

## **STEWARDSHIP FRAMEWORK FOR INSTITUTIONAL INVESTORS**

### **Principle A. Institutional investors are accountable to those whose money they invest.**

A.1 Asset managers are responsible to their clients, whose money they manage. Asset owners are responsible to their beneficiaries.

A.2 Institutional investors should ensure that they or their managers, as the case may be, oversee client and/or beneficiary assets in a responsible manner.

### **Principle B. Institutional investors should demonstrate how they evaluate corporate governance factors with respect to the companies in which they invest.**

B.1 Good corporate governance is essential to long-term value creation and risk mitigation by companies. Therefore, institutional investors should adopt and disclose guidelines and practices that help them oversee the corporate governance practices of their investment portfolio companies. These should include a description of their philosophy on including corporate governance factors in the investment process, as well as their proxy voting and engagement guidelines.

B.2 Institutional investors should hold portfolio companies accountable to the Corporate Governance Principles set out in this document, as well as any principles established by their own organization. They should consider dedicating resources to help evaluate and engage portfolio companies on corporate governance and other matters consistent with the long-term interests of their clients and/or beneficiaries.

B.3 On a periodic basis and as appropriate, institutional investors should disclose, publicly or to clients, the proxy voting and general engagement activities undertaken to monitor corporate governance practices of their portfolio companies.

B.4 Asset owners who delegate their corporate governance-related tasks to their asset managers should, on a periodic basis, evaluate how their managers are executing these responsibilities and whether they are doing so in line with the owners' investment objectives.

### **Principle C: Institutional investors should disclose, in general terms, how they manage potential conflicts of interest that may arise in their proxy voting and engagement activities.**

C.1 The proxy voting and engagement guidelines of investors should generally be designed to protect the interests of their clients and/or beneficiaries in accordance with their objectives.

C.2 Institutional investors should have clear procedures that help identify and mitigate potential conflicts of interest that could compromise their ability to put their clients' and/or beneficiaries' interests first.

C.3 Institutional investors who delegate their proxy voting responsibilities to asset managers should ensure that the asset managers have appropriate mechanisms to identify and mitigate potential conflicts of interest that may be inherent in their business.

**Principle D. Institutional investors are responsible for proxy voting decisions and should monitor the relevant activities and policies of third parties that advise them on those decisions.**

D.1 Institutional investors that delegate their proxy voting responsibilities to a third party have an affirmative obligation to evaluate the third party's processes, policies and capabilities. The evaluation should help ensure that the third party's processes, policies and capabilities continue to protect the institutional investors' (and their beneficiaries' and/or clients') long-term interests, in accordance with their objectives.

D.2 Institutional investors that rely on third-party recommendations for proxy voting decisions should ensure that the agent has processes in place to avoid/mitigate conflicts of interest.

**Principle E: Institutional investors should address and attempt to resolve differences with companies in a constructive and pragmatic manner.**

E.1 Institutional investors should disclose to companies how to contact them regarding voting and engagement.

E.2 Institutional investors should engage with companies in a manner that is intended to build a foundation of trust and common understanding.

E.3 As part of their engagement process, institutional investors should clearly communicate their views and any concerns with a company's practices on governance-related matters. Companies and investors should identify mutually held objectives and areas of disagreement, and ensure their respective views are understood.

E.4 Institutional investors should disclose, in general, what further actions they may take in the event they are dissatisfied with the outcome of their engagement efforts.

**Principle F: Institutional investors should work together, where appropriate, to encourage the adoption and implementation of the Corporate Governance and Stewardship Principles.**

F.1 As corporate governance norms evolve over time, institutional investors should collaborate, where appropriate, to ensure that the framework continues to represent their common views on corporate governance best practices.

F.2 Institutional investors should consider addressing common concerns related to corporate governance practices, public policy and/or shareholder rights by participating, for example, in discussions as members of industry organizations or associations.

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