PLSA'S CORPORATE GOVERNANCE POLICY

The PLSA's Corporate Governance Policy sets out our understanding of some of the key structures and processes that are required to support and protect good corporate behaviour. Our policy builds on the regulatory and market context for both corporate governance and stewardship. It is firmly rooted both in the provisions of the Corporate Governance and Stewardship Codes as well as the underlying principles of accountability, alignment, transparency and integrity.

WHAT DOES GOOD CORPORATE GOVERNANCE LOOK LIKE?

Investors should expect company boards to actively consider how the company's strategy, governance, arrangements, performance and prospects lead to the creation of value in the short, medium and ultimately long term. Building a sustainable business model which works for the long-term must be central to the business strategy.

Investors must communicate their expectations clearly to companies of all sizes regarding what they consider to be good corporate governance practices. We believe investors should use the following as a benchmark for good corporate behaviour overall:

- The company adheres to the spirit of the UK Corporate Governance Code. Good corporate governance is all about achieving long-term sustainable business success, not mere compliance. However, it is important than any non-compliance is accompanied by explanations that are insightful, purposeful and specific to the company's circumstances.
- Risk oversight and governance is considered holistically. Boards should set the cultural tone for the company and give full consideration to understanding and mitigating long-term risks to the company's financial sustainability.
- There is prompt and effective corporate communication. This should cover all key corporate governance issues, including changes in board structures and responsibilities, remuneration policies, audit and efforts to monitor, assess and consider climate risk. Good communication greatly assists companies in developing good relationships with shareholders and avoids unnecessary surprises.
- There is no 'boiler-plating,' and company communications provide relevant, accurate data and insight. Investors expect clear and specific explanations for non-compliance with the UK Corporate Governance Code provisions, including relevant insights and a convincing rationale for choosing to override the provisions of the Code. Equally, shareholders must be prepared to listen to and consider these explanations.
- Companies understand the importance of good engagement. Companies should take care to ensure their messages are clearly understood by investors. Investors in turn need to be confident that their concerns are communicated to, and considered by, the board.
- Perhaps the most important feature of good practice is transparency through the publication of adequate information, sharing material insights and providing a reasonable basis for assurance.