Item 03 – ICGN Letter

For GSSB information

<table>
<thead>
<tr>
<th>Date</th>
<th>23 January 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting</td>
<td>6 February 2020</td>
</tr>
<tr>
<td>Project</td>
<td>Review of GRI’s universal Standards</td>
</tr>
<tr>
<td>Description</td>
<td>This document provides the GSSB members with a letter received from the International Corporate Governance Network (ICGN) with comments on GRI 102 Governance Disclosures</td>
</tr>
</tbody>
</table>
Section 4 GRI - Governance Disclosures

102-18
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 102-18 and 102-22: Governance structure and composition of the highest governance body and its committees

102-22: vii- “competencies relating to sustainability practices (economic, environmental and social topics) that are important to the industry in which the reporting organization operates”

102-19:
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.

102-20:
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?
Does the company have in-house environment and social sustainability/corporate social responsibility person? What is this person’s role?

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

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

102-21

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

* “Stakeholders- Who are the company’s most important stakeholders? How have they been identified? How does the company interact with them?"

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

102-29

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

b. “oversight” instead of management.

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

102-30

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

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

102-36
Provide clarity on what is meant by “remuneration consultants” and their independence of management. Clarify whether referring to remuneration policy which has to be overseen by independent board members or independent remuneration committee and “tied to sustainability performance”?

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

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

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

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

Should you wish to discuss our comments further, please contact George Dallas, ICGN’s Policy Director, by email at george.dallas@icgn.org or James Andrus, Co-Chair, ICGN Disclosure and Transparency Committee: James.Andrus@calpers.ca.gov