Introduction

The ICGN Global Governance Principles (GGP)¹ serve as ICGN’s primary standard for well-governed companies. The GGP stands together with the Global Stewardship Principles (GSP) as one of ICGN’s two core member-approved policy documents. The origins of the GGP date back to ICGN’s founding in 1995, and the GGP were last revised for member approval in 2017.

The GGP are well-regarded globally and the content is still relevant; however, corporate governance continues to develop and evolve. It is part of our normal 3-4 year cycle to review both the GGP and GSP to ensure they are up to date and state of the art. Now that the revision of the GSP will be completed in 2020, it is time to focus on revising the GGP. This process will involve two rounds of member consultation, beginning in mid 2020 and will culminate at the 2021 ICGN annual general meeting when the revised GGP will be put forward for member ratification.

We are keen to hear the views of ICGN members and other current and potential users of the GGP. This initial consultation asks a series of questions about the purpose, use, structure and content of the GGP. This is an opportunity to brainstorm on how we can improve the GGP. Once your responses have been analysed, we will then factor these into a new draft of the GGP, which will be the subject of the second member consultation. We currently expect to start that consultation in October 2020.

Please send your comments on the issues covered in this paper by 15th September 2020 to Garvin Payne (email: Garvin.Payne@icgn.org).

The purpose and use of the Global Governance Principles

1. The GGP provide an investor perspective on corporate governance, focusing primarily on the role and effectiveness of company boards of directors. It is a global framework, intended to complement corporate governance codes in individual jurisdictions by establishing an independent international benchmark of reference and best practice.

2. The GGP are intended to be used by both investors and companies. Investors can use the GGP to inform their own governance policies that guide their voting and engagement activities. At the same time company executive management and board directors can use the GGP to guide them in terms of what investors are looking for in a well-governed company. The GGP also have relevance as a source of guidance for regulators, standard setters and code developers.

3. As part of this review, ICGN would find it helpful to have a clearer understanding of who uses the GGP – and how they use it -- so we can make sure that the updated GGP will meet their needs.

Questions:

- Are the GGP a useful resource for investors? How do they use the GGP at present?
- Are there differences in how asset owners and asset managers make use of the GGP?
- Are the GGP a useful resource for companies? How do they use the GGP at present?
- For what other interests and organizations could the GGP potentially be a useful resource, and why?

Structure of the Guidance

4. The GGP has eight sections, each of which relates to aspects of corporate governance and board effectiveness. Each section contains a number of individual subcomponents. These individual sections are as follows:

- Board role and responsibilities
- Leadership and independence
- Composition and appointment
- Corporate culture
- Risk oversight
- Remuneration
- Reporting and audit
- Shareholder rights

5. The existing GGP do not differentiate between large and small companies, nor do they take into consideration a company’s ownership structure.

Questions:

- Is the current structure of the GGP clear and easy to use? Could it be improved?
- Are there sections that should be added or taken away?
- Is the level of detail in each section of the GGP sufficient? If not, which parts of the GGP could usefully be expanded? Are there elements that should be removed?
- Should distinctions be made in terms of company size or ownership structure?
- Should other distinctions be made?

Topics to be covered

6. Corporate governance is a dynamic and evolving field. It is important for the GGP to reflect state of the art principles for good governance. This can lead to new issues being covered by the GGP, either as new sections or subtopics. At this initial phase of the consultation process we would like to brainstorm about other issues the GGP might cover. These might include but are not limited to:

- Purpose of the company: shareholder and stakeholder considerations
- Company boards, systemic risks and Sustainable Development Goals
- Non-financial reporting and key performance indicators
• Capital Allocation
• The role of the creditor in corporate governance
• Business groups/subsidiary governance
• Diversity (not only gender, also race)

We welcome additional suggestions for consideration.

Questions:

• Is the structure and scope of the current the GGP appropriate or would it benefit from adding new topics or considerations?
• Do any of the possible new topics listed above make sense for inclusion or greater emphasis in the new GGP?
• Are there any other topics or factors not currently covered by the GGP which should be addressed?

Thank you for taking the time to complete this consultation.