



**ICGN**

International Corporate Governance Network

*Inspiring good governance & stewardship*

## ICGN Member Consultation

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# Proposed Revisions to the ICGN Global Stewardship Principles

### Consultation process

The ICGN Global Stewardship Principles were last updated in 2020 and are subject to periodic review, usually undertaken by the ICGN Secretariat once every three years. We are proposing revisions to ensure that the Principles remain both up to date and a pragmatic framework for use by practitioners.

The ICGN Secretariat has assessed recently updated codes in different jurisdictions with a view to adopting any relevant innovations. This included stewardship codes in Spain (2023), Malaysia (2022), New Zealand (2022), South Africa (2022), Japan (2020), and the United Kingdom (2020). More broadly we canvassed opinion from members of the Global Stewardship Codes Network for a more comprehensive peer review.

The initial revised draft of the ICGN Global Stewardship Principles was reviewed in detail by the ICGN Global Stewardship Committee, who provided helpful editorial and some additional drafting.

ICGN Members are now invited to comment upon the revised ICGN Global Stewardship Principles. The consultation period is open until 31 May 2024. We will receive responses to the consultation via an online form or via emails to [policy@icgn.org](mailto:policy@icgn.org). Individual responses will not be made public.

Following ICGN Members consultation, the principles will be amended accordingly and subject again for comment by the ICGN Global Stewardship Committee. Thereafter, the ICGN Board of Governors will be invited to approve the final draft on 15 July for further approval by ICGN Members at ICGN's Annual General Meeting which takes place on 25 September.

## **Main changes to the ICGN Global Stewardship Principles**

The structure of the ICGN Global Stewardship Principles is substantially changed to remove superfluous, or duplicative language. The new draft presents a more succinct and cohesive narrative based around the following chapters:

1. Stewardship commitment
2. Robust governance
3. Company monitoring and engagement
4. Voting and other ownership rights
5. Public policy advocacy

Material additions to the ICGN Global Stewardship Principles are shown as underlined text throughout the document. Substantial edits concern:

1.4: Reference to the importance of investors having reliable data, research, and analysis to inform investment and stewardship decision-making.

3.4 Reference to the importance of investors supporting globally harmonised, corporate sustainability reporting and assurance frameworks to aid investment and stewardship decision-making.

3.7 Examples of engagement escalation tactics expanded to include: declaring voting intentions to the market before the shareholder meeting; amending a valuation model; and reducing the size of an investment in a portfolio.

3.9 New guidance on disclosure around engagement outcomes on a portfolio-wide basis and/or at company level, where relevant.

4.1 Clarification that, where an investor has influence over voting outcomes through significant shareholdings, they should explain how their voting aligned with the long-term best interests of the company, and if minority shareholders rights were adversely impacted.

5. New Principle and associated guidance included recommending that investors 'consider public policy advocacy to mitigate market-wide issues or systemic risks, thereby safeguarding capital market efficiency, integrity, and resilience'.

Reference to some standalone guidance has been removed and absorbed implicitly in new drafting throughout. The following guidance from the 2020 version have been removed from the revised edition entirely:

### 4.5 Capital allocation

Creditors and shareholders should communicate their preferences as regards to capital allocation to company management. Effective engagement, like creditors and shareholders must reflect the understanding that sustainable company must satisfy the basic and legitimate requirement of its capital providers.

### 5.5 Vote confirmation.

Where possible, investors should seek to confirm from companies, whether or not such voting instructions have been received and formally counted.

## **ICGN Global Stewardship Principles**

### **Preamble**

The ICGN Global Stewardship Principles provide an aspirational framework for investors and service providers to consider when reviewing and implementing stewardship strategies, policies, processes, and practices. Many ICGN Members publicly endorse the ICGN Global Stewardship Principles on the ICGN website to demonstrate their commitment to these standards, notwithstanding that the principles are applied in a flexible manner as appropriate to the circumstances of individual asset owners, asset managers and others.

