



ICGN

International Corporate Governance Network
Inspiring good governance & stewardship

ICGN CEO Remarks to the G7 High Level Corporate Governance Roundtable Niigata, Japan (11 May 2023)

Congratulations on the revisions to the G20-OECD Principles which will serve the world well as we navigate the next decade and strive to meet the UN's Sustainable Development Goals.

And while it is important to focus attention on the systemic events of our time, let us celebrate the importance of strong governance as the foundation for successful corporate performance.

Fairness, accountability, responsibility, and transparency are the pillars upon which financial value is preserved and enhanced – allowing our economies to thrive and people to prosper.

The OECD Principles encapsulate this and precede ICGN's own Global Governance Principles, first published in 2001 and used by Members, (who today represent \$77 trillion in AuM), in their voting policies and company engagements.

Last year, both the OECD and ICGN Principles were cited in the EU Corporate Sustainability Reporting Directive as 'authoritative global frameworks of governance information of most relevance to users.' The Directive is transposed into reporting standards, mandatory for over 50,000 EU companies from January next year.

So, I am delighted to be here today given my role on the Council of Experts convened by the FSA and TSE and acknowledge significant reforms in Japan over the last decade.

For corporate boards, we continue to focus on the effectiveness of independent directors – and their responsibility for overseeing corporate performance, resilience, growth, and sustainability. This includes oversight of capital allocation, cross-shareholdings, executive remuneration and human capital management.

For shareholders, the heat is on asset owners – including listed companies with their own pension funds - to effectively oversee asset manager stewardship activities, including company monitoring, voting and engagement.

There is enhanced scrutiny around the governance of investors themselves - unbiased leadership, independent oversight, conflicts of interest, remuneration, and commitment to resources.

And there is increased focus around the importance of sustainability. Last year, ICGN and UN GISD published the Model Mandate setting out example contractual

terms for asset owners to consider when embedding governance, stewardship, and sustainability objectives into IMAs.

We encourage constructive dialogue between companies and investors.

Sustainability impacts on a company, particularly climate related, should be integrated with financial statements so investors can properly assess and price risk, opportunity, and resilience.

To do this well, globally harmonized corporate sustainability reporting standards, as developed by the ISSB and EFRAG will enable high quality, consistent and comparable disclosure.

Alongside this we welcome efforts by the IAASB in developing a global assurance framework to help verify the reliability of this information.

And in Japan, the JSSB has enhanced the content, format, and timeliness of governance and sustainability information. This should be consolidated into the Securities Report and published in English 30 days ahead of the AGM.

But disclosure is not an end in itself – it's the start of a conversation – and regulators should mitigate any obstacles which inhibit this:

- Removing barriers to collective engagement to avoid investors breaching 'concert party' rules.
- Abolishing dual class share structures which limit effective stewardship by giving controlling owners power disproportionate to their economic interests.
- Eradicating greenwashing which obscures the accuracy of information in corporate reports, ratings, and investment products.
- Ensuring shareholders can participate and vote - both in-person and virtually - at AGMs, to hold boards properly to account for corporate performance.

To conclude, the path towards corporate governance excellence is a journey, not a destination.

While there is no 'one size fits all approach', the OECD and ICGN Principles provide globally recognized frameworks to guide companies and investors in their mutual objective to preserve and enhance long term corporate value upon which we all rely.

ENDS.