ICGN
International Corporate Governance Network
Inspiring good governance & stewardship

ICGN Member Consultation
Revisions to ICGN Global Governance Principles
Invitation to Comment

ecoDa's Comments

Issued on 30st November 2020

The ICGN Global Governance Principles (GGP)[1] serve as ICGN's primary standard for well-governed companies. The Principles are often referred to by ICGN Members in voting policies or as part of company engagements. The GGP are also referred to by regulators around the world as a single international benchmark for high standards of governance practices.

Following an initial Member consultation earlier this year, ICGN is now consulting on detailed changes to the GGP which are drafted in tracked change form in the document below. This review is part of a periodic three-year review cycle which aims to ensure that ICGN's flagship Principles are relevant and aligned with regulatory developments and market practice.

We welcome ICGN Member comment on the proposed changes by 31st January 2021. Thereafter, the comments will be considered and discussed with ICGN Committees and the ICGN Board before being proposed to ICGN Members for final approval at the 2021 Annual General Meeting which will take place in September.

Thank you for taking the time to consider this consultation.

Please send your comments on the issues covered in this paper **by 31 January 2021** to Garvin Payne (email: Garvin.Payne@icgn.org).

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[1] See ICGN Global Governance Principles, 2017: http://icgn.flpbks.com/icgn_global_governance_principles/#p=2

ICGN Global Governance Principles

Preamble

The ICGN Global Governance Principles (GGP) reflect ICGN's mission to promote effective standards of corporate governance to advance efficient markets and sustainable economies world-wide. The GGP serve as ICGN's primary standard for well-governed companies, and are maintained and refreshed in consultation with ICGN Members and investors responsible for over USD$54 trillion assets under management. Last updated in 2017, the GGP are reviewed periodically to ensure continued relevance with regulatory or market-led developments promoting high standards of corporate governance.

The GGP are focused on the role of boards of directors and their exercise of power within a framework of accountability and governance controls, to facilitate sustainable value creation for companies and investors while having regard for other stakeholders. The GGP stand alongside ICGN's Global Stewardship Principles[2] (GSP), and these two documents form the core foundation of ICGN's policy framework. The GGP should be read in conjunction with the GSP which set out best practices in relation to investor governance and stewardship obligations. This aligns with ICGN's long held position that companies and investors share a mutual responsibility to preserve and enhance long-term corporate value, thus contributing to sustainable capital markets and societal prosperity.

While these GGP apply predominantly to publicly listed companies, they are certainly relevant to large, unlisted companies that aspire to high standards of corporate governance. The GGP set out expectations for firms on corporate governance matters most likely to influence investment decision-making. The Principles are intended to be relevant to all types of board structures globally, including one-tier and two-tier arrangements as well as subsidiary companies

We refer to both non-executive and independent non-executive directors (also known as 'outside directors') throughout the GGP. This recognises the different approaches to board composition in various markets and the role of executive officers, non-executive directors and independent non-executive directors. The latter refers to directors who are free from any external relationships which may influence the directors' judgement.

Ownership of equity has provided the traditional investor focus on governance; however many investors offer a range of investment strategies, which can include corporate bonds or other fixed income instruments as well as equities. Increasingly, holders of debt securities also recognise the importance of good corporate governance to protect their fixed income investments. Therefore, the GGP are of relevance to a company's core financial stakeholders, which can include both long-term creditors and long-term equity investors. In many areas the interests of creditors and shareholders overlap. But conflicts can also exist, and creditors and shareholders may not always define good governance the same way.[3] The GGP focus primarily on areas where shareholder and creditor interests in governance are aligned. In areas of conflict shareholders and creditors may have different governance preferences; in such situations the Principles focus primarily on the shareholder perspective.

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[2] See ICGN Global Stewardship Principles (2020): https://www.icgn.org/sites/default/files/ICGN%20Global%20Stewardship%20Principles%202020_0.pdf

[3] ICGN Viewpoint, "What is the role of the creditor in corporate governance and investor stewardship?" (September 2019): https://www.icgn.org/what-role-creditor-corporate-governance-and-investor-stewardship

The Principles are intended to be of general application, irrespective of national legislative frameworks or listing rules. As global recommendations, they should be read with an understanding that local rules and cultural norms may lead to different approaches to governance practices. National codes reflect local standards and explanation is encouraged where there is divergence from the GGP against this framework. Members of the ICGN support the flexible application of Principles, and therefore the specific circumstances of individual companies, shareholders and the markets within which they operate should be recognised.

The GGP and the GSP provide over-arching principles which are supplemented by guidance points. In addition, they are supplemented by ICGN Guidance and Viewpoint reports on a range of governance themes which are issued periodically to elaborate on key concepts and practices. Both the GGP and the more specific Guidance pieces are often used by ICGN members as benchmarks in assessing investee company governance practices, in voting guidelines and are referenced by academia and standard-setters. The recommendations are subject to change in recognition of continually evolving standards and practices and are reviewed at appropriate intervals. ICGN Principles and Guidelines are freely and publicly available on the ICGN website (www.icgn.org).

Main changes from the 2017 Principles

The revisions to ICGN's GGP are intended to make sure that they are robust, up-to-date and fit for purpose to serve as a global reference for investors, companies and regulators.

Since the 2017 GGP were published there has been considerable societal change, including the disruptive effects of Covid-19 on public health and economic activity, ethic and social tensions and the growing concerns about climate change. The role and purpose of the corporation has faced renewed scrutiny, and stakeholder capitalism has emerged as a challenge to the model of shareholder primacy that prevails in many markets. In the context of this debate, ICGN's position has been, and remains, to focus on the sustainable success and value creation of the company itself which involves meeting legitimate shareholder needs for returns on capital while maintaining positive and effective relations with key stakeholders, including employees, customers, supply chains, communities, and civil society more broadly.

Against this background there are many changes in this version the GSP, along a wide range of corporate governance issues, as outlined below. But it is clear that one of the key themes of these revisions is reflect the need for a greater focus on corporate purpose, improving stakeholder relations and ensuring that sustainability issues are a meaningful part of board oversight and the governance process. Both investors and companies need to focus not only preserving and building a company's financial capital, but also its human and natural capital. Reflecting these considerations, many of the changes to the text reflect emphasis on the following factors:

- **Company purpose.** Encourage the board and management to articulate and disclose the company's purpose to justify the company's social licence to operate and ensure this is embedded within strategy and operations.

- **Director fiduciary duty.** Emphasising that directors have a fiduciary duty to act in good faith with due care and loyalty to promote the long-term success of the company for sustainable value creation.

- **Controlled or group companies**. Emphasising that the fiduciary duty of directors is not compromised in controlled companies and that directors on boards of subsidiary companies owe allegiance to the subsidiary as a separate legal entity and not to the group holding

company.

- **Governance of sustainability.** Clarifying the responsibility of the board to take ownership of the governance of sustainability in the company and its integration with company strategy, operations and risk oversight, including the effectiveness of the company's policies and practices as related to governance, environmental and social factors.

- **Board diversity.** Stressing the strategic urgency of addressing diversity, both at the board level and the workforce as a whole to ensure effective and inclusive decision-making in alignment with the company's purpose.

