



By Email: [CorporateGovernance&CorporateFinance@oecd.org](mailto:CorporateGovernance&CorporateFinance@oecd.org)

OCTOBER 20, 2022

Mr. Carmine Di Noia, Director of the OECD Directorate for Financial and Enterprise Affairs  
Mr. Serdar Celik, Acting Head of the Corporate Governance and Corporate Finance Division  
Organisation for Economic Co-operation and Development (OECD)

**Re: Public Consultation on the Review of the  
G20/OECD Principles of Corporate Governance  
(October 21, 2022 Deadline)**

Dear Mr. Di Noia & Mr. Celik,

IFAC (International Federation of Accountants) welcomes the opportunity to comment on the OECD's draft revisions to the G20/OECD Principles of Corporate Governance (Corporate Governance Principles). As the global voice of the accountancy profession, IFAC represents over 180 Professional Accountancy Organizations in 135 jurisdictions, thereby representing over three million professional accountants worldwide.

IFAC—and the global accountancy profession that we represent—strongly supports the work of the OECD and others in advancing the cause of the highest-quality corporate governance and establishing the Corporate Governance Principles as the global benchmark for policy makers, investors, corporations and other stakeholders worldwide. We also support the current review of the Corporate Governance Principles to ensure that they remain fit-for-purpose and at the leading edge of global policy.

IFAC has also directly engaged with the current review of the Corporate Governance Principles, including IFAC Board Member Jean Bouquot's participation at the OECD-Business at OECD bilateral in Paris on May 6, 2022, and IFAC Professional Accountants in Business Advisory Group Member Ichiro Waki's participation in the Asian Regional Roundtable in Hanoi on October 20-21, 2022. Gabriela Figueiredo Dias, Chair of the International Ethics Standards Board for Accountants, also participated in the G20/OECD Corporate Governance Forum in Bali on July 14, 2022.

IFAC is a proud member of Business at OECD and supports their broader response to the present consultation. In addition to supporting the Business at OECD response, we would like to emphasize the following points:

1. IFAC agrees, as stated in Chapter I of the Draft Principles, that strong corporate governance should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement. We believe that the Principles of Corporate Governance must address the interests of shareholders, while recognizing that the interests of other stakeholders such as employees, customers, suppliers, and broader society are also important to a company's long-term success.
2. IFAC supports the elevation of sustainability to its own section within the Corporate Governance Principles. This reflects the current reality of the importance of oversight and integration of sustainability into high-quality corporate governance. The sustainability-related disclosures that companies provide must be of equal quality, reliability, consistency and comparability as financial information. Sustainability information should therefore be prepared and disclosed in accordance with high-quality,

internationally recognized financial and sustainability-related reporting and disclosure standards, and be subject to high-quality, independent, external assurance.

3. The following points address specific passages of the draft Principles.
  - Section 6: The term “non-financial” information needs to be used with a greater degree of specificity. At the same time, it is crucial that the Corporate Governance Principles stress the importance of independent verification over non-financial information.
  - Section 10: The distinction between shareholders and stakeholders is extremely important. The revised Corporate Governance Principles must be very careful and deliberate about the use of the terms “stakeholders” and “shareholders” throughout the text.
  - Section III.D: The term “credit rating agencies” is well understood and defined in international policy. Terminology relating to the various service providers that offer “scoring” or other forms of evaluation of the level of sustainability of companies should not be combined into “credit rating agencies.”
  - Section IV: It will be important to introduce sustainability into the top-side heading/statement, while retaining the appropriate balance between shareholder and stakeholder interests. Further, the Corporate Governance Principles should conform to the currently accepted terminology amongst leading sustainability standard-setters, as well as IOSCO, which differentiates between “sustainability reporting” – which is focused on inward-out impacts of companies on society vs. “sustainability-related reporting” – which is more inclusive and also includes outward-in impacts of ESG factors on company performance or enterprise value.
  - Section IV.A.8: The term “foreseeable” is problematic and vague. The term “materiality” is a more appropriate filter for identifying and addressing risk factors.
  - Section IV.B: It is crucial that the Corporate Governance Principles recognize the importance of international standards for sustainability disclosures (e.g., the global baseline of sustainability disclosures being adopted by the ISSB). Direct reference to the ISSB should be incorporated into the Principles.
  - Section IV.C: This section rightfully highlights the value of independence of auditors and their accountability to shareholders; however, this should be expanded to also emphasize the importance of the ethical code/conduct of auditors more broadly.
  - Section V. The concept of “adequacy” of returns to shareholders is unnecessary.
  - Section V.A: The Corporate Governance Principles should emphasize that the board is responsible for the long-term success of the company.
  - Section V.E.2: Sustainability Committees should be added to the list of topics for which other committees may be set up to provide overall board support.
  - Section VI.A: The Corporate Governance Principles must be careful to not separate “E,” “S,” and “G” issues unnecessarily. Throughout this section, there are references to “environmental and social.” This suggests that “ESG” is being redefined to be only “ES” (environmental and social factors). IFAC strongly cautions against this approach. “Sustainability” and “ESG” should be used interchangeably—inclusive of environmental, social, and governance matters.
  - Section VI.A.4: The term “net zero” is not consistently used in corporate reporting. Rather, the term “emissions reduction targets” should be used throughout the Corporate Governance Principles.

The points raised above are implemented through redline edits to the current draft revisions of the Corporate Governance Principles, attached. Please consider this letter and the redline edits together as a single response.



In closing, IFAC and the global accountancy profession stand for high-quality corporate governance. Professional Accountants—in or as advisors to business—play important roles in implementing and supporting high-quality corporate governance, and driving positive organizational cultures more broadly. IFAC is committed the current Review of the Corporate Governance Principles, and we look forward to continued engagement going forward.

Sincerely,

A handwritten signature in black ink, which appears to read "Kevin Dancey", is positioned below the word "Sincerely,".

Kevin Dancey, CEO IFAC