

**ICGN**

International Corporate Governance Network

Inspiring good governance & stewardship

The Rt Hon Alok Sharma MP
COP26 President
26th United Nations Climate Change Conference

Via email: alok.sharma.mp@parliament.uk

20 October 2021

Dear Minister Sharma,

Re: ICGN Statement of Shared Climate Change Responsibilities to the United Nations Climate Change Conference of the Parties 26 (COP 26)

I have pleasure in sending you a Statement from the International Corporate Governance Network (ICGN) regarding climate change related priorities for governments and capital market participants.

Led by investors responsible for assets under management of over \$59 trillion, and bringing together companies and stakeholders, ICGN advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to healthy and sustainable economies, society, and environment.

ICGN engages with policy makers around the world to advocate for high standards of corporate governance, primarily from the perspective of long-term institutional investors. In this regard we have taken the liberty of articulating a series of priorities relevant for governments, investors, companies, and auditors which we hope will be useful to the deliberations at COP 26. I attach the Statement for your perusal and highlight the following priorities for your consideration:

- For Governments: Publish action plans and commit funding for achieving net-zero carbon emission targets, including carbon pricing, eradication of fossil fuel industry subsidies, phasing out coal-based electricity generation and strengthening Nationally Determined Contributions for 2030 in line with the Paris Agreement.
- For Investors: Publicly commit to science-based targets on how investment portfolios will achieve net-zero carbon emissions by 2050, improve quality of climate-related disclosure, and integrate financial, natural, and human capital considerations into stewardship activities across asset classes.
- For Companies: Publicly commit to science-based targets on how the business will adapt to net-zero carbon emissions by 2050 aligned with company purpose and long-term strategy. Transition plans should include assessments of physical, transition and liability risks and opportunities based on climate change scenario analysis.
- For Auditors: Ensure the application of guidance related to climate change risks in planning and performing audits on financial statements as provided by standard-setters. Commit to discharging obligations under professional standards as external auditors with quality, integrity, and independence.

Much of ICGN's work is guided by the ICGN Global Governance Principles which were established in 2001 and are used by ICGN Members in their voting policies and company engagements. The ICGN Principles were updated this year with specific reference to climate change under guidance 7.5 as follows:

“The board should assess the impact of climate change on the company business model and how it will be adapted to meet the needs of a net zero economy as part of a long-term strategy. This includes setting and disclosing targets to reduce carbon emissions and a period for achievement. Where climate change risks, whether physical or transitional, are identified as material and relevant, reporting should include discussion of the diligence process, strategy, metrics, targets and initiatives used to manage the risks. Disclosure around these actions would help investors understand the resilience of companies facing climate change risks and to assess progress towards achieving net zero targets.”

As we advance towards a net-zero carbon emission economy by 2050, strong corporate governance, and investor stewardship, supported by common sustainability reporting standards and reporting, will be critical. ICGN’s Statement sets out priorities for companies, investors, auditors, and governments to clearly identify challenges, determine solutions, and implement assertive action. It is in this spirit that we share our Statement with you and hope that our comments are helpful.

We remain at your disposal should you wish to engage with ICGN on the positions outlined in our Statement and wish you a successful 26th United Nations Climate Change Conference.

Yours faithfully,



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