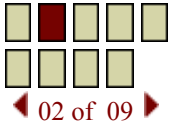




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A. Strategic Objective

What is CalPERS?

The California Public Employees' Retirement System (CalPERS) is the largest American public pension fund, with over US \$155 billion in assets at the end of 1999. First and foremost, CalPERS is a trust fund whose beneficiaries are over one million hardworking public servants of California and their families. The trust that is charged to CalPERS 13-member Board of Administration to uphold is to ensure that after a long and productive career, CalPERS members can be assured that their retirement benefits will be paid. The CalPERS Board's secondary duty is to minimize the cost to California's public employers (and thus to California's taxpayers) of providing these benefits. The Board accomplishes both tasks by maximizing the return on trust fund investments. It is from this perspective that CalPERS approaches the issue of corporate governance, both in the United States and in foreign markets abroad. It is for this reason that CalPERS Board is committed to pursuing good corporate governance from the companies in which the fund invests.

Why does CalPERS care about Corporate Governance?

The Board's pursuit of good corporate governance stems from the fund's experience in the U.S., as well as simple common sense. In the U.S., the Board found that actively exercising one's ownership interests makes corporate management more accountable and focused on performance issues. More focused management results in increased returns on investments. According to a 1996 study of CalPERS U.S. governance activities, these activities have generated \$150 million in additional returns.

Is Corporate Governance really just somebody's social agenda?

At CalPERS, corporate governance is about making money, not changing the political or social environment. While CalPERS recognizes the right of other investors to pursue their own issues, the CalPERS Board has strictly limited the fund's activities to issues that have a demonstrable impact on financial returns.

What is "Corporate Governance"?

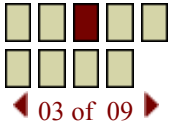
"Corporate Governance" refers to the "relationship among various participants in determining the direction and performance of corporations. The primary participants are (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the board of directors."^[1]

i Monks, Robert A.G. and Nell Minow, Corporate Governance (Blackwell Publishers, Cambridge MA 1995), p. 1.



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B. Global Principles

The California Public Employees' Retirement System, under the leadership of its Board of Administration, has been an active and vocal participant in the global corporate governance dialogue since 1996. In this effort, CalPERS has sought to share its experiences as an active shareowner in the United States, while also recognizing and respecting the different market conditions that exist throughout the world. With the goal of encouraging a continual debate on best governance practices globally, in 1997 CalPERS' Board adopted a set of "Global Governance Principles."

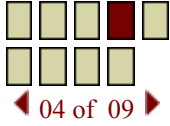
Since that date, many other investors and organizations have considered their own governance standards. CalPERS respects the work of others and recognizes the evolution of practices that these works represent. CalPERS' Board believes that the global governance dialogue will now be most advanced through the coalescence of thought around a single set of standards. To this end, CalPERS embraces and adopts as its own the attached Statement of Global Corporate Governance Principles, as adopted in July 1999 by the International Corporate Governance Network.^[1]

1. In adopting the ICGN Statement, CalPERS embraces the document in its entirety. However, because CalPERS also has a policy position favoring the term, "shareowner" over "shareholder," the attached document has been revised solely to reflect this distinction.



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B. Global Principles

1. Introduction

ICGN Statement on Global Corporate Governance Principles Adopted July 9, 1999 at the Annual Conference in Frankfurt

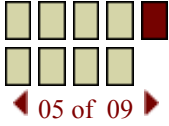
The International Corporate Governance Network (ICGN), founded in 1995 at the instigation of major institutional investors, represents investors, companies, financial intermediaries, academics and other parties interested in the development of global corporate governance practices. Its objective is to facilitate international dialogue on the issues concerned. Through this process, the ICGN holds, companies can compete more effectively and economies can best prosper. The organization's charter empowers it to adopt guidelines when it feels they can contribute to achieving this objective.

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B. Global Principles

2. Statement on the OECD Principles

In May 1999 ministers representing the 29 governments which comprise the Organisation for Economic Co-operation and Development (OECD) voted unanimously to endorse the OECD Principles of Corporate Governance. These principles were negotiated over the course of a year in consultation with key players in the market, including the ICGN. They constitute the chief response by governments to the G-7 Summit Leaders' recognition of corporate governance as an important pillar in the architecture of the 21st century global economy. The Principles were welcomed by the G7 leaders at the Cologne summit in June 1999 and are likely to act as signposts for activity in this area by the International Monetary Fund, the World Bank, the United Nations and other international organizations.

