dates of appointment, ages, career history prior to and in the company (in the case of executive directors), current and recent other directorships as notified to Companies House, and significant positions in public, commercial and political life. Any regulatory or statutory breaches of professional conduct should be reported in full; ▪ The main terms of each director’s service contract or other contractual terms or letters of appointment. (Part 2: Directors, p. 4) <p>Committee membership , frequency of meetings and attendance records should be disclosed in annual reports.(Part 2, Directors, p. 5)</p> <p>The company’s share structure should be clearly disclosed including the voting rights and other rights attached to each class of shares. (Part 5: Share Capital and Shareholder Relations, p. 15)</p> <p>PRINCIPLE: Non-audit fees [from the outside auditor] should be disclosed and should not potentially affect independence. (Part 4: Audit and Reporting, p. 13)</p>

CalPERS Core principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
C. Content and Character of Disclosure			
<i>Not covered.</i>	<p>A corporation should disclose information necessary for shareholders to determine whether each director qualifies as independent, whether or not the disclosure is required by state or federal law. To assist shareholders in making these determinations, corporations should disclose all financial or business relationships with and payments to directors and their families and all significant payments to companies, non-profits, foundations and other organizations where company directors serve as employees, officers or directors. (Core Policy 3)</p> <p>Companies should disclose individual director attendance figures for board and committee meetings. Disclosure should distinguish between in-person and telephonic attendance. Excused absences should not be categorized as attendance. (General Principle C.6)</p>	<p>The audit committee should develop its charter of responsibilities and publish it in the company's proxy statement. (pp. 12-13)</p> <p>[S]hareholders may reasonably expect country and company practice to include . . . [t]imely disclosure of financial and operating results of the company, material developments and foreseeable risk factors. (pp. 13-14)</p> <p><i>See Topic Headings D, E and F, below.</i></p>	<i>Not covered.</i>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
D. Disclosure Regarding Compensation and Director Assessment			
<p><i>Not covered.</i></p>	<p><i>The ICGN Statement adopts</i> OECD Principle IV.A.4, 7 (The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.)</p> <p>Disclosure should include, but not be limited to, material information on . . . [m]embers of the board and key executives, and their remuneration [and g]overnance structures and policies.).</p> <p><i>See also</i> OECD Principle IV.A.4 Annotation at 37 (Companies are generally expected to disclose sufficient information on the remuneration of board members and key executives (either individually or in the aggregate) for investors to properly assess the costs and benefits of remuneration plans and the contribution of incentive schemes, such as stock option schemes, to performance.).</p> <p>Remuneration of corporate directors or supervisory board members and key executives should be aligned with the interests of shareholders. Corporations should disclose in each annual report or proxy statement the board’s policies on remuneration – and, preferably, the remuneration break up of individual directors and top executives – so that investors can judge whether corporate policies and practices meet that standard. (ICGN Amplified OECD Principle IV at 8)</p>	<p>The board should establish and disclose in the annual report a policy to encourage non-executive directors to . . . acquire shares from allocation of a portion of their fees. (Guidelines for Corporations, Guideline 8)</p> <p>The Board should disclose in the company’s annual report its policies on, and the quantum and components of, remuneration for all directors and each of the 5 highest-paid executives. The disclosure should be made in one section of the annual report in tabular form with appropriate explanatory notes. (Guidelines for Corporations, Guideline 10)</p> <p><i>See</i> Appendix A (a): Suggested Format for Remuneration Disclosure – Non-Executive Directors.</p> <p><i>See also</i> Appendix A (b): Suggested Format for Remuneration Disclosure – Executives.</p>	<p>The Commission favours the practice of explaining the reason for and the consequences of resolutions, in particular those related to appointments, the renewal of Directors’ terms, and authority to carry out financial operations. The résumé of these Directors and the number of shares they hold should also be included with the information.</p> <p>The Commission takes the view that the number and total value of stock options held by the ten most highly paid executives of the company should be included in this information. (I.B.3)</p> <p>The board should deliberate on executive compensation and should publish its method of calculation and the existence, if any, of stock options. The Commission recommends full disclosure regarding all forms and calculations of direct, indirect, or deferred compensation of executives and directors: stock options in France or abroad, pension plans, and so forth. (II.C.3)</p>

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
D. Disclosure Regarding Compensation and Director Assessment			
<p>The structure, total amount, exercise prices and exercise periods, as well as the allocations of share options and similar rights in the reporting period, shall be published in the Notes to the Company Accounts, separately by members of the Management Board and Executive Staff. To ensure compliance with insider laws, suitable precautions like closed periods of time are implemented. (The Code, II.3.a))</p> <p>The fixed and variable remuneration elements of the Management Board shall be detailed in the Annual Report. (The Code, II.3.b))</p> <p>The total remuneration [of the Supervisory Board] shall be listed in the Notes to the Company Accounts. (The Code, III.1.e))</p> <p>The Notes to the Company Accounts shall contain details of the share ownership (including existing option rights) of the Supervisory Board members and their changes in relation to the previous year. (The Code, III.1.f))</p>	<p>The IAIM considers that the following information should be disclosed in the Annual Report: . . . a schedule setting out details of directors' total remuneration. (1992 Statement, § 6)</p> <p>The IAIM's endorsement of the [Combined] Code extends to its requirements regarding disclosure of directors' remuneration, the area of single greatest difference between the corporate governance regimes of Ireland and the UK. It is the IAIM's strong view that, given the increased globalization of capital markets, trends towards greater accountability and transparency, and the need to ensure the optimum attractiveness of Irish stocks in a Euro environment, current disclosure practice in this area is unsustainable. The IAIM recommends that the Combined Code's requirements regarding disclosure of directors' remuneration be adopted in their entirety and that the Irish Stock Exchange should amend its Listing Rules accordingly. (1999 Guidelines, Introduction, § 1 at 1)</p> <p>Information on share option schemes should be disclosed so as to comply with the requirements of the Appendix to Abstract 10 of the Urgent Issues Task Force and its successors. In accordance with Schedule B of the Combined Code, full information on LTISs should be disclosed in the Annual Report. (1999 Guidelines, Share Option and Incentive Scheme Guidelines, § 4 at 3-4)</p> <p>[P]erformance criteria [for the exercise of share option and other LTISs] must be clearly explained on the scheme's adoption and thereafter in the annual financial statements. (1999 Guidelines, Appendix 1: Performance Criteria, at 11)</p> <p><i>See Topic Heading C, above.</i></p>	<p>Remuneration committees should explain proposed schemes clearly to shareholders, justifying the structure of the scheme and the relevance of the performance criteria chosen. Schemes should be structured as simply as possible to ensure they can be understood by participants and monitored by shareholders. The link between company performance and executive reward should be clear. The effect of the scheme should be illustrated with examples showing rewards at various performance levels for one of the participants, say, the chief executive. (App. I.3.4)</p> <p>Where remuneration committees have authority to vary incentive schemes they should only do so in exceptional circumstances and to ensure that the scheme continues to motivate executives. All changes should be reported and justified to shareholders. (App. I.3.7)</p> <p>Companies should confirm continuing shareholder support for a scheme [of executive compensation] during its lifetime, giving shareholders an opportunity to reassess the scheme in light of actual payout levels. (App. I.3.8)</p> <p>The annual remuneration report should disclose the level of recent grants made under any existing incentive scheme, the performance criteria applied to the grants, and any payouts resulting from grants made in previous years. (App. I.3.10)</p>	<p>PRINCIPLE: There should be full and transparent disclosure of directors' remuneration.</p> <p>A. <u>Remuneration figures are clearly disclosed.</u> In disclosing remuneration, companies should provide figures for each element of each director's remuneration, with the addition of providing at least two years' figures for each component, in order to allow trends to be assessed. This should include provision of the transfer value of increases in accrued pension benefits after inflation.</p> <p>B. <u>The performance basis for all incentive schemes is clearly set out.</u> For all annual or longer-term incentive schemes, there should be a full explanation in each annual report including: the performance criteria used, the performance targets, the performance period, the maximum level of awards which may be made and the actual level of awards granted during the year. Performance achieved against the targets used should be disclosed, where relative or comparative performance measures are being used, the company's performance ranking should be provided each year. For annual schemes, the targets which resulted in any payments during the year should be disclosed. Discretionary or exceptional bonus payments should be fully described and explained.</p> <p>C. <u>Options and share awards are fully valued.</u> Rewards under share-based long-term incentive plans may accrue over time and will depend on the future share price. For share-based incentive schemes, companies should provide a full individual breakdown of all awards which have not yet fully vested or been exercised, together with a fair valuation of the value of such awards using an option pricing model. (Part 3: Directors' Remuneration, p. 9)</p> <p><i>See Part 3: Directors' Remuneration, p. 8, Disclosure.</i></p>

