

28 January 2016

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Dear George

### **ICGN Global Stewardship Code**

Governance Institute of Australia (Governance Institute) is the only independent professional association with a sole focus on whole-of-organisation governance. Our education, support and networking opportunities for directors, company secretaries, governance professionals and risk managers are second to none.

Our members have primary responsibility to develop and implement governance frameworks in public listed, unlisted and private companies. They frequently are those with the primary responsibility for dealing and communicating with regulators such as the Australian Securities and Investments Commission (ASIC), and in listed companies have primary responsibility to deal with the Australian Securities Exchange (ASX) and interpret and implement the Listing Rules. Our members have a thorough working knowledge of the operations of the markets and the needs of investors. We have drawn on their experience in our submission.

We commend ICGN in its efforts to highlight the responsibilities of investors, as well as investee companies, in relation to governance. The draft Global Stewardship Code contains a set of high-level principles that foster sound governance practices.

Notwithstanding this, we note that in a variety of jurisdictions there are governance and stewardship codes in existence, which have been the subject of public consultation and determination by a range of stakeholders. In Australia, for example, the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* are considered by public listed companies to be the benchmark in relation to governance guidance. In the United Kingdom, for example, the Financial Reporting Council's *UK Stewardship Code* aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders.

Added to these codes is the preponderance of other governance guidelines issued by multiple parties, including intermediaries acting collectively on behalf of asset owners as well as individual asset owners, fund managers, proxy advisers and shareholder groups, and while there can be commonality in some areas between these multiple guidelines, they can also conflict at times. The approach can also at times be prescriptive.

While there is an increasing global convergence of governance practice at some levels, it should not be assumed that other codes are automatically applicable, given the recognition that governance is also subject to the requirements of the corporations law in operation in each jurisdiction, as well as cultural issues that may have implications for approaches to governance and stewardship.

In regard to the specific questions raised in the draft Global Stewardship Code:

**1. Do you agree or disagree with the stated purposes of ICGN Global Stewardship Code? Are there other applications you might envisage?**

**2. Do you believe the draft ICGN Global Stewardship Code is appropriately positioned to complement stewardship codes that are in place in other jurisdictions or to serve as a guide for the development of stewardship codes?**

**3. Do you agree with the seven principles of the Code? Is there a principle that should be excluded – or another principle that should be included?**

Given the existing multiple governance and stewardship guidelines, we question whether a global code can have application. We appreciate that the draft code is very high-level in its approach to facilitate universal application, and is proposed as a 'passport' for those investing in multiple markets with differing stewardship codes and a point of reference for those seeking to develop a code, but we have reservations as to the utility of the proposed code.

Given that various jurisdictions already have stewardship codes, we are of the view that it is more likely that such codes would be referred to as a template by investors seeking to develop a code in a jurisdiction lacking one. We are also of the view that the high-level approach of the draft global code, while offering statements of principle that are sound, does not provide the level of detail that investors will be looking for when developing their own stewardship code.

We recommend that it would be useful for the global code to make reference to its particular value-add, by noting what it provides that other existing stewardship codes lack. At present, its utility or point of difference is not particularly apparent to our members.

**4. Are there aspects of the guidance points that you do not agree with or are there further guidance points to consider?**

We agree with all of the guidance points, which provide for sound governance.

**5. Are there aspects of the roles of asset owners, asset managers and companies that you do not agree with or are there further guidance points to consider?**

From an issuer perspective, the draft global code reflects sound governance practice as set out in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* and the UK Stewardship Code, which remain the benchmarks for companies in Australia. These would be referred to if our members were looking for further guidance.

Kind regards



Steven Burrell  
Chief Executive