

## CHAIR'S CORNER

Dear Members of ICGS,

With this first newsletter of the new year, I have to share the information that four Directors resigned over differences in charting our future path from the ICGS Board of Directors during the last three months. While the motives of these resignations may differ, we are disappointed that we could not resolve these conflicts.

I'd like to thank our former Directors, Cynthia Clark, Douglas Cumming, Claudia Girardone and Praveen Kumar for their services and their contributions to the development of our Society. Doug Cumming also resigned from the roles of ICGS President and Co-Editor-in-Chief of our journal, *Annals of Corporate Governance*. Clearly, all four colleagues have rendered outstanding services to the Society, and I ask every member to join me in thanking them. We are indebted for their contributions and grateful that they have spent so much time and effort on behalf of ICGS.

Given these changes, Eduardo Schiehl from HEC Montréal has joined the Board. This appointment became necessary to meet the minimum Board size requirement and we anticipate following our processes outlined at the last AGM for future appointments. Many of you will know Eduardo as a professional, reliable and kind colleague. He is an early member of ICGS and attended – with one exception – all of our conferences. This emphasizes his extraordinarily strong commitment to the mission and values of our Society. The whole Board looks very much forward to working with Eduardo.

The Board has had in-depth interactions to ensure that the Society remains on its good track. I am delighted to share that new Officers have been appointed unanimously and with great enthusiasm by the full Board. The new ICGS President is Alessandro Zattoni, again one of the earliest members of the Society and the local Chair of our 2017 conference at LUISS University in Rome. Alessandro will inform all ICGS members in our next newsletter about the strategic goals and accomplishments that he strives for during his term. Gavin Nicholson (Queensland University of Technology), one of our Founding Directors, serves as ICGS Treasurer. Due to the time resources needed to pursue the tasks of the Treasurer, Luh Luh Lan (National University of Singapore) who has a background in law, succeeds Gavin as our Secretary. I am confident that this leadership team will be capable and motivated to work together trustfully and effectively to continue to strengthen ICGS.

In order to strengthen our governance further, the Board has started to deliberate and decide about amendments that include, inter alia, that the Treasurer is appointed to the conference committee, the budget of the annual conference is approved by the entire Board as well as a Board Charter will be adopted that lays down roles and responsibilities in more detail.

A key challenge over the past several months was ensuring a vibrant and strategically aligned conference for the Society. This year's conference will be held at Old Dominion University in Norfolk, Virginia, on November 14 and 15 (Saturday/Sunday). The conference theme is

“Environmental sustainability and corporate governance”. You find more information on this event in this newsletter and can download the complete Call for Proposals from the ICGS webpage. We look forward to welcoming many of you at our annual conference where we present and discuss research on international corporate governance from an interdisciplinary perspective. While we had originally announced to have this year’s conference at Arizona State University, we were unable to schedule for 2020 but hope to go to ASU in the near future.

ICGS is still a young organization. We have reached some major achievements during our first 5 years in business. The Society has grown, old friendships have been deepened and new ones formed at our conferences as well as other activities and occasions. The next 5 years will demonstrate to which degree we are able to reap the potential that our Society offers. My enthusiasm about ICGS’s purpose and mission remains unchanged. I hope many of you will join us in collaborating constructively to make this organization to *the* forum where governance scholars from all over the world and multiple disciplines come together, exchange ideas, develop projects and present their research about problems and phenomena of corporate governance that we are all intrigued in.

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On behalf of the ICGS Board of Directors

## Highlights of the 5<sup>th</sup> Annual ICGS Conference



### Dr. Claudia Giradone and Dr. Geoffrey Wood 2019 ICGS Conference Co-Chairs

The 5th Annual ICGS Conference on “Corporate Governance in Changing Institutional Environments” was hosted by the University of Essex, Colchester on October 11-13, 2019. The Harold S. Geneen Institute for Corporate Governance at Bentley University continued as the Conference’s primary sponsor. The ICGS conference was preceded by a doctoral consortium which was led by Dr. Silvia Gaia. At the consortium, PhD students discussed their work with colleagues and senior discussants.



### Conference Keynote Speaker Dame Inga Beale

One of the highlights of the conference was a keynote speech from Dame Inga Beale of London First and the former CEO of Lloyd’s of London. This session was chaired by ICGS Past President Dr. William Judge (Old Dominion University) and Dr. Claudia Giradone (University of Essex). Dame Beale focused her address on the theme “Putting theory into practice: Boardroom governance for real”. She focused on corporate accountability, reminding conference attendees about the

governance conditions leading up to the financial crisis in 2008 and the inherent responsibilities of boards in 2019.

Dame Beale also spoke about the role of non-executive directors (NED) in not just monitoring board behaviour, but also providing advice and guidance to executives through regular interaction. As such, she suggests that NED need to have time to devote to their roles as board members and not stretch themselves too thin by being on too many boards.