CalPERS Core principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
D. Disclosure Regarding Compensation and Director Assessment			
<i>Not covered.</i>	<p>[C]orporations should disclose all financial or business relationships with and payments to directors and their families and all significant payments to companies, non-profits, foundations and other organizations where company directors serve as employees, officers or directors. (Core Policy 3)</p>	<p>Each company should . . . describe clearly its overall compensation philosophy in the company’s proxy statement. It also should explain the rationale for the salary levels, incentive payments, and stock option grants of top executive officers. (p. 8)</p> <p>The cash pay of top management is published and broadly surveyed. (p. 8)</p> <p>[S]tock-based plans should . . . [b]e fully disclosed to the investing public, and be approved by shareholders. (p. 9)</p> <p>All [pension and other “soft”] plans that materially benefit executive management should be fully and clearly disclosed and explained to shareholders in the proxy statement. (p. 10)</p> <p>[S]hareholders may reasonably expect country and company practice to include . . . disclosure of . . . significant information about . . . key executives, including their compensation. (pp. 13-14)</p> <p>The compensation committee should develop and publish in the proxy . . . a description of the criteria used to evaluate the performance of the chief executive officer and the rationale for his or her compensation. (Appendix, p. 27)</p> <p><i>See p. 3</i> (All monetary arrangements with directors for services outside normal board activities . . . should be reported in the proxy statement.).</p> <p><i>See also</i> Appendix, Executive Compensation Program Guidelines, pp. 17-27 <i>passim</i> (disclosure provisions).</p>	<p>[F]ailure to disclose [attendance record] information may be considered in determining whether to withhold support for board nominees. (p. 5)</p> <p>The voting fiduciary also should support proposals seeking to expand the disclosure of executive compensation when the information is useful to shareholders. The trustees generally believe that shareholders benefit from full disclosure of all forms of compensation received by the highly paid managers of the company. (p. 10)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
E. Disclosure Regarding Corporate Governance⁴⁴			
<p><i>Not covered in the Guidelines, but the Guidelines are published by the company and widely available.</i></p>	<p><i>The ICGN Statement adopts OECD Principle IV.A.7 (Disclosure should include, but not be limited to, material information on . . . [g]overnance structures and policies.).</i></p> <p><i>See also OECD Principle IV.A.7 Annotation at 38 (Companies are encouraged to report on how they apply relevant corporate governance principles in practice. Disclosure of the governance structures and policies of the company, in particular the division of authority between shareholders, management and board members, is important for the assessment of a company’s governance.).</i></p> <p><i>[C]orporations should disclose, upon appointment to the board and thereafter in each annual report or proxy statement, sufficient information on the identities, core competencies, professional backgrounds, other board memberships, factors affecting independence, and overall qualifications of board members and nominees so as to enable the assessment of the value they add to the company. Information on the appointment procedure should also be disclosed annually. (ICGN Amplified OECD Principle IV at 8)</i></p>	<p>The board of directors of a listed company should prominently and clearly disclose, in a separate section of its annual report, its approach to corporate governance. This should include an analysis of the corporate governance issues specific to the company so that public investors understand how the company deals with those issues. (Guidelines for Corporations, Guideline 1)</p> <p>The board should annually review and disclose in the annual report its required mix of skills, experience and other qualities, including the core competencies which the independent directors should bring to the board. (Guidelines for Corporations, Guideline 2)</p> <p>Listed companies should have a company Code of Ethics that is adopted by the board and is available to shareholders on request. (Guidelines for Corporations, Guideline 14)</p> <p>The application of the definition of “independent director” to the circumstances of each director should be the responsibility of the Board, which should disclose in each annual report, first, which directors qualify as independent directors and which do not and, second, the principles supporting each conclusion. (Guidelines for Corporations, Guideline 2 Commentary at 20)</p>	<p>The Commission recommends that the board regularly evaluate its own degree of openness in terms of its membership, its organization and its mode of functioning. It should inform shareholders of any measures taken as a result. (II.D.3)</p> <p>The Commission further recommends that each year, in the annual report, the board publish the number of its meetings during the year, plus an attendance record, an evaluation of board organization and functioning, and a detailed résumé and list of directorships of each board member and of candidates to director posts. (II.D.3)</p> <p><i>See I.B (The shareholders’ meeting is the occasion when the Board of Directors renders its accounts to the shareholders on the exercise of its duties.).</i></p>

