



ICGN

International Corporate Governance Network
Inspiring good governance & stewardship

ICGN Global Stewardship Principles

INFLUENCE • CONVENE • INSPIRE

Published by the International Corporate Governance Network (ICGN), 2024.

All rights reserved. Dissemination of the contents of this paper is encouraged. Please give full acknowledgement of the source when reproducing extracts in other published works.

ICGN accepts no responsibility for loss occasioned by any person acting or refraining from action as a result of any views expressed in these pages. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

British Library Cataloguing in Publication Data

ISBN 978-1-907387-25-8

© International Corporate Governance Network

Preamble

The *ICGN Global Stewardship Principles* provide an aspirational framework for investors and service providers to consider when reviewing and implementing stewardship strategies, policies, processes, and practices. The Principles can be applied in a flexible manner as appropriate to the circumstances of individual asset owners, asset managers and others.

Stewardship is a fundamental aspect of an investor's fiduciary duty. ICGN defines stewardship as the responsible allocation, management, and oversight of capital, to protect and enhance long-term value for beneficiaries and clients. This contributes to capital market efficiency, integrity and resilience, and to sustainable economic growth. Effective stewardship may help to mitigate idiosyncratic risks, as well as market-wide or systemic risks.

Effective stewardship requires investors to responsibly exercise their ownership rights across all asset classes, investment strategies, and jurisdictions on behalf of their beneficiaries and clients. An investor's stewardship approach and level of influence may vary depending on the type of investor, the asset class, the investment size, legal requirements, market factors and client mandates.

Stewardship responsibilities include the identification, monitoring, and integration in investment and stewardship decisions of material sustainability-related risks and opportunities that impact long-term value creation.

The adoption of high standards of stewardship also applies to service providers in their roles supporting investors in exercising their fiduciary duties on behalf of beneficiaries and clients. This includes, for example, the provision of services associated with voting recommendations, voting chain operations, research, data, and company engagement.

This fourth edition of the *ICGN Global Stewardship Principles* builds on ICGN's seminal *Statement of Principles for Institutional Shareholder Responsibilities*, first published in 2003. Since that time, the ICGN Principles have been updated periodically, usually every three years, taking account of changes to stewardship related standards and regulations or changes in investment practice.

The *ICGN Global Stewardship Principles* accompany the *ICGN Global Governance Principles*, first published in 2001, providing guidance to companies and others around high standards of corporate governance and the *ICGN-GISD Model Mandate*, published in 2022 in partnership with the UN supported Global Investors for Sustainable Development. The Model Mandate guidance provides example contractual language around stewardship and sustainability obligations for asset owners to consider when entering into investment management agreements with asset managers.

The *ICGN Global Stewardship Principles* complement national codes by providing an international framework for high standards of stewardship policies, processes, and practices. In 2013, ICGN established the Global Stewardship Codes Network (GSCN) to provide a forum for regulators and others to exchange knowledge, experience and innovation in the development of stewardship codes and to encourage global harmonisation.

ICGN Global Stewardship Principles

The *ICGN Global Stewardship Principles* consist of five principles:

1. Stewardship commitment

Commit to a responsible and transparent approach to stewardship that aims to protect and enhance long-term value for beneficiaries and clients. This contributes to capital market efficiency, integrity and resilience, and to sustainable economic growth.

2. Robust governance

Ensure robust governance structures and processes that provide oversight, fairness, transparency, and accountability for effective stewardship, thereby mitigating risk and enhancing value for beneficiaries and clients.

3. Monitoring and engagement

Ensure constructive engagement to mitigate risks and enhance opportunities, to create long-term value for beneficiaries and clients.

4. Voting and other ownership rights

Ensure ownership rights and responsibilities are exercised in an informed and transparent manner, applying due care, diligence and independent judgement, across all asset classes, for beneficiaries and clients.

5. Public policy advocacy

Consider using public policy advocacy efforts to mitigate market-wide issues or systemic risks, thereby protecting and enhancing value for beneficiaries and clients, and safeguarding capital market efficiency, integrity, and resilience.

