COMMONSENSE CORPORATE GOVERNANCE PRINCIPLES

The health of America's public corporations and financial markets — and public trust in both — is critical to economic growth and a better financial future for American workers, retirees and investors.

Millions of American families depend on these companies for work — our 5,000 public companies account for a third of the nation's private sector jobs. And these same families and millions more also rely on public companies to help improve their financial future — they are heavily invested in these companies through mutual funds, 401(k) and pension plans, college savings plans and other accounts to buy a home, send their children to college and save for retirement.

Our future depends on these companies being managed effectively for long-term prosperity, which is why the governance of American companies is so important to every American. Corporate governance in recent years has often been an area of intense debate among investors, corporate leaders and other stakeholders. Yet, too often, that debate has generated more heat than light.

We represent some of America's largest corporations, as well as investment managers, that, as fiduciaries, represent millions of individual savers and pension beneficiaries. We include corporate CEOs, the head of the Canadian public pension fund and an activist investor, and the heads of a number of institutional investors who manage money on behalf of a broad range of Americans.

This diverse group certainly holds varied opinions on corporate governance. But we 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, we have worked to find commonsense principles. We offer these principles, which can be found at www.governanceprinciples.org, in the hope that they will promote further conversation on corporate governance. These principles include the following, among others:

■ Truly independent corporate boards are vital to effective governance, so no board should be beholden to the CEO or management. Every board should meet regularly without the CEO present, and every board should have active and direct engagement with executives below the CEO level;

■ Diverse boards make better decisions, so every board should have members with complementary and diverse skills, backgrounds and experiences. It's also important to balance wisdom and judgment that accompany experience and tenure with the need for fresh thinking and perspectives of new board members;

■ Every board needs a strong leader who is independent of management. The board's independent directors usually are in the best position to evaluate whether the roles of chairman and CEO should be separate or combined; and if the board decides on a combined role, it is essential that the board have a strong lead independent director with clearly defined authorities and responsibilities;

■ Our financial markets have become too obsessed with quarterly earnings forecasts. Companies should not feel obligated to provide earnings guidance — and should do so only if they believe that providing such guidance is beneficial to shareholders;

■ A common accounting standard is critical for corporate transparency, so while companies may use non-Generally Accepted Accounting Principles ("GAAP") to explain and clarify their results, they never should do so in such a way as to obscure GAAP-reported results; and in particular, since stock- or options-based compensation is plainly a cost of doing business, it always should be reflected in non-GAAP measurements of earnings; and

■ Effective governance requires constructive engagement between a company and its shareholders. So the company's institutional investors making decisions on proxy issues important to long-term value creation should have access to the company, its management and, in some circumstances, the board; similarly, a company, its management and board should have access to institutional investors' ultimate decision makers on those issues.

These recommendations are not meant to be absolute. We know that there is significant variation among our public companies and that their approach to corporate governance will inevitably (and appropriately) reflect those differences. But we do hope our effort will be the beginning of a continuing dialogue that will benefit millions of Americans by promoting trust in our nation's public companies.

We encourage others to join in that dialogue. Our country, our economy and the future of our citizens depend on getting corporate governance right.

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