ICGN Annual General Meeting  
23rd September 2020, 1400 – 1700 hrs (BST) 
Held by virtual conferencing

From: Kerrie Waring, CEO, ICGN
Re: ICGN Membership Subscription Reform
Status: ORDINARY RESOLUTION for approval by ICGN Members requiring 50% + 1 vote affirmation

Main Considerations

- Last year, the ICGN Board established a Strategy Review Group with a remit to review ICGN’s membership value proposition and underlying fee structure as ICGN celebrates a 25-year anniversary. In January, ICGN Members were consulted on ICGN’s strategic direction which helped inform a series of newly proposed benefits.

- In parallel to the work undertaken by the Strategy Review Group, earlier this year, the ICGN Board established a Crisis Committee to support the CEO in managing the risks brought about by the Covid-19 pandemic. This committee provided guidance on ICGN’s financial health and solvency as we navigate short and longer-term priorities.

- The ICGN Secretariat also conducted a comprehensive review of governance-focused peer organisations around the world. This provided information around how ICGN benefits and subscription fees compare with other membership bodies.

- Based on this research and guidance from the Strategy Review Group and Crisis Committee, we consulted widely with ICGN Members about the newly proposed membership benefits and fee structure. In May, the CEO engaged directly with over 80 individuals to receive feedback and, in June, a public consultation was issued, and 17 responses were received. The consultation invited comment on the proposed new benefits, membership categories and fee level increases.

- The majority of responses supported the new membership benefits and proposed membership fee levels as described in the Member Consultation paper. The ICGN Board therefore now submits this proposal for ICGN Member approval at the Annual General Meeting, 2020.

ICGN Member Action

To consider approval of the Ordinary Resolution to increase the level of ICGN membership subscription and the report from the CEO provided as Annex 1.
Annex 1.

ICGN Membership Subscription Reform

1. Introduction

This year, ICGN celebrates 25 years as a leading global voice for the highest standards of corporate governance and investor stewardship. Today, our membership includes investors representing assets of USD 54 trillion and many of the world’s most prominent companies and stakeholders across the investment chain.

Led by ICGN Members, our mission and work programme is international in scope and governance focused. Our advocacy efforts to promote high standards of governance for sustainable valuable creation is evident in our regulatory submissions, while our Global Principles provide a benchmark for investor voting policies and company engagement worldwide. Our policy work is annually refined, debated, discussed and agreed at ICGN conferences around the world providing opportunities for ICGN Members and others to network, share knowledge, build lasting relationships and deliver impact.

Regrettably, ICGN’s mission is under threat brought about by the effects of the Covid-19 pandemic which is impacting all our lives. ICGN events planned for Seoul, Stockholm, London and Toronto have been cancelled this year. Uncertainty is set to carry into 2021. We anticipate that Government measures to contain Covid-19, such as travel quarantines, will reduce ICGN’s ability to deliver events in person. This is likely to be compounded by a general reluctance from people themselves to travel internationally due to concerns around the virus and budget restrictions.

We now face one of the biggest challenges in ICGN’s 25-year history. Our revenue model relies on conference income as a primary source of funding; conference sponsorship and fees account for around 70% of overall revenue, while membership subscriptions contribute just 30%. ICGN’s 2020 year-end financial position will result in a substantial financial loss, an experience which is set to replicate in 2021 and beyond. Two-thirds of ICGN’s reserves will be depleted and, unless immediate action is taken to enhance non-conference related revenue, we will face difficult decisions within 18 months.

ICGN’s over-reliance on conference revenue has long been recognized as a strategic priority in ICGN’s Risk Register and over the years we have taken steps to address the imbalance. In 2012, the fee structure was over-hauled and new categories were introduced to differentiate between investor and non-investors on a sliding scale basis. In 2017, the fee level applied to ‘for-profit-non-investors’ was increased to align with the investor categories which was introduced over a three-year period, concluding in 2020.

