



ICGN

International Corporate Governance Network

ICGN-IIRC Conference: Welcome Remarks

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Good morning everyone and let me say from the outset how delighted we [ICGN] are to be hosting this conference jointly with our friends at the IIRC. For many years, Paul Druckman and I have said that we should be aligning our respective strengths and work together to help promote longer term thinking and behaviours in capital markets. This conference aims to do just that. We have some of the world's most inspiring speakers from business, investment, standard setting and advisory communities who are here today to kindly share their experiences with us.

I would like to just pay homage to Paul Druckman for building such a widely respected organisation over the past 5 years together with a world-class team at IIRC. You really are an inspiration to all those who share your passion for capital market reform and sustainable development. Congratulations on your latest appointment to the Board of the UK Financial Reporting Council and we look forward to continuing our dialogue with you.

We are also delighted to welcome Richard Howitt to his new role and I know this is an area that you have been deeply passionate about. You have been involved as an IIRC Ambassador for many years promoting Integrated Reporting. And, for those of you who don't know, Richard was an MEP for over 20 years and is an architect of the EU's non-financial information directive, one of the biggest transformations in corporate disclosure anywhere in the world.

Let me also from the outset thank our sponsors without whom this event would not be possible and to all of our speakers who are graciously giving us their time today.

So, we are very pleased with the level of interest in our event today. In fact, we have 400 people here today from 30 different markets.

I thought it might be interesting to start this conference from where we left off in San Francisco in June when we held our annual conference on a similar subject. We polled the audience on the degree to which we thought boards of directors and investors really do take into account longer term factors in their business and investment decision-making.

What was interesting when we ran the results in June is that we were equally negative about how both companies and investors are managing this with around 40% of the audience voting negative / very negative. There was more positivity for investors in terms of votes in favour – ie that they did take ESG factors into account at 33% - and this compared to 19% for companies....though it was an ICGN annual conference so could have has an investor bias...



I guess what is important about this result and what is important about this first joint meeting of ICGN and IIRC is that we cannot achieve change in a vacuum – we must come together to share our experience in order to professionally evolve to a better place.

This was the rationale for the Stewardship Implementation Workshop we organised yesterday when we invited the FRC to talk to over 60 investors about the new tiering system. We wanted to bring everyone together to hear about global developments – and George Dallas our Policy Director talked about our Global Stewardship Principles – which was followed by a workshop around what is happening in practice.

We need to do much more of this and the ICGN set up the Global Network of Stewardship Code Developers last month to facilitate the same at a regulatory level. Regulators and governments are increasingly challenged to ensure the sustainability and success of our capital markets. In doing so they are considering the role all stakeholders play in the system – in the case of the UK the debate is very much around social inclusion and the degree to which our system of corporate governance is fit for purpose.

I had the opportunity to provide evidence to a Government Select Committee last week when I was asked whether I thought there was a crisis of corporate governance in the UK, and in particular whether investors are properly equipped to effectively hold boards to account.

I don't believe that there is a crisis but there is certainly room for improvement. For ICGN, our policy priorities start with the need to 'promote long-term investment perspectives and sustainable value creation.' We need to reflect again on the purpose of companies to ensure that its broader social role includes how longer term value drivers are built into company strategy and operations – and integrated in investment analysis and engagement.

There are challenges:

There is a capacity issue – investors have thousands of companies in their portfolios and not enough financial resource is employed into stewardship activities. While we are seeing many funds increasing headcounts, we need to provide better support to shareholders who after all act on behalf of us all as the investing public.

Secondly, dialogue between companies and investors today is more sophisticated but equally more complex. We need a common language to have meaningful engagement on issues such as climate change, water scarcity, demographics. This requires a better understanding through education and more comprehensive reporting which addresses the needs of all stakeholders with an interest in promoting the success of companies.

With that, I would like to thank you all once again for joining us today, thank our sponsors and our speakers. I am now very pleased to hand over to Richard who will introduce our first panel.