- **Stakeholder relations**. Holding the board accountable to understand stakeholder needs and support healthy and sustainable stakeholder relations linked to the board's oversight of the company's human and natural capital management.

- **Systemic risks**. Ensuring that boards and committees identity, address and report on relevant systemic risks to the business, particularly those identified in the United Nations Sustainable Development Goals.

- **ESG data and frameworks.** Encouraging the board to make use of established ESG reporting standards and frameworks to facilitate consistency and comparability of reporting and to contribute to the global consolidation of ESG standards.

- **Board independence**. Introducing tighter independence standards recommending majority board independence in companies with both widely-held and concentrated ownership structures, including fully independent Audit and Remuneration Committees, as well as an emphasis on true independence of mind (versus nominal) independence.

- **Capital allocation**: Ensuring the board articulates and discloses a clear approach to capital management and how now the company seeks to achieve a sustainable balance of capital allocation among different and competing company, shareholder, creditor and stakeholder interests.

- **Executive remuneration:** Incorporating material ESG metrics into incentive plans, determined within the context of company's values, internal reward structures and competitive drivers while being sensitive to the absolute quantum of pay relative to the expectations of shareholders, stakeholders and societal norms.

- **Shareholder meetings:** When practicable, as the challenges presented by the Covid-19 crisis are overcome, shareholder meetings should allow for the physical presence of participants, including provision for voting electronically by proxy, and ensure live interaction is possible between shareholders and the board and management. Hybrid formats should be encouraged, and virtual-only meetings should be discouraged if they do not allow for constructive dialogue and interaction between the company and its shareholders.

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ecoDa's comments: A dedicated session related to stakeholders could be considered. This topic is one of key elements of good CG and it is among 6 topics in OECD CG Principles

Annex:

A. Acknowledgements

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Summary of ICGN Global Governance Principles

Principle 1: Board role and responsibilities
The board should act on an informed basis and in the best long-term interests of the company with good faith, care and loyalty, for the benefit of shareholders, while having regard to relevant stakeholders.

Principle 2: Leadership and independence
Board leadership calls for clarity and balance in board and executive roles and an integrity of process to protect the interests of minority investors and promote success for the company as a whole.

Principle 3: Composition and appointment
There should be a sufficient mix of directors with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making.

Principle 4: Corporate culture
The board should adopt high standards of business ethics, ensuring that its vision, mission and objectives are sound and demonstrative of its values. Codes of ethical conduct should be effectively communicated and integrated into the company's strategy and operations, including risk management systems and remuneration structures.

Principle 5: Risk oversight
The board should proactively oversee, review and approve the approach to risk management regularly or with any significant business change and satisfy itself that the approach is functioning effectively.

Principle 6: Remuneration
Remuneration should be designed to effectively align the interests of the CEO, executive officers and workforce with a company's strategy and purpose to help ensure long-term sustainable value creation. Aggregate remuneration should be appropriately balanced with the payment of dividends to shareholders and retention of capital for future investment and the level of quantum should be defendable relative to social norms.

Principle 7: Transparency and disclosure
Boards should oversee timely and high quality company disclosures for investors and other stakeholders relating to financial statements, strategic and operational performance, corporate governance and material environmental and social factors.

Principle 8: Internal and external audit
The board should ensure that the quality of internal and external reporting is supported by a rigorous and independent audit process, relating both to financial and non-financial information.

Principle 9: Shareholder rights
Rights of all shareholders should be equal and must be protected. Fundamental to this protection is ensuring that a shareholder's voting rights are directly linked to its economic stake, and that that minority shareholders have voting rights on key decisions or transactions which affect their interest in the company.

Principle 10: Shareholder meetings and voting
Boards should enter into constructive dialogue with shareholders and relevant stakeholders for the mutual pursuit of long-term corporate value creation. This includes allowing for interactive shareholder meetings for robust discussion around the company's long-term strategy, performance, and approach to sustainable development upon which voting decisions may be influenced and executed.

ICGN Global Governance Principles & Guidance

Principle 1: Board role and responsibilities

The board should act on an informed basis and in the best long-term interests of the company with good faith, care and loyalty, for the benefit of shareholders, while having regard to relevant stakeholders, including creditors.

ecoDa's comments: If it is said "relevant stakeholders", then, it is clear that creditors are included. Suggestion to delete.

Guidance

1.1 Responsibilities

ecoDa's comments: Responsibilities (Board):

- Engagement with shareholders should be added to board responsibilities
- Ensure a process for offboarding for directors who no longer are fit for their tasks

The board is accountable to shareholders and relevant stakeholders and responsible for preserving and enhancing sustainable value over the long-term in alignment with a company's purpose. In fulfilling their role effectively, board members should:

ecoDa's comments: A bit unclear what is meant with this expression, what kind of accountability

a) publicly disclose a clear vision, mission, purpose and values to guide the company's approach to the development of strategy, operations and innovation;

b) instil high standards of business ethics, oversee the implementation of codes of conduct that engender a strong corporate culture and ethos of integrity throughout the company and adhere to applicable laws;

ecoDa's comments: We would like to suggest adding "…and regulations", because not all is defined by the law.

c) be accountable for the governance of sustainability in the company including human and natural capital management and to ensure integration within company strategy, operations and risk oversight.

d) understand the perspectives of relevant stakeholders and appropriately engage with them to maintain positive stakeholder relations;

e) identify, address and report on relevant systemic risks including those related to ecological destruction, social inequality and digital transformation;

Deleted[R]: t

ecoDa's comments: We would suggest deleting the word "systemic" to include other types of risks.

f) oversee the management of potential conflicts of interest, such as those which may arise from the influence of significant shareholders, to ensure unbiased board decision-making;

g) oversee appropriate financial management, including approval of major capital expenditures, acquisitions and divestments to ensure solvency;

h) oversee the integrity of the company's accounting and reporting systems, its compliance with internationally accepted standards, the effectiveness of its systems of internal control, and the independence of the external audit process;

ecoDa's comments: the notion of responsibility could be defined to include oversight of disclosure and reporting.

i) oversee the implementation of effective risk management and proactively review the risk management approach and policies annually or with any significant business change;

j) ensure a formal, fair and transparent process for nomination, election and evaluation of the board chair, board directors, CEO, board committees and other senior board positions;

ecoDa's comments: notion of senior board position is unclear.

k) appoint and, if necessary, remove the chief executive officer (CEO) and develop a CEO

succession plan which should be regularly reviewed;

l) align CEO and senior management remuneration against appropriate performance criteria with the longer-term interests of the company; and

m) conduct an objective evaluation of the board, committees and individual directors on a regular basis, to enhance board effectiveness including an external review, once every three years.

1.2 Director's duties

Directors have a fiduciary duty to act in good faith with due care and loyalty to promote the long-term success of the company for sustainable value creation.[4] Implicit in this concept is the need to generate economic risk-adjusted returns on capital for shareholders, while having regard to wider stakeholder interests in overseeing strategic risks and opportunities which impact economic prosperity, social welfare and the natural environment. In the case of directors serving on boards of subsidiary companies, fiduciary duties are owed to the subsidiary as a separate legal entity and not to the holding company.

ecoDa's comments: We would suggest to replace "wider stakeholder interests" by "relevant stakeholder interests".