1. Stewardship commitment

Commit to a responsible and transparent approach to stewardship that aims to protect and enhance long-term value for beneficiaries and clients. This contributes to capital market efficiency, integrity and resilience, and to sustainable economic growth.

1.1 Policies

Investors should disclose their stewardship policies, including stewardship objectives, approaches, processes, and how they monitor progress. Stewardship policies should also include how investors identify and integrate material sustainability-related risks and opportunities in investment and stewardship decision-making.

1.2 Scope

Investors should disclose in their stewardship policies how they exercise their stewardship rights and responsibilities across all asset classes and ownership arrangements, how this applies in different investment strategies, and across different jurisdictions.

1.3 Mandates

Asset owners should disclose how their investment strategy is consistent with the profile and duration of their liabilities. This includes how they delegate stewardship responsibilities to asset managers and service providers in contractual mandates, aligned with the asset owner's investment beliefs, policies, and approach to sustainability related risks and opportunities. Asset managers and service providers should report to their clients in fulfilling the mandate and be subject to periodic evaluation by asset owners on their performance.

1.4 Resources

Investors should have appropriate systems, capacity (including dedicated staff, where relevant) and capabilities, to conduct effective stewardship, commensurate with their size and strategy. Such resources should be strengthened with professional training, high quality data, research and analysis (conducted in-house or outsourced) to inform decision-making.

1.5 Standards

Investors should disclose whether they adopt stewardship codes/principles to guide their stewardship approach, including for different asset classes. Significant deviations to code provisions should be meaningfully disclosed taking account of the investor's unique circumstances, business model and investment strategy. Investors should also disclose whether they implement the recommendations of other international standards and whether they have made any sustainability-related commitments.

1.6 Reporting

Investors should disclose stewardship policies and stewardship reports on their public websites in an understandable language for primary users. Disclosures around stewardship objectives, activities, and outcomes should be balanced, credible, and, to the extent possible, demonstrable (e.g. investors should maintain records of stewardship activities to support reporting to beneficiaries and clients).

1.7 Review

Investors should review their stewardship policies and practices regularly (particularly engagement, collaboration, and voting) to ensure effectiveness and consider periodic external assurance.

2. Robust governance

Ensure robust governance structures and processes that provide oversight, fairness, transparency, and accountability for effective stewardship, thereby mitigating risk and enhancing value for their beneficiaries and clients.

2.1 Governance

Investors should disclose how their governance structures and processes are consistent with high corporate governance standards, where relevant. Stewardship policies and reports should be assessed and approved by the governing body and affirmed at the most senior level of the organisation. The governing body should act independently, without bias, to advance beneficiary or client interests and be subject to an annual effectiveness review.

2.2 Integration

Stewardship, as a fundamental aspect of an investor's fiduciary duty, should be understood and promoted by senior executives of the organisation. Investors should disclose how their stewardship policies are implemented through robust processes and integrated across the organisation (e.g. stewardship and investment portfolio management teams) to ensure a consistent approach to effective stewardship responsibilities, objectives, and outcomes.

2.3 Conflicts of interest

Investors should publish, and regularly review, conflicts of interest policies to demonstrate how the interests of clients and beneficiaries are prioritised. Policies should explain how real or potential conflicts are identified, assessed, mitigated or prevented, and include specific cases where conflicts might arise and how they would be addressed.

2.4 Ethical conduct and compliance

Investors, led by the most senior governing body of their organisation, should ensure high standards of ethical conduct and legal compliance, guided by appropriate law, regulations and codes, to uphold their purpose, investment beliefs, culture, and values across the workforce.

2.5 Incentives

Investors should disclose how their incentive structures provide appropriate alignment with the interests of beneficiaries and clients.

3. Monitoring and engagement

Ensure constructive engagement to protect and enhance long-term value for beneficiaries and clients.

3.1 Monitoring

Investors should regularly monitor investee companies and issuers to assess their individual circumstances, financial performance, and long-term potential. Monitoring should be integrated with the investor's engagement approach, particularly to help identify situations where there is a risk of losing - or opportunity to enhance - value. Where monitoring is conducted by a service provider, there should be periodic assessment of the quality and performance of the provider.

