

**ICGN**

International Corporate Governance Network

*Inspiring good governance & stewardship*

**OECD Corporate Governance Committee  
Revisions to the G20/OECD Principles of Corporate Governance  
Remarks from Kerrie Waring, CEO, ICGN  
21 November 2022**

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Congratulations on the Revised G20/OECD Principles. In fact, ICGN adopted the OECD Principles in 1999 until we developed our own Global Governance Principle in 2001 which are used today by many ICGN Members in their voting policies and company engagements.

Both Principles promote high standards of governance to help ensure efficient, effective, and stable financial markets. The key difference primarily in terms of audience – OECD being market focused, ICGN written from an investor perspective for companies.

**We welcome the new chapter on Sustainability and Resilience** which is consistent with the ICGN Principles and aligns with the development of reporting standards around the world. My team responded to 23 consultations this year in 12 markets - 9 of which relate to this subject.

**One challenge is how to achieve a common language** in terms of what we mean by 'sustainability' - or 'governance' for that matter.

**Earlier this month the European Parliament adopted the Corporate Sustainability Reporting Directive.** Once approved by the Council next week, the Directive will be transposed by EFRAG into reporting standards, mandatory for over 50,000 EU companies from January 2024.

ICGN and the G20/ OECD Principles are referred to in the Directive as authoritative global frameworks of most relevance to users. Recital 44 states that 'users need information about governance factors' which are referred to as (1) oversight, (2) expertise, (3) incentives, (4) internal control, risk management, (5) culture and (6) stakeholder relations.

**This is juxtaposed with the EU Sustainable Finance Disclosure Regulations** requiring investors from January next year to determine if investee companies follow good governance practices and refers to (1) oversight, (2) incentives, and (3) culture – consistent with CSRD – but also (4) employee relations, (5) tax and (6) reporting.

My point is that we need a common language to marry what companies are reporting with what investors are assessing. This is why the ICGN and G20/OECD Principles are so important as global frameworks.

And disclosure is not an end in itself – it's the start of a conversation. It enables dialogue between companies and investors to help ensure proper oversight and accountability, so regulators should mitigate any obstacles which inhibit effective investor stewardship, for example clarifying acting in concert rules, abolishing dual class share structures, or ensuring minority shareholder protections in controlled companies.

But, let me say a few words about the details of the chapter:

**Firstly, in terms of sustainability disclosure frameworks**, we support global harmonization to minimize regulatory fragmentation and facilitate consistent, comparable, and verifiable information upon which investors can assess and price risk, opportunity, and resilience in investee companies.

**In terms of materiality**, we support Europe's approach for companies to report not only on sustainability factors impacting the performance of a company but also the impact of the company itself on society and the environment. We also acknowledge the importance of focusing initially on climate impacts and enterprise value.

**Whether single, double, or dynamic materiality, there must be connectivity** of historic financial information with forward-looking narrative. The financial consequences of sustainability impacts on a company should be consolidated within the financial statements and published at a single point in time.

**Investors must have confidence that sustainability related assumptions and judgements are sound**, and while it may take time to build assurance capacity, we welcome enhanced regulatory scrutiny on companies and auditors to ensure use of existing rules.

**We also encourage better disclosure around how incentives** correlate with sustainability related KPIs, based on audited financial data, linked to long-term strategy.

**And in terms of governance more generally** –sustainability and resilience are only possible when companies are directed and controlled based on the principles of fairness, accountability, responsibility, and transparency.

In doing so, boards must promote the long-term success of companies through strategic direction, risk oversight, financial discipline, reporting and managerial oversight. Investors hold boards to account for this by exercising shareholder rights and responsibilities including company monitoring, voting and engagement.

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 vigor towards the importance of the 'S' in ESG, or 'S' in sustainability. *This means making economic prosperity long lasting, more socially inclusive and less dependent on exploitation of finite resources and the natural environment* - as defined by the European High-level Expert Group on Sustainable Finance in 2019.

The achievement of this is a team effort and one which is achieved more successfully together, than in isolation. 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.

**ENDS.**