⁴⁴ While American stock exchanges do not require any significant disclosure of corporate governance practices, some companies in the United States are beginning to voluntarily and formally disclose in annual reports and proxy statements information about corporate governance practices. *See, e.g.,* Campbell Soup Company, Proxy Statement (1996) at 8. In contrast to American exchanges, some foreign exchanges have listing rules requiring companies to make annual disclosures about their corporate governance practices. *See* The Stock Exchange of Hong Kong Limited, Code of Best Practice contained in [Guide for Directors of Listed Companies](#) (1996); Toronto Stock Exchange, [Listing Packet: “Once Your Company Is Listed”](#); London Stock Exchange, [Listing Rules](#), 12.43(j); Australian Stock Exchange, [Listing Rules](#), 3C(3)(j).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
E. Disclosure Regarding Corporate Governance			
<p>Members of the Management Board must disclose to the Supervisory Board material personal interests in transactions of the Company and Group companies as well as other conflicts of interest. They must also inform their Management Board colleagues. (The Code, II.4.b)</p> <p>If a member of the Supervisory Board does not participate personally in more than half of the Board Meetings of any given fiscal year, this has to be noted in the Annual Report. (The Code, III.1.d))</p> <p>The Supervisory Board members must disclose any conflict of interest to the Chairman of the Supervisory Board or his deputy unless they do not participate for cause in a specific meeting or retire for cause due to a continuing conflict. In the event of serious conflicts of interest, the Chairman of the Supervisory Board or his deputy shall decide to whom the information should be forwarded and whether the member of the Supervisory Board in question shall participate in a specific meeting.</p> <p>In their decisions, the Supervisory Board members must not pursue their own interests or those of associated persons or companies which are in conflict with the interests of the Company or any Group Company. (The Code, III.4.a) - b))</p> <p><i>See generally</i> the Code, II.4 (rules governing conflicts of interest and own-account transactions).</p>	<p><i>Not covered directly, but see</i> 1992 Statement, § 5 (The audit Committee facilitates the Board in carrying out its responsibilities primarily through . . . reviewing, where appropriate, compliance with the corporate code of conduct.).</p> <p><i>See also</i> The Combined Code: Preamble ([L]isted companies [should] disclose how they apply the Principles of Good Governance and whether they are in compliance with the Code of Best Practice Provisions.).</p> <p>A.2.1 (The chairman, chief executive officer and senior independent director should be identified in the annual report.).</p> <p>A.3.2 (Non-executive directors considered by the board to be independent should be identified in the annual report.).</p> <p>A.5.1 (The chairman and members of the nomination committee should be identified in the annual report.).</p> <p>B.2.3 (The members of the remuneration committee should be listed each year in the board’s remuneration report to shareholders.).</p>	<p>Hermes accepts that not all non-executive directors need to be independent in accordance with this definition [<i>see</i> Topic Heading 8, Definition of ‘Independence,’ <i>above</i>] and that there can be a role for other non-executive directors providing at least three, and a majority, of non-executive directors satisfy the above test of independence. We believe that the final decision on whether non-executive directors are independent lies with the shareholders who elect them. There should be full disclosure in the annual report of any factors to be taken into account in judging an individual’s independence in accordance with the above criteria. (2.3)</p> <p>Membership of the [nomination] committee should be disclosed in the annual report. (App. III.1)</p> <p><i>See</i> 6.1 (It is inappropriate that any of the return that is rightfully shareholders’ should be diverted to political donations. Donations to charities are acceptable within reason.).</p>	<p>Committee membership, frequency of meetings and attendance records should be disclosed in annual reports.(Part 2, Directors, p. 5)</p> <p>[Director training] should be disclosed in annual reports. (Part 2: Directors, p. 7)</p> <p>The annual report is the most important channel of communication between a company and its shareholders and other stakeholders. Corporate governance is an issue of concern to a wider audience than institutional investors since it relates to the exercise of power and the success of business and the wider economy. PIRC considers that corporate governance involves consideration of the range of relationships entered into by companies. Although the prime focus is on the board and accountability to shareholders, directors should identify their key stakeholders, and should report on and be held accountable for the quality of these relationships since they underpin long-term business success. (Part 4: Audit and Reporting, p. 12)</p> <p><i>See</i> Part 1: Introduction, p. 2 (We support the publication by institutional investors of their corporate governance and voting policies and their full voting records to their clients.).</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
E. Disclosure Regarding Corporate Governance			
<p>The board has adopted a written statement of its own governance principles and regularly re-evaluates them. (Core Principle B.1)</p> <p><i>See Appendix A: Lead Independent Directors Position Duty Statement</i> ([The Lead Independent Director will] assist the Board and Company officers in assuring compliance with and implementation of the Company’s [Guidelines], [and is] principally responsible for recommending revisions to the guidelines.).</p> <p><i>See also Appendix C: Independent Chair Position Duty Statement</i> [The Independent Chair will] assist the Board and Company officers in assuring compliance with and implementation of the Company’s [governance guidelines, and will be] principally responsible for recommending revisions to the guidelines.).</p>	<p>[CII] believes that all publicly traded companies and their shareholders and other constituencies benefit from written, disclosed governance procedures and policies. Although [CII] believes that the meaningful oversight a board provides may owe most, on a routine basis, to the quality and commitment of the individuals on that board, policies also play an important governance role. Policies can help an effective board perform optimally in both routine and difficult times, and policies can help individual directors and shareholders address problems when they arise. (Preamble)</p> <p>Companies should disclose individual director attendance figures for board and committee meetings. Disclosure should distinguish between in-person and telephonic attendance. Excused absences should not be categorized as attendance. (General Principle C.6)</p>	<p>[S]hareholders may reasonably expect country and company practice to include . . . [t]imely disclosure of . . . matters related to corporate governance. Disclosures related to corporate governance should include interested transactions and any capital structures or arrangements that enable certain shareholders to obtain control disproportionate to their equity ownership; significant information about board members and key executives, including their compensation; and information describing governance structure and policies. (pp. 13-14)</p> <p>The compensation committee should develop and publish in the proxy a statement of its charter. (Appendix, p. 27)</p> <p><i>See pp. 13-14</i> ([S]hareholders may reasonably expect country and company practice to include the following:</p> <ul style="list-style-type: none"> Appropriate structures of accountability of the company to its owners. Prohibition of insider trading and abusive self-dealing.). 	<p>The voting fiduciary also generally should support proposals . . . calling for the expanded disclosure of potential conflicts involving directors. (p. 5)</p> <p>The voting fiduciary should support proposals that establish “zero tolerance” policies for illegal insider trading activity. (p. 8)</p> <p><i>See p. 7</i> (Some [corporate governance] proposals occur in the context of a . . . contest for corporate control, while others have a direct effect on the likelihood of material transactions such as tender offers, leveraged buyouts, mergers, acquisitions, restructurings and spin-offs. In these situations, the voting fiduciary must make an independent and thorough cost/benefit analysis of the likely outcome of such transactions.).</p> <p><i>See also p. 7</i> (With regard to corporate governance proposals not in the context of a . . . contest for corporate control, the voting fiduciary must consider the impact of the vote on plan assets as well as the ability of shareholders to hold management accountable for corporate performance.).</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
F. Accuracy of Disclosure / Liability⁴⁵			
<i>Not covered.</i>	<p><i>The ICGN Statement adopts OECD Principle IV (The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.).</i></p> <p><i>See also OECD Principle IV.B (Information should be prepared, audited, and disclosed in accordance with high quality standards of accounting, financial and non-financial disclosure.).</i></p> <p><i>See also OECD Principle IV.C (An annual audit should be conducted by an independent auditor in order to provide an external and objective assurance on the way in which financial statements have been prepared and presented.).</i></p> <p><i>The ICGN holds that corporations should disclose accurate, adequate and timely information, in particular meeting market guidelines where they exist, so as to allow investors to make informed decisions about the acquisition, ownership obligations and rights, and sale of shares. (ICGN Amplified OECD Principle IV at 7)</i></p> <p><i>See OECD Principle V.D.7 (The board should fulfil certain key functions, including . . . [o]verseeing the process of disclosure and communications.).</i></p>	<i>Not covered.</i>	<i>Not covered.</i>

⁴⁵ See also Corporate Secretaries Guidelines at 1 (“Developing and continually refining procedures to manage ‘formal’ and ‘informal’ communications to avoid legal liability and enhance company credibility is a challenging but essential exercise for all public companies.”).

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
F. Accuracy of Disclosure / Liability			
<p>The Company shall prepare its Group Accounts and its quarterly reports according to internationally recognized accounting principles. (The Code, II.2.d); <i>see</i> the Code, I)</p> <p>The Supervisory Board . . . stipulates the information and reporting duties of the Management Board. (The Code, III.2.d))</p> <p>The [Accounts and Audit] Committee . . . evaluates the Auditor’s reports, and reports to the Supervisory Board on its assessment of the comments in the audit report, particularly with regard to the future development of the Group. It verifies the Management Board’s assumptions on the budget figures for the Group and its business segments. Important other documents issued to shareholders shall be presented before publication to the Committee. (The Code, III.3)</p>	<p>The Audit Committee facilitates Board responsibilities primarily through:</p> <ul style="list-style-type: none"> ▪ reviewing accounting policies, financial statements and the reporting process; ▪ communicating with the external auditor throughout the audit process; ▪ reviewing the appointment of external auditors; ▪ reviewing findings of external auditors; ▪ reviewing the internal controls structure and the internal audit function; ▪ reviewing legal and other statutory obligations of the company; ▪ reviewing and monitoring exposures of all types, e.g., financial exposures and computer systems security; ▪ reviewing, where appropriate, compliance with the corporate code of conduct; ▪ reporting back to the Board.). <p>(1992 Statement, § 5)</p>	<p><i>Not covered.</i></p>	<p>When considering pay policy, remuneration committees will be held accountable for breaches of best practice on remuneration issues or failure to seek shareholder authorization. (Part 3: Directors’ Remuneration, p. 8)</p> <p>The main terms of directors’ contracts including notice periods on both sides, non-compete clauses and any fixed compensation should be summarized in the annual report. Copies of all contracts should be sent to shareholders on request. (Part 3: Directors’ Remuneration, p. 8)</p> <p>In reporting on their risk control policies and processes, we consider that directors should go beyond the basic requirements and identify the significant areas of risk and how the company manages these. (Part 4: Audit and Reporting, p. 12)</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
F. Accuracy of Disclosure / Liability			
<i>Not covered.</i>	<i>Not covered.</i>	<p>The corporation should be free to indemnify directors for legal expenses and judgments in connection with their service as directors and eliminate the directors' liability for ordinary business judgments. Directors should be held liable to the shareholders and the corporation for violations of their duty of loyalty or their fiduciary duty involving gross or sustained and repeated negligence. (p. 4)</p> <p>The [audit] committee should take care to discuss the quality of accounting principles used by the company with the outside auditors. (p. 13)</p> <p>[S]hareholders may reasonably expect country and company practice to include the following:</p> <p style="padding-left: 40px;">. . . .</p> <p style="padding-left: 40px;">Independent oversight of managers and accounts (including independent audits of financial statements based on high quality accounting principles).</p> <p style="padding-left: 40px;">. . . .</p> <p style="padding-left: 40px;">Regulatory and legal recourse if principles of fair dealing are violated. (pp. 13-14)</p> <p><i>See</i> p. 12 (The board should . . . [a]ssure a corporate environment of strong internal controls, fiscal accountability, high ethical standards, and compliance with all applicable laws and regulations.).</p>	<p>[T]he great responsibility and authority of directors justify holding them accountable for their actions. . . . The voting fiduciary may support liability-limiting proposals when the company persuasively argues that such action is necessary to attract and retain directors [but may] support shareholder proposals for director liability in light of trustees' philosophy of promoting director accountability. (p. 6)</p> <p>[T]he voting fiduciary should oppose management proposals that limit a director's liability for (i) a breach of the duty of loyalty, (ii) acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law, (iii) acts involving the unlawful purchase or redemption of stock, (iv) the payment of unlawful dividends or (v) the receipt of improper personal benefits. In addition, the voting fiduciary generally should oppose proposals to reduce or eliminate directors' personal liability when litigation is pending against current board members. (p. 6)</p> <p>The voting fiduciary may support [proposals for indemnification of directors] when the company persuasively argues that such action is necessary to attract and retain directors, but the voting fiduciary generally should oppose indemnification when it is being proposed to insulate directors from actions they have already taken. (p. 6)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
G. Shareholder Voting Practices (Cumulative & Confidential Voting, Broker Non-Votes, One Share/One Vote)			
<p><i>Not covered.</i></p>	<p><i>The ICGN Statement adopts</i> OECD Principle I (The corporate governance framework should protect shareholders’ rights.)</p> <p>[D]ivergence from a ‘one share/one vote’ standard which gives certain shareholders power disproportionate to their equity ownership is undesirable. Any such divergence should be both disclosed and justified. (ICGN Amplified OECD Principle I at 7)</p> <p><i>See also</i> OECD Principle II (The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.)</p> <p>The ICGN holds that national capital markets can grow best over the long term if they move toward the ‘one share/one vote’ principle. Conversely, capital markets that retain inequities are likely to be disadvantaged compared with markets that embrace fair voting procedures.</p> <p>As the OECD declares, boards should treat all the corporation’s shareholders equitably and should ensure that the rights of all investors, “including minority and foreign shareholders,” are protected. (ICGN Amplified OECD Principle II at 7)</p>	<p>IFSA strongly supports the principle of “one share/one vote.” (Guidelines for Investment Managers, Guideline 2 Commentary at 17)</p>	<p>In the Commission’s view, it is particularly important that asset management firms develop General Meeting voting guidelines including voting criteria for resolutions. (I)</p> <p>[T]he Commission does not support elimination of blank proxies. The Commission would like to see that, when a company solicits proxies, it specifies its voting intentions. It is clear that, in accordance with regulations, no blank proxies may be voted on any new resolution proposed at the time of the general meeting. (I.C.1)</p> <p>The Commission would like to see this practice [double voting rights for certain loyal shareholders] abandoned except, however, during a period of five years from the date of the company’s initial public offering.</p> <p>The Commission is also against “loyalty premium” dividend payments to holders of shares for a specified period of time. (I.C.3)</p> <p>As a practical matter, the Commission is in favour of electronic voting and would like to see that the most reliable and rapid system be used, while ensuring the shareholder the greatest degree of confidentiality. (I.C.6)</p>