3.2 Governance standards

Investors should disclose the extent to which they rely on governance codes/principles (e.g. national Corporate Governance Codes, *ICGN Global Governance Principles*, *G20-OECD Corporate Governance Principles*) when assessing investee company governance structures, processes, and reporting. Investors should give due consideration to explanations provided by companies for any deviation from governance code recommendations, taking account of the individual circumstances of the company, legal context, cultural norms, and ownership characteristics.

3.3 Corporate sustainability reporting and assurance.

Investors should support globally harmonised corporate sustainability reporting and assurance frameworks that enable standardised decision-useful disclosures, to aid investment and stewardship decision-making regarding a company's governance, resilience and management of sustainability-related risks and opportunities.

3.4 Engagement

Investors should strategically prioritise engagement in alignment with their investment and stewardship approach. They should engage with companies and issuers in a constructive manner to protect and enhance long-term value. Investors should determine engagement objectives ahead of the meeting. Following an engagement, investors may wish to correspond with the company reiterating their expectations on the issues discussed and monitor how such issues are addressed over time.

3.5 Responsibilities

Investors should determine who is responsible for leading engagements and ensure that investment and stewardship teams are aligned. Where an investor is a controlling shareholder, they should consider engaging with minority shareholders to seek mutually aligned engagement objectives where possible.

3.6 Escalation

Investors should determine how, why, and when engagement might be escalated to achieve their objectives. Depending on the context, if progress is not sufficient, investors might consider the following actions (not necessarily on a linear basis):

- a) Meeting with the company.
- b) Sending emails or letters (including to the board of the company).
- c) Collaborating with other investors.
- d) Declaring voting intentions to the market before the shareholder meeting.
- e) Making a public statement (e.g. at a company annual general meeting).
- f) Supporting or submitting shareholder resolutions, where possible.
- g) Voting against company resolutions, e.g. directors' re-election or liability discharge.
- h) Recommending board candidates for election and participating in the nomination process, in markets where this is possible.
- i) Amending a valuation model.

- j) Reducing the size of an investment in a portfolio.
- k) Adding the company to an investment exclusion list or exiting an investment.
- l) Seeking damages and accountability through legal remedies.

3.7 Collaborative engagement

Investors may consider collaborating with other investors to engage with companies and issuers on specific issues, as appropriate. Investors should disclose collaborations undertaken, engagement objectives, time frames, key engagement milestones, and outcomes, as appropriate. Investors should respect 'acting in concert' and market abuse regulations, confidentiality, client interest, and ensure that voting decisions are made individually.

3.8 Reporting on engagement outcomes

Investors should monitor and report progress on the achievement of engagement objectives to their beneficiaries and clients. Disclosures should include how engagement objectives are determined (e.g. by asset type, size of holding, vote-led issues, or geography), the total number of engagement meetings held, any other types of engagement, and themes, where relevant.

Progress should be reported on a portfolio-wide basis and/or at company or issuer level, where possible and relevant. Reporting on outcomes can be complex, due to the difficulty of attributing specific outcomes to a single investor's stewardship activities. Nevertheless, investors should seek to provide information to help gauge stewardship effectiveness (for instance output-based metrics and case studies). At a company or issuer level, information on engagement outcome may include changes undertaken by the company or issuer, or if and how the engagement has informed the investor's decision-making. Reporting on engagement outcomes should not breach confidentiality or have a detrimental impact on current engagements.

4. Voting and other ownership rights

Ensure ownership rights and responsibilities are exercised in an informed and transparent manner applying due care, diligence and independent judgement, across all asset classes on behalf of beneficiaries and clients.

4.1 Rights

Investors should disclose how they exercise their equity ownership rights, and rights associated with other asset classes (as appropriate), on behalf of beneficiaries and clients. Investors should exercise their right to vote on equity investments in accordance with their voting guidelines. Where votes cast differ from voting guidelines, investors should explain the reasons for these differences. Furthermore, investors should disclose when they choose not to exercise the right to vote (e.g. where holdings are below a certain threshold, information is not available, or due to shareblocking). Investors should be prepared to challenge companies with multi-class share structures, which have the effect of diluting their voting rights.

