



ICGN

International Corporate Governance Network

7 September 2016

Financial Stability Board
Standing Committee on Standards Implementation (SCSI)

By email: fsb@fsb.org

Re: FSB Thematic peer review on corporate governance

The International Corporate Governance Network (ICGN) welcomes the peer review being undertaken by SCSI on the implementation of the G20/OECD Principles of Corporate Governance. As a global network of governance professionals, our membership is led by investors responsible for assets under management in excess of US \$26 trillion. ICGN was established in 1995 and our mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide. For more information, please visit www.icgn.org.

We have enjoyed a long-standing relationship with the OECD, and also the World Bank, and submitted a response to the recent OECD Principles review¹. We also appreciate the work of the World Bank in its efforts to promote good corporate governance standards through the comprehensive ROSC (Report on the Observance of Standard and Codes) assessments and other initiatives. In particular, we note that the resultant recommendations from ROSC assessments have often led to the establishment of corporate governance codes, director institutes and training programmes in developing markets which have comprehensively improved standards which contribute to enhancing the financial stability of a number of these markets.

We understand that the peer review will give priority to the Principles included in Chapters I, IV and VI (ensuring the basis for an effective corporate governance framework; disclosure and transparency; and the responsibilities of the board). While we agree that these Principles are important we respectfully suggest that you also consider the impact of the newly revised Principle III: Institutional investors, stock markets and other intermediaries. We offer for your reference ICGN's Global Stewardship Principles², which we discuss in greater detail below, and hope that these might be of use as the FSB review considers new areas of focus.

We believe that Principle III in particular should be considered as part of the ROSC assessment process which may lead to the encouragement of recommendations around the establishment of national investor stewardship codes, training programmes and national investor bodies. Regarding the latter, ICGN established the

¹ See: ICGN submission to OECD:
<https://www.icgn.org/sites/default/files/ICGN%20response%20to%20OECD%20governance%20principles%20consultation%20January%202015.pdf>

² See ICGN Global Stewardship Principles, 2016:
<https://www.icgn.org/sites/default/files/ICGNGlobalStewardshipPrinciples.pdf>

Global Network of Investor Associations in 2013 as an international collaboration of investor-led membership organisations with a common interest in promoting shareholder rights and responsibilities and effective standards of governance practices world-wide. The effect of such capacity building initiatives may be similar to the success of the improvements in corporate governance developments as previously evidenced.

The important role that investors play in preserving and enhancing long-term value on behalf of their beneficiaries or clients was referred to the 2015 OECD Corporate Governance Fact-book which states that *“The effectiveness and credibility of the entire corporate governance system and company oversight depend on institutional investors that can make informed use of their shareholder rights and effectively exercise their ownership functions in their investee companies”*.

Many jurisdictions share this view which is evidenced in the proliferation of Stewardship Codes around the world -- which include recommendations around investee company monitoring, voting and engagement set within the context of robust policies around conflicts of interest and reporting. Over the course of 2015 and 2016 ICGN made an active review of stewardship and stewardship codes globally, and concluded with our new Global Stewardship Principles—which we believe will provide a constructive global perspective on stewardship to guide new stewardship initiatives around the world or to serve as a reference point for the review of existing codes. A link to these Principles is attached in the above footnote.

Thank you for the opportunity to provide our comments to you and we remain at your disposal should you wish to discuss our comments.

Yours faithfully,

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