1.3 Dialogue

The board, particularly the chair, senior independent director and committee chairs, should regularly engage with shareholders, creditors and other stakeholders for meaningful dialogue. Such dialogue should encompass all matters of material relevance to a company's strategic direction, risk management and performance as well as governance, environmental and social policies and practices.

ecoDa's comments: We would suggest to use the term "lead independent direct", add "of applicable" and put "senior" in brackets.

1.4 Commitment

The board should meet regularly to discharge its duties and directors should allocate adequate time to board meeting preparation and attendance. Board members should know the business, its operations and senior management well enough to contribute effectively to board discussions and decisions. Building this awareness may require direct engagement with all relevant stakeholders, such as employees, suppliers or customers. Directors may also benefit from ongoing professional education opportunities.

[4] See ICGN Guidance on Investor Fiduciary Duties (2018): http://icgn.flpbks.com/icgn-fiduciary_duties/

ecoDa's comments: Important to add that boards are there to create value.

1.5 Directorships

The number, and nature, of board appointments an individual director holds (particularly the chair) should be carefully considered and reviewed on a regular basis and the degree to which each individual director has the capacity to undertake multiple directorships should be clearly disclosed. This consideration should reflect the nature of existing board commitments, as well as any commitments relating to foundations or charities. While ICGN generally seeks to avoid prescriptive caps, normally, an individual director should not hold more than three or four directorships of any sort, and this should be substantially less for a director with executive responsibilities, as well as for the board chair and key committee chairs.

1.6 Induction

The board should have in place a formal process of induction for all new directors so that they are well-informed about the company as soon as possible after their appointment. This includes building an understanding of its strategy, business operations, regulatory obligations and other fundamental business drivers. Directors should regularly refresh their skills and knowledge, through training as required, to discharge their responsibilities.

1.7 Committees

The board should establish committees to deliberate on issues such as audit, executive and non-executive director remuneration and director nomination. Where the board chooses not to establish such committees, the board should disclose this and the procedures it employs to discharge its responsibilities effectively in an independent manner. The duties and membership of such committees should be fully disclosed.

ecoDa's comments: We recommend to clarify that the members of the Audit Committee should be board members exclusively (in a small number of European countries non-board members can be members of the audit committee) and not "outsiders".
We would also recommend replacing "should" by "may". There is no reason to universally commend the use of committees. In non-executive boards there is no integrity problem vis-à-vis the executives that motivates the establishment of (non-executive) committees for dealing with certain issues particularly sensitive to such problems. Instead this is such boards "only" a matter of efficient organisation of the board's work, which should be left to individual boards to decide on. According to ecoDa, there is no reason to require disclosure of non-usage of board committees.

1.8 Advice

The board should receive adequate resources to fulfil its responsibilities efficiently and effectively under relevant law and regulation. The board should have access to advice from a company

secretary (or general counsel) and/or independent advice as appropriate at the company's expense.

ecoDa's comments: Board committees should receive adequate resources including external advice as well, to fulfill their responsibilities

1.9 Access to management

The board should have a process where directors, including non-executive independent directors, can have access to a company's executive management and other relevant senior management.

Principle 2: Leadership and independence

Board leadership calls for clarity and balance in board and executive roles and an integrity of process to protect the interests of minority investors and promote success for the company as a whole.

Guidance

2.1 Division of responsibilities

There should be a clear division of responsibilities between the role of the chair of the board and executive management to avoid unfettered powers of decision-making in any one individual. The Board should be chaired by an independent director who should be independent on the date of appointment. The responsibilities of the chair, chief executive, lead independent director and committee chairs should be clearly described and publicly disclosed. The board should explain the reasons why this leadership structure is in the best interests of the company in the annual report and keep the structure under review.

ecoDa's comments:
Actually, the entire board, but not the chair of the board, is making decisions, so we suggest replacing "chair" by the "board".
Requesting that the board should be chaired by an independent director does not make sense in companies with highly concentrated ownership, where a dominating or controlling owner should be allowed to chair the board.
A distinction between independence of company and independence of shareholders would be useful.
The requirement to have the board explaining the reasons why this leadership structure is in the best interests of the company sounds a bit vague and seems difficult as a disclosure.
Given that the concept of lead independent director is not common in all jurisdictions, we recommend adding "if applicable".

2.2 Role of the Chair

The chair is responsible for leadership of the board and ensuring its effectiveness in holding management to account for the strategic direction and risk management of the company, while inspiring a shared commitment to the company's vision, mission and purpose. The Chair is responsible for setting the board agenda, ensuring that board members have sufficient and timely information and are able to constructively challenge and debate managerial proposals. A culture of openness on the board should be encouraged to allow a range of views to be expressed and adequate time made available for discussion of all agenda items.

ecoDa's comments: we recommend to replace "strategic direction" by "strategy implementation".

2.3 Lead independent director

The Board should appoint a Lead Independent Director (LID) (sometimes referred to as a Senior Independent Director) even when the company chair is independent. The LID provides shareholders, relevant stakeholders and directors with a valuable channel of communication particularly when they might wish to discuss concerns relating to the chair or significant shareholders in the case of controlled companies. The LID should not have directorship tenure in the company that raises questions as to the LID's independence as set out in Guidance 2.6.h.

ecoDa's comments: We would recommend to include guidance as to the role of the Lead Independent Director – e.g. sets the agenda and chairs the non-executive directors meetings. Again 'may' or 'should consider to' would be more appropriate. The LID concept is primarily relevant where the positions of Chair and CEO are combined, which is a decreasing practice and even outlawed in some jurisdictions

2.4 CEO succession to Chair

The practice of a company's retiring CEO remaining on the board as a director should be discouraged, regardless of any cooling off period, or in the event this practice does take place, the retiring CEO should not serve on board committees that require independent representation. If, exceptionally, the board decides that a retiring CEO should succeed to become chair, the board should consult with shareholders in advance setting out a convincing rationale and provide detailed explanation in the annual report. Unless there are extraordinary circumstances, there should be a break in service between the roles (e.g. a period of two years).

2.5 Independence

The board should comprise a majority of independent non-executive directors; this should be the standard for both companies with widely-held ownership and companies with concentrated ownership. However, at a minimum, controlled companies should have one-third of its board comprised of independent directors.

2.6 Independence criteria

The board should identify in the annual report the names of the directors considered by the board to be independent and who are able to exercise independent judgement free from any external influence. The conditions which might impair a director's independence include, whether a director:

a) is or has been employed in an executive capacity by the company or a subsidiary and there has not been an appropriate period between ceasing such employment and serving on the board;
b) is or has within an appropriate period been a shareholder, partner, director or senior employee of a provider of material professional or contractual services to the company or any of its subsidiaries;
c) receives or has received additional remuneration from the company apart from a director's fee, participates in the company's share option plan or a performance-related pay scheme,

or is a member of the company's pension scheme;

d) has or had close family ties with any of the company's advisers, directors or senior management;
e) holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
f) is a significant shareholder of the company, or an officer of, or otherwise associated with, a significant shareholder of the company;
g) is or has been a nominee director as a representative of minority shareholders or the state;

has been a director of the company for such a period that his or her independence may have become compromised. There is no fixed date that automatically triggers lack of independence; the norm can differ in varying jurisdictions between 8-12 years after which a non-executive director may no longer be deemed independent. Companies should be guided by local norms, and directors with longer tenure should not be classified as independent in terms of committee appointments or other board functions requiring independence.

