Welcome Everyone to the ICGN Global Virtual Summit aligned with COP 26 taking place in Glasgow this week. And let me thank our speakers, sponsors, partners and the ICGN Team for making the event possible.

Over the course of the day, we hope to discuss specific challenges and solutions in addressing the world’s climate and biodiversity crises and consider the critically important role of corporate governance and investor stewardship.

And lets remind ourselves of the COP 26 Goal – it is to reduce 2010 global carbon emission levels by 45% by 2030 and achieve net-zero emissions by 2050 to limit global warming to below 1.5°C by the end of the century.

Unfortunately, we heard from the UN Secretary-General, António Guterres, this week that we are NOT on track to meet this objective. In fact, he declared that we are heading for 2.7°C and “our addiction to fossil fuels is pushing humanity to the brink”.

This is evident in sea level rises and extreme weather events which – helped by deforestation – are having a devastating impact on the world’s biodiversity. And we should be reminded that the UN Global Assessment Report on Biodiversity and Ecosystem Services warned that “Biodiversity loss and climate change are both driven by human economic activity and mutually reinforce each other. Neither will be successfully resolved unless both are tackled together.”

We should also acknowledge that these crises exacerbate social inequality. We heard from Sir David Attenborough who reminded us that “Today those who have done the least to cause this problem are being the hardest hit.” So, our transition to net-zero must be just and inclusive to avoid stranding workers, communities, or entire regions.

Whatever happens in Glasgow over the next two weeks, we know this: capital markets and its main constituents - investors, and companies - are foundational. ICGN Members lead these institutions, and the world is looking to you - to us - to overcome political stalemate and take assertive, market-led action – after all climate change knows no borders.

It is against this background that ICGN’s Statement of Shared Climate Change Responsibilities was published last month highlighting that strong corporate governance and investor stewardship, supported by robust corporate sustainability standards, reporting and auditing, are critical in successfully transitioning our economies towards net-zero.

Fundamentally, corporate governance is the system by which companies are directed and controlled based on the principles of fairness, accountability, responsibility, and transparency. This is imperative to ensure investor confidence, efficient capital allocation and effectively functioning markets.
Ultimately, both companies and investors share a mutual responsibility to preserve and enhance long-term corporate value. In doing so they must focus, not only on aspects relating to a company’s financial value, but also on factors impacting the health of society, the environment and economy.

This system of governance and accountability relies on shareholder being able to make informed decisions based on consistent, comparable, and verifiable information across markets and industries. But investors face a corporate reporting void due to a lack of global standards on sustainability reporting. This is why, last month, ICGN published a letter of support to the IFRS Foundation for the establishment of an International Sustainability Standards Board (ISSB) and we encourage all market participants – particularly companies and auditors to embrace this initiative.

In essence, this meeting is about ‘the governance of sustainability’ and the role of boards, management, investors, and auditors in ensuring the proper integration and reporting of financial, human, and natural capital in alignment with a company’s purpose and long-term strategy.

Before we dive into the conference plenaries, I would like to highlight priorities outlined in our Climate Statement and introduce you to another key ICGN initiative which is the review of the ICGN Global Governance Principles.

**Statement of Shared Climate Change Responsibilities**

Our Statement of Shared Climate Change Responsibilities is primarily addressed to, companies, the auditing profession, investors, and governments. We have defined three clear actions for each:

**We ask companies to:**

1. Publicly commit to science-based targets (including interim goals) and disclose credible transition plans around how the business will adapt to net-zero carbon emissions by 2050 taking account of physical and transition risk assessments based on climate change scenario analysis.

2. Ensure robust governance procedures, board competence and diversity in overseeing the implementation of net zero transition plans aligned with company purpose and long-term strategy and reporting progress.

3. Align executive pay fairly and effectively with the company’s purpose, strategy and workforce. Key performance metrics should be aligned with the net zero transition plan and based on quantifiable financial, human, and natural capital objectives.

