

Corporate Governance



Why we engage

We believe that good corporate governance is critical to business success and value creation. It provides the framework for accountability, transparency, and effective decision making.

Boards are responsible for maintaining high standards of corporate governance and holding management to account for the performance of the business. They play an important role in overseeing the implementation of corporate strategy and promoting a strong company culture that aligns with investor interests and broader stakeholder expectations. Additionally, boards oversee the company’s management of risks and opportunities, as well as capital allocation decisions, including those related to sustainability. We believe that an effective board will help management navigate today’s complex and uncertain macroeconomic environment, building resilience across the company.

In our engagements, we expect our investee companies to uphold high standards of corporate governance. Just as boards hold management to account, our role is to hold boards to account on behalf of our clients.

Issues relating to this theme include:

Business Ethics	Corruption & Instability
Management of the Legal & Regulatory Environment	Business Risk Management
Governance Issues (pay, ownership structure, board, remuneration)	Transparency, Reporting, and Accounting

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Engagement approach

We reference the International Corporate Governance Network (ICGN)'s Global Governance Principles (2021),⁸ the G20/OECD Principles of Corporate Governance (2023),⁹ as well as local codes.

<p>Board effectiveness</p>	<ul style="list-style-type: none"> ◆ When setting engagement objectives, we recognise the interconnectedness of different governance issues. For example, the separation of the Chair and CEO roles, overall board independence and diversity levels are closely linked to the board's approach to succession planning. Succession planning may be influenced by the presence of a controlling shareholder, a highly influential leader, or entrenched culture and values. ◆ For directors to succeed in discharging their duties and responsibilities, we consider a number of attributes, including but not limited to relevant leadership experience, independence, skill sets, succession planning, attendance and time commitments, and the composition and effectiveness of board-level committees.
<p>Accountability</p>	<ul style="list-style-type: none"> ◆ We expect corporate strategies and incentive structures to align with – and for the board to act to protect – minority shareholder interests. This includes ensuring appropriate levels and structures of remuneration, guardrails against the over-concentration of power (e.g., through weighted voting rights), as well as sound capital allocation and shareholder return policies. ◆ We also engage companies on business continuity, incident management, business ethics, anti-bribery and corruption, whistleblowing mechanisms and audit effectiveness. We expect boards to provide oversight on these issues and remediation measures.
<p>Market standards</p>	<ul style="list-style-type: none"> ◆ We aim to engage with regulators and respond to market consultations that seek to enhance corporate governance, either directly with standard setters or via industry associations. We participate in industry organisations and initiatives, including those with a specific focus on sustainability topics. (See System Stewardship in Section 3 for further information.)
<p>Disclosures and transparency</p>	<ul style="list-style-type: none"> ◆ We encourage companies to disclose how they identify and manage sustainability risks, as well as how the board oversees these risks. ◆ We support the adoption of IFRS sustainability disclosure standards and advocate for the assurance of these disclosures to strengthen investor trust and confidence. ◆ We also support transparency on taxes, lobbying activities and political donations.

8. The ICGN's Global Governance Principles can be accessed via this link: <https://www.icgn.org/icgn-global-governance-principles>.

9. The G20/OECD Principles of Corporate Governance can be accessed via this link: <https://www.oecd.org/corporate/principles-corporate-governance/>.

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