Dame Beale concluded her address by suggesting that corporations have to offer value to society and have the interest of a wider group of stakeholders at their core. This can be accomplished through inclusion and diversity as she noted, “diversity in all of its form has a positive impact for business”.

Two special panels were organized during the conference and were very well attended. The opening panel was chaired by Dr. Cynthia Clark (Bentley University) and discussed the conference theme of “Corporate governance in changing institutional environments”. Panelists included Dr. Ruth Sealey (University of Exeter), Dr. Christine Shropshire (Arizona State University) and Dr. Shlomo Tarba (University of Birmingham). This panel was generously sponsored by the Geneen Institute of Corporate Governance and co-hosted by the British Academy of Management Corporate Governance Special Interest Group.

The second panel, chaired by Alexey Volynets, Corporate Governance Officer with the Corporate Governance Group of the International Finance Corporation (IFC) focused on diversity in directors selection. Panelists included Sheila Bates, an international business and dispute resolution specialist at the Centre for Effective Dispute Resolution), Gian Piero Cigna, Acting Director, Chief Council, Financial Law Unit at the European Bank for Reconstruction and Development, and Mike Lubrano, a recognized expert and advisor on corporate governance in emerging markets at Nestor Advisors. This panel was generously sponsored by the International Finance Corporation and co-hosted by the Geneen Institute of Corporate Governance.

## Award Winning Papers at the 5th Annual ICGS Conference

**Best Paper:** Eduardo Schiehl, Luiz Ricardo Kabbach de Castro, Henrique Castro Martins, & Paulo Rento Soares Terra, “When is protection over-protection? Symmetric versus asymmetric property rights”.

**Runner-Up:** Ruth Mateos de Cabo, Ricardo Gimeno, Pilar Grau, & Patricia Gabaldon, “Being a big fish in a small pond or a small fish in a big pond. The effects of gender quota vs. corporate governance codes”.



Cynthia Clark, Director, Harold Geneen Institute of Corporate Governance and Douglas Cumming, ICGS President-Elect, present the best paper runner-up award to Ruth Mateos de Cabo, Patricia Gabaldón and Ricardo Gimeno (Above)

*The **International Corporate Governance Society (ICGS)** is a nonprofit, educational organization formed to provide an academic forum for corporate governance scholars that enhances research, teaching, and consulting on corporate governance systems, practices, and outcomes throughout the global economy. Its focus is the global economy and its constituent societies, so governance scholars and government officials from every economy of the world can find value in this association. It is governed by an internationally-representative board of directors and supervised by its officers. We attempt to think and act consistent with our society's values.*

## 6TH ANNUAL ICGS CONFERENCE

**November 14-15, 2020**

**Norfolk, Virginia**

The 6th Annual ICGS Conference will be held on November 14-15, 2020, hosted by the Strome College of Business at Old Dominion University. Research proposals and papers that contribute to the broad body of knowledge in comparative corporate governance will be considered for this conference. Special consideration will be made for examinations of the influence of corporate governance practices on environmental sustainability activities and outcomes within and between firms and nations.

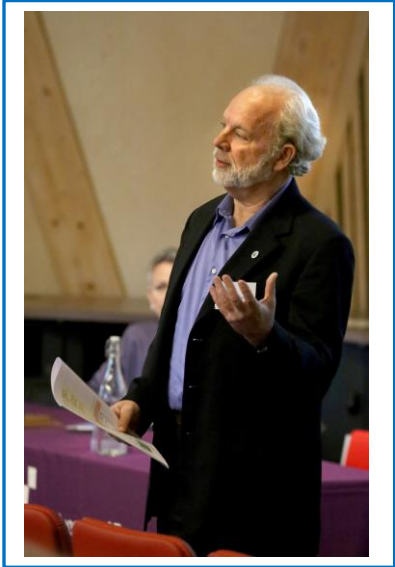
In addition to general corporate governance studies, the conference's special theme focuses on environmental sustainability due to the global threat that it poses to all traditional economic activity and the quickly shifting governance challenges that it poses. The size of this global threat precludes the private sector from solving this issue by itself; nonetheless, the private sector needs to be part of the solution.

The conference is designed as a multi-disciplinary forum for the lively exchange of ideas among scholars and executives in considering challenges and insights into the area of corporate governance. Specifically, the conference brings together executives who pose the questions they most seek answers to, with potential solutions that sit in various academic disciplines.

Additional information about the conference, including the call or papers can be found by clicking this [link](#). Papers and abstracts will be accepted starting April 1, 2020 and must be submitted by midnight (EST) May 1, 2020.

The **7<sup>th</sup> annual ICGS conference** will be hosted by the University of Groningen in Groningen, Netherlands from October 9-10, 2021.

