



ICGN

International Corporate Governance Network
Inspiring good governance & stewardship

ICGN Governance Recommendations for the United States

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The International Corporate Governance Network (“ICGN”) is pleased to publish its *Governance Recommendations for the United States (U.S.)* at the ICGN Conference, hosted by the International Finance Corporation, in Washington, D.C., from 7-8 March 2024.

Established in 1995, ICGN advances the highest standards of corporate governance and investor stewardship, contributing to successful companies and long-term value creation. Headquartered in London, ICGN’s membership includes investors responsible for assets under management of \$77 trillion, based in over 40 countries – 30% of which are based in North America.

The purpose of the *ICGN Governance Recommendations* is to highlight areas of interests to ICGN Members and to serve as an agenda for dialogue with regulators, standard-setters, and business organisations. The aim is to share international experience on emerging standards and practices related to corporate governance and investor stewardship, and the promotion of well-functioning capital markets.

In developing the recommendations, we have engaged with ICGN Members, particularly institutional investors with globally diversified portfolios. The ICGN Global Governance Principles¹ and ICGN Global Stewardship Principles² are referred to as an international benchmark given that they are widely used by ICGN Members in their company assessments and voting decisions, and by regulators when developing corporate governance rules and standards.

ICGN Governance Recommendations for the United States

- 1. Multi-class shares** - ICGN supports the “one share, one vote” standard, which ensures equal treatment of all shareholders. If a company chooses a multiple class share structure, investors want to see robust safeguards in place. Therefore, ICGN supports the recommendation by the Council of Institutional Investors (CII) for the adoption of legislation in the U.S. to improve the governance of multi-class stock companies and require, at a minimum, a mandatory sunset clause.³ We also support H.B. 2795⁴ (*Enhancing Multi-Class Share Disclosures Act*), which passed the US House of Representatives on May 30, 2023.
- 2. Record date** - In the U.S, the record date (date on which a company compiles the list of shareholders, who will have the right to vote) is often set up to 60 days before the annual general meeting (AGM) date. This a relatively long period of time, compared to other markets. The approach in the U.S. can prevent investors from recalling loaned securities to vote on key issues, as the proxy statements may not have been released yet⁵. Furthermore, shares will have been bought and sold during this period

¹ [ICGN Global Governance Principles 2021.pdf](#)

² [ICGN Global Stewardship Principles 2020.pdf](#) (currently under revision)

³ Council for Institutional Investors, [Letter to HCFS on hearing and bill final. April 5 2022](#)

⁴ [H.R.2795 - 118th Congress \(2023-2024\): Enhancing Multi-Class Share Disclosures Act](#)

⁵ Norges Bank Investment Management, [Comments to the SEC on proxy process](#), 2018; Blackrock Investment Stewardship Global Principles, effective as of January 2024, p.19

of time, meaning that there is a risk of empty voting or over-voting. We recommend that companies set the record date closer to the AGM.

3. **Shareholder proposals** - ICGN is concerned by recent court action served by some companies to deter shareholders from filing proposals, before the SEC has an opportunity to opine on a no-action request. ICGN supports the administrative process under SEC Rule 14a-8 of the Securities Exchange Act of 1934, which sets forth several bases for exclusion of shareholder proposals by the SEC.
4. **Board effectiveness** - ICGN supports the request for proposal that was announced by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), in collaboration with the National Association of Corporate Directors (NACD), to develop a Corporate Governance Framework in the U.S.⁶ This may help improve the consistency of corporate governance practices across all listed companies⁷ on matters such as:
 - Transparent approach to director selection, aligned with a Skills Matrix clarifying objective criteria.
 - Director training to support knowledge around emerging issues, particularly pertaining to the digital transformation and material sustainability-related risks and opportunities.
 - Adequate company response to noteworthy levels of dissent from shareholders.
 - Independent leadership whereby the role of the Board Chair and CEO is preferably separated to avoid the concentration of decision-making in any one individual. Should the role be combined, the board should clarify the reasons why this is in the best interests of the company and appoint a Lead Independent Director, whose duties and responsibilities should be disclosed.
5. **Independent audit** - In the U.S., while there is a requirement for mandatory audit partner rotation, audit firm tenure tends to be longer in comparison with other markets. ICGN recommends that companies publish a policy on audit firm tendering including how matters such as audit rotation and tenure are considered. The Audit Committee should be responsible for the procurement process for external auditors.
6. **CEO remuneration** - ICGN encourages company boards to ensure that CEO remuneration is driven by long-term value creation and based on performance.⁸ We also believe that the overall quantum level should be defensible relative to average worker pay. Finally, disclosures on executive remuneration should become more transparent, to help inform investors' voting decisions.⁹

⁶ [RFP - Corporate Governance Framework | COSO](#)

⁷ 94% of the world's major economies have a corporate governance code, according to the OECD Corporate Governance Factbook, 2023

⁸ [ICGN Global Governance Principles](#) recommend that executive remuneration should be structured in a simple manner and aligned with the company's long-term strategy. Salary levels should be balanced appropriately with the level of benefits such as bonuses or long-term incentive plans (LTIPS). The use of restricted stock with long-term vesting and holding periods brings the benefit of simplicity compared with metric-based performance awards (such as LTIPs). But caution should be exercised to ensure the tenet of payment-for-performance is upheld and holding periods should extend beyond the active period of tenure. Moreover, the board should ensure that executive remuneration is reasonable and equitable in both structure and quantum.

⁹ The SEC requires public companies to disclose the relationship between the executive compensation actually paid to the company's named executive officers and the company's financial performance. While we welcome this requirement, investors need more information on the underlying assumptions (under GAAP and non-GAAP) to have a more complete picture. Secondly, we believe the disclosure of the ratio of CEO compensation to that of the median worker in the company should not only focus on basic salaries, but also include the additional benefits that CEOs receive.

- 7. Corporate sustainability reporting** - Investors have been calling for comparable, reliable and verifiable corporate sustainability disclosures to make informed stewardship and investment decisions. ICGN recommends that the SEC adopts its *Proposed Rules to Enhance and Standardize Climate-Related Disclosures for Investors* without further delay, as well as amendments to Item 101(c) under Regulation S-K to enhance corporate disclosures on human capital management.¹⁰ We further encourage the adoption by the SEC of a rule to enhance disclosures about the diversity of board members.¹¹ More generally, when proposing corporate sustainability reporting rules, we encourage the SEC to consider the work of the International Sustainability Standards Board (ISSB). The mission of the ISSB to develop a global baseline for financially material sustainability-related information is widely supported by investors globally.
- 8. Assurance of sustainability reporting** - ICGN encourages the appropriate U.S. standard-setting body for promulgating attestation standards which cover engagements for sustainability to consider key upcoming international standards. The International Auditing and Assurance Standards Board (IAASB) is proposing a global baseline for sustainability assurance engagements and of the International Ethics Standards Board for Accountants (IESBA) is developing a fit-for-purpose ethics framework for sustainability reporting and assurance, including independence standards. These global standards will help ensure that all assurance providers follow a rigorous process, thereby enhancing investor confidence in the reliability of corporate sustainability reporting.

¹⁰ SEC Investor Advisory Committee, [Draft Recommendation regarding Human Capital Management Disclosure](#), September 14, 2023.

¹¹ We note that the SEC Division of Corporate Finance issued a statement in the spring Reg Flex Agenda that it is considering a recommendation that the Commission propose rule amendments to enhance registrant disclosures about the diversity of board members and nominees: [Agency Rule List - Spring 2023](#)