



**ICGN**

International Corporate Governance Network

IFRS® Advisory Council June 2016  
Agenda Paper 3A

# ICGN

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Anne Molyneux  
Director  
International Corporate Governance Network

Influencing • Connecting • Informing



**ICGN**

International Corporate Governance Network

## **Investor-led membership network**

- Founded in 1995– celebrating 20<sup>th</sup> anniversary
- Over 600 members from 45 countries

## **Leading global investor body focusing promoting good corporate governance**

- Institutional investor members represent over US\$26 trillion in assets under management
- Investor members include:
  - Asset owners (including University Superannuation Scheme, CalPERS)
  - Asset managers (including BlackRock, UBS, BNP Paribas)
- Company members (BHP, Pirelli, Coca-Cola, BP, ORIX)– many companies better seeking to understand the investor perspective on governance

## **Mission is to inspire effective standards of corporate governance and responsible investment**

- Micro: to promote successful companies for sustainable long-term value creation
- Macro: to promote efficient markets and economies worldwide

## **Policy outputs grounded in ICGN Global Governance Principles (2015)**

- Guidance statements, Viewpoint reports, comment letters



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## Main activities:

- **Influencing**– public policy and company governance practices
- **Connecting** -- forum for dialogue between investors, companies, regulators and other stakeholders
- **Informing**– policy statements , guidance statements, comment letters and education programmes

## Policy outputs grounded in ICGN Global Governance Principles (2015)

- Guidance statements, Viewpoint reports, comment letters

## ICGN Policy Committees address a range of topical issues

1. Accounting and Auditing
2. Business Ethics
3. Corporate Risk Oversight
4. Integrated Reporting
5. Remuneration
6. Shareholder Responsibilities
7. Shareholder Rights



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## Why engagement in financial reporting?

### Policy Priority - Seeking transparency through robust reporting, audit and metrics.

- Representation on IFRS Advisory Council, IAASB CAG and IESBA CAG and IIRC
- IASB Conceptual Framework, IAASB Audit Quality consultation, ESG integration

### Accounting and Auditing policy committee

- [‘What investors want from Financial Reporting’ Position Paper](#)<sup>1</sup>
- Comment letters
- Current priorities include IASB<sup>®</sup> Conceptual Framework

<sup>1</sup> the Position Paper is currently being updated



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## **ICGN Policy Priorities 2016**

### **1. Promoting long-term investment perspectives while protecting minority shareholder rights.**

- Challenging differential ownership rights
- Cross border proxy voting

### **2. Tracking the changing boundaries of governance: culture, ethics, risk.**

- Red flags of corporate culture, human rights, tax policy, political lobbying and donations, cyber risk

### **3. Seeking transparency through robust reporting, audit and metrics.**

- Representation on IFRS Advisory Council, IAASB CAG and IESBA CAG and IIRC
- IASB Conceptual Framework, IAASB Audit Quality consultation, ESG integration

### **4. Making successful stewardship a reality to support sustainable financial markets.**

- ICGN Global Stewardship Principles



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## What is stewardship?

- **Stewardship: the responsible management of something entrusted to one's care**
  - A fiduciary duty of care to ensure that beneficiaries' interests are safeguarded over the long-term, particularly for pensions and annuities
  - Institutional investors— both asset owners and asset managers— are agents for the end beneficiaries: these include pensioners, holders of insurance policies, private investors
- **Micro: company specific--** use ownership rights and rights as investors to establish an “ownership culture” and promote the sustainable long-term success of companies
- **Macro: systemic--** promote healthy and sustainable financial markets and economic development



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## Comply-or-explain Principle

Definition: Principles and best practices should be applied, or an explanation should be given, for any departure or non-adherence to the Code. This “comply or explain” approach provides investors with the flexibility to adapt their stewardship practices to their individual situations, as long as clear explanations are provided.

Used for both the Corporate Governance Code and the Stewardship Code

• **Principles based legislation** or voluntary “**comply or explain**” **governance codes can be ultimately toothless**, unless there is an investor base that is engaged and willing to exercise ownership rights in light of weak governance practices

- Formal voting rights
- Informal rights to engage and influence



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## **ICGN Global Stewardship Principles (2016)**

1. Internal governance: the foundation of effective stewardship
2. Developing and implementing stewardship policies
3. Monitoring and assessing investee companies
4. Engaging companies and investor collaboration
5. Exercising voting rights
6. Promoting long-term value creation and integration of environmental, social and governance (ESG) factors
7. Enhancing transparency, disclosure and reporting





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**2016**

**Frankfurt Conference – April**

**San Francisco Conference – June 27 – 29**

**London Conference – December 6-7**



## Contact Us

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 @ICGNCorpGov

W: [www.icgn.org](http://www.icgn.org)

T: +44 (0) 20 7612 7011

E: [secretariat@icgn.org](mailto:secretariat@icgn.org)