Stewardship is a fundamental aspect of an investor's fiduciary duty to preserve and create long-term corporate value on behalf of beneficiaries and clients, thereby contributing to economic growth, capital market competitiveness and social prosperity. More broadly, effective stewardship helps to mitigate market-wide or systemic risks, safeguarding capital market efficiency, integrity, and resilience across diversified investment portfolios.

Effective stewardship requires investors to responsibly apply their asset rights across all asset classes, investment strategies, and jurisdictions on behalf of their beneficiaries and clients. An investor's stewardship approach and level of influence may vary depending on the type of investor, the asset class, the investment size, legal requirements, market factors and client mandates.

Stewardship responsibilities include the identification, monitoring, and integration in investment and stewardship decisions of material sustainability related risks and opportunities that impact long-term value creation. As such the ICGN Global Stewardship Principles refer to sustainability related factors throughout.

The adoption of high standards of stewardship also apply to custodians and service providers in their role to support investors in exercising their fiduciary duties on behalf of beneficiaries and clients. This particularly relates to the provision of services associated with voting recommendations, research, data, and company engagement.

This fourth edition of the ICGN Global Stewardship Principles builds from ICGN's seminal *Statement of Principles for Institutional Shareholder Responsibilities*, first published in 2003. Since that time, the ICGN Principles have been updated periodically, usually every three years, taking account of changes to stewardship related standards and regulations or changes in investment practice.

The ICGN Global Stewardship Principles accompany the *ICGN Global Governance Principles*, first published in 2001, providing guidance to companies and others around high standards of corporate governance contributing to improved corporate performance and long-term risk adjusted rates of return to investors and their beneficiaries and clients.

The ICGN Global Stewardship Principles also accompany the *ICGN-GISD Model Mandate*, published in 2022 in partnership with the UN supported Global Investors for Sustainable Development. This guidance provides example contractual language around stewardship and sustainability obligations for asset owners to consider when entering into investment management agreements with asset managers.

The ICGN Global Stewardship Principles complement national codes by providing an international framework for the highest standards of stewardship policies, processes, and practices. In this regard, in 2013, ICGN established the Global Stewardship Codes Network (GSCN) to provide a forum for regulators and others to exchange knowledge, experience and innovation in the development of stewardship codes and to encourage global

harmonisation of common priorities. In this regard, the GSCN is consulted in the development of the ICGN Global Stewardship Principles.

## **ICGN Global Stewardship Principles**

The ICGN Global Stewardship Principles consist of five principles:

### **1. Stewardship commitment**

Commit to a responsible and transparent approach to stewardship that aims to preserve and create long-term corporate value on behalf of beneficiaries and clients, thereby contributing to economic growth, capital market competitiveness and social prosperity.

### **2. Robust governance**

Ensure robust governance structures and processes that provide oversight, fairness, transparency, and accountability for effective stewardship, thereby mitigating risk and enhancing corporate value on behalf of their beneficiaries and clients.

### **3. Company monitoring and engagement**

Ensure constructive company engagement to mitigate risks, and enhance opportunities, to create long-term corporate value on behalf of beneficiaries and clients.

### **4. Voting and other ownership rights**

Ensure ownership rights and responsibilities are exercised in an informed and transparent manner, applying due care diligence and independent judgement across all asset classes, on behalf of beneficiaries and clients.

### **5. Public policy advocacy**

Consider using public policy advocacy efforts to mitigate market-wide issues or systemic risks, thereby safeguarding capital market efficiency, integrity, and resilience.

## **ICGN Global Stewardship Principles & Guidance**

### **1. Stewardship commitment**

**Commit to a responsible and transparent approach to stewardship that aims to preserve and create long-term corporate value on behalf of beneficiaries and clients, thereby contributing to economic growth, capital market competitiveness and social prosperity.**

#### **1.1 Policies**

Investors should disclose their stewardship policies, including stewardship objectives, approaches, processes, and how they monitor the outcomes of their activities. Stewardship policies should also include how investors identify and integrate material sustainability-related risks and opportunities in investment and stewardship decision-making.

