

International Corporate Governance Network

exchanging corporate governance information internationally
raising corporate governance standards throughout the world



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Founding of the ICGN

“Would the meeting please come to order.”

It was 8:45 am on March 29 1995, and Bill Crist was looking around the Riverview conference room at the Watergate Hotel, a modern complex curled along Washington, DC’s Potomac River. Some 49 people—nearly all strangers to each other—had assembled around a table and on chairs against the walls.

The six-hour meeting would prove a tipping point.



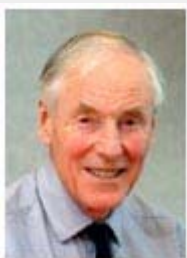
It would not only inaugurate a new organization, but begin an era of increasingly routine communication among institutional investors with trillions of dollars on issues of corporate governance. For now, though, this was an exploratory session. Crist, President of California’s big CalPERS civil service retirement system, was serving as moderator, and his first order of business was to see if the delegates before him, most from big global funds, could find enough common ground to select a name for a proposed new enterprise.



The Watergate meeting was the culmination of parallel trends—and work by individual proponents—in the ten countries represented in the room. By 1995, US public pension funds had experienced a decade of shareowner activism. They had established their own collective body in the Council of Institutional Investors (CII). More than a year earlier, in 1993, executive director Sarah Teslik had asked staffer Matthew Aiello to approach all those who were involved in corporate governance outside the US. His mission was to test whether an appetite existed for global collaboration. Teslik had responded to Crist (*left*), who had been pressing to find global means to amplify the voice of CalPERS and other funds.

Innovation and exchange of ideas across borders

The new focus on investor activism was inspired by a pioneering project on institutional investment at Columbia University led by Weil, Gotshal & Manges LLP senior partner Ira Millstein (*right*). Likewise Millstein’s path-breaking work in the corporate sector with GM and other major US corporations, as well as the Business Roundtable, laid the foundations for the first national code developed by Sir Adrian Cadbury. Millstein, one of the most prominent corporate governance advocates, would soon chair the Business Sector Advisory Group, producing crucial groundwork for the Organisation for Economic Co-operation and Development (OECD) global principles of corporate governance.



Corporate governance was indeed a live issue elsewhere. In the UK, the Robert Maxwell scandal had given rise to Sir Adrian Cadbury’s (*left*) broad-based committee, and a pace-setting corporate governance code. Richard Regan at the Association of British Insurers (ABI) and Geoff Lindey at the National Association of Pension Funds (NAPF) had been fully involved in such work. Through the 1990s, Cadbury and successor codes would result in sweeping change in the way British corporations were run. Now Regan and Lindey were at the Watergate. Cadbury and Millstein, with Professor Hasung Jang were to be recognised for their worldwide leadership when they received the [inaugural ICGN corporate governance award in 2001](#).

Months before Cadbury, Ann Fitzgerald’s Irish Association of Investment Managers had crafted its own similar code. Swiss investor André Baladi had begun promoting international collaboration on corporate governance. The Pension Investment Association of Canada (PIAC) had produced corporate governance standards in 1993 under its director, Keith Douglas (*right*). French employers were on the eve of issuing their own set of governance principles developed by Marc Viénot’s committee while AFG, the trade association of French asset managers, was assembling a corporate governance committee which would later

publish the 'Hellebuyck code.'



Ian Matheson, executive director of the Australian Investment Managers' Association was writing the group's Blue Book governance guidelines with Corporate Governance International's **Sandy Easterbrook** (*left*). He was fresh from battles with News Corp., which had attempted to create unequal share voting rights.

In South Africa, **Mervyn King's** (*right*) panel would shortly produce its own historic contribution, melding governance with corporate social responsibility. In Japan, the Corporate Governance Forum, founded in 1993, was beginning work on its first code of best practices, issued in 1997. Brazil's **Bengt Hallqvist** was about to launch the Instituto Brasileiro de Governança Corporativa, the first body in Latin America dedicated to corporate governance. **Hasung Jang** was building PSPD's Participatory Economic Committee as a force for shareowner advocacy in Korea. Meanwhile, Italy's Assogestioni, the fund management association, and Sweden's Aktiespararna, the investor group, were looking for international help as they expanded shareowner voices in their markets. And **Mats Isaksson**, **Rolf Skog** and others had founded Sweden's Corporate Governance Forum in December 1994.



