

January 27, 2021

Kerrie Waring
Chief Executive Officer
International Corporate Governance Network (ICGN)
Saffron House, Ground Floor
6-10 Kirby Street
London EC1N 8TS
United Kingdom

Sent by email to Garvin Payne: Garvin.Payne@icgn.org

Dear Ms. Waring,

Re: 2020 Consultation on the Revisions to the ICGN's Global Governance Principles

With approximately C\$8 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best environmental, social and governance (ESG) practices into their strategies and operations. We commend the ICGN for continuing to engage its members with respect to the proposed revisions to the Global Governance Principles (GGP). Given our earlier submissions in the ICGN's September 2020 consultation, we appreciate the opportunity to share our comments on the proposed revisions. Within this correspondence we note aspects of the revised GGP that we support, and also relay aspects of the revised GGP on which we have further comments.

We are pleased to see that the ICGN has incorporated the spirit of much of our initial comments on the GGP. We believe this iteration of the GGP encapsulates well our concerns around the responsibilities of boards to:

- Consider societal norms in determining fair and equitable remuneration practices;
- Ensure that diversity of identity is an important and priority consideration in determining the most apt composition of the board;
- Define appropriate tenure for the purposes of ensuring that the board is sufficiently independent;
- Ensure that capital allocation decisions are well centred on sustainable, long-term value creation of the company, which will aim to balance the interests of a broad range of stakeholders, rather than just shareholder interests;
- Consider stakeholder relations as a defining feature of corporate culture as is linked to the board's oversight of human capital management;
- Ensure the format of annual general meetings provide for as much accessibility as possible for investors, while maintaining the accountability of the company through allowing for appropriate engagement with shareholders; and
- Encourage the adoption of ESG issues into the risk oversight process, and the complementary use of ESG reporting standards and framework to facilitate consistency and comparability of corporate ESG disclosures. We appreciate the emphasis made on materiality to drive the disclosures.

We are very supportive of the direction of the revised GGP and commend the ICGN on its progress to date. However, we have additional comments on two aspects of the proposed revisions that we believe could benefit from further clarification:

Stakeholder Relations

We note that the intention of the ICGN was not to present a dichotomy between shareholder interests and stakeholder interests. Instead, these interests were to exist side-by-side – both of importance to the company. We were able to absorb these intentions in some aspects of the proposed revisions. However, at certain points within the GGP and its guidance the proposed changes still implied a noticeable deference to shareholder interests, and did not emphasize the need for companies and their boards to actively consider and prioritize broader stakeholder interests within their corporate contexts. For example, the language in Principle 1: “while having regard to relevant stakeholders” could relay a more active approach or consideration of broader stakeholder concerns that we would hope boards would employ. We believe the Principle could go further to recognize that stakeholder relations are also a priority – boards should actively consider the ramifications of decisions on stakeholders, beyond just shareholders. We would also suggest more affirmative language with respect to stakeholder relations at the following points in the guidance:

- **1.2. Director’s duties:** The language here still suggests shareholder primacy and deference to shareholder interests. We believe it could more explicitly state that shareholder and broader stakeholder interests should exist simultaneously.
- **5.1. Proactive oversight:** We support the proposed addition but are concerned that the current revision could be misread to imply that the relevant stakeholders for the purposes of this guidance are only shareholders and creditors. We would suggest that the language specifically note that “other stakeholders” beyond shareholders and creditors should be included.

Board Responsibilities and Expertise

We note that the GGP underscores the need for the audit committee to have financial expertise (8.7. Audit Committee). While we support the need for this expertise, we would also like to highlight the need for the audit committee to build expertise in, or receive support from experts, in material ESG issues. In the description of Principle 8 the proposed revision itself notes that the “quality of internal and external reporting is supported by a rigorous and independent audit process, relating to financial and non-financial information.” From our vantage point, conversations on best practices for external assurance of ESG issues continue. Auditing ESG issues will likely require a different approach. As ESG-related risks could become material to the financial performance of a company, we believe auditors should be well-versed to determine whether such material risks are accurately reflected in the audited financial statements. Indeed, climate risks represent a complex example of an ESG risk that would require much more than traditional financial expertise for an effective assessment. We believe the audit committee will need to have the proper expertise or education to address ESG issues, as are relevant to the company.

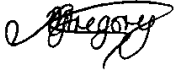
We would also suggest some modifications to the following points in the guidance that speak to the general responsibilities and expertise of the board:

- **1.1b. Responsibilities on business ethics:** We believe that this guidance could acknowledge that adherence to applicable laws is a minimum standard.
- **1.4. Commitment:** We support the proposed addition that recognizes the need for ongoing professional education opportunities for boards. However, we would suggest that this reference explicitly note that these opportunities should also pertain to material ESG risks.

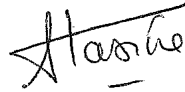
We would again like to commend the ICGN on the progress it has made with respect to developing the GGP. We thank the ICGN for the opportunity to share our perspective on the proposed revisions to the GGP and remain open to engaging on any of the issues we have raised in this correspondence, and our earlier commentary sent on September 15, 2020.

Sincerely,

NEI Investments



Michela Gregory |
mgregory@neiinvestments.com
Director, ESG Services



Hasina Razafimahefa |
hrazafimahefa@neiinvestments.com
Manager, ESG Evaluations & Proxy Voting

cc:

Jamie Bonham, Director, Corporate Engagement