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
G. Shareholder Voting Practices (Cumulative & Confidential Voting, Broker Non-Votes, One Share/One Vote)			
<p>[There is a] full voting right for each ordinary share (§12 German Stock Corporation Act). (The Code, I)</p> <p><i>See</i> Topic Heading H, <i>below</i>.</p>	<p><i>Not covered.</i></p>	<p>The existing proxy voting system is cumbersome and vulnerable to error. Hermes wishes to encourage relevant bodies to introduce electronic voting as soon as practicable. (3.2)</p> <p>A split-share capital structure often disadvantages the majority of shareholders. Hermes will not support the issue of shares with reduced or no voting rights and is likely to withhold support for other capital-raising exercises by companies with such capital structures. Support for a company with an unequal capital structure would be qualified in the event of it becoming a takeover target. (4.1)</p> <p><i>See</i> Code of Conduct 4 (Hermes will lodge proxies at AGMs and EGMs in accordance with the principles outlined in this document.).</p>	<p>PRINCIPLE: All ordinary shares should have equal rights.</p> <p>G. Each ordinary share has equal voting rights. . . .</p> <p>H. There is no controlling shareholder. . . .</p> <p>I. No persons have the right to designate directors to the board. . . . (Part 5: Share Capital and Shareholder Relations, p. 17)</p> <p>PRINCIPLE: Voting by shareholders should be democratic and transparent.</p> <p>J. All voting is conducted by poll on the basis of one share/one vote. . . .</p> <p>K. The levels of proxy votes are disclosed on request. (Part 5: Share Capital and Shareholder Relations, p. 17)</p> <p>Shareholders who have the same financial commitment to the company should have the same rights. Dual share structures with different voting rights are disadvantageous to many shareholders and should be reformed. (Part 5: Share Capital and Shareholder Relations, p. 15)</p> <p><i>See also</i> Part 5: Share Capital and Shareholder Relations, pp. 15-16 (<i>safeguards for shareholders in companies where there is a controlling shareholder; share buy-backs; share issue authorities</i>).</p> <p><i>See also</i> APPENDIX: Standard Voting Outcomes, pp. 22-24 (<i>a guide to PIRC's usual approach to the provision of voting advice</i>).</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
G. Shareholder Voting Practices (Cumulative & Confidential Voting, Broker Non-Votes, One Share/One Vote)			
<p>Proxies should be kept confidential from the company, except at the express request of shareowners. (Guideline D.7)</p> <p>Broker non-votes should be counted for quorum purposes only. (Guideline D.8)</p>	<p>Directors should be elected annually by confidential ballots counted by independent tabulators. Confidentiality should be automatic and permanent. Rules and practices concerning the casting, counting and verifying of shareholder votes should be clearly disclosed. (Core Policy 1)</p> <p>Each share of common stock, regardless of class, should have one vote. Corporations should not have classes of common stock with disparate voting rights. Authorized unissued common shares that have voting rights to be set by the board should not be issued without shareholder approval. (General Principle A.1)</p> <p>Shareholders should be allowed to vote on unrelated issues individually. Individual voting issues, particularly those amending a company’s charter, bylaws, or anti-takeover provisions, should not be bundled. (General Principle A.2)</p> <p>Broker non-votes and abstentions should be counted only for purposes of a quorum. (General Principle A.4)</p>	<p>TIAA-CREF opposes . . . cumulative voting in the election of directors, except if necessary to protect the interests of minority shareholders where there is a single dominant shareholder. (p.3)</p> <p>In voting its proxies, TIAA-CREF takes the position that . . . :</p> <p style="padding-left: 20px;">The board should adopt confidential voting for . . . all . . . matters voted on by shareholders.</p> <p style="padding-left: 20px;">The board should adhere to the principle that each share of common stock has one vote and matters submitted for shareholder consideration generally should require approval of a majority of the shares voting “For” or “Against.” Therefore, the board should not create multiple classes of common stock with disparate voting rights. Similarly, we generally oppose super-majority voting requirements, except if necessary to protect the interests of minority shareholders where there is a single dominant shareholder. (p. 5)</p> <p><i>See pp. 4-5 (Although TIAA-CREF normally votes for the board’s nominees, we vote for alternative candidates when our analysis indicates that those candidates will better represent shareholder interests.).</i></p>	<p>Although the voting fiduciary generally may support a non-contested management slate, the voting fiduciary must consider taking other appropriate actions if an analysis . . . indicates that the board candidate has not served in the long-term economic best interests of plan participants and beneficiaries. (p. 4)</p> <p>Contested Election of Directors. By definition, this type of board candidate or slate runs for the purpose of seeking a significant change in corporate policy or control. Therefore, the economic impact of a vote for or against that director or slate must be analyzed using the higher standard or review appropriate for changes in control. (p. 4)</p> <p>The voting fiduciary should support management proposals requesting shareholder approval to increase authorized common stock when management provides persuasive justification for the increase. . . . The voting fiduciary should oppose requests to authorize blank-check preferred stock — stock authorized by shareholders that gives the board of directors broad powers to establish voting, dividend and other rights without shareholder review. (pp. 7-8)</p> <p>The voting fiduciary’s analysis must consider the fact that cumulative voting is a method of obtaining minority shareholder representation on a board and of achieving a measure of board independence from management control. (p. 8)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
H. Shareholder Voting Powers			
<p><i>Not covered.</i></p>	<p><i>The ICGN Statement adopts</i> OECD Principle I.A.4-5 (The corporate governance framework should protect shareholders' rights.)</p> <p>Basic shareholder rights include the right to . . . participate and vote in general shareholder meetings [and] elect members of the board.).</p> <p><i>See also</i> OECD Principle I.C (Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings.).</p> <p>Major strategic modifications to the core business(es) of a corporation should not be made without prior shareholder approval of the proposed modification. Equally, major corporate changes which in substance or effect materially dilute the equity or erode the economic interests or share ownership rights of existing shareholders should not be made without prior shareholder approval of the proposed change. (ICGN Amplified OECD Principle I at 6)</p> <p>The ICGN underlines both the OECD assertion that “equal effect should be given to votes whether cast in person or <i>in absentia</i>” and the Annotation’s statement that “as a matter of transparency, meeting procedures should ensure that votes are properly counted and recorded, and that a timely announcement of the outcome be made.” (ICGN Amplified OECD Principle I at 6)</p> <p>[I]nvestors should have the right to sponsor resolutions or convene extraordinary meetings. (ICGN Statement 10 at 5)</p>	<p>Major corporate changes which in substance or effect may impact shareholder equity or erode share ownership rights should be submitted to a vote of shareholders. Enough time and sufficient information (including a balanced assessment of relevant issues) should be given to shareholders to enable them to make informed judgments on these resolutions. (Guidelines for Corporations, Guideline 13)</p> <p>The purpose of [Guideline 13] is to ensure that shareholder equity is not impacted and share ownership rights are not eroded through board or executive action which is not subject to informed shareholder review.</p> <p>This Guideline applies irrespective of any existing legal authority for action by the board or management. (Guidelines for Corporations, Guideline 13 Commentary at 29)</p> <p><i>See</i> Guidelines for Investment Managers, Guideline 2 (Investment managers should vote on all material issues at all Australian company meetings where they have the voting authority and responsibility to do so.).</p>	<p>The General Shareholders’ Meeting is the preeminent occasion for the shareholder to exercise his company rights. This meeting is therefore a decisive element in a company’s corporate governance. (I)</p> <p>[T]he code of ethics governing portfolio managers . . . holds them to exercising the voting rights associated with the securities they manage, and requires them to be able to justify their actions in this regard. (I)</p> <p>The Commission recommends that companies remind their shareholders of their right to submit resolutions to the general shareholders’ meeting and to raise questions; in each case, the conditions needing to be met to exercise this right should be indicated. In this regard, it would be fitting to remind shareholders of the possibility of joining together to reach the minimum amount of capital necessary to propose a resolution. (I.B.4)</p> <p>[T]he Commission would like to see that the rights of holders of preferred shares (excluding their participation in the general meeting) be respected based on the amount of capital they control in the company. (I.C.2)</p> <p>The Commission is in favour of reducing or even eliminating [the blocking of shares five days prior to the general meeting] so that any shareholder may exercise his voting rights. (I.C.5)</p> <p>[T]he Commission is in favour of the “record date” system [<i>in lieu</i> of the blocking system], as it seems to meet the concerns of portfolio managers. (I.C.5)</p>