#### **1.2 Scope**

Investors should disclose in their stewardship policies how they exercise their stewardship rights and responsibilities across all asset classes and ownership arrangements, how this applies in different investment strategies, and across different jurisdictions.

#### **1.3 Mandates**

Asset owners should disclose how their investment strategy is consistent with the profile and duration of their liabilities. This includes how they delegate stewardship responsibilities to asset managers and service providers in contractual mandates, aligned with the asset owner's investment beliefs, policies, and approach to sustainability related risks and

opportunities. Asset managers and service providers should report to their clients in fulfilling the mandate and be subject to periodic evaluation by asset owners on their performance.

#### **1.4. Resources**

Investors should have appropriate infrastructure, capacity, and capabilities to conduct effective stewardship, supported by professional training. Such resources should be strengthened with reliable data, research, and analysis to inform investment and stewardship decision-making.

#### **1.5. Standards**

Investors should disclose whether they adopt stewardship codes/principles to guide their stewardship approach, including for different asset classes. Any deviation to code provisions should be meaningfully disclosed taking account of the investor's unique circumstances, business model and investment strategy. Investors should also disclose whether they implement the recommendations of other international standards and whether they have made any sustainability related commitments.

#### **1.6. Reporting**

Investors should disclose stewardship policies and stewardship reports on their public websites in an understandable language for primary users and, for investors with globally diversified portfolios, in English. Disclosures around stewardship objectives, activities, and outcomes should be credible, demonstrable, and verifiable (evidenced with metrics and case studies). Investors should maintain records of stewardship activities (particularly investee company engagement meetings and voting decisions) to support stewardship reporting to beneficiaries and clients.

#### **1.7 Review**

Investors should annually review their stewardship policies and practices (particularly engagement, collaboration, and voting) to ensure effectiveness and consider periodic external assurance.

### **2. Robust governance**

**Ensure robust governance structures and processes that provide oversight, fairness, transparency, and accountability for effective stewardship, thereby mitigating risk and enhancing corporate value on behalf of their beneficiaries and clients.**

#### **2.1 Governance**

Investors should disclose how their governance structures and processes are consistent with the high standards expected of corporate governance, where relevant. Stewardship policies and reports should be assessed and approved by the governing body and affirmed at the most senior level of the organisation. The governing body should act independently, without bias, to advance beneficiary or client interests and be subject to an annual effectiveness review.

#### **2.2 Integration**

Stewardship, as a fundamental aspect of an investor's fiduciary duty, should be understood and promoted by senior executives of the organisation. Investors should disclose how their stewardship policies are implemented through robust processes and integrated across the organisation (e.g., stewardship and investment portfolio management teams) to ensure a consistent approach to effective stewardship responsibilities, objectives, and outcomes.

#### **2.3 Conflicts of interest**

Investors should publish, and regularly review, conflicts of interest policies to demonstrate how the interests of clients and beneficiaries are prioritised. Policies should explain how real

or potential conflicts are identified, assessed, and mitigated and include specific cases where conflicts might arise and how they will be addressed.

#### **2.4 Ethical conduct and compliance**

Investors, led by the most senior governing body, should ensure high standards of ethical conduct and legal compliance, guided by appropriate law, regulations and codes, to uphold an organisation's purpose, investment beliefs, culture, and values across the workforce.

#### **2.5 Incentives**

Investors should disclose how their incentive structures provide appropriate alignment with the interests of beneficiaries and clients, taking account of stewardship and sustainability related considerations in the determination of performance measures and awards.

### **3. Company monitoring and engagement**

**Ensure constructive company engagement to preserve and create long-term corporate value on behalf of beneficiaries and clients.**

#### **3.1 Monitoring**

Investors should regularly monitor investee companies to assess their individual circumstances, financial performance, and long-term potential. Company monitoring should be integrated with the investor's engagement approach, particularly to help identify situations where there is a risk of loss – or opportunity to enhance - corporate value. Where monitoring is outsourced to a service provider, there should be periodic assessment of the quality and performance of the provider.

