Principles of Corporate Governance

Extracted from the September 2010 Report of the NYSE Commission on Corporate Governance, the following are broad principles on how the SEC and NYSE should approach regulation in the governance area:

Principle 1: The board's fundamental objective should be to build long-term sustainable growth in shareholder value for the corporation and the board is accountable to shareholders for its performance in achieving this objective.

Principle 2: While the board's responsibility for corporate governance has long been established, the critical role of management in establishing proper corporate governance has not been sufficiently recognized. A key aspect of successful governance depends upon successful management of the company, as management has primary responsibility for creating an environment in which a culture of performance with integrity can flourish.

Principle 3: Shareholders have the right, a responsibility and a long-term economic interest to vote their shares in a thoughtful manner, in recognition of the fact that voting decisions influence director behavior, corporate governance and conduct and that voting decisions are one of the primary means of communicating with companies on issues of concern.

Principle 4: good corporate governance should be integrated with the company's business strategy and objectives and should not be viewed simply as a compliance obligation separate from the company's long-term business prospects.

Principle 5: Legislation and agency rulemaking are important to establish the basic tenents of corporate governance and ensure the efficiency of our markets. Beyond these fundamental principles, however, the Commission has a preference for market-based governance solutions whenever possible.

Principle 6: Good corporate governance includes transparency for corporations and investors, sound disclosure policies and communication beyond disclosure through dialogue and engagement as necessary and appropriate.

Principle 7: While independence and objectivity are necessary attributes of board members, companies must also strike the right balance between the appointment of independent and non-independent directors to ensure that there is an appropriate range and mix of expertise, diversity and knowledge on the board.

Principle 8: The Commission recognizes the influence that proxy advisory firms have on the market and believes that such firms should be held to appropriate standards of transparency and accountability.

Principle 9: The SEC should work with the NYSE and other exchanges to ease the burden of proxy voting and communication while encouraging greater participation by individual investors in the proxy voting process.

Principle 10: The SEC and/or the NYSE should consider a wide range of views to determine the impact of major corporate governance reforms on corporate performance over the last decade. The SEC and/or the NYSE should also periodically assess the impact of major corporate governance reforms on the promotion of sustainable long-term corporate growth and sustained profitability.