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Sent by email: Garvin.Payne@icgn.org

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Re: ICGN Member Consultation - Revisions to ICGN Global Governance Principles

The Brazilian Institute of Corporate Governance (IBGC) would like to thank the International Corporate Governance Network (ICGN) for the opportunity of sending comments to the second consultation on Revisions to ICGN Global Governance Principles (GGP). We also congratulate ICGN for the efforts made to revise this policy document, a relevant source of governance for regulators, investors, companies, and developers of governance codes.

The IBGC understands that current proposed changes are positive and show a clear evolution from the first round of consultation, highlighting the following:

1. greater emphasis on corporate purpose and strategy;
2. ensuring that sustainability issues are a party responsible for supervising the board and the governance process;
3. inclusion of topics such as climate change, innovation and digital transformation;
4. the role of the creditor in corporate governance; and
5. broadening the definition of diversity.

Considering the new version of the document, we would like to propose:

1. adding to the guidance on corporate culture, as a good practice, the creation of a conduct committee, as an independent executive body “responsible for the implementation, disclosure, update, and training for the code of conduct and communication channels. The committee reports directly to the board of directors or to the body assigned by the board.” (IBGC, 2016, p. 96). Furthermore, we believe it’s important to adopt a policy of consequences (in the case of breaking the code of conduct). (IBGC, 2019).
2. mentioning “races” or “colors” in guidance 3.1 Diversity: “Boards, and the workforce as a whole, should comprise a diverse group of individuals to ensure effective and inclusive decision-making in alignment with the company’s purpose and key stakeholders. This includes individuals from different genders, **races or colors**, ethnicities, social and economic backgrounds, and personal attributes. Boards should disclose and report against the company’s policy on diversity which should include specific goals, measurable targets and a time period for achievement. The report should include an explanation of how the diversity policy supports the company strategy and how diversity is considered as part of succession planning on the board and throughout the company.
3. considering the inclusion of two measures recommended by the Positive Agenda of Governance (IBGC, 2020). In 2020, with the support of more than 40 voluntary experts and 30 organizations, the IBGC launched a document called a Positive Agenda of Governance, a campaign that sends a message to the leaders of organizations inviting them to act on imperative issues in business world. At a time when companies are expected to play a leading role in meeting human aspirations that go beyond results and financials, the Positive Agenda of Governance calls on shareholders, directors and executives to promote the adoption of

good corporate governance practices in their organizations, thus contributing to the construction of a better society. Amongst the measures recommended by our Agenda, we would like to highlight two:

- a) *“Training people so the organization develops in a new business context: more honest, transparent, sustainable, diverse, and innovative”.*
- b) *“Implementing selection processes and incentive programs that recognize and develop empathic leaders — which demonstrate capacity for active listening, willingness to serve, horizontal leadership, collaboration, and openness to dissent”.*

Regarding measure (a), we would like to propose a new wording for guidance 4.5 - Behaviour and conduct: “The board should foster a corporate culture which ensures that employees understand their responsibility for appropriate behaviour. There should be appropriate board level and staff training in all aspects relating to corporate culture, ethics, transparency, sustainability, diversity and innovation. Due diligence and monitoring programmes should be in place to enable staff to understand relevant codes of conduct and apply them effectively to avoid company involvement in inappropriate behavior”.

Measure (b) could be addressed by the responsibilities of the Nomination Committee, described in guidance 3.7: “recognize and developing empathic leaders — which demonstrate capacity for active listening, willingness to serve, horizontal leadership, collaboration, and openness to dissent”.

We hope our comments can contribute to ICGN’s reflections and improvement of its GGP.

Sincerely,



Pedro Melo
IBGC
Managing Director

References:

IBGC (Brazilian Institute of Corporate Governance). Code of best practices of corporate governance. 5th Ed. São Paulo: IBGC, 2016.

_____, Compliance from a corporate governance perspective. São Paulo: IBGC, 2019.

_____, Positive Agenda of Governance: measures for a governance that inspires, includes, and transforms. São Paulo: IBGC, 2020.