

## **Open Letter: Commonsense Principles of Corporate Governance**

For more than two centuries, the American free enterprise system has led to enormous prosperity for our country: the creation of jobs, increases in wages and savings, and the emergence and growth of dynamic companies. Because well-managed and well-governed businesses are the engine of our economy, good corporate governance must be more than just a catch phrase or fad. It's an imperative – especially when it comes to our publicly owned companies. Though they account for only 5,000 of our country's 28 million businesses, our public companies are responsible for one-third of all private sector employment and one-half of all business capital spending, both of which ultimately drive the productivity and health of the country. To ensure their continued strength – to maintain our global competitiveness and to provide opportunities for all Americans – we think it essential that our public companies take a long-term approach to the management and governance of their business (the sort of approach you'd take if you owned 100% of a company).

While most everyone agrees that we need good corporate governance, there has been wide disagreement on what that actually means. So we gathered a small group of executives to see if we could reach some consensus on what we think works in the real world. This group included the CEO of several major asset managers, one activist investor and one public pension plan, as well as several publicly owned companies. We did not convene a group of this size to be exclusive but, rather, so we could sit around a room and have a mature conversation about this important topic – something that would have been very difficult to do in a much larger forum. Indeed, even among our small group, we don't agree on absolutely everything. But we do agree that, taken as a whole, these principles are conducive to good corporate governance, healthy public companies and the continued strength of our public markets. Thus, we are steadfast in our determination not to let our minor differences imperil this important effort.

The principles set forth a number of commonsense recommendations and guidelines about the roles and responsibilities of boards, companies and shareholders. We firmly believe that empowered boards and shareholders, both providing meaningful oversight, are critical to the long-term success of public companies. But knowing that there is significant variability among the thousands of such companies and understanding that both context and circumstance matter, we have tried not to be overly prescriptive in how to achieve those goals. We also recognize that we live in a dynamic, fast-changing world – and that while many of these principles are and should be part of the corporate governance permanent landscape, some will inevitably change over time.

These principles are not intended to be for or against activists, proxy advisors or special interest groups. While we know that not everyone will agree with everything in them, we hope that, at the very least, these principles will serve as a catalyst for thoughtful discussion. More than 90 million Americans own our public companies through their investments in mutual funds, and millions more do so through their participation in corporate, public and union pension plans. These owners include veterans, retirees, teachers, nurses, firemen, and city, state and federal workers. We owe it to all of them – and to all our shareholders and investors who have entrusted us with their savings – to get this right.