4.2 Guidelines

Investors should disclose, and regularly review, their voting guidelines, aligned with their investment beliefs, business model and strategy. Guidelines should clarify how voting is prioritised (e.g. issues of general importance to beneficiaries and clients, or specific issues relevant to individual companies), or differs depending on jurisdiction, or investment mandate and should be reviewed periodically.

4.3 Process

Investors should disclose how their voting process ensures informed and independent voting decisions, applying due care, diligence, and judgement in the interests of beneficiaries and clients. Disclosure should clarify who is responsible for the vote decisions, including if this differs depending on the nature of the resolution, geography, or scale of holdings, and how any in-house conflicts of interest are identified and addressed. Investors should disclose their policy on allowing clients to direct voting in segregated and pooled accounts. Investors should monitor any issues with the proxy voting process, and where possible, seek vote confirmation.

4.4 Voting Records

Investors should disclose the overall proportion of shares voted in the past year as well as the actual votes cast - either for, against, or abstention - in response to individual resolutions, as well as by aggregate. Voting records should be publicly available on the investor's website, as soon as possible from the date of the vote itself. Investors should also disclose how they exercise rights associated with other asset classes and instruments.

4.5 Rationale

Investors should disclose the rationale for key voting decisions, particularly when votes were cast against management recommendations, or abstained, or if a vote was cast that is inconsistent with the investor's voting policy. Investors should consider communicating the decision to companies, preferably before Annual General Meetings. In subsequent dialogues, investors should address votes against board recommendations, in pursuance of engagement objectives and effective outcomes.

4.6 Services

Investors should disclose the extent to which they use service providers to assist them in the execution of their voting processes or in other exercise of their rights - including the identity of the provider. Investors should disclose whether they have a bespoke voting policy or the degree to which they use a service providers' policy as a basis for their voting guidelines. Investors should specify to service providers the extent to which votes should be cast consistent with the investor's voting guidelines. Investors should evaluate the effectiveness of the service provision periodically.

4.7 Securities lending

Investors should disclose their approach to securities lending, including the process to recall shares. To preserve the integrity of the Annual General Meeting, shares should not be borrowed or lent for the primary purpose of voting them. Investors should disclose how securities lending of individual shares may have affected voting activities.

5. Public policy advocacy

Consider public policy advocacy to mitigate market-wide issues or systemic risks, thereby protecting and enhancing value for beneficiaries and clients, and safeguarding capital market efficiency, integrity, and resilience.

5.1 Market-wide issues and systemic risks

Investors should disclose if, and how, they undertake public policy advocacy to address market-wide issues or systemic risks, which may negatively impact their assets or portfolios, and/or threaten market efficiency, integrity, and resilience. Public policy advocacy may include engaging with standard-setters, regulatory authorities, or policy-makers, where appropriate.

5.2 Industry bodies

Investors should disclose memberships in industry bodies used to support in-house stewardship capacity and to leverage policy advocacy activities, and the specific activities they take part in.

5.3 Advocacy approach

Investors should disclose how market-wide issues and systemic risks are prioritised, when determining their advocacy activities. When conducting advocacy efforts, investors should consider:

- Engagement objectives.
- Approach and escalation options (e.g. letters, meetings, media campaigns).
- Type of engagement (e.g. individual or collaborative).
- Capacity and capabilities to meaningfully contribute.
- Progress and impact measurement.

5.4 Collaborative advocacy

Investors should consider engaging in collaborative advocacy, as appropriate.

5.5 Reporting

Investors should report to beneficiaries and clients, as appropriate, on the outcomes of advocacy initiatives over time, and how these were achieved. This could include, for instance, participation in collaborative advocacy, membership of public advisory committees, responses to public consultations, research/surveys produced in-house or commissioned, or public communication (e.g. speaking at events).



ICGN

International Corporate Governance Network

Inspiring good governance & stewardship

Contact

Email: policy@icgn.org

Website: www.icgn.org/policy