Many of these organizations were now represented in the Riverview Room. But until then few had been in regular touch with each other, or known much of each others' progress.

The beginnings of shareholder activism



Only two services routinely monitored cross-border corporate governance for funds with international portfolios. In 1988, **Stephen Davis** had written a seminal book comparing corporate governance and shareowner activism in major markets, and had founded a consortium of institutional investors to sponsor first-ever global coverage at the Investor Responsibility Research Center (IRRC). **Howard Sherman** had followed three years later by establishing a similar unit at Institutional Shareholder Services (ISS), headed by governance architect **Robert A.G. Monks** (*left*), widely regarded as a pioneer of shareholder activism and **Nell Minow**.

Services covering shareowner activism such as **Easterbook's** had arisen, too, in several countries, and they were assembled that spring morning in Washington. PIRC, co-managed by **Alan MacDougall** and **Anne Simpson** (*right*), later ICGN's first executive director, had spearheaded governance and social responsibility screening of UK companies. **Pierre-Henri Leroy** had founded Proxinvest, based in Paris, a few years earlier. **Sophie L'Hélias**, also in Paris, was representing institutional investors on corporate governance. So was **Dario Trevisan**, from a law firm in Milan.



Innovators at all these institutions had come to recognize that international cooperation could accelerate progress they could make at the national level. But drawing together the ICGN's founding 49 for a March breakfast in Washington would take not only the opportune convergence of institutional interests, but dogged behind-the-scenes work from key dedicated individuals.



André Baladi (*left*), for one, had long crusaded for the creation of a global body to advance corporate governance reform. He had founded the International Shareholder Defence Association in Geneva in 1989. **Baladi** developed the concept further through visits to CalPERS, IRRC, ISS, the New York City pension funds and TIAA-CREF in the US, as well as to both ABI and NAPF in the UK. He delivered speeches on the subject on both sides of the Atlantic, including at the CII's spring 1990 meeting and at The Economist's December 5-6 1991 International Corporate Governance Conference in London.

In 1993, when Council of Institutional Investors' staffer **Aiello** started to explore prospects for global cooperation, he contacted **Stephen Davis** (*right*) at IRRC. Along with **Baladi** and ISS's **Sherman**, **Davis** was one of the few who already knew most of the emerging international players in corporate governance. The two met for lunch at Washington's Tabard Restaurant on October 14, where **Davis** proposed a plan for a global equivalent of the CII and provided names of prospective investor co-founders. **Aiello** returned to

Teslik and Crist with a memorandum outlining the idea.



Seeing a path forward, Crist conducted several conference calls in the months before Washington with Douglas, Fitzgerald, Lindey, Matheson (left) and Regan. That informal steering group gave Aiello a mandate to assemble a meeting to found what the CII had tentatively dubbed the ‘International Corporate Governance Organization.’

The 49 delegates sitting around the Riverview Room did not know precisely what to expect from the session. “I thought there was a need, and that the people in the room would figure it out,” recalls Lukomnik (right). But there was “a general sense of optimism that this was a very worthwhile and important effort,” Howard Sherman remembers. “It was also a treat to be around so many like-minded people. While corporate governance today is accepted as an important component of the investment process by a growing number of market participants, it was still very much in the vanguard in 1995.”



The turning point



Crist’s first agenda item—to agree on a name for a new collaborative body—proved a proxy for how far group members then felt prepared to go. The new body would be principally designed to share information, most asserted, not to set joint international principles. So participants rejected the word ‘organization’ as too ambitious. ‘Federation’ was considered. So was ‘council’ and ‘forum.’ Finally, following an epic two-hour discussion, Pierre-Henri Leroy (left) of Proxinvest suggested International Corporate Governance Network, and delegates voted 19 to 10 in favour, with the rest abstaining. The ICGN was born.

“We may not have known then what it would lead to,” recalls IRRC (later Hermes) governance expert Corinna Arnold, “but never again would governance be seen from a purely parochial perspective. That was a true turning point.”

Wary of handing any one existing organization controlling influence over the group, speakers found consensus that administrative responsibilities should be shared, with only token costs assessed to members. They named Douglas and Regan the first co-chairs, asked PIAC to maintain a common member list and a roster of governance documents, and tapped UK colleagues to host the next annual meeting in London.