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
H. Shareholder Voting Powers			
<p>[T]he following OECD points are covered by mandatory law (§23 German Stock Corporation Act):</p> <ul style="list-style-type: none"> ▪ full voting right for each ordinary share (§12 German Stock Corporation Act) ▪ no impediments with regard to ownership or registration (§67 German Stock Corporation Act) ▪ transferability of shares at any time (§68 German Stock Corporation Act) ▪ participation, proxy and exercise of voting rights at General Meetings (§134 German Stock Corporation Act) ▪ election of members of the Supervisory Board (§101) ▪ participation in company profits (§58 German Stock Corporation Act). <p>(The Code, I)</p> <p>An authorization to increase the share capital with exclusion of shareholder participation rights in order to pursue either an acquisition or a share placement near the prevailing market price will only be exercised by the Management Board if the share capital increase does not exceed 10% (20% for acquisitions) of the then existing share capital. In this calculation, the re-utilization of any repurchased shares will be included. (The Code, I)</p> <p>In the case of repurchase of its own shares according to §71, subparagraph 1, No. 8 German Stock Corporation Act, the Company shall observe the principle of equal treatment of all shareholders. (The Code, I)</p>	<p>Shareholders must have the opportunity to vote on share option and LTISs on initial scheme adoption, on the material amendment of such schemes and on any changes to performance criteria. (1999 Guidelines, Share Option and Incentive Scheme Guidelines, § 3 at 3)</p> <p>[S]hareholders must be afforded the opportunity to approve the selected performance criteria [to be used as the basis on which share option and other LTISs are exercisable], or amendments thereto. (1999 Guidelines, Appendix 1: Performance Criteria, at 11)</p>	<p>Existing shareholders should be offered right of first refusal when a company issues shares exceeding 5% of the existing shares in issue. Only in exceptional circumstances would Hermes approve the waiver of clients' preemption rights. (5.1)</p> <p>Performance-related remuneration is the principle means by which executive directors are motivated to achieve greater shareholder value and are rewarded for doing so. It is therefore an area of company policy in which shareholders have a valid role. (App. I.1.1)</p> <p><i>See also</i> 1.1 (Shareholders and their agents have responsibilities as owners to exercise stewardship of companies.).</p>	<p>PRINCIPLE: Shareholders should have proper notice of resolutions and be able to vote on all substantive issues.</p> <p>A.. Notice of the AGM was sent at least 20 working days before the meeting. . . .</p> <p>B. Resolutions on substantially separate issues are put to the AGM. . . .</p> <p>C. A resolution on the report and accounts is proposed. . . .</p> <p>D. Dividend is put to the vote. . . .</p> <p>(Part 5: Share Capital and Shareholder Relations, p. 16)</p> <p>PRINCIPLE: Shareholders should have adequate information on all directors and resolutions.</p> <p>E. Sufficient biographical information on all directors is disclosed. . . .</p> <p>F. All resolutions are explained. . . .</p> <p>(Part 5: Share Capital and Shareholder Relations, p. 17)</p> <p>PIRC's views . . . closely follow those of the Cadbury Committee which argued: "Voting rights can be regarded as an asset, and the use or otherwise of those rights by institutional shareholders is a subject of legitimate interest to those on whose behalf they invest. We recommend institutional investors should disclose their policies on the use of voting rights." (Part 1: Introduction, p. 2)</p> <p>[On two-tiered boards,] shareholders should have the right to elect directors [of the supervisory board] and hold them accountable through regular election. Shareholders should also have the power to remove those individuals exercising the powers of the company or charged with overseeing executive management. This applies to stakeholder representatives and also to alternate directors who are not elected. (Part 2: Directors, p. 4)</p> <p><i>See</i> Part 6: Other Voting Issues, p. 18 (amending the Memorandum and Articles of Association, in which the exercise of shareholders' rights is based).</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
H. Shareholder Voting Powers			
<p>A majority of shareowners should be able to amend the company’s bylaws by shareowner proposal. (Guideline D.1)</p> <p>Any shareowner proposal that is approved by a majority of proxies cast should either be implemented by the board, or the next annual proxy statement should contain a detailed explanation of the board’s reason for not implementing. (Guideline D.9)</p> <p>Shareowners should have effective access to the director nomination process. (Guideline D.10)</p>	<p>A majority vote of common shares outstanding should be required to approve major corporate decisions concerning the sale or pledge of corporate assets which would have a material effect on shareholder value. (Core Policy 5)</p> <p>A majority vote of common shares outstanding should be sufficient to amend company bylaws or take other action requiring or receiving a shareholder vote. (General Principle A.3)</p> <p>Shareholders’ right to vote is inviolate and should not be abridged. (Position A.1)</p> <p>A majority vote of common shares outstanding should be required to approve major corporate decisions including: (a) the corporation’s acquiring, other than by tender offer to all shareholders, 5% or more of its common shares at above-market prices; (b) provisions resulting in or being contingent upon an acquisition . . . ; (c) abridging or limiting the rights of common shares . . . ; (d) permitting or granting any executive or employee of the corporation upon termination of employment, any amount in excess of two times that person’s average annual compensation for the previous three years; and (e) result in the issuance of debt to a degree which would leverage a company and imperil the long-term viability of the corporation. (General Principle A.5)</p> <p>See General Principles C.1 – C.6 (Board accountability to shareholders).</p>	<p>The board should not issue any previously authorized shares – with voting rights to be determined by the board – unless it has prior shareholder approval for the specific intended use. (p. 5)</p> <p>TIAA-CREF . . . supports proposals that eliminate preemptive rights, except where our analysis indicates that such rights have value to shareholders. (p. 6)</p> <p>The board should submit for prior shareholder approval any action that alters the fundamental relationship between shareholders and the board. (p. 6)</p> <p>See pp. 13-14 ([S]hareholders may reasonably expect country and company practice to include the following: Fair and equitable treatment for all shareholders (an issue that can be particularly relevant when there is a controlling shareholder). Fair voting processes that in practice assure disclosure of all facts material to each vote being taken, and that enable shareholders to exercise their ownership rights in relation to their economic interest.).</p>	<p>Dual Class Voting. The voting fiduciary must take into consideration the principle of one share, one vote; the impact of any dilution in shareholder voting rights; and any decrease in share price likely to result from issuing a new class of stock with unequal voting rights. (p. 8)</p> <p>The voting fiduciary’s analysis must consider the interest in assuring that proxy voting be protected from potential management coercion and management’s use of corporate funds to lobby shareholders to change their votes. (p. 8)</p> <p>The voting fiduciary’s analysis must weigh the consideration that super-majority voting requirements may be used to undermine voting rights against the potential benefit . . . of protecting minority stockholder interests. (p. 8)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
I. Shareholder Meetings / Proxy Proposals			
<p><i>Not covered.</i></p>	<p><i>The ICGN Statement adopts</i> OECD Principle I.C (Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings:</p> <p>Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings [and] issues to be decided at the meeting.</p> <p>Opportunity should be provided for shareholders to ask questions of the board and to place items on the agenda at general meetings, subject to reasonable limitations.</p> <p>Shareholders should be able to vote in person or <i>in absentia</i>, and equal effect should be given to votes whether cast in person or <i>in absentia</i>.</p> <p>The right and opportunity to vote at shareholder meetings hinges in part on the adequacy of the voting system. The ICGN believes that markets and companies can facilitate access to the ballot by following the ICGN's GLOBAL SHARE VOTING PRINCIPLES adopted at the July 10, 1998 annual meeting in San Francisco. (ICGN Amplified OECD Principle I at 6)</p> <p>[I]nvestors should have the right to sponsor resolutions or convene extraordinary meetings. (ICGN Statement 10 at 5)</p> <p><i>See ICGN Amplified OECD Principle I at 6</i> (ICGN supports initiatives to expand voting options to include the secure use of telecommunication and other electronic channels.).</p>	<p>Separate issues should not be combined and presented as a single motion for shareholder vote.</p> <p>Companies should adopt the Model Form of Proxy in Appendix B (with appropriate modifications).</p> <p>The annual report, notice of meeting and other documents for all shareholder meetings should be sent to shareholders at least 28 days prior to the meeting.</p> <p>Voting should be by poll only on the conclusion of discussion of each item of business and appropriate forms of technology should be utilized to facilitate the proxy voting process. (Guidelines for Corporations, Guideline 11)</p> <p>Influencing corporate governance, through discussions with companies or the exercising of proxy votes, is the mechanism available to institutional investors around the world to address . . . issues, but particularly the issue of poor performance. (Rationale, 1.3 at 14)</p> <p><i>See</i> Guidelines for Investment Managers, Guideline 3 (Investment managers should have a written policy on the exercising of proxy votes that is approved by their board and formal internal procedures to ensure that that policy is applied consistently.).</p> <p><i>See also</i> Guidelines for Investment Managers, Guideline 4 (Wherever a client delegates responsibility for exercising proxy votes, the investment manager should report back to the client when votes are cast.).</p>	<p>The General Shareholders' Meeting is the preeminent occasion for the shareholder to exercise his company rights. This meeting is therefore a decisive element in a company's corporate governance. (I)</p> <p>The Commission would like to see the time period for calling the general meeting extended beyond 15 days so that documents and information, which on occasion may be complex, can be delivered to the shareholders sufficiently in advance of the meeting for them to review their contents. (I.A.1)</p> <p>The shareholders' meeting is the occasion when the Board of Directors renders its accounts to the shareholders on the exercise of its duties. The directors' presence is therefore essential. (I.B)</p> <p>The presence of the maximum number of shareholders at shareholders' meetings contributes to the interest of the discussion. Their participation should be encouraged. (I.A.2)</p> <p>The Commission recommends that companies draw up and distribute a guide for shareholders' participation in the general meeting. (I.B.1)</p> <p>Through the Shareholders' Meeting, the board should inform shareholders of the existence of [the standing] committees and the frequency of their meetings. (II.B.3)</p>