**SNAPSHOTS FROM THE 5TH ANNUAL ICGS CONFERENCE**



## ESG IN THE BOARDROOM: WHO, WHAT AND WHERE?

By Patricia Lenkov



When the history books are written, we will surely look back to this time as revolutionary in terms of our changing focus on the world around us. Whether it be global warming, changing values amongst millennials or the fallout from the important #MeToo movement, we now have more of an awareness and sensitivity to sustainability and societal burdens than ever. Within the context of business this is most certainly the case. Environmental, social and governance (ESG) conversations and debates have become ubiquitous.

In a 2019 study on responsible investing by RBC Global Asset Management, 70% of respondent's stated that ESG principals are used somewhat or significantly as part of their investment approach and decision making. In 2019, State Street Global Advisors launched "R-Factor" (Responsibility-Factor) which is an ESG scoring system. R-Factor measures a company's ESG practices and attempts to quantify disparate data and improve transparency around ESG. Also, in 2019, Alvarez & Marsal reported that "companies ranked in the bottom 50 percent of ESG performance are significantly more likely to attract activists' attention."<sup>1</sup> And the list goes on.

We are in the midst of a sea change in attention to these critical matters and the implications of responsibility for businesses. Nowhere is this clearer than in the recent statement by the Business Roundtable (BRT) which stated that "corporations should commit to serving the interests of all stakeholders – employees,

customers, suppliers and communities where they do business."

As stewards of the corporation, boards of directors must not only be acquainted with the ESG conversation but must demonstrate leading edge thinking on these matters and how they affect strategy and the ultimate operations of the business to which they are tasked with overseeing.

The question then becomes how to best accomplish this. Where does ESG responsibility reside within the board? Do boards require separate ESG committees? Or perhaps only ES committees as "G" is generally covered by the nominating and governance committee? And, do boards need a director who is an ESG expert or is it enough to receive reports from within the company?

The short answer is, it depends. There is no one size fits all and ultimately structure and responsibility and the manner in which ESG matters are handled depends on the company, its industry, culture, as well as challenges and objectives.

As an example, for companies in the oil and gas industry, the environment is inseparable from business operations. Who can forget the catastrophic Exxon Valdez oil spill which contaminated 1,300 miles of coastline, killed thousands of animals and cost the company over \$7 billion? For those in this industry, the "E" aspects of ESG are intertwined with basic business operations and board structure must be reflective of this. ExxonMobil rightly has a "Public Issues and Contributions Committee" which includes focus on the environment. Occidental Petroleum has both an Environmental, Health and Safety committee as well as a Sustainability and Shareholder Engagement committee.

In terms of “S” factors like labor standards, health, safety, and diversity, boards have varying degrees of framework for attending to these matters. Certainly, conversations about all things related to human capital have been proliferating within the boardroom. State Street Global Advisors has urged boards to focus on corporate culture and Blackrock and Vanguard are also widening the conversation. Diversity remains a “hot” topic and no matter what the historical track record, companies can no longer afford to drag their feet on this matter. Board committee structure and composition are changing to reflect this evolution. Examples of this practice include Energizer Holdings and UNUM Group which have a Human Capital Committee on their boards. Additionally, the number of board directors who were previously CHROs or bring human resources expertise is slowly but surely growing.

Finally, any improvement and increased focus on governance (“G”) is very welcome. While approaches to governance have been advancing over time, there is still room for much improvement. “G” falls under the purview of the Governance Committee on the board (often structured as the Nominating and Governance committee) and is critically important to everything that transpires within the company. In fact, in a 2018 study by Russell Investments, 91% of investment firms say governance has the greatest impact on investment decisions (among ESG factors.)

Aside from determining where ESG resides within the board, companies should ask themselves if their directors have enough proficiency in these matters or whether a bona fide expert is required. Again, this will depend on the unique circumstances of the company; however, it is safe to say that this discussion should take place. Alphabet, the parent of Google just appointed Frances Arnold to its board. Arnold is a Nobel Prize

winning biologist with expertise in chemical engineering, bioengineering and biochemistry.

ESG is a term used to describe a very complex and varied group of issues. One can even argue that these three letters do not belong together as each individually merits its own attention and discussion. However, the fact of the matter is that boards and the companies they serve cannot afford to be casual about this. ESG and all of its implications must be high on the agenda as it is part of ever-growing answerability of the board.

