

## **APPENDIX D: US CORPORATE GOVERNANCE PRACTICES**

This study will focus on corporate governance practices in the United States and the United Kingdom and is carried out in partnership with RailPen. The report will examine how corporate governance activism has developed in the United Kingdom and in the United States and will seek to identify cost-effective actions that UK institutional investors can take to protect the value of their assets in the US market.

### **Aims**

The broad aims of the study are to encourage institutional investors in the United Kingdom to become involved in the ongoing corporate governance debate in the US. That involvement could take two forms: (1) offering advice to US institutional investors gained from their experience as advocates of corporate governance reform in the United Kingdom; and (2) becoming participants in the governance reform debate in the United States directly.

### **Corporate Governance in the United States**

While the United States has historically been seen to enjoy one of the most transparent, well-informed and properly regulated capital markets in the world, recent events have thrust corporate governance practices there into the spotlight. With legislative, regulatory and best practice solutions emerging from all sides, the time is ripe for voices seeking to impact on corporate governance practices in the United States. Given how much UK institutions have invested in the US market, and the impact that this market has on the global economy, corporate governance concerns in the US cannot be ignored.

### **Focus**

This project will consider the role UK institutional investors have had in developing corporate governance in the United Kingdom. That role is divided into two elements: procedural and substantive. Procedurally, institutional investors have advocated for, and served often as enforcers of: a (1) consultative, evolutionary process rather than speedy rulemaking; and (2) a flexible framework, rather than prescribed standards. The substantive issues that the report may highlight include: (1) the problems with having a joint Chairman/CEO; (2) genuine independence of directors; (3) performance-based remuneration for executives; (4) consideration of non-financial risks within the internal controls mandate, and (5) corporate political influence. Depending on feedback of interviewees, the project may focus on a one or more discrete actions or a broader analysis of the way forward.

### **Process**

The project will be based on desk research on corporate governance requirements in both the United States and the United Kingdom, followed by interviews with key institutional investors, as well as individuals knowledgeable about the history and development of corporate governance generally, in each jurisdiction.