



NORGES BANK  
INVESTMENT MANAGEMENT

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Date: 15.05.2014  
Your ref.:  
Our ref.:

For the attention of Managing Director Kerrie Waring

## Consultation on Draft ICGN Global Governance Principles

We refer to your 28 March 2014 invitation to comment on the Draft ICGN Global Governance Principles (the '**Principles**'). Norges Bank Investment Management welcomes the efforts of the ICGN to further develop its Principles, your objective of strengthening corporate governance and where relevant supporting the dialogue between companies and their shareholders. We appreciate the opportunity to participate in this consultation.

Norges Bank Investment Management manages the Norwegian Government Pension Fund Global (the '**fund**'). The fund is a long-term, globally diversified shareholder with minority equity positions in publicly listed companies. In addition the fund is invested in fixed income instruments and real estate. We seek to protect the fund's interests through the development of corporate governance standards and practices which create shareholder value and safeguard investments. The OECD Principles for Corporate Governance (the '**OECD Principles**') are a natural starting point for our work in this area. The OECD Principles reflect consensus amongst developed nations with respect to shareholder rights, equitable treatment of shareholders and board responsibilities, among other matters. We recognise there will be dilemmas and a need to balance interests as more detailed regulations and codes of best practice are developed in various markets. We believe ICGN's principles and guidelines can have an important role in these ongoing discussions. The Principles can serve as a point of reference for investors, issuers and regulators at both a national and regional level.

Set out below are our comments and suggestions regarding the development of the Principles.

### Structure of the document

The draft document includes two sections; the first addresses board members and the second investors. Given that these two groups are fundamentally different, we recommend presenting them in two separate documents. The principles in the first section largely reflect generally accepted corporate governance standards. The relevance of the recommendations made in the second section varies with the characteristic of the individual investor. As you have outlined in the preamble to the Principles, investors and investment managers have different investment strategies, and the roles and responsibilities may vary depending on factors such as regulatory requirements, investment mandates, investment strategy, etc. For these reasons it may be useful input for certain investors to consider ICGN recommendations, however, such recommendations cannot serve as a basis or expectation as to how active ownership in general should be implemented.



## **Section A: Board Members**

With regard to the section on company boards, we comment on subsections 1, 3 and 8.

### *1. Responsibilities*

These paragraphs set out the governance responsibilities of board directors and the role of the board in general. We suggest strengthening this by including wording on “board accountability”. This could include company boards’ accountability for outcomes of their decisions including profitability, risk management, long-term return to shareholders and impact on society and environment.

### *3. Nomination, election and evaluation*

We consider the right of shareholders to nominate board candidates to be an essential part of holding the board accountable. We recognise that market practices and regulations vary across markets in this respect, however, this right has been granted in most jurisdictions. In paragraph 3.1 the Principles include an example, of a nomination threshold of 5 per cent. We recommend the nomination threshold is removed as otherwise it may be interpreted as being a recommendation.

### *8. Facilitation of general meetings*

This subsection deals with issues related to the functioning of general meetings, and includes shareholder rights. We believe that the topic of shareholder rights warrants a separate subsection. Such an approach would align with the OECD Principles on Corporate Governance and would be a continuation of the current ICGN Global Corporate Governance Principles.

A new section on shareholder rights should, we believe, include topics such as equal treatment of shareholders, voting rights, pre-emption rights, the right to vote on certain corporate decisions, and shareholders’ right to put forward proposals for the general meeting.

We have no particular comments to subsections *2. Leadership and independence*, *4. Integrity, ethics and conflicts*, *5. Risk oversight*, *6. Remuneration* and *7. Reporting and audit*.

## **Section B: Investors**

With regard to the section on investors, we comment on subsection 15.

### *15. Engagement and dialogue*

The Principles make recommendations as to how investors may behave in the case of possible challenges, e.g. how to raise issues related to risk mitigation. In our view, company contact and dialogue should be seen in a broader context. Interaction between investors and companies may have benefits for the company as well as investors. Through such interaction, investors can increase their understanding of a company’s strategy, financial performance and risk, governance and operations. Investors may also both support and challenge a company’s strategy. We believe that where investors and boards engage in a dialogue, for instance in the run up to general meetings, there is an increased likelihood that they can work together to identify agreeable positions, thereby reducing the number of instances in which investors are at odds with the company’s direction or are inclined to vote down board recommendations.

We have no particular comments to sections *9. Responsibilities*, *10. Independent oversight*, *11. Conflicts, ethics and compliance*, *12. Remuneration*, *13. Capacity and collaboration*, *14. Monitoring of investee companies*, and *16. Informed voting practice*.



Finally, we would like to thank the ICGN for providing us with an opportunity to contribute our views.

Yours sincerely,

Jan Thomsen  
Chief Risk Officer

William Ambrose  
Global Head of Business Risk