This year, the Covid-19 pandemic has caused us to review again the level of ICGN subscription fees in terms of the value that membership provides as well as the costs associated with delivering our work programme. The ICGN subscription price is disproportionately low in comparison to many peer organizations which charge higher fees to prioritize membership revenue as the primary source of funding. A strategic priority for ICGN is to ensure ICGN’s financial stability by emulating this model and inverting the balance of our revenue reliance so that membership revenue in the future will contribute 70%, and conference revenue provides 30%. This paper therefore sets out a clear rationale for membership fee reform, effective from 01 January 2021, subject to approval from ICGN Members at our forthcoming AGM.
2. Prioritizing ICGN’s solvency

We appreciate that most companies around the world are facing a difficult period. The primary objective for increasing ICGN membership fees is to safeguard ICGN’s financial health and solvency in the short-term and to strengthen ICGN reserves to ensure ICGN’s sustainability over the longer term.

We have reviewed the fee levels and benefits in other membership organizations and acknowledge that ICGN’s membership subscription rates are lower by multiple proportions. For example, for investors with AuM in excess of USD 10 billion a number of peer organizations charge annual fees of between £8,500 - £15,000 – this compares to ICGN’s rate of between £2,300 - £3,100 for the same banding.

We have also looked to reduce our costs. ICGN operations, however, are already managed in a very lean way with a small Secretariat of just ten staff, based in London. ICGN is a company limited by guarantee, which does not distribute dividends. Our annual operating expenses, net revenue generated from membership fees and conference activities, usually result in only a marginal profit.

Due to the Covid-19 pandemic, this year, we expect a significant financial loss which will deplete ICGN reserves. This diminishes our objective as outlined in ICGN’s Reserves Policy, to have a financial surplus of at least one-year operating costs to safeguard ICGN’s ongoing solvency. It is therefore imperative that the proposed increase in membership fee levels be implemented from 01 January 2021 to re-build ICGN’s reserves whilst simultaneously investing in our future.

3. Enhancing ICGN membership benefits

In addition to re-building ICGN’s financial reserves, the revenue generated from the membership fee increase will strengthen ICGN’s membership benefits by allowing us to enhance our activities in the following ways:

1. Networking will be enhanced, including a 50% discount (increased from 30%) on ICGN conference attendance fees and exclusive access to a suite of virtual webinars. Company Engagement webinars are also planned to allow companies to present their governance and sustainability approach to ICGN Members.

2. Regional Discussion Forums, led by ICGN Members, will be introduced and organised on a quarterly basis to provide practical insights around unique governance approaches to governance and stewardship in multiple markets.

3. Policy work will include new flagship research which aims to track global investor sentiment via membership surveys on governance approaches in large markets. Over time, this can be extended beyond public markets to help Members develop their ability to exercise stewardship in other asset classes.

4. Education materials will be enhanced with new courses and the frequency of delivering our Governance, Stewardship and Sustainability Course in a virtual format increased, alongside delivery at in-person ICGN events.

5. Website navigation and content will be improved as part of a redevelopment plan, including e-learning support and improved access to ICGN materials, much of which will be exclusive to Members.
4. ICGN membership categories

There are broadly two types of ICGN membership category: for-profit; and non-profit/individual (sole traders).

For-profit organizations contribute 90% of overall membership revenues, over 60% of which is accrued from investors with more than £10 billion assets under management. For-profit organizations are categorized in bands according to the level of assets under management (AuM) for investors (whereby we do not differentiate the fee between asset owner and asset manager), or by number of staff for non-investor-for-profit companies. Fees are currently differentiated by each band and a prescribed number of memberships are allocated to each organization who represent their affiliation as ‘named individuals.’

Non-profit / individuals (sole traders) are charged a lower rate than for-profit organizations and contribute 10% of membership revenue: around 6% from non-profits and 4% from individuals. Non-profit organizations include stock exchanges, governance associations and regulators. Individuals are those who confirm that they are not affiliated with an organization that pays the membership fee. All non-profit/individuals benefit from one membership place.

When applying for ICGN membership, organizations are required to specify the ‘named members’ and who are therefore able to benefit from ICGN services, including voting at the ICGN Annual General Meeting. Some ICGN Members have suggested that this system should be reviewed to allow for ‘organizations’ to be the named ICGN Member and for ICGN benefits to then be accessible to more of the organization’s employees.