2.7 Independent meetings

The chair should regularly hold meetings with the non-executive directors without executive directors present. In addition, the non-executive directors (led by the LID) should meet at least annually, without the chair present, to appraise the chair's performance or as appropriate.

ecoDa's comments: We recommend to add that those meetings could also be led by Vice Chair, in case of no LID.

Principle 3: Composition and appointment

There should be a sufficient mix of directors with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making.

Guidance

3.1 Diversity

Boards, and the workforce as a whole, should comprise a diverse group of individuals to ensure effective and inclusive decision-making in alignment with the company's purpose and key stakeholders. This includes individuals from different genders, ethnicities, social and economic backgrounds, and personal attributes. Boards should disclose and report against the company's policy on diversity which should include specific goals, measurable targets and a time period for achievement. The report should include an explanation of how the diversity policy supports the company strategy and how diversity is considered as part of succession planning on the board and throughout the company.

ecoDa's comments: Ethnicity should not be included in this list of examples for at least two reasons: 1) that it is irrelevant, and 2) because in some jurisdictions, it is prohibited to even register ethnicity.

3.2 Tenure

Non-executive directors should serve for an appropriate length of time to ensure they bring an objective perspective to the board without compromising the independence of the board. Boards should disclose specific term limits and identify any directors who have exceeded the term limit and who are no longer deemed independent. Tenure should be reviewed by the Nomination Committee and annual re-election contingent on individual performance based on satisfactory evaluations of the director's contribution to the board.

ecoDa's comments: Annual re-election is not a practice in many European countries yet. Practice of re-election could create a situation when directors will start behaving in such a way that will be taking into account not the long term interest of the company, but short term interests of the company/shareholders and willingness to stay on the board.

3.3 Director nomination disclosure

The board should disclose the process for director nomination and election / re-election along with

information about board candidates which includes:

a) board member identities and rationale for appointment;
b) core competencies, qualifications, and professional background;
c) recent and current board and management mandates at other companies, as well as significant roles on non-profit/ charitable organisations;
d) factors affecting independence, including relationship/s with controlling shareholders;
e) length of tenure;
f) board and committee meeting attendance; and
g) any shareholdings in the company.

Company disclosure could provide information on the board recruitment process, including on the use of external advisors, search and selection criteria and diversity.

3.4 Shareholder nominated directors

The board should ensure that shareholders are able to nominate candidates for board appointment, subject to an appropriate threshold of share ownership. Such candidacies should be proposed to the Nomination Committee and, subject to an appropriate threshold, be nominated directly on the company's proxy.

ecoDa's comments: Such thresholds are not allowed in different European jurisdictions. We would suggest including the duty/recommendation for the shareholders to nominate their directors that fit the needs of the board and the company as it is defined in 3.6.

3.5 Re-elections / Elections

To enhance accountability incumbent directors should stand for re-election on an annual basis, alongside the appointment of individuals for new elections. Board's should disclose the rationale for each resolution and shareholders should have a separate vote on the re-election / election of each director, with each candidate approved by a simple majority of shares voted.

ecoDa's comments: we disagree that re-election should be executed on the annual basis (see 3.2)

3.6 Evaluation

Board evaluation should be conducted to review composition as appropriate for the needs of the company and identification of how key skills, experience and knowledge are aligned with the company's long-term strategic needs and succession planning. The board should undertake a rigorous review of its performance (as a collective body), the company secretary (where such a position exists), the board's committees and individual directors prior to being proposed for annual re-election. The board should periodically (preferably every three years) engage an independent

outside consultant to undertake such evaluations. The non-executive directors, led by the S/LID, should be responsible for performance evaluation of the chair, taking into account the views of executive officers. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and/or action taken as a consequence.

3.7 Nomination Committee

The board should establish a Nomination Committee comprised of a majority of independent non-executive directors. The main role and responsibilities of the Nomination Committee should be described in the committee's terms of reference. This includes:

a) evaluating the composition of the board taking into account the board diversity policy and the balance of skills, knowledge, independence and experience on the board;
b) developing a skills matrix, by preparing a description of the desired roles, experience and capabilities required for each appointment;
c) leading the process for board appointments and putting forward recommendations to shareholders on directors to be elected and re-elected;
d) upholding the principle of director independence by addressing conflicts of interest (and potential conflicts of interest) among committee members and between the committee and its advisors during the nomination process;
e) considering and being responsible for the appointment of independent consultants for recruitment or evaluation including their selection and terms of engagement and publicly disclosing their identity and consulting fees; and
f) entering into dialogue with shareholders on the subject of board nominations either directly or via the board; and
g) proactively leading and being accountable for the development, implementation and continual review of succession planning for the board and CEO.

ecoDa's comments: In some jurisdictions (e.g. Sweden) the process of nomination and appointment of board members is controlled by the shareholders, and the board as such has no role in this. Therefore, perhaps there should be a footnote to the headline of this subsection saying that it does not apply to jurisdictions where the shareholders control the nomination process?

We would recommend not to refer only to the "balance" but to the good "mix"

Principle 4: Corporate culture

The board should adopt high standards of business ethics, ensuring that its vision, mission and objectives are sound and demonstrative of its values. Codes of ethical conduct should be effectively communicated and integrated into the company's strategy and operations, including risk management systems and remuneration structures.

Guidance

4.1 Anti-corruption

The board should ensure that management has implemented appropriately stringent policies and procedures to mitigate the risk of bribery and corruption or other malfeasance. Such policies and procedures should be communicated to shareholders and other interested parties.

4.2 Whistleblowing

The board should ensure that the company has in place an independent, confidential mechanism whereby an employee, supplier or other stakeholder can (without fear of retribution) raise issues of particular concern with regard to potential or suspected breaches of a company's code of ethics or local law.

4.3 Political lobbying

The board should have a policy on political engagement, covering lobbying and donations to political causes or candidates where allowed under law, and ensure that the benefits and risks of the approach taken are understood, monitored, transparent and regularly reviewed by the board.

4.4 Employee share dealing

The board should develop clear rules regarding any trading by directors and employees in the company's own securities. Individuals should not benefit directly or indirectly from knowledge which is not generally available to the market.

4.5 Behaviour and conduct

The board should foster a corporate culture which ensures that employees understand their responsibility for appropriate behaviour. There should be appropriate board level and staff training in all aspects relating to corporate culture and ethics. Due diligence and monitoring programmes should be in place to enable staff to understand relevant codes of conduct and apply them effectively to avoid company involvement in inappropriate behaviour.

4.6 Stakeholder relations

The board should ensure that the corporate culture supports healthy and sustainable stakeholder relations, supported by relevant metrics to identify strengths and weaknesses. In particular, this calls for constructive engagement and relations with company employees, linked to the board's oversight of human capital management.