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
I. Shareholder Meetings / Proxy Proposals			
<p>As part of its regular communication efforts, the dates of major regular publications (such as annual and quarterly reports, General Meetings) shall be published in a 'Financial Calendar' sufficiently in advance (at least one year).</p> <p>The information published by the company shall also be available via the 'Internet'. This includes the invitation to General Meetings, their agenda as well as shareholder initiatives and management comments hereto as well as voting results of such meetings. If possible, all publications are provided in the English language. (The Code, II.2.a))</p>	<p><i>See</i> The Combined Code, Principle C.2 (Boards should use the AGM to communicate with private investors and encourage their participation.).</p> <p><i>See also</i> The Combined Code, B.3.5 (The board's annual remuneration report to shareholders need not be a standard item of agenda for AGMs. But the board should consider each year whether the circumstances are such that the AGM should be invited to approve the policy set out in the report and should minute their conclusions.).</p> <p><i>See</i> The Combined Code, C.2.2 (Companies should propose a separate resolution at the AGM on each substantially separate issue.).</p> <p><i>See also</i> The Combined Code, C.2.3 (The chairman of the board should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM.).</p> <p><i>See also</i> The Combined Code, C.2.4 (Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting.).</p> <p><i>See also</i> The Combined Code, C.2.1 (Companies should count all proxy votes and, except where a poll is called, should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands.).</p> <p><i>See also</i> The Combined Code, E.1.2 (Institutional shareholders should, on request, make available to their clients information on the proportion of resolutions on which votes were cast and non-discretionary proxies lodged.).</p>	<p>Hermes encourages companies to put the board's remuneration report to a vote at the AGM, particularly where significant changes are made to policy or controversial issues arise during the year. (1.4 and App. I.1.2)</p> <p>Hermes believes that a separate resolution seeking approval of the annual report and accounts should be tabled at all AGMs. (3.1)</p> <p>Hermes will lodge proxies at AGMs and EGMs in accordance with the principles outlined in this document. (Code of Conduct 4)</p>	<p>PRINCIPLE: Shareholders should have proper notice of resolutions and be able to vote on all substantive issues.</p> <p>A.. Notice of the AGM was sent at least 20 working days before the meeting. . . .</p> <p>B. Resolutions on substantially separate issues are put to the AGM. . . .</p> <p>C. A resolution on the report and accounts is proposed. . . .</p> <p>D. Dividend is put to the vote. (Part 5: Share Capital and Shareholder Relations, p. 16)</p> <p>PRINCIPLE: Shareholders should have adequate information on all directors and resolutions.</p> <p>E. Sufficient biographical information on all directors is disclosed. . . .</p> <p>F. All resolutions are explained. (Part 5: Share Capital and Shareholder Relations, p. 17)</p> <p>PRINCIPLE: Shareholders should have the opportunity to vote on remuneration issues.</p> <p>G. The remuneration committee report or pay policy is put to the vote. . . .</p> <p>H. All new share or incentive schemes over one year are put to the vote. (Part 3: Directors' Remuneration, p. 10)</p> <p>Voting on the appointment of the directors is the most important routine issue for shareholders to consider at general meetings. (Part 2, Directors, p. 4)</p> <p>[S]cheme rules [for director remuneration] should be available on request as well as be[] on display at the AGM. (Part 3: Directors' Remuneration, p. 8)</p> <p><i>See</i> Part 5, Share Capital and Shareholder Relations, p. 15 (<i>AGM procedures and voting</i>).</p> <p><i>See also</i> Part 6: Other Voting Issues, pp. 18-19 (<i>shareholder resolutions, EGMs</i>).</p>