In recognition that 94% of ICGN membership is paid for by organizations, rather than the affiliated employees themselves, the majority of respondents to the member consultation agreed with the following proposed changes the membership structure:

- ICGN Membership is by ‘organization’ and identified by a single ‘primary contact’ who is then able to share membership access codes with fellow employees.

- The organization’s logo will feature on the ICGN website along with contact information for the ‘primary contact.’

- ICGN services will benefit more employees of the organization (not just named members) including conference discounts, exclusive webinars and information.

- Conference fee discounts of 50% will be available for a maximum of five people per conference for each organization.

- Individual members will be categorized as ‘sole traders’ if they are also a director /or employed by an established entity; or can retain the reference of being an ‘individual if they are retired from an affiliation and have no active employment.

- ICGN Membership will accord one vote per one organization, regardless of their AuM-based membership category.
5. Ordinary Resolution to increase ICGN membership fee levels

**ORDINARY RESOLUTION**

Company number: 6467372  
The Companies Acts 1985 to 2006  
Company limited by guarantee and not having a share capital  
CERTIFICATE OF PASSING OF AN ORDINARY RESOLUTION OF THE MEMBERS  
OF  
INTERNATIONAL CORPORATE GOVERNANCE NETWORK  
(“the Company”)

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**RESOLVED THAT,**

ICGN membership subscription levels are increased, effective from 01 January 2021, pursuant to Article 8.10 of the ICGN Articles of Association as follows:

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<th>Investors</th>
<th>AuM £bn</th>
<th>2020 Fee Total</th>
<th>2021 Fee Total</th>
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<tbody>
<tr>
<td>&gt;60</td>
<td></td>
<td>£3,100</td>
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<tr>
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<tr>
<td>&lt;1</td>
<td></td>
<td>£770</td>
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<table>
<thead>
<tr>
<th>Non-investor-company Employees</th>
<th>2020 Fee Total</th>
<th>2021 Fee Total</th>
</tr>
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<tr>
<td>&gt;80,000</td>
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<td>&lt;1,000</td>
<td>£770</td>
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| Sole Traders | £425 | £550 |
| Individual (retired) | £425 | £550 |
| Non-profits | £425 | £550 |

All fees are subject to local sales tax.

Robert Walker, Chair  
ICGN Board of Governors  
23rd September 2020
Annex: Member feedback to the consultation

The membership benefits and fees reform proposal addressed three questions, the results of which are listed below:

Membership benefits

Do you agree with the proposed new membership benefits which aim to improve access to ICGN conferences, enhance policy outputs, facilitate engagement and support your professional development? Are there other ways ICGN membership benefits can be enhanced?

- There was agreement on the value of ICGN membership benefits and much enthusiasm for the proposed new benefits some of which are already being implemented and some of which are dependent on the outcome of the fee reform decision.

Membership structure

Do you agree with the proposed revision to the membership structure whereby the organization becomes the ICGN Member, services are accessible by all employees, and there is one vote per organization? If you disagree, please explain.

- There was unanimous agreement from ICGN members that this would be a good change.

Membership fees

Do you agree with the proposed ICGN membership fee levels, taking account of the current and proposed membership benefits? If you disagree, please explain.

- Of the 85 members canvassed (informal and formal), 66 affirmed that they would agree to the fee increase as proposed, while 8 said that they did not agree and 11 said that they were unsure.

- There was general agreement that the fee increase was significant but necessary; a smaller majority considered that the fee level was too high.

- Some members preferred that the fee increase be implemented over a period of 2-3 years. It was explained that ICGN’s financial position is vulnerable due to the substantial losses likely to be incurred in 2020 and therefore immediate fee increases are necessary.

- A few members suggested that we should consider introducing a lower rate for asset owners in comparison with asset managers. Traditionally ICGN has not differentiated between the two types of investor and our preference is to retain the status quo.

- A couple of members suggested that we consider introducing an ‘emerging markets discount.’ This question was deliberated by the ICGN Audit and Finance Committee and the ICGN Board and the conclusion was not to introduce a discount at this stage.