Arriving back home in California, Crist hand-designed interim stationery with clipart from his Macintosh computer, and used it to nominate a small coordinating committee to plan the London event, set for June 1996. He selected CalPERS board member Robert Carlson, Ian Court of Australia’s Conference of Major Superannuation Funds, Douglas, Lindey, Birgit Malmsten-Skytt of Aktiespararna, Matheson, Regan and John Richardson of the Laborer’s International Union of North America. Crist, with Aiello at the CII and Regan’s staff at the ABI, handled much of the preparatory work, all without charge. The ABI, in fact, absorbed all ICGN administrative costs without charge until May 2000, when the Institute of Chartered Secretaries and Administrators was appointed as paid secretariat. But it was not until the 1997 annual meeting in Paris, hosted by the SBF Paris Bourse, that members adopted procedures for an elected board.

That first Board of Governors comprised Crist, Douglas, Marvin Hrubes of the United Food & Commercial Workers Union, Kim Johnson of the Colorado Public Employees’ Retirement System, Malmsten-Skytt, Matheson and Regan. Hrubes, one of the most influential architects of the ICGN, died in 2002.

Developing the Founding Principles

The ICGN’s appetite for acting as something much more than an information-sharing network swelled far more quickly than members at the Watergate Hotel might have predicted when the majority emphatically rejected playing a collective role as standard-setter. Founding Principles drafted by Keith Douglas, which members provisionally adopted on June 26 1996 at London’s Mount Royal Hotel,

authorized the ICGN to engage in “the development of corporate governance guidelines.” And, just one year later, delegates at the George V Hotel in Paris agreed to generate standards of best practice in share voting and governance in general. The Cross-Border Voting Committee, first chaired by Davis, by then at Davis Global Advisors, and Regan, produced a text adopted at the 1998 annual meeting in San Francisco. Baladi and Lukomnik chaired the Working Group on Global Corporate Governance Principles.



With help from Caroline Phillips of the Institute of Chartered Secretaries and Administrators, later head of the ICGN Secretariat, Leo Goldschmidt of EASD and Davis, it produced breakthrough global governance guidelines adopted at the 1999 meeting in Frankfurt. These achievements came under the chairmanship of TIAA-CREF’s Peter Clapman (left), who succeeded co-chairs Regan and Douglas. Still later, Alastair Ross Goobey, former chief executive of Hermes, chaired a taskforce focusing on principles of executive remuneration before taking over the chair from Clapman.

Networking through the annual conference

Though the ICGN evolved rapidly as an advocate of best practices, the group’s central identity in early years was as the convener of the world’s most international annual conference on corporate governance. Attendees relied on the event to connect with others in the new field, to exchange ideas, do business, and strengthen ties born of common pressures, obstacles and gains. ICGN meeting spawned various associations to institutionalise cross-border cooperation among funds.



Nell Minow (left) volunteered services of The Corporate Library to establish an early internet presence for the ICGN so that conference and working documents could be accessed worldwide. But the conferences themselves absorbed enormous volunteer time, effort and resources from paid-up members and an extended family of ICGN supporters. André Baladi was instrumental in identifying sites for the conferences, and persuaded stock exchanges—initially the SBF Paris Bourse and Deutsche Börse—to host ICGN events. These acts set a pattern of ICGN partnership with stock exchanges as sponsors.

From the Network’s earliest days, two objectives animated all planning. First, program committees selected topics and speakers to draw the widest possible geographic representation and ICGN membership—particularly as governance reform spread throughout the world. Second, both the annual event and the growing between-conferences work program stressed the ICGN’s primal mission of protecting the rights of shareowners in corporate governance around the world “so that economies can best prosper,” as the 1999 ICGN Principles statement put it.

An enduring legacy

The ICGN’s perseverance is due in large measure to the core of global funds and other financial institutions—representing more than \$15 trillion in assets on the 10th anniversary of the founding meeting—that sustain it. The organization is also the legacy of many individuals—those working in civil service funds, trade unions, professional associations, as private investors, service providers or corporate officials—who have devoted untold energy to its success in the decade following Crist’s March 29 1995 call to order in Washington. “The Network owes its existence to many dedicated individuals,” sums up chairman Alastair Ross Goobey (right). “As always, success has a thousand fathers, but I am confident that this narrative accurately reflects the various contributions made, for which we, following in the wake of the pioneers, will remain eternally grateful.”