4.7 Reincorporation

Boards should carefully assess a range of impacts if considering reincorporation or related corporate transformations. These include specific governance and investor protections, as well as

broader systemic issues relating to tax, financial markets and economic impact.

Principle 5: Risk oversight

The board should proactively assess and publicly disclose the company's key risks and approve the approach to risk management and mitigation on a regular basis or with any significant business change and satisfy itself that the approach is functioning effectively.

Guidance

5.1 Proactive oversight

Strategy and risk are inseparable and should permeate all board discussions and, as such, the board should consider a range of plausible outcomes that could result from its decision-making and actions needed to manage those outcomes. This extends beyond financial risks to include enterprise-wide and reputational risks. Sustainable long-term value creation requires alignment between shareholders, creditors and stakeholders and board oversight of risks, including ESG related risks.

5.2 Comprehensive approach

The board should adopt a comprehensive approach to the oversight of risk which includes material financial, strategic, operational, environmental, cyber and social risks (including political and legal ramifications of such risks), as well as any reputational consequences. Risk oversight should extend to consideration of systemic risks, including those identified in the United Nations Sustainable Development Goals, and how the company is addressing these risks. Fundamental to this is the board's agreement on its risk appetite, and the board should seek to publicly communicate this in basic terms.

5.3 Risk culture

The board should lead by example and foster an effective risk culture that encourages openness and constructive challenge of judgements and assumptions. This entails recognising the nature of the wide spectrum of risks a particular company may face and classifying these in terms of frequency, low or high levels of severity and a recognition of the human element in risk. The company's culture with regard to risk and the process by which issues are escalated and de-escalated within the company should be evaluated periodically.

5.4 Dynamic process

The board should ensure that risk is appropriately reflected in the company's strategy and capital allocation. Risk should be managed accordingly in a rational, appropriately independent, dynamic and forward-looking way. This process of managing risks should be continual and include consideration of a range of plausible impacts.

5.5 Risk committee

While ultimate responsibility for a company's risk management approach rests with the full board, having a risk committee (be it a stand-alone risk committee, a combined risk committee with nomination and governance, strategy, audit or other) can be an effective mechanism to bring the transparency, focus and independent judgement needed to oversee the company's risk management approach. A risk committee, and the board more generally, should be informed through the company's enterprise-wide internal control and risk management system,

encompassing operational risk, environmental, legal and reputational risks,

Principle 6: Remuneration

Remuneration should be designed to effectively align the interests of the CEO, executive officers and workforce with a company's strategy, objectives and purpose to help ensure long-term sustainable value creation. Aggregate remuneration should be appropriately balanced with the payment of dividends to shareholders and retention of capital for future investment and the level of quantum should be defendable relative to social norms.

Guidance

6.1 Level

The board is responsible for ensuring that remuneration is reasonable and equitable in both structure and quantum, and is determined within the context of company's values, internal reward structures and competitive drivers while being sensitive to the expectations of shareholders, stakeholders and societal norms. Societal norms reflect concerns about income inequality and call for executive remuneration levels to take into consideration the level of pay of the average company worker and relative to the average median income of the company's place of domicile.

Deleted[R]:

ecoDa's comments: We would recommend to replace reference to "societal norms" by " *remuneration practices and structure should be are as consistent as possible across the Company, while acknowledging that the structure of remuneration for Executive Directors is necessarily different to that of less senior employees as a result of their role and ability to impact the performance of the business.*"

6.2 Structure

Remuneration should be structured in a simple manner and balance salary levels appropriately in comparison with the level of benefits such as bonuses, deferred stock options or long-term incentive plans (LTIPS). The use of restricted stock with long-term vesting and holding periods brings the benefit of simplicity compared with metric-based performance awards (such as LTIPs). Remuneration Committees are encouraged to consider whether restricted stock could be introduced alongside, or as an alternative to LTIPs, as long as their use is consistent with the company's capital allocation model, and provided that award size is reduced materially to take account of the greater certainty of vesting due to absence of performance hurdles. The awarding of pension benefits should be consistent across the company so that the CEO and executive pension contributions are aligned across the workforce

Deleted[R]: with

6.3 Performance

Performance related elements (such as long-term incentive plans) should integrate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its shareholders. Performance related elements should be rigorous and measured over timescales, and with methodologies, which help ensure that performance pay is directly correlated with sustained value creation. In addition to financial and operational performance metrics, boards should be encouraged to introduce quantifiable ESG indicators that are material to the company's sustainable value creation. Companies should include provisions in their incentive

plans that enable the company to withhold the payment of any sum ('malus'), or recover sums paid ('clawback'), in the event of serious misconduct or a material misstatement in the company's financial statements.

6.4 Disclosure

The board should disclose clear and understandable remuneration policies and reports which are aligned with the company's purpose and long-term strategic objectives. Such disclosure should facilitate comparability and accountability and include reference to how awards were deemed appropriate in the context of the company's underlying performance and long-term strategic objectives and whether remuneration consultants were involved in the process. Disclosure should refer to executive officers, directors and the CEO and reported on an individual basis, whilst also taking account of the company's overall approach to human resource strategy. This extends to non-cash items such as director and officer insurance, pension provisions, fringe benefits and terms of severance packages if any.

6.5 Share ownership

The board should disclose the company policy concerning ownership of shares by the CEO, board directors and executive officers. This should include the company policy as to how share ownership requirements are to be achieved and for how long they are to be retained. While CEO and executive share ownership is encouraged, the use of derivatives or other structures that enable the hedging of an individual's exposure to the company's shares should not be allowed.

6.6 Remuneration policy

Shareholders should have an opportunity, where a jurisdiction allows, to a binding vote on remuneration policies at least every three years or where significant change to remuneration structure is proposed.

ecoDa's comments: We would recommend a vote on remuneration policy every four years (as opposed to three) so as to align with the SRDII.

6.7 Annual remuneration report

The Remuneration Committee should use careful judgement on the awarding of annual remuneration for the CEO and executives and disclose how judgements were determined in the Annual Remuneration Report. Shareholders should have an advisory vote on the annual remuneration report. In the absence of local legal requirements for a binding vote or equivalent, and in cases where a significant minority of shareholders (e.g., 20%) vote against a report, a binding vote should be triggered the following year.

6.8 Employee incentives

The board should ensure that the development of remuneration structures for company employees reinforce, and do not undermine, sustained value creation. Performance-based remuneration for staff should incorporate risk, including ESG related factors and the measurement of risk-adjusted returns, to help ensure that no inappropriate or unintended risks are being incentivised. While a major component of most employee incentive remuneration is likely to be cash-based, these

programmes should be designed and implemented in a manner consistent with the company's long-term performance drivers. Adherence to codes of conduct and compliance protocols should serve as preconditions to incentive awards.

