



**ICGN**

International Corporate Governance Network

## **ICGN Global Network of Investor Associations (GNIA)**

### **Summary of the Meeting**

**19 July 2023**

**About:** The ICGN established the GNIA in 2013 to enable national investor associations to share priorities around corporate governance, shareholder rights and responsibilities beyond local jurisdictions to an international audience thereby contributing to global reform efforts. The GNIA is co-chaired by the Council of Institutional Investors (CII) and ICGN.

Please find the members' updates from the latest meeting below. Please note that comments and views expressed are their own.

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### **Australia – Australian Council of Superannuation Investors (ACSI)**

#### **1. Consultation on climate-related financial disclosures**

The Australian Treasury's second consultation on a proposed mandatory reporting regime for climate-related financial disclosures has been released. The consultation sets out high level policy positions that would see a mandatory climate reporting regime in Australia.

The consultation paper outlines:

- Policy reform principles, including supporting climate goals, improving information flows, international alignment, scalable and flexible requirements and reporting proportional to risks.
- Mandatory climate reporting be phased in over 3 years for public and private enterprises, according to entity size (taking into account employee numbers, consolidated gross assets and consolidated revenue).
- Principles of financial materiality would apply.
- Many investors, including asset owners, will be required to report under the regime.
- There is broad market support for a mandatory reporting regime, with the detail on implementation expected to be the subject of further consultation.

### **Brazil – Association of Capital Markets Investors (AMEC)**

#### **1. Draft Bill to improve private enforcement in Brazil**

The Brazilian Government submitted a draft bill to Congress to amend the Brazilian Corporate Law. The general idea of the proposal was supported by a study carried out by the Organization for Economic Cooperation and Development (OECD). The main purpose of the document is to include more protection for minority shareholders against damages caused by controlling shareholders or directors. The bill proposes more transparency in arbitration procedures and expands Securities and Exchange Commission BRazil (CVM)

competencies to give search and seizure powers. The most significant innovation is to create a type of class action in Brazil, with the difference that Directors (not the company) would be charged to repair investors' damages.

## 2. JBS proposing to be dual listed in Brazil and the US

The meat producer company proposed a controversial dual listing, in which the company will move its local capital structure to a parent company based in the Netherlands. The company believes it would better reflect its global presence and improve its corporate governance structure. However, the proposal includes a dual class shares structure for the controlling shareholders, and the company would leave the Novo Mercado listing segment (with more strict governance rules). It relates to a broader discussion of the competition between stock exchanges for the listing domicile (race to the bottom). This will be voted on at a Shareholder's meeting in the following weeks. Brazil has not seen many IPOs and Follow-ons in the past two years, and the local market is expecting to have more M&A operations later this year as the Central Bank is expected to cut rates in the next meetings.

## **Canada – Canadian Coalition of Good Governance (CCGG)**

### 1. New Canadian Sustainability Standards Board (CSSB)

The new Canadian Sustainability Standards Board (CSSB) has been mandated to ensure that the ISSB standards are suitable for Canada. There is some concern that this could potentially result in a watering down of ISSB IFRS S1 and S2. CCGG is trying to understand the relationship between the CSSB and the Canadian securities regulators and what this will mean for adoption and implementation of the ISSB standards. The CSSB is only just up and running, meaning its processes for standards approval and consultation have not been established yet. It appears the CSA (Canadian Securities Regulators Group) will be looking to CSSB to take the lead on modification and adoption of the ISSG standards.

### 2. CSA Proposal on diversity beyond gender

CSA's proposal on diversity beyond gender is out for consultation, with the original deadline being extended to 27 September 2023. Learn more [here](#).

## **France – Association Francaise de la Gestion Financiere (AFG)**

### 1. Revision of the SRI label

The final proposal of the revision of the SRI label, a voluntary label for funds, was sent to the Minister of Economy last week. The next step is the publication by the government, which is expected in September. The SRI label included new features such as:

- More exclusion (including Oil & gas sector)
- Increase from 20% to 30% of the minimum exclusion ratio (either through a system of selectivity or rating upgrade)
- Increase the constraints linked to voting policy (mandatory voting) and engagement

- Climate transition plan: Need to have a credible transition pathway in portfolio

## Italy – Assogestioni

### 1. Strengthening Italian capital market bill

Discussions regarding the bill aimed at strengthening the Italian capital market are currently on-going. The bill includes two measures that are of concern to investors:

- The increase in the multiplier (from x3 up to x10) for dual-class shares. According to the current text, this would only apply to pre-listing companies (companies who are already listed would still be prevented from issuing dual class shares), but the expectation is that other constituencies may eventually propose amendments aimed at further reinforcing multiple voting rights.
- The possibility of holding AGMs in a “closed doors” format (i.e. in which participation is allowed only through the designated representative), as provided for during pandemic, by means of amendment to the bylaws. This could entail the risk of compressing minority shareholders’ voice.