#### **3.2 Approach**

Investors should strategically prioritise company engagement in alignment with their investment and stewardship approach. Disclosure should include how meeting objectives are determined (e.g., by asset type, size of holding, vote-led issues, or geography), the total number of meetings held, and general themes. The effectiveness of the engagement approach should be reviewed periodically.

#### **3.3 Governance standards**

Investors should disclose the extent they rely on governance codes / principles (e.g., national Corporate Governance Codes, ICGN Global Governance Principles, G20-OECD Corporate Governance Principles) when assessing investee company governance structures, processes, and reporting. Investors should give due consideration to explanations provided by companies for any deviation to governance code recommendations, taking account of the individual circumstances of the company, legal context, cultural norms, and ownership characteristics.

#### **3.4 Corporate sustainability reporting and assurance.**

Investors should support globally harmonised, corporate sustainability reporting and assurance frameworks that enable standardised decision-useful disclosures to aid investment and stewardship decision-making regarding a company's governance, resilience and management of sustainability related risks and opportunities.

#### **3.5 Engagement**

Investors should engage with companies in a constructive manner to preserve and create long-term corporate value. Engagement objectives should be clarified to companies in an agenda submitted in advance of the meeting. Investor concerns or proposals should be evidence-based and include peer examples where available. Following the meeting,

investors may wish to correspond with the company reiterating their expectations on the issues discussed and monitor how such issues are addressed over time.

### **3.6 Responsibilities**

Investors should disclose who is responsible for leading company engagements and clarify which company representatives they expect to meet with and why. Where an investor is a controlling shareholder, they should consider engaging with minority shareholders to seek mutually aligned engagement objectives where possible. Engagement may also extend to key stakeholders of the company.

### **3.7 Escalation**

Investors should determine how, why, and when engagement might be escalated with companies if progress is not sufficiently achieved. This might include the following actions:

- a) Meeting with the company.
- b) Sending emails or letters.
- c) Collaborating with other investors.
- d) Declaring voting intentions to the market before the shareholder meeting.
- e) Making a public statement (e.g., at a company annual general meeting).
- f) Supporting and submitting shareholder resolutions, where possible.
- g) Voting against company resolutions, e.g., directors' re-election or liability discharge.
- h) Recommending board candidates for election and participating in the nomination process, in markets where this is possible.
- i) Amending a valuation model.
- j) Reducing the size of an investment in a portfolio.
- k) Adding the company to an investment exclusion list and exiting the investment or threatening to do so.
- l) Seeking damages and accountability through legal remedies.

### **3.8 Collaborative engagement**

Investors should consider collaborating with other investors to engage with companies on specific issues. Investors should disclose actual collaborations undertaken, engagement objectives, time frames, key engagement milestones, and outcomes. Investors should respect 'acting in concert' regulations, confidentiality, client interest, and ensure that voting decisions are made individually.

### **3.9 Engagement outcomes**

Investors should maintain records of engagement and monitor progress. Investors should seek to provide their clients and beneficiaries with output-focused metrics to help gauge stewardship effectiveness. Outcomes should be reported on a portfolio-wide basis and/or at company level, where relevant. At a company level, information may include any changes undertaken by the company, but also how the engagement has informed the investor's decision-making. Investors should disclose to their clients and beneficiaries examples of engagement outcomes (including if satisfactory outcomes have not been achieved). Reporting on engagement outcomes should not breach confidentiality or have a detrimental impact on current engagements.

## **4. Voting and other ownership rights**

**Ensure ownership rights and responsibilities are exercised in an informed and transparent manner applying due care, diligence and independent judgement across all asset classes on behalf of beneficiaries and clients.**

### **4.1 Rights**

Investors should disclose how they exercise their equity ownership rights, and rights associated with other asset classes, on behalf of beneficiaries and clients. Investors should exercise their right to vote on equity investments in accordance with their voting guidelines. Investors should disclose when they choose not to exercise the right to vote (e.g., where holdings are below a certain threshold, information is not available, or due to shareblocking). Where an investor has influence over voting outcomes through significant shareholdings, they should explain how their voting aligned with the long-term best interests of the company, and if minority shareholders rights were adversely impacted.