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I. Shareholder Meetings / Proxy Proposals			
<p>A majority of shareowners should be able to call special meetings. (Guideline D.3)</p> <p><i>See</i> Guideline D.2 (A majority of shareowners should be able to act by written consent.).</p>	<p>Corporations should make shareholders' expense and convenience primary criteria when selecting the time and location of annual shareholder meetings. (General Principle B.1)</p> <p>Appropriate notice of shareholder meetings, including notice concerning any change in meeting date, time, place or shareholder action, should be given to shareholders in a manner and within time frames that will ensure that shareholders have a reasonable opportunity to exercise their franchise. (General Principle B.2)</p> <p>All directors should attend the annual shareholders' meeting and be available, when requested by the chair, to answer shareholder questions. (General Principle B.3)</p> <p>Polls should remain open at shareholder meetings until all agenda items have been discussed and shareholders have had an opportunity to ask and receive answers to questions concerning them. (General Principle B.4)</p> <p>Shareholders' rights to call a special meeting or act by written consent should not be eliminated or abridged without the approval of the shareholders. Shareholders' rights to call special meetings or to act by written consent are fundamental ones; votes concerning either should not be bundled with votes on any other matters. (General Principle B.5)</p> <p>Boards should take actions recommended in a shareholder proposal receiving a majority of votes cast for and against unless the board communicates compelling reasons for not doing so. (General Principle C.3)</p>	<p>[Common shareholders] rely on the board of directors – whom they elect – and on their right to vote on proposals the corporation is required to submit for shareholder approval. The proxy vote is thus the key mechanism by which shareholders play a role in the governance of the corporation. (p. 5)</p> <p>The board should not combine disparate issues and present them for a single vote. Normally, TIAA-CREF votes against an entire proxy issue proposal if it opposes any of the constituent parts. (pp. 6-7)</p> <p>TIAA-CREF has developed . . . principles of compensation governance. [See Topic Heading K, below.] We will apply them . . . in voting proxies related to compensation and to board composition. (p. 7)</p>	<p>In reviewing proxy voting issues that arise during the term of the management contract, the voting fiduciary shall take into consideration the general positions of the trustees outlined below in deciding how to vote proxies in each of the following categories: Board of Directors Proposals; Corporate Governance and Changes in Control; Employee-Related Proposals; Executive Compensation; Corporate Responsibility; and Other Issues. (p. 4)</p> <p>[Directors] should be held accountable for actions taken that may not be in shareholders' best interests, such as . . . acting against shareholders' properly expressed wishes, [<i>e.g.</i>,] failing to implement an appropriate proposal approved by a majority of shareholders [or] refusing to provide information to which the shareholders are entitled. (pp. 4-5)</p> <p>In analyzing proposals to limit or eliminate the right of shareholders . . . to call special meetings on issues of importance, the voting fiduciary must weigh the fact that this right enhances the opportunity for shareholders to raise issues of concern with the board of directors against their potential for facilitating changes in control. (p. 8)</p> <p>Issues that may have a significant impact on a company . . . often are not addressed in a company's proxy. Where such an issue is identified . . . , the voting fiduciary may consider alternative action [including] meeting with management or seeking special committees or reports of the board to study the issue. (p. 11)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
J. Anti-Takeover Devices			
<p><i>Not covered.</i></p>	<p><i>The ICGN Statement adopts OECD Principle I.B (Shareholders have the right to participate in, and to be sufficiently informed on . . . extraordinary transactions that in effect result in the sale of the company.).</i></p> <p><i>See also OECD Principle I.E (Markets for corporate control should be allowed to function in an efficient and transparent manner.</i></p> <p>1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers and sales of substantial portions of corporate assets, should be clearly articulated and disclosed. . . .</p> <p>2. Anti-takeover devices should not be used to shield management from accountability.).</p> <p><i>See also OECD Principle I.E.2 Annotation at 28 (In some countries, companies employ anti-takeover devices. However, both investors and stock exchanges have expressed concern over the possibility that widespread use of anti-takeover devices may be a serious impediment to the functioning of the market for corporate control. In some instances, takeover defenses can simply be devices to shield management from shareholder monitoring.).</i></p> <p><i>See also OECD Principle V.E Annotation at 41-42 ([Independent board members] can play an important role in . . . changes of corporate control.).</i></p>	<p><i>Not covered.</i></p>	<p>Out of concern for the interests of the minority shareholders, the Commission is generally not in favor of anti-takeover measures. [Such measures] do not encourage open and responsible management, nor do they promote company performance. (I.C.4)</p>

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J. Anti-Takeover Devices			
<p><i>Not covered directly, but see the Code, I (Until the enactment of the German Takeover Law, the voluntary Takeover Code of the Capital Markets Expert Commission of the German Ministry of Finance applies. This Code is accepted by the Company.).</i></p>	<p>In the event of a Management Buy-Out, the Board should appoint a separate committee consisting wholly or mainly of non-executive directors with direct access to independent advisers.</p> <p>The independent advisers should have access to all information necessary to enable them to give a fully informed opinion on the merits of the offer. The committee should be responsible for a separate statement to shareholders, giving both its views and those of the independent advisers on the bid. (1992 Statement, § 9)</p> <p>An ESOP or employee share ownership trust should not be used as an anti-takeover device. (1999 Guideline 21)</p> <p><i>See</i> 1992 Statement, § 3 (Independent non-executive directors add considerably to all aspects of a Board’s deliberations, <i>e.g.</i>, . . . when takeovers and mergers are being considered.).</p> <p><i>See also</i> 1999 Guideline 17 (In the event of a takeover of the grantor company, options may be exercised within 6 months of the offer being declared unconditional in all respects, lapse or be converted into options of the offeror company where that alternative is available.).</p>	<p>Takeovers are an important part of an efficient and competitive corporate environment but do not always add to shareholder value, particularly for the bidding company. Hermes’ predisposition in a hostile bid is to support existing management, but this support is conditional. It does not apply where confidence has been lost in management nor, for example, where synergistic or strategic benefits clearly justify a bid premium. Unreasonable or unjustifiably expensive defense tactics will not be supported. (7.1)</p> <p>Contracts [between the company and executive directors] with a clause that increases compensation paid for early termination in the event of a takeover are not supported. (App. I.2.1)</p> <p>Hermes will normally support incumbent management in hostile takeover situations, but the support is conditional (as explained in paragraph 7.1, above). Hermes generally prefers changes from within rather than hostile bids. (Code of Conduct 3)</p>	<p><i>Not covered directly, but see Part 5: Share Capital and Shareholder Relations, p. 15 (Takeover Code Waivers</i></p> <p>Share buy-backs and other capital changes can have the effect of increasing the stake of controlling shareholders. In such circumstances, companies may seek waivers from the Takeover Code requirement that a controlling shareholder should make an offer to all shareholders if their holding increases. Resolutions seeking such a waiver should always be voted on by a poll. The controlling shareholders’ intentions, should a share repurchase go ahead, should be stated. Waivers should not be approved if there is the potential that a controlling shareholders’ stake could increase beyond 50%).</p>

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J. Anti-Takeover Devices			
<p>Every company should prohibit greenmail. (Guideline D.4)</p> <p>No board should enact or amend a poison pill except with shareowner approval. (Guideline D.5)</p>	<p>A majority vote of common shares outstanding should be required to approve major corporate decisions including . . . provisions resulting in or being contingent upon an acquisition other than by the corporation of common shares having on a <i>pro forma</i> basis 20% or more of the combined voting power of the outstanding common shares, or a change in the ownership of 20% or more of the assets of the corporation, or other provisions commonly known as shareholder rights plans, or poison pills. (General Principle A.5.(b))</p>	<p>Staggered election of directors can provide legitimate benefits to the board. However, a classified board structure at a public company also can be a significant impediment to a free market for corporate control, particularly in combination with other takeover defenses, such as a “poison pill” shareholder rights plan. (p. 4)</p> <p>The board should submit for shareholder approval . . . anti-takeover measures. In evaluating proposals with anti-takeover implications, TIAA-CREF will consider the broad context of takeover defenses at a particular company . . . with a view that the market for corporate control provides appropriate mechanisms for disciplining management, and that takeover defenses should not make a board impregnable. (p. 6)</p> <p>TIAA-CREF recognizes that many states have adopted statutes that protect companies from unfriendly takeovers, in some cases through laws that obscure or dilute directors’ fiduciary obligations to shareholders, as owners of the corporation. . . . [T]he board should opt out of coverage under state laws mandating anti-takeover protection. (p. 6)</p> <p>TIAA-CREF does not oppose an increase in the authorized number of preferred shares unless they can be used without further shareholder approval as part of an anti-takeover program. For example, they should not fund a poison pill plan that has not been approved by shareholders. (p. 7)</p> <p>[S]hareholders may reasonably expect country and company practice to include . . . [o]pen, efficient, and transparent markets for corporate control. (pp. 13-14)</p>	<p>[Directors] should be held accountable for actions taken that may not be in shareholders’ best interests, such as . . . adopting anti-takeover provisions not in the shareholders’ best interests. (pp. 4-5)</p> <p>The voting fiduciary should oppose [proposed increases in authorized common stock] when the company intends to use the additional stock to implement a poison pill or other takeover defense [and] should oppose requests to authorize blank-check preferred stock . . . that . . . can be used as an anti-takeover device. (p. 8)</p> <p>The voting fiduciary’s analysis must consider whether a poison pill proposal by management requires management to submit the pill periodically to a shareholder vote. In evaluating any poison pill proposal, the voting fiduciary must consider the impact of acquisition attempts that may be detrimental to the long-term economic best interests of plan participants and beneficiaries. (p. 8)</p> <p>Greenmail Payments. The voting fiduciary’s analysis must consider the fact that greenmail discriminates against other shareholders and may result in decreased stock price. Where the voting fiduciary concludes that the greenmail payment lacks satisfactory long-term business justification (such as stopping the acquisition attempt that would be detrimental to the long-term economic best interests of plan participants and beneficiaries), the fiduciary must oppose the proposal. (p. 12)</p>

