

## **Statement on the Value of Corporate Governance**

The Council of Institutional Investors has long held that good corporate governance—defined to include general issues affecting market transparency, integrity and accountability and specific relationships between boards, management and shareowners—is in the best long-term interests of shareowners.

The Council believes that shareowners, other investors and other stakeholders benefit when rules and regulations provide adequate protections to owners and ensure that important information is promptly and transparently provided to the marketplace.

The value of good governance structures/practices within companies—such as substantially independent boards, all-independent key committees and other board accountability policies/practices—is backed by commonsense and experience. Such structures/practices ensure that directors have the necessary independence to, among other things, monitor and assess corporate performance; select, monitor, evaluate and, when necessary, fire the chief executive and other senior managers; oversee management succession; and structure, monitor and approve compensation paid to the chief executive and other senior managers. They also ensure that directors are accountable to shareowners.

Shareowners may employ a variety of tools and tactics, including filing shareowner resolutions, litigating or running director candidates, to encourage companies to adopt good corporate governance practices. While the Council doesn't take formal positions on company-specific campaigns, it fully endorses the rights of Council members and other shareowners to get involved, encourage companies to improve their governance practices and urge legislators and regulators to strengthen the rules and regulations addressing investor rights and protections.

The Council's positions are backed by empirical research supporting the value of good corporate governance. The Council recognizes that some empirical research disputes the value of good corporate governance. Given the mixed empirical evidence and the inherent limitations of many empirical studies (including the definition of the aspect of governance studied, the definition of performance used, the period under consideration and, of course, the quality of the research itself), the Council bases its policies on what makes the most sense for owners.