#### **4.2 Guidelines**

Investors should disclose, and regularly review, their voting guidelines, aligned with their investment beliefs, business model and strategy. Guidelines should clarify how voting is prioritised (e.g., issues of general importance to beneficiaries and clients, or specific issues relevant to individual companies), or differs depending on jurisdiction, investment mandate or asset type and should be reviewed periodically.

#### **4.3 Process**

Investors should disclose how their voting process ensures informed and independent voting decisions, applying due care, diligence, and judgement in the interests of beneficiaries and clients. Disclosure should clarify who is responsible for the vote decisions, including if this differs depending on the nature of the resolution, geography, or scale of holdings, and how any in-house conflicts of interest are identified and addressed.

#### **4.3 Voting Records**

Investors should disclose the overall proportion of shares voted in the past year as well as the actual votes cast - either for, against, or abstention - in response to individual resolutions, as well as by aggregate. Voting records should be publicly available on the investor's website, as soon as possible from the date of the vote itself. Voting on non-listed equity asset classes and instruments (e.g., private equity, real estate, infrastructure) should also be disclosed.

#### **4.4 Rationale**

Investors should disclose the rationale for voting decisions, particularly when votes on company (or shareholder) resolutions were cast against or abstained, or if a vote was cast inconsistent with the investor's voting policy. The decision should be communicated to companies, preferably before annual general meetings, and there should be constructive dialogue thereafter in pursuance of engagement objectives and effective outcomes.

#### **4.5 Services**

Investors should disclose the extent to which they outsource voting services, including the identity of the provider and the degree to which they default to service providers' recommendations. Investors should specify to service providers the extent to which votes should be cast, consistent with the investor's voting guidelines. Investors should evaluate the effectiveness of the service provision periodically.

#### **4.6 Securities lending**

Investors should disclose their approach to securities lending, including the process to recall shares. To preserve the integrity of the annual general meeting, shares should not be borrowed or lent for the primary purpose of voting them. Investors should disclose how securities lending of individual shares may have affected voting activities.

### **5. Public policy advocacy**

**Consider public policy advocacy to mitigate market-wide issues or systemic risks, thereby safeguarding capital market efficiency, integrity, and resilience.**



### **5.1 Market-wide issues and systemic risks**

Investors should disclose how, or if, they undertake public policy advocacy to address market-wide issues or systemic risks, which materially impact market efficiency, integrity, and resilience, and ultimately the value of assets managed on behalf of beneficiaries and clients. This includes, among others, issues which impede shareholder rights.

### **5.2 Industry bodies**

Investors should disclose any memberships in industry bodies used to support in-house stewardship capacity and to leverage policy advocacy activities. Disclosure should include the degree to which they participate in specific activities and any material financial contribution or pro-bono activities in support of public policy initiatives.

### **5.3 Advocacy approach**

Investors should disclose how market-wide issues and systemic risks are prioritized, when determining their advocacy activities. When conducting advocacy efforts, investors should consider:

- Engagement objectives.
- Approach and escalation options (e.g., letters, meetings, media campaigns).
- Level of commitment (e.g., individual or collaborative).
- Capacity and capabilities to meaningfully contribute.
- Progress and impact measurement.

### **5.4 Collaborative advocacy**

Investors should consider engaging in collaborative advocacy, as appropriate. Disclosure should include the nature of the collaboration, the role they undertook, advocacy objectives and outcomes.

### **5.5 Reporting**

Investors should report to beneficiaries and clients, as appropriate, on their key advocacy-related achievements. This includes how results were achieved, including membership in industry bodies, participation in collaborative initiatives, membership in public committees, letters submitted in response to public consultations, research / surveys produced in-house or commissioned, and public communication (e.g., speaking at events).