



ICGN

International Corporate Governance Network

Prime Minister Harper
Office of the Prime Minister
80 Wellington Street
Ottawa, K1A 0A2

By Email: pm@pm.gc.ca

25th June 2010

Dear Prime Minister Harper,

G20 Leaders Summit: role of shareholders in restoring stability

I am writing as Chairman of the International Corporate Governance Network (ICGN), a global organisation with over 500 members in 50 countries, including institutional investors responsible for assets under management of \$9.5 trillion. You may know that we have just convened a meeting in Toronto attracting 500 leaders from the global governance community to Canada and were very grateful for the presence of Jim Flaherty, your Finance Minister, who kindly addressed the audience on the subject of banking reform.

Ahead of the forthcoming Leaders' Summit of G20 nations in Toronto, we would like to convey our strong conviction that improved standards and practice of corporate governance should be fully integrated into the remedies applied to the resolution of the global financial crisis. In doing so, we strongly encourage G20 Leaders to recognise the integral role the investment community plays in the effective functioning of capital markets and in helping to ensure long-term sustainability and growth. This is reflected in our previous correspondence with Leaders of the G20 nations in our Second Statement on the Global Financial Crisis as attached.

The institutional shareholder community has in the past been the subject of criticism for failing to hold boards to account. In response to this the ICGN has strengthened its resolve to promote shareholder responsibilities globally which is reflected in the following initiatives:

- Revision of the ICGN Global Corporate Governance Principles with a new section on the responsibilities of shareholders;
- Publication of a new set of guidelines concentrating on non-executive director remuneration; and
- The development of guidelines on the role of shareholders in assessing the effectiveness of boards in fulfilling their risk oversight responsibilities, due to be launched later this year.

Further, it is encouraging to note that the ICGN is becoming widely recognised as a leader in best practice for corporate governance reform as reflected recently by the European Commission in its reference to the ICGN's principles in the Green Paper on Corporate Governance in Financial Institutions. In addition, the recently promulgated UK Financial Reporting Council's ground-breaking Stewardship

Code took much inspiration from the ICGN Statement of Principles on Institutional Shareholder Responsibilities (2007).

We recognise the efforts of Basle 3, however we do not believe there is enough emphasis on the importance of good corporate governance to be effective in solving the fundamental problems facing the banking industry. The oversight of a robust banking industry is not, and should not be, restricted to regulators and legislators - investors in financial institutions also have a significant role to play and can be very influential in holding management to account. Good governance, overseen by responsible shareholders, addresses management of risk in a way that underpins prudential supervision and regulation. It is consistent with open and transparent markets and reduces the justification for recourse to prescriptive regulation.

For the accountability chain to work shareholders must both have rights and exercise them responsibly. In jurisdictions where rights are weak, they should be strengthened. In all jurisdictions, shareholders must be encouraged to exercise their rights responsibly. We are focused on making our own efforts more effective and part of our mission is to campaign for greater shareholder responsibility. We now believe it is right for world leaders to focus on equipping shareholders with adequate rights and invite them to participate in strengthening the global governance framework.

Strengthened governance cannot guarantee an absence of problems in the future. We will need a new and better focused approach to regulation, but incorporating governance, particularly through fostering active and responsible shareholders into the overall package, should help to ensure that regulation remains proportionate while strengthening the management of risk.

I have taken the liberty of sending you the ICGN Global Corporate Governance Principles (2009) and the Statement of Institutional Shareholder Responsibilities (2007) along with the ICGN's Second Statement on the Global Financial Crisis, as referred to earlier and sent to the Leaders of the G20 in March last year when the meeting was hosted in London. The Statement expands on a number of the points raised in this letter and indeed comments on the work programme the G20 has embarked upon. If you would like to discuss any of the above points please contact Carl Rosen, ICGN's Executive Director (carl.rosen@icgn.org). We look forward to your response.

Yours sincerely,



Christianna Wood
Chairman, ICGN Board of Directors