Welcome Remarks from Kerrie Waring, CEO, ICGN  
ICGN Governance of Sustainability Dialogue hosted by UNCTAD World Investment Forum, in partnership with the Sustainable Stock Exchanges Initiative  
23 - 24 June 2021 (0815-0830)

Introduction

Hello everyone and welcome to ICGN’s Dialogue on the Governance of Sustainability, kindly hosted by UNCTAD World Investment Forum, in partnership with the Sustainable Stock Exchange Initiative.

I would like to thank our sponsors for their support and our many speakers for committing their valuable time to share their experiences with us today. For this event we have split the sessions between mornings and afternoons over two-days to enable global participation to the live discussions. And all sessions will be recorded and available to ICGN Members.

Over 530 people have registered from 54 countries which demonstrates the importance of this subject to all of us. Companies and investors alike share a mutual responsibility to preserve and enhance long-term corporate value, ultimately contributing to a healthy and sustainable global economy, society and environment. ICGN’s work programme, led by investors responsible for assets of $59 trillion, is entirely shaped around this principle.

Systemic challenges to sustainability

In the context of defining what we mean by ‘sustainability’, I find it useful to reflect on the definition published by the European High-level Expert Group on Sustainable Finance in 2019 which said: ‘sustainability means making economic prosperity long lasting, more socially inclusive and less dependent on exploitation of finite resources and the natural environment’.

This is particularly poignant in the context of a world facing systemic challenges of the highest magnitude: a double jeopardy of covid and climate change. Stark social inequalities have been exposed and public mistrust in capitalism propagated like never before. How we address these risks and ‘level-up’ across society is key to successfully rebooting the global economy while at the same time creating a healthier and more sustainable world.

Government and market response

To address this, earlier this year, the European Parliament announced plans for a new binding law that ensures companies are held accountable and liable if they harm - or contribute to harming - human rights, the environment and good governance. This is a controversial proposal and will be discussed tomorrow on a panel led by ICGN’s Policy Director, George Dallas.

For investors, the European Shareholder Rights Directive requires asset owners to publish how their investment strategy aligns with the profile and duration of their liabilities and how they oversee asset managers. This is hard-wired in the ICGN Model Mandate which provides example terms for asset owners when drafting stewardship obligations in their investment management agreements.

We are currently reviewing the ICGN Model Mandate in partnership with the UN Global Investors for Sustainable Development to help shift investment behaviours towards a longer term, perspective, particularly those related to the UN SDGs. ICGN Advisor Chris Hodge,
along with Claudia Kruse of APG, are leading this review and will update us on progress in our first session tomorrow morning.

Revised ICGN Global Governance Principles

It is against this backdrop that the ICGN Global Governance Principles have been revised this year. Published over 20 years ago, many ICGN Members default to the Principles as a bellwether for their own voting policies and company engagements. And many governments use them to help inspire the evolution of national codes.

There are dozens of changes to the Principles this year based on feedback from ICGN Members reflecting current market practice and in alignment with regulatory changes around the world.

The Principles encourage companies and investors to focus, not only on aspects relating to a company’s long-term financial value, but also on factors impacting the health of society and the environment too. In essence this is about ‘the governance of sustainability’ and the role of the board in overseeing the integration of human and natural capital management in alignment with a company’s purpose and long-term strategy.

There are 12 new amendments to the ICGN Principles relevant to our conference agenda:

1. Firstly, from the outset we clarify the need for the board to publicly disclose a company purpose to guide management’s approach to strategy, innovation and risk.

2. Stakeholders are referenced throughout with a focus on identifying key parties, disclosing how their interests are considered and engagement.

3. Directors’ duties clarify responsibility to promote the success of the company to preserve and enhance share value, while contributing to a sustainable economy, society and environment.

4. Risk oversight has been expanded to systemic events including ecological degradation, social inequality and digital transformation.

5. There is new guidance on capital allocation to manage competing company, investor and stakeholder interests, while maintaining sufficient liquidity to ensure resilience.

6. Board diversity guidance has been expanded to encourage effective, equitable and inclusive decision-making across the workforce aligned with company purpose and stakeholders.

7. There is new reference to human capital management including workforce recruitment, retention, training and succession planning, linked to long-term strategy.

8. Human rights (inc. modern slavery) and workforce safety focus on how companies identify and mitigate risk in their operations and supply chains.

9. We have referenced climate change and the board’s role in assessing business impacts and how it will be adapted to meet the needs of a net zero economy by reducing carbon emissions over a specified period.

We have two sessions on this subject during the event – one focused on corporate disclosure chaired by Tiffany Grabski of the Sustainable Stock Exchange Initiative.
today at 4pm and another looking at investor disclosure led by Bastian Buck of GRI tomorrow at 9am.

10. Remuneration guidance emphasises that plans should be designed to align the interests of the CEO fairly and effectively with the workforce and long-term company strategy, including the use of sustainability-related metrics.

Again, we will deep dive into this on our final panel today chaired by Mark Van Clief.

11. We have 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, innovation, regulation and so on.

12. Finally, we encourage companies to use sustainability-related accounting and reporting frameworks to facilitate consistency and comparability and to contribute to the global consolidation of standards.

This subject will be addressed by Janine Guillot CEO of the Value Reporting Foundation established from the merger of SASB and IIRC this month.

These important new additions to the ICGN Principles will be discussed over the next two days. They are also covered in ICGN’s Governance, Stewardship and Sustainability training programme which we offer on-line, the next one taking place in September. In fact, we have just launched ICGN’s first book to accompany the course, written by our Policy Director, George Dallas and our former Education Advisor, Mike Lubrano.

ICGN Policy Committee Re-structure

In alignment with the revisions to the Principles, our approach to ICGN’s policy work has also been restructured following a comprehensive reform of our membership fees last year. In September we will be announcing five new ICGN Committees: 2 focused on supporting our flagship documents, the Global Governance Principles and the Global Stewardship Principles; and a further 3 focused on financial, human and natural capital respectively.

Our committees are instrumental in ICGN’s ability to influence governance and stewardship reforms around the world. Over the last 18 months we have responded to 43 consultations in 11 markets and 6 global standard-setters. I refer you to our submissions this month to the US SEC on climate change disclosures, to the Australian Treasury on proxy access or our letter to the UK Government considering social risks and opportunities in pension schemes.

Conclusion

To conclude, the proper governance of sustainability is no longer a ‘nice to have’ -it is a must have. And it is incumbent on companies to create value, not only for shareholders, but for all stakeholders - employing their resources into actively addressing social and environmental risks and opportunities now and into the future. And investors must act as guardians of good governance through the power of share ownership and responsible stewardship practices. These are the themes that will be discussed over the next two-days and we look forward to hearing your observations and priorities for future reforms.

On that note I have pleasure in introducing you to James Zhan who is director of UNCTAD’s division on investment and enterprise. He initiated the World Investment Forum in 2008 and
chairs the Governing Board of the *UN Sustainable Stock Exchanges Initiative*, among many other hats.

Richard Howitt who will lead our first session on board accountability for sustainability. Richard has been a leading voice on corporate responsibility for over two decades, a substantial part of which was spent as a Member of the European Parliament where he was the key architect of the EU’s Non-Financial Reporting Directive. Amongst other things he was and a member of the B20 Business Leaders’ group advising G20 Governments, serving on its Energy, Climate and Integrity Task Forces. More recently he was CEO of the IIRC and is currently Strategic Advisor at the public interest law firm, Frank Bold.