The ICGN applauds the OECD Principles as a declaration of minimum acceptable standards for companies and investors around the world. Much of the document reflects perspectives promoted by ICGN representatives serving on the OECD's Ad Hoc Task Force on Corporate Governance, relying on the draft principles under discussion at the ICGN. The ICGN welcomes the OECD Principles as a remarkable convergence on corporate governance common ground among diverse interests, practices and cultures.

The ICGN affirms-with the OECD Principles-that along with traditional financial criteria, the governance profile of a corporation is now an essential factor that investors take into consideration when deciding how to allocate their investment capital. The Principles highlight elements that ICGN investing members already take into account when making asset allocation and investment decisions.

While the ICGN considers the OECD Principles the necessary bedrock of good corporate governance, it holds that amplifications are required to give them sufficient force. In particular, the ICGN believes that companies around the world deserve clear, concrete guidance on how the OECD Principles can best be implemented. Practical guidance can help boards meet real-world expectations so that they may operate most efficiently and, in particular, compete for scarce investment capital effectively. The ICGN contends that if investors and managers succeed in establishing productive communication on issues, they will have enhanced prospects for economic prosperity, fuller employment, better wages, and greater shareowner wealth.

The ICGN therefore advocates that companies adopt the OECD Principles as amplified in the attached statements. First, to offer

more concise guidance, the ICGN distills the most significant points in its statement on the OECD Principles into a short-form roster of corporate governance tenets-a "Working Kit"-that reflects the viewpoints of ICGN members. Then the ICGN statement amplifying the OECD Principles tracks that document's format, underscoring or interpreting as appropriate.

It is the ICGN's view that it is in companies' best interests to adhere to these recommendations even in the absence of any domestic legal requirements for their implementation.

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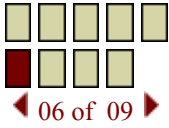
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3. ICGN Approach to the OECD Principles

A 'Working Kit' Statement of Corporate Governance Criteria

CORPORATE OBJECTIVE

The overriding objective of the corporation should be to optimize over time the returns to its shareowners. Where other considerations affect this objective, they should be clearly stated and disclosed. To achieve this objective, the corporation should endeavor to ensure the long-term viability of its business, and to manage effectively its relationships with stakeholders.

COMMUNICATIONS AND REPORTING

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.

VOTING RIGHTS

Corporations' ordinary shares should feature one vote for each share. Corporations should act to ensure the owners' rights to vote. Fiduciary investors have a responsibility to vote. Regulators and law should facilitate voting rights and timely disclosure of the levels of voting.

CORPORATE BOARDS

The board of directors, or supervisory board, as an entity, and each of its members, as an individual, is a fiduciary for all shareowners, and should be accountable to the shareowner body as a whole. Each member should stand for election on a regular basis.

Corporations should disclose upon appointment to the board and thereafter in each annual report or proxy statement information on the identities, core competencies, professional or other backgrounds, factors affecting independence, and overall qualifications of board members and nominees so as to enable investors to weigh the value they add to the company. Information on the appointment procedure should also be disclosed annually.

Boards should include a sufficient number of independent non-executive members with appropriate competencies. Responsibilities should include monitoring and contributing effectively to the strategy and performance of management,

staffing key committees of the board, and influencing the conduct of the board as a whole. Accordingly, independent non-executives should comprise no fewer than three members and as much as a substantial majority.

Audit, remuneration and nomination board committees should be composed wholly or predominantly of independent non-executives.

CORPORATE REMUNERATION POLICIES

Remuneration of corporate directors or supervisory board members and key executives should be aligned with the interests of shareowners.

Corporations should disclose in each annual report or proxy statement the board's policies on remuneration-and, preferably, the remuneration break up of individual board members and top executives-so that investors can judge whether corporate pay policies and practices meet that standard.

Broad-based employee share ownership plans or other profit-sharing programs are effective market mechanisms that promote employee participation.

STRATEGIC FOCUS

Major strategic modifications to the core business(es) of a corporation should not be made without prior shareowner 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 shareowners should not be made without prior shareowner approval of the proposed change.

Shareowners should be given sufficient information about any such proposal, sufficiently early, to allow them to make an informed judgment and exercise their voting rights.

OPERATING PERFORMANCE

Corporate governance practices should focus board attention on optimizing over time the company's operating performance. In particular, the company should strive to excel in specific sector peer group comparisons.

SHAREOWNER RETURNS Corporate governance practices should also focus board attention on optimizing over time the returns to shareowners. In particular, the company should strive to excel in comparison with the specific equity sector peer group benchmark.

