ICGN Response to the Corporate Reporting Dialogue Better Alignment Project Consultation

The International Corporate Governance Network (ICGN) is pleased to respond to Corporate Reporting Dialogue (CRD) Better Alignment Project Consultation.

Led by investors responsible for assets under management in excess of US$34 trillion, ICGN is a leading authority on global standards of corporate governance and investor stewardship. Our membership is based in more than 45 countries and includes companies, advisors and other stakeholders. ICGN’s mission is to promote high standards of professionalism in governance for investors and companies alike in their mutual pursuit of long-term value creation contributing to sustainable economies world-wide. Our policy positions are guided by the ICGN Global Governance Principles¹ and the ICGN Global Stewardship Principles (GSP)², both of which have been developed in consultation with ICGN Members and as part of a wider peer review. For more information on ICGN please see: www.icgn.org.

One of ICGN’s core policy priorities is to seek transparency through better reporting, audit and metrics.³ Non-financial information, including environmental, social and governance (ESG) factors, plays an increasingly important role in helping both companies and investors understand risks. ICGN is supportive of the individual initiatives of CRD members with regard to non-financial reporting, and also supportive of the CRD’s overarching purpose to achieve better alignment and coherence between non-financial reporting standards.

We are pleased to have established a positive dialogue with the CRD with regard to non-financial information, and, together with the Principles for Responsible Investment (PRI), have co-written the working paper on the investor agenda for ESG reporting to help guide the CRD in its own deliberations.⁴ Among the many observations in the working paper, a key theme is that while investors make use of ESG information in different approaches and investment strategies, there is a strong business case for ESG reporting for both companies and investors that facilitates better understanding of material ESG-related risks. A key challenge to making ESG and other forms of non-financial reporting more widely adopted by investors is high quality information, and, ultimately assurable, data that is consistent in definition to allow meaningful analysis and comparisons across companies and sectors. Both companies and investors are looking for a clearer evidence base on ESG reporting to

guide analysis and decision making, and we believe that consistent data is an important element to facilitate meaningful empirical research relating to ESG factors.

Notwithstanding the good work done by the CRD and its members we believe the multiple standards in the public domain remain confusing for some investors as users of non-financial information, and this can inhibit wider market adoption of ESG information into investment analysis and decision making. Even if companies may choose to report on ESG performance from multiple frameworks and for differing stakeholders, we believe that all approaches would benefit if information reporters and users would ultimately be able to make use of consistent “atoms and molecules” of ESG reporting. So, we support the CRD in its mission to achieve greater alignment and coherence among its member organisations, and we are pleased to see the Better Alignment Project taking this discussion further.

The specific questions posed in the consultation questionnaire are more relevant for corporate reporters and individual investors, so ICGN will not respond to the individual questions. Our main point to raise, apart from expressing broad support of your mission, is to better understand how the results of this survey will be employed. Specifically, it would be helpful to understand better the process through which the CRD will deal with conflicts between the standards of the individual members—and how these will be resolved. It would seem inevitable that the alignment that is being sought may involve compromise and changes from the status quo. In this context, the process of mapping may only be an intermediate step towards longer term alignment and consistency.

To be successful this requires collective and individual resolve of CRD members to make this project work, and, where necessary, to show some willingness for compromise. If there is not support and buy-in from the boards and senior executives of the member organisations we are concerned that possibly difficult decisions will not be made -- and this initiative might fall short of its promise. In sum, ICGN encourages CRD to be bold in its agenda, and we would suggest that its ultimate ambitions might even extend beyond mapping and alignment.

In this context ICGN will be very pleased to maintain its dialogue with the CRD, and we would welcome ongoing discussion as your project develops.

We hope these comments are useful in your deliberations. If you would like to follow up with us with questions or comments, please contact our Policy Director George Dallas: george.dallas@icgn.org .

Yours sincerely,

Kerrie Waring
Chief Executive Officer, ICGN

Copies:

James Andrus, Chair, ICGN Disclosure and Transparency Committee