6.9 Non-executive director pay

The board as a whole should determine levels of pay for non-executive directors and the non-executive chair and ensure that it is structured in a way which ensures independence, objectivity, and alignment with shareholders' interests. Performance-based pay or share options should not be granted to non-executive directors and non-executive chairs.

ecoDa's comments: This does not apply to jurisdictions where the remuneration of non-executive directors is determined by the General Meeting (which is true for quite many jurisdictions with a non Anglo-Saxon-type governance framework)

6.10 Remuneration Committee

The board should establish a Remuneration Committee comprised wholly of independent non-executive directors. The main role and responsibilities of the Remuneration Committee should be described in the committee terms of reference. This includes (among others):

ecoDa's comments: we recommend to delete reference to non-executive

a) determining and recommending to the board the company's remuneration philosophy and policy which should take into account pay and employment conditions within the context of the company as a whole and its human resource strategy;
b) designing, implementing, monitoring and evaluating short-term and long-term share-based incentives and other benefits schemes including pension arrangements;
c) ensuring that conflicts of interest among committee members and between the committee and its advisors are identified and avoided;
d) appointing any independent remuneration consultant including their selection and terms of engagement. This includes scrutiny of the rationale for consultancy proposals (particularly if levels appear industry benchmarked). The consultant's identity and fees should also be publicly disclosed; and
e) considering sustainable capital allocation in developing remuneration structures through the use of metrics which take account of shareholder and stakeholder interests; maintaining appropriate communication with shareholders on the subject of remuneration either directly or via the board.

ecoDa's comments: Difference should be made between independence of company and of shareholders; main shareholders shall be able to nominate representatives to Boards and could serve on committees whereas executive directors should not; same for Audit Committees. In

addition, the list provided should not be understood as complete.

Principle 7: Transparency and disclosure

Boards should oversee timely and high quality company disclosures for investors and other stakeholders relating to financial statements, strategic and operational performance, corporate governance and material environmental and social factors.

Guidance

7.1 Comprehensive disclosure

The board should present a balanced and understandable assessment of the company's position and prospects in the annual report and accounts in order for shareholders and other stakeholders to be able to assess the company's financial performance, business model, strategy and long-term prospects. While shareholders are a primary audience for company reporting it is also of relevant to creditors who also provide risk capital and bear the residual risk of the company.

7.2 Materiality

The board should disclose relevant and material information on a timely basis so as to allow shareholders to take into account information which assists in identifying risks and sources of wealth creation. Issues material to shareholders should be set out succinctly in the annual report, or equivalent disclosures, and approved by the board itself.

ecoDa's comments: This paragraph should be revised, because it talks about shareholders only. However, all other stakeholders should be informed as well, and the board must be responsible for that.

7.3 Financial reports

The board should affirm that the company's annual report and accounts present a true and fair view of the company's position and prospects. As appropriate, taking into account statutory and regulatory obligations in each jurisdiction, the information provided in the annual report and accounts should:

a) be relevant to investment decisions, enabling shareholders to evaluate risks, past and present performance, and to draw inferences regarding future performance;
b) enable investors, who put up the risk capital, to fulfil their stewardship responsibilities to assess company management and the strategies adopted;
c) be a faithful representation of the events it purports to represent;
d) generally be neutral and report activity in a fair and unbiased way except where there is uncertainty. The principle of conservatism should ensure that assets and income are not overstated, and liabilities and expenses are not understated; there should be substance over form. Any off-balance sheet items should be appropriately disclosed;
e) be verifiable so that when a systematic approach and methodology is used the same conclusion is reached;
f) be presented in a way that enables comparisons to be drawn of both the entity's performance over time and against other entities; and

recognise the 'matching principle' which requires that expenses are matched with revenues.

ecoDa's comments: just to highlight that financial reports are not only for shareholders and investors, but to all stakeholders.

7.4 Solvency risk

The board should confirm in the annual report that it has carried out a robust assessment of the state of affairs of the company and any material risks, including to its solvency and liquidity and short term continuity that would threaten its viability. The board should state whether, in its opinion, the company will be able to meet its liabilities as they fall due and continue in operation for the foreseeable future, explaining any supporting assumptions and risks or uncertainties relevant to that and how they are being managed. In particular, disclosure on risk should include a description of:

a) risk in the context of the company's strategy;
b) risk to returns expected by shareholders with a focus on key consequences;
c) risk oversight approach and processes;
d) how lessons learnt have been applied to improve future outcomes; and
e) the principal risks to the company's business model and the achievement of its strategic objectives, including risks that could threaten its viability.

7.5 Capital Allocation

The board should ensure that the company discloses a clear statement of its approach to capital allocation. It should seek to clarify how a sustainable balance of capital allocation is achieved among different and competing company, shareholder, creditor and stakeholder interests. Such a framework should address:

a) Governance and decision-making processes - respective roles of boards and management in developing capital allocation framework and taking major capital related decisions and the , independent scrutiny of management's proposals by non-executive directors;
b) Disclosure on the company's cost of capital and how it relates to the company's long-term value creation, including the company's use of cash, debt and equity;
c) M&A activities, R&D projects and capital spending plans - philosophy, governance & decision-making, key internal metrics;
d) The appropriate degree of financial leverage required to support the company's long-term strategy, balancing the goals of shareholders for returns on capital with the goals of creditors for maintain a prudent level of credit risk;
e) A dividend policy, including rationale behind payout ratios/levels and changes in circumstances that may result in reducing or not paying a dividend; approach to special dividends; use of scrip dividends (if any);
f) Use of share buybacks as a capital management tool, including triggers for a share buyback programme, including disclosure on how share buybacks could impact performance metrics under executive incentive schemes;
g) Rationale behind any strategic shareholding in another listed company and cross-shareholdings, in particular, and their impact on the returns on capital.

7.6 ESG data, standards and materiality

The board should encourage the company to make use of established ESG reporting standards and frameworks to facilitate consistency and comparability of reporting and to contribute to the global consolidation of ESG standards. The methodology underlying the company's ESG disclosure should be rigorously explained. ESG disclosures should focus on materially relevant factors, with many environmental and social factors being sector specific, linked to the company's management of its environmental and human capital. ESG reporting should also seek to address "double materiality", which includes reporting on the company's own social and environmental impacts as well as on how ESG factors may impact the company's own financial performance. Given the gravity of climate change as a systemic risk that affects both companies and society more broadly, reporting on climate change is likely to be material ESG factor for most companies to report on.

7.7 Sustainability reporting

The board should provide information that puts historical performance into context, and portrays the risks, opportunities and prospects for the company in the future, helping shareholders and stakeholders understand a company's strategic objectives and its progress towards sustainable value creation. Such disclosures should:

a) be linked to the company's business model;
b) be genuinely informative and include forward-looking elements where this will enhance understanding;
c) describe the company's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities;
d) be accessible and appropriately integrated with other information, for example remuneration, that enables shareholders to obtain a picture of the whole company;
e) include information around risks and opportunities associated with environmental, social and governance matters which are material to the company's strategy and performance;
f) use key performance indicators, including material ESG factors, that are linked to strategy and facilitate comparisons;
g) use objective metrics from external standard setters to allow for comparisons between companies or apply evidence-based estimates where external metrics do not exist; and
h) be strengthened where possible by independent assurance that is carried out annually having regard to established disclosure standards.

Principle 8: Internal and external audit

The board should ensure that the quality of internal and external reporting is supported by a rigorous and independent audit process, relating both to financial and non-financial information.

Guidance

8.1 Internal controls

The board should oversee the establishment and maintenance of an effective system of internal control which should be measured against internationally accepted standards of internal audit and tested periodically for its adequacy. Where an internal audit function has not been established, full reasons for this should be disclosed in the annual report, as well as an explanation of how adequate assurance of the effectiveness of the system of internal controls has been obtained.

