ICGN
International Corporate Governance Network
inspiring good governance & stewardship

Maria Julve San Martin
Florian Narring
European Central Bank
60640 Frankfurt am Main
Germany

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Dear Mrs Julve San Martin, dear Mr Narring,

Subject: Draft guide on governance and risk culture

The International Corporate Governance Network (ICGN) welcomes the opportunity to comment on the European Central Bank's (ECB) *Draft guide on governance and risk culture,* published in July 2024.[1]

Led by investors responsible for assets under management of EUR 71 trillion, ICGN is a non-profit organisation that promotes high standards of corporate governance and investor stewardship. Our membership is based in more than 40 countries, and comprises asset owners, asset managers and advisers. The ICGN Global Governance Principles and Global Stewardship Principles, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.[2]

ICGN agrees with the ECB that "governance and risk culture are essential features of any well-functioning organisation". We support the emphasis in the draft ECB Guide on effective board oversight. Investors rely on strong and independent boards of directors. They expect boards to provide strategic guidance, risk oversight, and effective monitoring of management's plans and performance in promoting the long-term success of the company. As we laid-out in our Global Governance Principles, boards should comprise directors with relevant knowledge, independence, competence, industry experience, time commitment, and diversity of perspectives to generate effective challenge and objective decision-making. Boards should instil and demonstrate a culture of high standards of business ethics and integrity, and should ensure that companies manage risks effectively and have robust internal controls in place. We believe the ECB has captured all these important elements in its draft Guide.

We note that this guide is not meant to be prescriptive nor to lay down legally binding requirements, which is helpful considering the diverse governance structures that exist in Europe. We believe the practical examples included in the draft Guide are particularly beneficial, helping make the content more relatable to institutions as they work to enhance their governance practices. Investors will also be able to point out to the best practices highlighted by the ECB when engaging with banks in their portfolio.

We also support the focus on culture. We welcome the ECB's emphasis on the board's role in shaping a culture of accountability, fostering psychological safety, and supporting robust risk

[1] European Central Bank, Draft guide on governance and risk culture, July 2024
[2] ICGN Global Governance Principles and Global Stewardship Principles. The EU Corporate Sustainability Reporting Directive refers to the ICGN Principles as "an authoritative global framework of governance information of most relevance to users".

appetite frameworks. We agree that the "tone from the top" and an environment of open communication and transparency, where employees are encouraged to report concerns or issues without fear of retribution, is crucial for effective risk management, and for long-term value creation. This is something ICGN emphasised in our latest *Investor Viewpoint on workers' voice in corporate decision-making* and in a previous *Viewpoint on the board's role to oversee culture*.[3]

We believe many of the ECB's proposed recommendations are in fact relevant for companies across sectors, not only financial institutions, and we look forward to the final publication.

Thank you for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact our Global Policy Director, Severine Neervoort (severine.neervoort@icgn.org).

Yours faithfully,

Jen Sisson

Jen Sisson
Chief Executive Officer, ICGN

[3] ICGN, Investor Viewpoint: Workers' voice in corporate decision-making, December 2024 and ICGN Viewpoint on the board's role to oversee culture, 2020