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Item 03 – ICGN Letter

For GSSB information

Date	23 January 2020
Meeting	6 February 2020
Project	Review of GRI's universal Standards
Description	This document provides the GSSB members with a letter received from the International Corporate Governance Network (ICGN) with comments on GRI 102 Governance Disclosures

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ICGN

International Corporate Governance Network

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6 December 2019

Global Reporting Initiative

ICGN Global Governance Principles and GRI Standards

Feedback from ICGN's Disclosure and Transparency Committee

Section 4 GRI- Governance Disclosures

I02-18

b- if we refer to committees depending on the board: they would rather be responsible for overseeing (and not decision-making) risks for environment and social topics

Maybe better to merge I02-18 and I02-22: Governance structure and composition of the highest governance body and its committees

I02-22: vii- “competencies relating to sustainability practices (economic, environmental and social topics) that are important to the industry in which the reporting organization operates”

I02-19:

Why would the “highest governance body” need to delegate authority for economic environmental and social topics to executives and other employees? Responsibility for economic social and environmental topics falls “naturally” into executives’ core responsibilities. The board is responsible for overseeing sustainability practices and ensuring that “risk management includes material ESG issues”. Wording should be revised to be clear if it is the execution that is being delegated.

I02-20:

Consider including the following from the ICGN document: important to communicate whether “the company has internal capabilities to deal with environment and social risks and who is holding this role:

- a- Who has responsibility for managing risks related to economic, environment and social topics: does sustainability integration in everyday operations come from executives or from the highest governance body?

36 b- Does the company have in-house environment and social sustainability/corporate
37 social responsibility person? What is this person's role?

38 c- Does the reporting organization have internal capabilities to deal with environment
39 and social risks? Does the company outsource to a PR agency?

40 In point "b": they ask to report whether post holders report directly to the highest governance
41 body. Is it sufficient if the post holders report to the CEO/senior executive team who then reports
42 to the highest governance body? In addition, more details should be included around the process and
43 frequency of the reporting (in particular, to the highest governing body).

44

45 **I02-21**

46 a- "processes for consultation between stakeholders and the highest governance body on
47 economic, environmental and social topics": Boards in many jurisdictions typically don't
48 engage directly with stakeholders directly (other than shareholders). Question here should
49 be more general as stated in ICGN document:

50 • "Stakeholders- Who are the company's most important stakeholders? How have
51 they been identified? How does the company interact with them?"

52 • Has the company undertaken a materiality analysis or stakeholder mapping exercise?
53 How did the company come to understand and communicate its most material E&S
54 risks? What is the process? Who is involved?"

55

56 **I02-29**

57 a. The word "managing" economic, environmental and social topics should be replaced
58 with "overseeing" as this is better fitted to board responsibility.

59 b. "oversight" instead of management.

60 c. More detail on the frequency of reporting to the highest governance body should be
61 included.

62

63 **I02-30**

64 The role of the highest governance body should include overseeing, reviewing and approve the
65 approach to risk management rather than being limited to just "reviewing the effectiveness of the
66 organization's risk management processes for economic, environmental and social topics".

67

68 Not sure if "economic, environmental and social topics" would cover all relevant risks. ICGN
69 mentions "material aspects of risk", including financial, strategic, operational, environmental, and
70 social risks (see ICGN Global Governance Principles – Principle 5) The reporting organization
71 should also disclose if a risk committee exists (be it a standalone risk committee, a combined risk
72 committee with nomination and governance, strategy, audit or other).

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74 **I02-36**

75 Provide clarity on what is meant by “remuneration consultants” and their independence of
76 management. Clarify whether referring to remuneration policy which has to be overseen by
77 independent board members or independent remuneration committee and “tied to sustainability
78 performance”?

79

80 Several further disclosure requirements specifically related to remuneration policy and an
81 independent remuneration committee, as specified by ICGN Governance Principles: Principles 6 –
82 Remuneration, could be considered.

83

84 - A clear, understandable and comprehensive remuneration policy should be
85 disclosed, which is aligned with the company’s long-term strategic objectives. The
86 remuneration report should also describe how awards granted to individual directors and
87 the CEO were determined and deemed appropriate in the context of the company’s
88 underlying performance in any given year. This extends to noncash items such as director
89 and officer insurance, fringe benefits and terms of severance packages if any.

90

91 - A remuneration committee should be established and comprised of nonexecutive
92 directors, the majority of whom are independent. The main role and responsibilities of the
93 remuneration committee should be described in the committee terms of reference. The
94 TOR should include the remuneration policy and its implementation, management of
95 conflicts of interest, appointment of any independent remuneration consultant (and fees) and
96 shareholder communication on remuneration.

97

98 **I02-37**

99 It’s more accurate to refer to “shareholders” (instead of stakeholders) who can have a say on
100 remuneration through exercising voting rights at annual general meetings whether binding or not
101 depending on jurisdictions).

102

103 Should you wish to discuss our comments further, please contact George Dallas,

104 ICGN’s Policy Director, by email at george.dallas@icgn.org or James Andrus, Co- Chair, ICGN
105 Disclosure and Transparency Committee: James.Andrus@calpers.ca.gov