8.2 Independent external audit

The board should publish the report from the external auditor which should provide an independent and objective opinion whether the accounts give a true and fair view of the financial position and performance of the company. Investors encourage the auditor to provide detailed reports to enhance disclosures and provide more insight into the audit process.

8.3 Audit rotation

The engagement partner should be named in the audit report and audit rotation should be promoted at appropriate intervals both at the audit partner and firm level. The company should publish its policy on audit firm rotation. If the auditor resigns then the reasons for the resignation should be publicly disclosed by the resigning auditor.

8.4 Shareholder approval of auditor appointment

The selection of the external auditor should be subject to shareholder approval and the board should consider and report to shareholders on the independence of the auditor on an annual basis.

8.5 Auditor communications

The audit committee should engage with the company's auditor to discuss any risks or other concerns that were significant to the audit process, including any significant questions or disputes regarding accounting practices. The audit committee report should include a summary of its discussions with auditors, including how any major concerns were addressed, to enhance investor confidence in the audit process.

8.6 Non-audit fees

The audit committee should, as far as practicable, approve any non-audit services and related fees provided by the external auditor to ensure that they do not compromise auditor independence. The non-audit fees should be disclosed in the annual report with explanations where appropriate. Non-audit fees should normally be less than the audit fee and, if not, there should be a clear explanation as to why it was necessary for the auditor to provide these services and how the independence and objectivity of the audit was assured.

8.7 Audit committee

The board should establish an audit committee comprised entirely of independent non-executive directors. At least one member of the audit committee should have recent and relevant financial expertise and all audit committee members should be financially literate, including a basic understanding of accounting. The chair of the board should not be the chair of the audit committee, other than in exceptional circumstances which should be explained in the annual report. The main role and responsibilities of the audit committee should be described in the committee's terms of reference. This can include:

a. monitoring the integrity of the accounts, financial statements and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
b. maintaining oversight of key accounting policies and accounting judgements which should be in accordance with generally accepted international accounting standards, and disclosing such policies in the notes to the company's accounts;
c. agreeing the minimum scope of the audit as prescribed by applicable law and any further assurance that the company needs. Shareholders (who satisfy a reasonable threshold shareholding) should have the opportunity to discuss the results of the completed audit should they wish to;
d. assuring itself of the quality of the audit carried out by the external auditors and assessing the effectiveness and independence of the auditor each year. This includes overseeing the appointment, reappointment and, if necessary, the removal of the external auditor and the remuneration of the auditor. There should be transparency in advance when the audit is to be tendered so that shareholders can engage with the company in relation to the process should they so wish;
e. ensuring that contracts with the auditors do not contain specific limits to the auditor's liability to the company for consequential damages or require the company to use alternative dispute resolution;
f. assuring that a robust system of internal financial controls is in place to provide for reliable financial and operational information;
g. engaging, when appropriate, new audit firms to improve market competition and broaden the pool of credible audit service providers;
h. having appropriate dialogue with the external auditor without management present and overseeing the interaction between management and the external auditor, including reviewing the management letter provided by the external auditors and overseeing management's response;
i. overseeing material ESG risks in the event they are not addressed in other board committees; and
j. reporting on its work and conclusions in the annual report.

Principle 9: Shareholder rights

Rights of all shareholders should be equal and must be protected. Fundamental to this protection is ensuring that a shareholder's voting rights are directly linked to its economic stake, and that minority shareholders have voting rights on key decisions or transactions which affect their interest in the company.

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ecoDa's Comments: This appears overly categorically drafted in view of the flexibility then granted in 9.1. In fact this is a pet idea of many US and UK institutional investors that has been proved empirically largely unfounded (see the EU study *Proportionality Between Ownership and Control in EU Listed Companies* from 2007).
It should also be noted that dual-class share structures are commonplace in European jurisdictions (and increasingly also in the US), and that it therefore seems odd to "outlaw" in a set of Global Governance Principles.

Guidance

9.1 Share classes

Ordinary or common shares should feature one vote for each share. Divergence from a 'one-share, one-vote' standard which gives certain shareholders power or control disproportionate to their economic interests should be avoided or in the event of the existence of such classes, they should be disclosed and explained and sunset mechanisms should be put into place. Dual class share structures should be discouraged, and where they are in place kept under review and should be accompanied by commensurate extra protections for minority shareholders, particularly in the event of a takeover bid. The board should disclose sufficient information about the material attributes of all of the company's classes and series of shares on a timely basis.

9.2 Major decisions

The board should ensure that shareholders have the right to vote on major decisions which may change the nature of the company in which they have invested. Such rights should be clearly described in the company's governing documents and include:

a) Appoint or remove a director, with or without cause, by a majority of votes cast;
b) amendments to governing documents of the company such as articles or by-laws;
c) company share repurchases (buy-backs);
d) authorisation of additional shares. The board should be mindful of dilution of existing shareholders and provide full explanations where pre-emption rights are not offered;
e) shareholder rights plans ('poison pills') or other structures that act as anti-takeover mechanisms. Only non-conflicted shareholders should be entitled to vote on such plans and the vote should be binding. Plans should be time limited and put periodically to shareholders for re-approval;
f) proposals to change the voting rights of different series and classes of shares; and
g) material and extraordinary transactions such as mergers and acquisitions.

9.3 Conflicts of interest

The board should ensure that policies and procedures on conflicts of interest are established,

understood and implemented by directors, management, employees and other relevant parties, including members of related business groups. If a director has an interest in a matter under consideration by the board, then the director should promptly declare such an interest and be precluded from voting on the subject or exerting influence. The use of relationship agreements with controlling shareholders are encouraged to ensure that real or potential conflicts of interest are avoided or mitigated and should confirm that transactions involving conflicted parties will be based on customary market terms.

9.4 Related party transactions (RPTs)

The board should disclose the process for approving, reviewing and monitoring related party transactions and any inherent conflicts of interest which, for significant transactions, includes establishing a committee of independent directors. This can be a separate committee, or an existing committee comprised of independent directors, for example the audit committee. The committee should review significant related party transactions to determine whether they are in the best interests of the company and, if so, to determine what terms are fair and reasonable. The conclusion of committee deliberations on significant related party transactions should be disclosed in the company's annual report to shareholders.

9.5 Shareholder approval of RPTs

Shareholders should have the right to approve significant RPTs above an appropriate materiality threshold, and this should be based on the approval of a majority of disinterested shareholders. The board should submit the transaction for shareholder approval in the notice of the meeting and disclose (both before concluding the transaction and in the company's annual report):

a) the identity of the ultimate beneficiaries including, any controlling owner or business group and any party affiliated with the controlling owner with any direct / indirect ownership interest in the company;
b) other businesses in which the controlling shareholder has a significant interest; and
c) shareholder agreements (e.g. commitments to related party payments such as licence fees, service agreements and loans).

9.6 Shareholder registration

The board should ensure that the company maintains a record of the registered owners of its shares or those holding voting rights over its shares. Registered shareholders, or their agents, should provide the company (where anonymity rules do not preclude this) with the identity of beneficial owners or holders of voting rights when requested in a timely manner. Shareholders should be able to review this record of registered owners of shares or those holding voting rights over shares.