General Motors Board Guidelines	ICGN Principles (International)	IFSA Guidelines (Australia)	Hellebuyck Commission Recommendations (France)
K. Executive Compensation			
<p><i>Not covered.</i></p>	<p><i>The ICGN Statement adopts OECD Principle V.D.3 (The board should fulfil certain key functions, including [reviewing] key executive remuneration.).</i></p> <p><i>See also OECD Principle V.E Annotation at 41-42 ([Independent board members] can play an important role in areas where the interest of management, the company and shareholders may diverge, such as executive remuneration.).</i></p> <p><i>Remuneration of corporate directors or supervisory board members and key executives should aligned with the interests of shareholders. (ICGN Statement 5 at 4)</i></p> <p><i>See also OECD Principle IV.A.4 (Disclosure should include, but not be limited to, material information on . . . [m]embers of the board and key executives, and their remuneration.).</i></p>	<p>It is recommended that the board should annually review, and disclose in the annual report, its policies for remuneration, including incentives, of the board and senior executives. The justification for these policies and their relationship to the performance of the company should be similarly reviewed and disclosed. (Guideline 10)</p>	<p>Executive compensation and its adjustment up or down should be tied to the performance of the company and the value of the company's share. (II.C.2)</p> <p>The board should deliberate on executive compensation and should publish its method of calculation and the existence, if any, of stock options. (II.C.3)</p> <p>The Commission would like to avoid the distribution of stock options on shares of unlisted subsidiaries, in France or abroad, of a group that itself is listed. The Commission is in favor of stock options that are awarded without discount. (II.C.4)</p> <p>The Commission is opposed to severance payments that are not a function of the individual's time of service or of his compensation and of the company's intrinsic value during his period of service. (II.C.5)</p>

Panel on Corporate Governance (Germany)	IAIM Statement (Ireland)	Hermes Statement (United Kingdom)	PIRC Guidelines (United Kingdom)
K. Executive Compensation			
<p>The remuneration of the Management Board and the Executive Staff shall include sufficient motivation to ensure long-term corporate value creation. This includes share option programmes and performance-related incentives related to the share price development and the continuing success of the Company. In connection with the granting of share options and similar rights to the members of the Management Board and the executive staff . . . [t]he exercise of the rights arising from share option programmes shall not be possible before three (but in no case earlier than two) years since the grant. To document the incentive character as well as to balance the surrender of the subscription right by the shareholders, the exercise shall depend on achieving or exceeding relevant and transparent benchmarks (e.g., the development of an industry index). (The Code, II.3.a))</p> <p>Recommendations for the recurring compensation elements shall be determined by systematic performance evaluation of the individual Management Board members. In addition, the Committee is responsible for approving pay for outside company work by members of the Management Board. (The Code, III.3)</p> <p><i>See</i> the Code, II.4(h) (The purchase and sale of Company shares, options or other share derivatives by members of the Management Board and senior Group executives are subject to special rules.).</p> <p><i>See also</i> the Code, II.3.a) – b) (<i>Management Board remuneration</i>).</p>	<p>The IAIM considers that companies should establish a remuneration committee which should be comprised of non-executive directors and, where appropriate, the Chief Executive.</p> <p>The remuneration committee should:</p> <ul style="list-style-type: none"> determine the salaries and emoluments of executive directors, including participation in share option and profit sharing schemes and other incentivization schemes; approve the service contracts of executive directors. <p>(1992 Statement, § 6)</p> <p><i>See</i> 1999 Guidelines, Introduction, § 2 at 1 (The IAIM recognizes the benefits of share option and other incentive schemes in aligning the interests of participants in such schemes with those of shareholders and in focusing attention on long-term growth in shareholder value.).</p> <p><i>See also</i> 1999 Guidelines, Introduction, § 3 at 1 (In voting in favor of share option and other incentive schemes, institutional shareholders have a responsibility to ensure that in return, enhanced performance is achieved, giving an enhanced return to their clients. The extent of enhanced performance will vary with the level of equity or economic dilution involved in schemes.).</p>	<p>A remuneration committee of independent non-executive directors is best placed to decide executive remuneration on behalf of the board. Actual and potential awards should not be excessive and should be directly related to the success of the company and aligned over time to the returns achieved by shareholders. Hermes encourages companies to put the board’s remuneration report to a vote at the AGM . (1.4)</p> <p>Performance-related remuneration is the principle means by which executive directors are motivated to achieve greater shareholder value and are rewarded for doing so. (App. I.1.1)</p> <p>Performance-related remuneration should be aligned over time with returns earned by shareholders. (App. I.1.3)</p> <p>Incentive schemes should be designed to reward exceptional performance. Awards should be scaled. . . . No award should be made where targets are not met. (App. I.3.1)</p> <p>Remuneration committees should explain proposed schemes clearly to shareholders, justifying the structure of the scheme and the relevance of the performance criteria chosen. . . . The link between company performance and executive reward should be clear. (App. I.3.4)</p> <p>In Hermes’ view, schemes based on the grant of shares are preferable to many share option schemes. (App. I.4.2)</p>	<p>Most companies justify their remuneration policy in the general terms of the need to ‘attract, retain and motivate’ executives. However, companies have different circumstances, structures and outlooks. Their policies should reflect this. Financial rewards need to be seen in the context of . . . other terms and conditions, the company’s culture and its aims and objectives. Care should be taken that rewards are not overgenerous and out of line with returns received by shareholders and the benefits received by other stakeholders, including employees. (Part 3: Directors’ Remuneration, p. 8)</p> <p><i>See</i> Part 3: Directors’ Remuneration, p. 8 (When considering pay policy, remuneration committees will be held accountable for breaches of best practice on remuneration issues or failure to seek shareholder authorization.).</p> <p><i>See also</i> Topic Heading 15, Board Compensation Review, <i>above</i>.</p>

CalPERS Core Principles & Guidelines (U.S.A.)	CII Core Policies, Principles, Positions (U.S.A.)	TIAA-CREF Policy Statement (U.S.A.)	AFL-CIO Voting Guidelines (U.S.A.)
K. Executive Compensation			
<p>The independent directors establish performance criteria and compensation incentives for the CEO, and regularly review the CEO's performance against those criteria. The independent directors have access to advisers on this subject, who are independent of management. Minimally, the criteria ensure that the CEO's interests are aligned with the long-term interests of shareowners, that the CEO is evaluated against comparable peer groups, and that a significant portion of the CEO's total compensation is at risk. (Core Principle B.4)</p>	<p>Annual approval of at least a majority of a corporation's independent directors should be required for the CEO's compensation, including any bonus, severance, equity-based and/or extraordinary payment. (General Principle D.1)</p> <p>Boards should award chief executive officers no more than one form of equity-based compensation. (General Principle D.4)</p> <p>Unless submitted to shareholders for approval, no "underwater" options should be repriced or replaced, and no discount options should be awarded. (General Principle D.5)</p> <p>Pay for directors and managers should be indexed to peer or market groups, absent unusual and specified reasons for not doing so. Boards should consider options with forward contracts to align managers' interests with shareholders. (Position D.1)</p>	<p>With shareholders' interest and fairness in mind, TIAA-CREF has developed these five principles of compensation governance. . . .</p> <p>Alignment of the rewards of employees . . . with those of the shareholders is at the core of the long-term performance of the corporation. Compensation programs play the critical role in this alignment . . . with well-designed salary, bonus and stock programs. . . .</p> <p>Cash pay – salaries and incentive plans – is traditionally the largest element of compensation for all except the most senior executives, and an important part of the total compensation of all employees. . . .</p> <p>Stock-based compensation plans also can be a critical element of compensation programs, and can provide the greatest opportunity for the creation of wealth for the managers whose efforts contribute to the creation of wealth for shareholders. . . .</p> <p>Soft elements of executive compensation programs – pension plans, supplemental executive retirement plans (SERPs), perquisites, and the like – should be reasonable and fair. . . .</p> <p>The company's executive compensation program should be under the direction and oversight of a committee of the board of directors consisting of independent directors. (pp. 9-10)</p> <p><i>See generally</i> pp. 7-10 (Five Fundamental Principles of Compensation Governance) and Appendix, pp. 17-27 (Executive Compensation Program Guidelines).</p>	<p>The trustees support compensation plans that provide challenging performance objectives and serve to motivate executives to excellent performance. However, the trustees generally do not support executive compensation plans that exceed the requirement necessary to attract and retain qualified and skilled managers, that adversely affect shareholders, that are excessively generous, that lack clear and challenging performance goals or that adversely affect employee productivity and morale. (p. 9)</p> <p>Proposals that link executive compensation to the company's achievement of goals that improve the long-term performance of the company should be supported by the voting fiduciary. (p. 10)</p> <p>The voting fiduciary generally should oppose management proposals to award golden parachutes and should support shareholder proposals to eliminate them. (p. 10)</p> <p><i>For a list of factors to be applied when evaluating proposed executive compensation plans, see pp. 9-10.</i></p>

APPENDIX

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