The Italian Senate organised a cycle of hearings concluded last week. Assogestioni was heard on 7 June 2023 and highlighted the necessity of strengthening minority protection with appropriate safeguards, among which is a mandatory sunset clause for dual class shares. ICGN also sent a letter to strengthen the position of investors and highlight the risk of reducing minority shareholders’ protection. The deadline for amendments to the draft bill was postponed from 20 July to 27 July 2023. Parliamentary discussions are expected to take place in September, with a view to adopting the final version of the text by the end of the year.

## The Netherlands – Eumedion

### 1. [2023 Dutch AGM Season Evaluation Report](#)

On 17 July, Eumedion published its 2023 Dutch AGM Season Evaluation Report. Highlights include:

- Average voter-turnout at the AGMs of the large (80%) and midcaps (75%) reached new record levels.
- Number of board resolutions that met resistance among shareholders (> 20% dissent) was this year 50% lower than in 2022.
- Various shareholders’ meetings were disrupted by activist groups. Eumedion sets out its position in the report, for example how meetings can be chaired more effectively.

### 2. Statement in the run-up to the EP ECON Committee vote on the proposed EU directive on multiple-vote share structures.

Eumedion are working on a statement in the run-up to the EP ECON Committee vote on the proposed EU directive on multiple-vote share structures. Some political parties have proposed to extend the scope to include all listed companies. They simultaneously propose

to strengthen the safeguards for minority shareholders. The ECON Committee vote on the amendments is scheduled for October.

### 3. Statement on the EP and Council texts for EU CSDDD

Eumedion are working on a statement in the run-up to the European Parliament Committee on Economic and Monetary Affairs Committee (EP ECON) vote on the proposed EU directive on multiple-vote share structures. Some political parties have proposed to extend the scope to include all listed companies and simultaneously propose to strengthen the safeguards for minority shareholders. The ECON vote on the amendments is scheduled for October.

## **United Kingdom (UK) – Investor Forum**

### 1. The Investor Forum response to FCA consultations on 'Primary Market Effectiveness Review

The FCA has put forward reform proposals to their framework for listing commercial companies' equity shares, which includes proposals to:

- Replace current standard and premium listing share certificates with a single listing category for commercial company issuers of equity shares
- Retain the sponsor regime, with modifications, to support companies primarily at the listing application stage, and for certain disclosure obligations thereafter
- Retain discrete listing categories for other types of instrument, including closed-end investment funds and different types of non-equity instruments

The Investor Forum submitted a response to the consultation, outlining their broad support for the FCA's commitment to enhancing primary market effectiveness, while highlighting the need for more work to convince the investment community of the suggested merits of some of the proposed changes.

## **United States of America (US) – Council of Institutional Investors**

### 1. In Congress

The Financial Services Committee of the U.S. House of Representatives is holding six ESG-themed hearings and considering 18 related bills. Republicans on the committee used the hearings to highlight, in particular, what they consider to be 1) lack of oversight and accountability of proxy advisory firms and their significant influence on capital markets; 2) over-reliance by asset managers on proxy advisory firms' voting recommendations; 3) too many ESG-related shareholder proposals filed at US companies; and 4) SEC guidance and rules that have allowed too many ESG proposals to be filed and voted on.

While the hearings generated headlines, the level of impact of proposed legislation is yet to be determined.

### 2. In the States

The sustained campaign by Republican attorneys general is generating concern amongst many investors. On 13 July 2023, 13 Republican AGs sent a [letter](#) to the Fortune 100 CEOs warning them to end racial preferences in hiring in the wake of the Supreme Court's recent decision ending affirmative action in college admissions. "If your company previously resorted to racial preferences or naked quotas to offset its bigotry, that discriminatory path is now definitively closed," added the correspondence from the attorneys general of Alabama, Arkansas, Indiana, Iowa, Kentucky Nebraska, Mississippi, Missouri, Montana, South Carolina, Tennessee and West Virginia. The letter acknowledged that social mobility is essential for democracy, and it encouraged the companies to continue to provide opportunities to underprivileged Americans.

### 3. At the SEC

The US securities regulator scheduled a meeting on 26 July 2023 to consider whether to adopt rules to enhance and standardize disclosures regarding cybersecurity risk management, strategy, governance and incidents by public companies.