Blog Series: Good Governance for Value Creation
Blog Post no.1

Good Governance: Why G is Key!

Written by Jen Sisson (ICGN CEO) and Jakub Brejdak (Senior Policy Executive) on 27 November 2025

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Why G is Key!

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Decades of global experience have firmly established that “G is Key”; evidence shows that good governance drives corporate success. It is the foundation of trust between investors and issuers, and thus well-functioning capital markets, economic resilience and sustainable long-term value creation.

Governance is your competitive advantage, not a checkbox

Corporate governance is not a regulatory burden. It is a strategic enabler. Effective governance frameworks promote transparency, accountability and oversight, giving investors’ confidence in how the companies that they own are run and that the markets they invest in are reliable and effective. This trust lowers the cost of capital, strengthens access to long-term finance and supports growth and innovation.

Evidence is clear. Companies demonstrating governance leadership consistently outperform laggards. MSCI research shows that in the United States, governance leaders outperformed by 2.7% annually between 2015 and 2023, a cumulative 26.3% excess return. Strong governance is also linked to higher credit ratings and lower borrowing costs, particularly where boards are independent and audit oversight is strong.[1]

The need for checks and balances

Corporate governance is about ensuring the right questions are asked and that effective checks and balances are in place. It concerns how companies are run and how they create long-term, sustainable economic returns. It also provides a way to address the newer and more urgent challenges facing the corporate world. While frameworks differ across markets, the core objective remains the same: making sure that those who manage a business act in the best interests of those who supply its capital.

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[1] https://www.msci.com/research-and-insights/blog-post/corporate-governance-market-matters

Weakening safeguards puts markets at risk

Corporate governance reform has been moving in the right direction globally across many key areas. OECD figures demonstrate significant improvements in board accountability and transparency in the past decade, including a near 50% increase in jurisdictions requiring separation of the CEO and board chair roles and a rise from 61% to 88% in those expecting disclosure of director qualifications.[2] Despite this progress, recent political and regulatory shifts across major markets are challenging decades of advancement. Diluting shareholder rights, weakening reporting standards and lowering listing requirements are too often justified in the name of competitiveness. These trends undermine the safeguards that uphold investor trust and risk eroding the foundations of capital markets. In the UK, recent capital markets reforms have "simplified" market segments and weakened shareholder protections, including moves away from the one share one vote principle, in the hope of attracting more listings despite strong objections from the investor community. Introducing reforms without proper analysis of potential unintended consequences has produced predictable results. The number of listings continue to fall, while confidence among capital providers remains under pressure. In Italy, the government has also introduced legislation to prevent companies from delisting from the Milan Stock Exchange, which has instead undermined the protection of minority shareholders in controlled companies by reducing shareholders' access to AGMs and creating a complex opt-out system for newly listed companies and SMEs that adds uncertainty.

Across the Atlantic, corporate governance standards are also being tested. The US Securities and Exchange Commission (SEC) has pushed through significant policy changes without public consultation, which undermines investor confidence. There is a need for all shareholders, including retail investors, as well as regulators and policy makers, to better understand corporate governance and the real consequences of lowering standards. Developments such as auto-voting programmes that default in favour of board recommendations and proposals for mandatory arbitration clauses would further disrupt the delicate balance that has developed over time whereby investors can trust what they buy and issuers can rely on access to capital. Investors'

[2] OECD Corporate Governance Factbook 2025, [OECD Corporate Governance Factbook 2025 | OECD]

ability to engage with companies and file shareholder proposals has also been impacted. These changes risk leaving capital providers with fewer tools to protect their interests and engage effectively on long-term value creation. At state level, we also observe worrying legislative changes .In Brazil, proposed updates to rules governing the premium listing segment ("Novo Mercado") were blocked, after several companies resisted changes that would have reinforced minority shareholder protection.

Protecting people's savings requires strong stewardship

Capital markets are vital for economic growth and job creation, and they also safeguard the pensions and life savings of millions of citizens. Pension funds have fiduciary duties to manage these assets with the highest standards of stewardship and to ensure that people's financial futures are protected. Diluting the mechanisms that enable effective stewardship undermines accountability and exposes pensioners to potentially significant risks. People's savings should not be jeopardised by short term political or market pressures.

Entrepreneurial success requires accountability

Entrepreneurial ambition is critical to economic progress and deserves support. But it must not come at the expense of long-term shareholder rights or weaken the accountability that capital providers depend upon to oversee companies. We need a balanced approach, one grounded in evidence.

While some argue that unequal voting structures support flexibility in the early years, research shows that any benefits diminish over time and can ultimately undermine long-term performance.[3] Research indicates that companies with multi-class shares can experience higher innovation and value creation in the early years after listing,

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[3] Undermining the Shareholder Voice. The rise and risks of unequal voting rights (2023), The Investor Coalition for Equal Votes (ICEV), https://www.icevequalvotes.org/resource/icev-undermining-the-shareholder-voice

but within six to ten years the costs of unequal voting outweigh the benefits[4], and by around eleven years after IPO these structures are increasingly value-destroying.[5]

Another concern is the growing tendency in some markets to insulate insiders from scrutiny. Moves to restrict shareholder oversight of related party transactions in the United Kingdom and Italy, and to limit judicial review of director decisions in the United States, all point to a weakening of checks and balances. When shareholders are unable to challenge conflicts of interest or seek accountability through the courts, the risk of decisions that favour insiders over the company's long-term value increases. Companies benefit from active engagement and independent challenge, not from structures designed to prevent it.

A blog series highlighting views of ICGN members

This new series of blog posts will feature perspectives from a range of ICGN members, highlighting the essential elements of good governance that support healthy companies and resilient capital markets. It will cover the role of strong and effective boards, the importance of protecting shareholder rights, the need for reliable and decision useful reporting and the contribution of stewardship to long-term organisational strength. While individual views may differ, they are united by a commitment to well governed companies, respect for shareholder rights and long-term sustainable value creation.

Despite the polarisation of recent debates, regulators, companies and investors ultimately seek the same outcomes: efficient capital markets, competitive businesses and a growing and sustainable economy. Investors are in favour of a balanced, proportionate regulatory approach, while we often champion new requirements that can help close gaps, we are not against streamlining rules where this is needed. ICGN and its members have always been in favour of thoughtful reform and pragmatic governance standards worldwide: not a regulatory race to the bottom but a race to better business.

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[4] Baran, L., Forst, A. and Via, M. (2023), 'Dual-class Share Structure and Innovation', The Journal of Financial Research, Vol. 46(1), pp. 169-202, onlinelibrary.wiley.com/ doi/full/10.1111/jfir.12311

[5] Kim, H. and Michaely, R. (2018), Sticking Around Too Long? Dynamics of the Benefits of Dual-Class Structures (European Corporate Governance Institute), papers.ssrn.com/sol3/papers. cfm?abstract_id=3145209

We think it’s an important time to re-underwrite these positions, to help us to make our case clearly and effectively. So, we hope these blogs will help us all to do that. We invite investors to engage and share their expertise with policy-makers and regulators and to support our message that "G is Key".