

A NIRI Conference Panel on Commonsense Corporate Governance Principles

The 2017 NIRI Annual Conference is coming up quickly. It is the largest gathering of IR professionals in the world and will take place June 4-7, 2017 at the J.W. Marriott Grande Lakes, Orlando. Conference speakers will address a wide range of topics, including governance issues.



In July 2016, a group of 12 institutions came together to sign what they call “Commonsense Corporate Governance Principles.” Mark Harnett, managing director at Strategic Governance Advisors, who will host a panel discussion at the 2017 Annual Conference on Wednesday, June 7, with representatives from these institutions, gave NIRI a sneak preview of the session.

Why did the authors choose “Commonsense” to describe the principles?

The group that signed the principles represents some of America’s largest corporations and investment managers. It includes a Canadian pension fund, an activist investor and several of the nation’s largest asset managers, which, as fiduciaries, represent millions of individual savers and pension beneficiaries. This diverse group holds varied opinions on corporate governance. But the signers share the view that constructive dialogue requires finding common ground — a starting point to foster the

economic growth that benefits shareholders, employees and the economy as a whole. To that end, they worked to find “commonsense” principles.

What are the key points addressed by the Commonsense Principles?

While the principles are not intended to be an absolute and exhaustive list of governance issues, some of the key points they address and that we expect to discuss with our panel include:

- Board independence from management
- Board diversity in terms of skills, backgrounds and experience
- Strong board leadership
- Long termism vs. short termism
- Use of non-GAAP accounting that does not obscure GAAP results
- Constructive engagement between a company and its shareholders.

The principles received some criticism for not addressing certain issues.

Why did they leave out some issues?

The principles were published in an effort to foster a conversation about appropriate corporate governance. They were never intended to be an absolute set of principles or a recipe for acceptable governance. As it turned out, the principles tapped into a vein of growing interest in the governance conversation, and helped keep up the momentum for corporations and asset managers who are stewards of capital.

If furthering the dialogue on corporate governance was the inspiration for crafting the principles, what has been the content of the dialogue since the principles were unveiled?

Many corporations have been examining their own governance in relation to the Commonsense Principles. In addition, various law firms and universities have published the principles and their analysis of them on their own websites. Other key groups that have added momentum

to the national conversation about good corporate governance include the Business Roundtable and the Investor Stewardship Group (ISG), which issued its own governance principles on February 7, 2017. The ISG principles took an additional step, asking stewards of capital outside the group to sign on. Our panel is also part of continuing the conversation.

How can the Commonsense Principles be useful to IR professionals?

As we’ll discuss in our panel, the Commonsense Principles can be used as a baseline for examining corporate governance at your own company. While they recognize that one size does not fit all, they bring up many key issues that companies need to take into account as they consider how their own governance practices best serve their key constituencies. [IR](#)