CORPORATE CITIZENSHIP

Corporations should adhere to all applicable laws of the jurisdictions in which they operate.

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, for example workplace and environmental matters.

CORPORATE GOVERNANCE IMPLEMENTATION

Where codes of best corporate governance practice exist, they should be applied pragmatically. Where they do not yet exist, investors and others should endeavor to develop them.

Corporate governance issues between shareowners, 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. Where those means fail, more forceful actions should be possible. For instance, investors should have the right to sponsor resolutions or convene extraordinary meetings.

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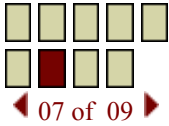
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4. OECD Principles as Amplified

Preamble

The ICGN affirms that, to be effective, corporate governance practices should focus board attention on optimizing over time the returns to shareowners with a view to excel in comparison with the company's equity sector peer group. To achieve this objective, the board is expected to manage successfully its relationships with other stakeholders, i.e. 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.

a. **The Rights of Shareowners**

Overall Strategy. Major strategic modifications to the core business(es) of a corporation should not be made without prior shareowner 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 shareowners should not be made without prior shareowner approval of the proposed change. Shareowners should be given sufficient information about any such proposal, sufficiently early, to allow them to make an informed judgment and exercise their voting rights.

Access to the Vote. The right and opportunity to vote at shareowner 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 Principle, adopted at the July 10, 1998 annual meeting in San Francisco. In particular, the ICGN supports initiatives to expand voting options to include the secure use of telecommunication and other electronic channels.

Disclosing Results. The ICGN underlines both the OECD assertion that "equal effect should be given to votes whether cast in person or in absentia" 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." To implement this recommendation, the ICGN believes that corporations should disclose voting levels for each resolution in a timely manner.

Unequal Voting. The ICGN affirms that divergence from a 'one-share, one-vote' standard which gives

certain shareowners power disproportionate to their equity ownership is undesirable. Any such divergence should be both disclosed and justified.

Duty to Vote. The ICGN believes that institutional investors have a fiduciary obligation to vote their shares, subject to considerations of excessive cost and obstacles.

b. The Equitable Treatment of Shareowners

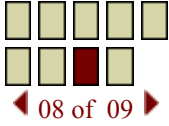
One-Share, One-Vote. The ICGN affirms the OECD's recognition that many institutional investors and shareowner associations support ... the concept of 'one-share, one-vote.'" The ICGN holds that national capital markets can grow best over the long-term if they move toward the 'one-share, one-vote' principle. Conversely, capital markets that retain inequities are likely to be disadvantaged compared with markets that embrace fair voting procedures.

Protections. As the OECD declares, boards should treat all the corporation's shareowners equitably and should ensure that the rights of all investors, "including minority and foreign shareholders," are protected.



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4. OECD Principles as Amplified

c. **The Role of Stakeholders in Corporate Governance**

Board Member Duties. The ICGN is of the view that the board should be accountable to shareowners 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.

Stakeholder Participation. The ICGN affirms that performance-enhancing mechanisms promote employee participation and align shareowner and stakeholder interests. These include broad-based employee share ownership plans or other profit-sharing programs.

d. **Disclosure and Transparency**

Objective. 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.

Ownership and Voting Rights. In addition to financial and operating results, company objectives, risk factors, stakeholder issues and governance structures, the information enumerated in the OECD Annotations is needed. These are "data on major shareholders and others that control or may control the company, including information on special voting rights, shareholder agreements, the beneficial ownership of controlling or large blocks of shares, significant cross-shareholding relationships and cross-guarantees" as well as information on differential voting rights and related party transactions.

Board Member Information. 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.

Remuneration. Remuneration of corporate directors or supervisory board members and key executives should be aligned with the interests of shareowners. 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 it can be judged whether corporate pay policies and practices meet that standard.

Audit. 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.

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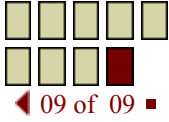
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4. OECD Principles as Amplified

e. **The Responsibilities of the Board**

The ICGN agrees with the OECD's enumeration of board duties and responsibilities.

Independent Board Members. It endorses the 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 take the following steps. First, it 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 shareowners, and should be accountable to the shareowner body as a whole. Each elected member should stand for election on a regular basis. Second, each 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, staffing key committees of the board, and influencing the conduct of the board as a whole. Accordingly, independent non-executives should comprise no fewer than three members and as much as a substantial majority.

Independent Committees. 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.

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