<sup>1</sup><https://www.hedgeweek.com/2019/12/03/280998/poor-esg-performance-increases-likelihood-activist-investor-attention>

*Patricia Lenkov is a Senior Managing Director with Teneo's Talent Advisory Team. She formerly headed up Agility Executive Search, a boutique firm she founded in 2008. She has extensive board and C-suite search experience having worked in the board of directors' practice at Spencer Stuart and Heidrick & Struggles. She is widely regarded as a thought leader on board recruiting, corporate governance, composition, and succession. To date, Patricia has conducted over 300 board searches for corporate clients, as well as having worked with some of the world's leading activist investors to recruit board directors.*

### ICGS NEWSLETTER SUBMISSION PROCESS

If you have contributions for our next newsletter (Volume 6, Issue 2) which will be published in July 2020, please contact [director@icgsociety.org](mailto:director@icgsociety.org) by **June 1, 2020**. We welcome information on upcoming book publications from ICGS members or conferences/events that will be of interest to other ICGS members. We especially would appreciate information about activities in which ICGS members may be involved given the global community of scholars that comprise the ICGS.

## CORPORATE GOVERNANCE: AN INTERNATIONAL REVIEW – TWO SPECIAL EDITIONS

There are two upcoming special issues of Corporate Governance: An International Review (CGIR).

The first special issue focusses on “21<sup>st</sup> century challenges for corporate governance” and is being guest-edited by Omrane Guedhami (University of South Carolina), Sofia Johan (College of Business, Florida Atlantic University and Tilburg Law and Economics Center (TILEC)), Florencio Lopez-de-Silanes (SKEMA Business School and National Bureau of Economic Research (NBER)) and Siri Terjesen (Kogod School of Business, American University and Norwegian School of Economics).

Governance solutions vary widely depending on the legal, ethical, and cultural conditions in different regions around the world. Changes that have been widespread at the national level, including but not limited to changes in political environments, bankruptcy laws, regulations governing diversity on boards, and labor laws should therefore logically take into account these factors. This special issue seeks papers that investigate the causes and ensuing consequences of these changes. A key interest here is for new work that examines the risks associated with these governance changes. The special issue is also interested in investigating skewness effects of these governance changes, or ‘tipping points’ giving rise to success versus failure.

### UPCOMING EVENTS

**February 27-28, 2020:** International Corporate Governance Network Conference in Seoul, Korea, hosted by Korea Corporate Governance Service.

**April 1, 2020:** Submission system opens for papers and abstracts for the 6<sup>th</sup> annual ICGS conference in Norfolk, VA.

**May 1, 2020:** Submission deadline for papers and abstracts for the 6<sup>th</sup> annual ICGS conference in Norfolk, VA.

**June 12-13, 2020:** 6<sup>th</sup> Annual Global Corporate Governance Colloquia Annual corporate governance conference which will be hosted by Seoul University, South Korea (Invitation only).

**June 8-10, 2020:** International Corporate Governance Network’s annual conference in Toronto, Canada.

**June 10-12, 2020:** EURAM’s annual conference with a corporate governance track, Trinity College Dublin, Ireland.

The submission deadline is **June 15, 2020** through the CGIR Manuscript Central website which is <http://mc.manuscriptcentral.com/CGIR>. Contributors should follow the CGIR Author Guidelines (which can be found at [www.cgir.org](http://www.cgir.org)). The full call for this special issue can be found through this [link](#).

The second special issue focusses on “Ownership and corporate governance across institutional contexts”. It is being guest edited by Xavier Castaner (University of Lausanne), Maria Goranova (University of Wisconsin-Milwaukee), Niels Hermes (University of Groningen), Nikolaos Kayadis (University Carlos III of Madrid), and Alessandro Zattoni (LUISS University).

To address the theoretical, managerial, and policy challenges that ensue from global trends of changing ownership structures (including the oftentimes observed growing heterogeneity) and their effects on governance, and so advance the field, CIGR invites scholars to reflect, theorize and apply rigorous methodological approaches to answer a number of related questions. These broadly can be categorized into three areas including:

- Ownership heterogeneity and corporate goals;
- Ownership heterogeneity and corporate governance policies and practices; and,
- Ownership heterogeneity across institutional environments, industries, and corporate forms and structures.

Given that the tradition of CGIR is to welcome a wide variety of theoretical perspectives and methodological approaches, they will consider a large spectrum of theoretical and empirical work drawing from different disciplinary backgrounds and employing different methodologies.

This special edition has a submission deadline of **September 2, 2020**. Since the overarching mission of the journal is to develop a global theory of corporate governance, multi-country examinations of the effects of heterogeneity and changes in ownership structures on the internal governance arrangements of firms in a variety of countries are particularly welcome. Both national and multi-national examinations will be considered. All submission must be uploaded to the Manuscript Central/Scholar One website which is at <https://mc.manuscriptcentral.com/cgir> and should indicate that the manuscript is intended for this special issue. CGIR author guidelines must be followed. The full call for submissions can be found through this [link](#).

Don’t forget to visit our website at [www.icgsociety.org](http://www.icgsociety.org)