



ICGN

International Corporate Governance Network
Inspiring good governance & stewardship

**ICGN 2022 Proxy Season Review
Opening Remarks from Kerrie Waring, CEO, ICGN
16 November 2022**

Welcome to ICGN's Proxy Season Round-up to consider annual voting trends and anticipate what's on the horizon. We are grateful for the support from our many speakers, sponsors, and partners and indeed to you all for joining us.

We have a full day ahead but before that, I would like to share with you my own highlights of 2022 and tell you what's coming up:

So, we commenced the year reeling from Russia's invasion of Ukraine and published a strong statement condemning this as an unjustified attack on a democratic sovereign nation and an affront to international law. It is an unwelcome reminder that geopolitics contribute to systemic risk as threats to global economies and financial stability. This was followed by an ICGN Viewpoint on anti-money laundering supporting government-led sanctions to freeze Oligarch assets.

In March, our Virtual Forum focused on the harmonization of corporate sustainability reporting standards – a theme which has dominated our public commentary. We have responded to 22 public consultations this year in 11 markets - 9 of which relate to this subject. We welcome a global baseline to facilitate consistent and comparable disclosure backed by regulation and enforcement. This will enable informed investment decision-making while at the same time reduce the reporting burden for companies. The challenge is to avoid regulatory fragmentation, while at the same time respecting subtle national differences in approach.

In June we launched the revised Model Mandate, first published by ICGN in 2012 and updated in partnership with the UN supported Global Investors for Sustainable Development Alliance. The Mandate offers guidance to asset owners on how to incorporate the UN Sustainable Development Goals and stewardship more generally in investment management agreements.

Last month, we were so happy to convene Members in person in Tokyo and Seoul. We launched governance priorities for each market with a focus on capital allocation, remuneration disclosure, board independence, and minority shareholder protections. We also convened company engagement meetings and met with regulators to advocate the interests of ICGN Members.

Ahead of COP 27, we published an ICGN Viewpoint on the need for a just transition towards a decarbonized global energy system to support those negatively impacted. We also updated our Statement on Climate Change Responsibilities spelling out priorities for investors, companies, auditors, and Governments.

This month, the European Corporate Sustainability Reporting Directive was approved by the Commission and Parliament. Introduced in April last year, it replaces the EU Non-

financial Business Reporting Directive and aims to improve sustainability related corporate disclosure across Europe.

Importantly the ICGN Global Governance Principles are referenced alongside the G20/OECD Principles, as authoritative global frameworks of governance information of most relevance to users. So, it will be interesting to see how EFRAG will transpose this into standards, mandatory for over 50,000 EU companies from January 2024.

So, what's in store for 2023:

In January, any investor that markets financial products in the EU must report in accordance with the Sustainable Finance Disclosure Regulations. This aims to standardize terminology for sustainable investment products and reduce greenwashing. SFDR requires investors to disclose how sustainability related risks are incorporated in investment decision-making and their due diligence around any adverse sustainability impacts resulting from portfolio companies - including the degree to which 'good governance practices' are followed.

In March, AP2 in Sweden is kindly hosting ICGN for our first event of the year which will update on these developments, introduce unique aspects of Nordic corporate governance, and consider latest Stewardship Codes, noting the South African Code for Responsible Investors was updated this year and new Codes have been introduced in New Zealand and Spain.

In June, we expect the revised G20/OECD Principles to be published. I will present ICGN's response to the OECD next week in Paris. We applaud the new principle on sustainability and resilience, new reference to digital technology, stronger reference to governance of company groups, overhaul of risk management policies and procedures, establishing independent audit regulators – and much more. You can read our response on the ICGN website.

Many of these issues will be addressed at ICGN's Annual Conference being held in June in Toronto, kindly hosted by the Ontario Teachers' Pension Plan. More broadly in North America, you should read Matteo Tonello's excellent appraisal of voting trends in the US on the Harvard Law School Forum on Corporate Governance confirming continued increase in shareholder proposals related to corporate sustainability policies, racial equity audits, corporate political activity, climate related disclosure and so on.

But as we say goodbye to 2022 and wade into the New-Year we should pause to remember all those we have lost – many sadly due to the Covid pandemic. This has led to renewed vigour towards the importance of the 'S' in ESG, enhancing company engagement around issues such as diversity, equity, and inclusion, income disparities, human rights, and health equality.

We are certainly living in extraordinary times and now face a market downturn, fuelled by rising inflation and weakening economic growth. Long held political bonds are fracturing as Russia's war against Ukraine continues, US – China tensions remain, and the latent impacts of Brexit are felt.

Our interdependent global economy is unwinding as cross-border relationships dissolve, supply chains localise, and food and energy shortages impact us all, particularly the most vulnerable in society.

But where politics fail, markets prevail.

Companies are enhancing their ability to manage efficiencies, mitigate risk, and ensure resilience while at the same time managing the effects of climate change and other systemic shifts.

Investors too face increased regulatory scrutiny to act as gatekeepers of good governance by exercising their fiduciary responsibilities to hold companies to account often through voting power – the subject of today's event.

Ultimately, as professionals in positions of influence it is incumbent on all of us to uphold and implement the highest standards of good governance, stewardship, reporting, and auditing to help preserve and enhance long term corporate value upon which sustainable economies, societies, and the environment rely.

It is a team effort and one which is achieved more successfully together, than in isolation. The activities I have mentioned today are part of that effort and we look forward to continued collaboration with you all as we share this end goal.

ENDS.