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Today's Publication of "Commonsense Corporate Governance Principles"

Today, a number of executives of large U.S. public companies and principals of leading institutional investors released a compendium of "Commonsense Principles of Corporate Governance," together with an associated website. These principles set forth recommendations and guidelines for the roles and responsibilities of boards and shareholders in contributing to good corporate governance, including with respect to the topics of: board independence, composition and leadership; quarterly earnings guidance and financial reporting; shareholder rights; compensation; and engagement. The signatories emphasize that the principles are not meant to be overly prescriptive or absolute.

This set of principles is part of the emerging "New Paradigm" of corporate governance, which derives from the growing recognition by companies and shareholders that a short-term mindset in managing and investing in businesses has become pervasive and is profoundly destructive to the long-term health of the economy. The open letter accompanying today's principles makes clear that such principles are premised on the importance of, and need for both boards and shareholders to provide meaningful oversight to ensure, long-term investment.

The group provided the following suggestions for corporate governance, among others:

- All directors should represent all shareholders in achieving a company's long-term success.
- Boards should regularly discuss long-term value creation, "including investments that may not pay off in the short run."
- Companies should frame quarterly reporting in the broader context of articulated strategy and reflect progress against long-term goals.
- Companies should evaluate whether earnings guidance does more harm than good.
- Asset managers should devote sufficient time and resources to matters presented for shareholder vote in the context of long-term value creation.
- Asset managers should actively engage with companies, both to convey the asset manager's perspective and to understand the company's perspective.
- Asset managers should have access to companies, their management and, sometimes, their directors. Companies should have access to asset managers' ultimate decision makers.
- Asset managers should raise critical issues to companies, and vice versa, early and in a constructive and proactive way.

These principles are a valuable contribution to the New Paradigm and merit discussion. We share the signatories' view that minor disagreements over the specifics of good corporate governance should not justify abandonment of the critical effort to encourage long-term, sustainable wealth creation.

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