**We call on the auditing profession to:**

1. Ensure the application of guidance related to climate change risks in planning and performing audits with quality, integrity, and independence.

2. Provide assurance on corporate sustainability reporting which should reflect financial, human, and natural capital considerations in the context of a company’s strategic direction.

3. Collaborate with standard-setters in developing requirements for reporting which reflect climate-related risks and opportunities on assets and liabilities – including reporting on various types of carbon or other pollution pricing mechanisms.
We ask investors to:

1. Publicly commit to targets (including interim goals) on how portfolios will achieve net-zero carbon emissions by 2050 and to improve the quality of their public disclosures.

2. Integrate financial, natural, and human capital considerations into stewardship activities across all asset classes.

3. Ensure that contracts between asset owners and managers incorporate stewardship and sustainability objectives as described in the ICGN Model Mandate.

And we ask Governments to:

1. Publish credible policies and action plans, to be reviewed annually, to achieve net-zero carbon emission targets, consistent with the 2015 Paris Agreement. This includes commitments such as carbon pricing, reversal of deforestation, removal of fossil fuel subsidies, and the phasing out of coal-based electricity generation.

2. Co-operate globally to create a market infrastructure which facilitates and mobilizes the trillions of dollars of private capital required to achieve net-zero transition. For example, support the establishment of the ISSB.

3. Mandate regulations to ensure sanctions, enforcement, and resources are committed to protect, restore, and sustain a healthy global climate and ecology, while protecting human rights.

ICGN Global Governance Principles

Much of this sentiment is described in ICGN's Global Governance Principles this year, updated as part of a three-year review cycle. And this matters because many ICGN Investor Members with assets of around $60 trillion based in over 40 countries use the ICGN Principles as a bellwether for their voting policies and company engagements. And many governments also use them to help inspire the evolution of national codes.

There are dozens of changes and I have already mentioned many related to climate change, executive pay, and sustainability reporting. There are five more I would draw your attention to:

1. **Company purpose**
   Firstly, we clarify that boards should disclose a company purpose to guide management’s approach to strategy, innovation, and risk. This is usually accompanied by a statement of values which describe a set of beliefs shared by the board and workforce, ingrained in behaviours and corporate culture.

2. **Stakeholders**
   We clarify directors’ duties to promote the best interests of the company, thereby preserving and enhancing long-term share value, while having regard to relevant stakeholders. Boards should identify their key stakeholders, disclose how their interests are considered and provide a communication mechanism and a process for review of any grievances.

3. **Risk oversight**
   Risk oversight has been expanded to systemic events including ecological degradation, social inequality, and digital transformation. This is alongside more
traditional threats such as cyber-security, supply chain resilience, performance, solvency, liquidity, and reputation.

4. **Double materiality**
There is new reference to ‘double’ materiality for reporting on a company’s external impacts on society and the environment, as well internal impacts on the company’s own financial performance. We also refer to ‘dynamic materiality’ recognising that materiality evolves over time alongside emerging technology, product innovation and regulatory developments.

5. **Human capital**
We now call for companies to disclose information about their human capital policies, practices and performance linked to succession planning and long-term strategy. This includes workforce safety and how companies mitigate risks in operations and supply chains, including human rights abuses - particularly modern slavery.

The ICGN Principles were first introduced in 2001 and are written primarily from a global investor perspective. They followed the publication of the well-respected G20-OECD Corporate Governance Principles first published in 1998 and written primarily for national standard setters. I am therefore delighted to now introduce you to Serdar Celik of the OECD who – in his role as Acting Head of the Corporate Governance and Corporate Finance Division - is the current keeper of the OECD Principles.

The OECD has published a report on The Future of Corporate Governance in Capital Markets following the COVID crisis. And while this has not been written to address the climate or biodiversity crises specifically, it provides key recommendations to help ensure well-functioning capital market in the context of today’s challenging environment.

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