

Corporate Governance

As companies face an increasingly complex, and often uncertain, macro environment driven by geopolitical, regulatory and stakeholder demands, good corporate governance plays an ever-important role in effective decision making, compliance and risk management. This allows for the creation of sustainable long-term value for shareholders whilst having regard for wider stakeholders. As such, we expect our investee companies to adopt high standards of corporate governance, as we believe this is fundamental to their business success.

Boards are responsible for maintaining high standards of governance of their companies. Collectively, directors play an important role to oversee the corporate strategy implementation, values and behaviour, and ensure alignment with shareholder interests. They are also fundamental to a company's management of risks and opportunities as well as capital allocation, including decisions related to environmental and social sustainability.

Engagement approach

We reference the International Corporate Governance Network (ICGN)'s Global Governance Principles (2021)¹, the G20/OECD Principles of Corporate Governance (2023)² as well as local codes.

Board effectiveness

- ◆ 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 all closely linked to the board's succession planning, which 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 board leadership, independence, diversity, succession planning and composition and effectiveness of board-level committees.

Accountability

- ◆ We expect corporate strategies and incentive structures to align with – and for the board to act to protect – minority shareholder interests. This typically includes appropriate levels and structure of remuneration, guardrails against over-concentration of power (e.g. through weighted-voting rights), as well as sound capital management and shareholder return policies.
- ◆ We also engage companies on business continuity, incident management, anti-bribery and corruption, whistleblowing mechanisms and audit effectiveness.

Market standards

- ◆ 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. In 2024 we will also focus on stock exchanges and index providers in our engagements.
- ◆ We participate in industry organisations and initiatives. These include the ICGN, where we are a member of the Human Capital Committee; the Asian Corporate Governance Association (ACGA); the Investment Association UK; the Board Diversity Initiative (Hong Kong), amongst others that have specific focus on ESG topics.

1. <https://www.icgn.org/icgn-global-governance-principles>

2. <https://www.oecd.org/corporate/principles-corporate-governance/>

Disclosures

- ◆ We support adoption of IFRS sustainability disclosure standards, and we support assurance of disclosures to improve investor trust and confidence.

Voting implications

Over the years we have established and enhanced our Global Voting Guidelines, which sets out our approach to exercising voting rights on behalf of our clients. The guidelines provide further details on our expectations across governance topics, including the board's role, executive remuneration, capital management, shareholder rights, audit and accounts.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.



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