9.7 Equality and redress

The board should ensure that shareholders of the same series or class are treated equally and afforded protection against misuse or misappropriation of the capital they provide due to conduct by the company's board, its management or controlling shareholder, including market manipulation, false or misleading information, material omissions and insider trading. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Proper remedies and procedural rules should be put in place to make the protection effective and affordable. Where

national legal remedies are not afforded the board is encouraged to ensure that sufficient shareholder protections are provided in the company's bylaws.

Principle 10: Shareholder meetings and voting

Boards should enter into constructive dialogue with shareholders and relevant stakeholders for the mutual pursuit of long-term corporate value creation. This includes allowing for interactive shareholder meetings for robust discussion around the company's long-term strategy, performance, and approach to sustainable development upon which voting decisions may be influenced and executed.

ecoDa's comments: very many decisions are being pre-voted on e.g. by all foreign shareholders, this sentence is too vague.

Guidance

10.1 Shareholder-called meetings

The board should ensure that shareholders, of a specified portion of its outstanding shares or a specified number of shareholders, have the right to call a meeting of shareholders for the purpose of transacting the legitimate business of the company.

10.2 Annual Shareholder Meetings

Shareholder meetings should allow for the physical presence of participants, including provision for voting electronically by proxy, and ensure live interaction is possible between shareholders and the board and management. Hybrid formats, which allows for both physical and virtual presence by participants enables 'live streaming' of the AGM proceedings accessible via the internet and should be encouraged. Virtual-only meetings should only be held in extraordinary circumstances and audio recorded discouraged.

ecoDa's comments: we would recommend to add that the Company should publicly clarify what the circumstances should be for convening such virtual-only meetings.

10.3 Shareholder identification

Companies should establish adequate procedures to enable verification of AGM participant' identity and shareholding and ensure that all participants in a virtual meeting are able to communicate adequately with each other and vote on matters submitted to shareholders during the meeting. Companies should ensure accuracy of tracking and reconciling any advance votes received pre-AGM with any live votes cast during the AGM itself.

ecoDa's comments: to the extent technical means are available, this is very wide (for all to

discuss together and vote)

10.4 Announcing Shareholder meetings

Annual Shareholder Meetings and other shareholder meetings should be clearly communicated in a timely way and allow for all votes to be received by proxy and counted and confirmed. Companies should ensure that relevant information, including the annual report and financial statements, are made available to investors in a timely fashion to allow them to prepare for the meeting.

10.5 Meeting Notice

The board should ensure that the general meeting agenda is posted on the company's website at least one month prior to the meeting taking place. The agenda should be clear and properly itemised and include the date, format and location of the meeting as well as information regarding the issues to be decided at the meeting.

10.6 Shareholder questions

Companies should allow shareholders the opportunity to submit questions in advance of the shareholder meeting date and/ or during the meeting proceedings. Companies should ensure that transparent, unmoderated and interactive questioning by shareholders to the board and management is facilitated to ensure accountability is upheld. Answers to the questions should be recorded and made available to all shareholders of the company.

ecoDa's comments: Q&A should be recorded and made available to all shareholders, while in 10.2 audio recording is discouraged.

10.7 Shareholder proposals

Companies should ensure that shareholders have the right to place proposals on the agenda of AGMs, subject to reasonable limitations. All shareholder proposals should be voted upon and contingency provisions should be made to ensure that proponents are able to present their proposal should they have difficulties in attending an AGM, particularly a virtual AGM.

ecoDa's comments: there should be no requirement for vote on all issues unless required by shareholders following national law.

10.8 Thresholds

Any threshold associated with shareholder proposals or other such participation, should balance the need to ensure the matter under consideration is likely to be of importance to all shareholders. The threshold should take into consideration the degree of ownership concentration to ensure

minority shareholders are not prevented from putting items on the agenda.

10.9 Voting procedures

Companies should publish their voting procedures to clearly explain how participants can attend and vote at the AGM either in person or by proxy or remotely by virtual electronic means. This includes information on the format of the meeting and procedures around AGM registration, meeting access, participant identification and shareholding verification, voting options and the approach to asking/ answering questions. All matters on the ballot should be voted by poll and voting by a 'show of hands' should not be allowed. The board should clearly publicise a date by which shareholders should cast their voting instructions. The practice of share blocking or requirements for lengthy shareholdings should be discontinued.

10.10 Vote disclosure

The board should ensure that equal effect is given to votes whether cast in person or in absentia and all votes should be properly counted and recorded via ballot. The outcome of the vote, the vote instruction (reported separately for, against or abstain) and voting levels for each resolution should be published promptly after the meeting on the company website. If a board-endorsed resolution has been opposed by a significant proportion of votes (e.g. 20% or more), the company should explain subsequently what actions were taken to understand and respond to the concerns that led shareholders to vote against the board's recommendation.

10.11 Vote confirmation

Companies should confirm to shareholders (where the beneficial owner appears on the share register) whether their votes have been validly recorded and formally counted. This normally can only be provided where the institutional investors hold shares in their own names rather than through pooled or omnibus accounts which co-mingle the securities of multiple investors.

Annex

Acknowledgements Section to be expanded following the second round of consultation.

ICGN acknowledges and is grateful to its board and policy committees for their many good suggestions in the revision of these Principles. ICGN is also grateful to George Dallas and Kerrie Waring for taking the lead on drafting this revised version.

In particular, the ICGN is grateful to those who responded to the public consultation which informed the drafting process. This includes AP2, Assogestioni, Brazilian Institute of Corporate Governance, Bursa Malaysia, CalSTRS, Coronation Fund Manager, DVFA, DWS, Eumedion, Federated Hermes EOS, Philip Gottschalk, Ken Hokugo, Kempen, Oonagh McDonald, NBIM, NEI, Robeco, SES and UBS.

ICGN Global Stewardship Principles

Principle 1: Internal governance: foundations of effective stewardship
Investors should keep under review their own governance practices to ensure consistency with the aims of national requirements and the ICGN Global Stewardship Principles and their ability to serve as fiduciary agents for their beneficiaries or clients.

Principles 2: Developing and implementing stewardship policies
Investors should commit to developing and implementing stewardship policies which outlines the scope of their responsible investment practices.

Principle 3: Monitoring and assessing investee companies
Investors should exercise diligence in monitoring companies held in investment portfolios and in assessing new companies for investment.

Principle 4: Engaging companies and investor collaboration
Investors should engage with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients and should be prepared to collaborate with other investors to communicate areas of concern.

Principle 5: Exercising and protecting voting rights
Investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence and judgement across their entire portfolio in the interests of beneficiaries or clients.

Principle 6: Promoting long-term value creation and integration of environmental, social and governance (ESG) factors
Investors should promote the long-term performance and sustainable success of companies and should integrate material environmental, social and governance (ESG) factors in stewardship activities.

Principle 7: Meaningful transparency, disclosure and reporting
Investors should publicly disclose their stewardship policies and activities and report to beneficiaries or clients on how they have been implemented so as to be fully accountable for the effective delivery of their duties.