

**Title: U.S. Stewardship Code Takes Effect!**

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## The Lane Report

Kudos to the 16 institutional investors which have joined forces to develop a "Framework for U. S. Stewardship and Governance" that took effect on January 1.

The Framework, an unprecedented investor-led effort, establishes common-sense governance principles which public companies are urged to adopt. Although adoption is voluntary, it carries with it the force of the marketplace; the coalition behind it manages \$17 trillion in assets.

It's hard to argue with the principles underlying the Framework:

- Boards are accountable to shareholders.
- Shareholders are entitled to voting rights in proportion to their economic interests.
- Boards should be responsive to shareholders and proactively seek to understand their perspectives.
- Boards should have a strong, independent leadership structure.
- Boards should implement structures and practices that enhance their effectiveness.
- Boards should align management incentive structures with the long-term strategies of the companies they serve.

How those principles are applied in practice separates those boards that are transparent, accountable and engaged from those that aren't.

Since classified or staggered boards are simply less accountable to shareholders, companies that don't have a one-share, one-vote structure should phase out controlling or dual-class voting structures and require their Directors to stand for election annually. Directors who fail to earn majority support in an annual election should resign or the companies they serve should explain to shareholders why they're staying on. And companies should include independent Directors on their boards.

The corporate boards that buy into the logic behind the Framework set themselves apart from their peers as reliable stewards. One would also expect those boards to see that their companies produce quality goods, value and respect their customers, minimize their environmental impact, support the communities in which their businesses operate, commit to ethical and diverse

leadership, and above all, treat their workers well. For all those reasons, the companies they lead are likely to offer their shareholders superior returns on investment.

Our investment affiliate, Marc J. Lane Investment Management, Inc., has concluded, based on its empirical research, that one's investment portfolio can successfully be aligned with his or her core values without sacrificing financial performance. The firm's [Advocacy Investing](#)<sup>®</sup> strategy ensures that each client's portfolio includes only companies that exhibit sound business fundamentals and solid governance practices, and whose business policies and practices are compatible with the client's deeply held values and beliefs. The strategy empowers the client to back companies that offer attractive financial opportunities while driving positive social and environmental change.



*Marc Lane is an attorney, financial adviser and the author of [Profitable Socially Responsible Investing? An Institutional Investor's Guide](#), published by Euromoney Institutional Investor PLC, and [Representing Corporate Officers, Directors, Managers and Trustees](#), published by Aspen Publishers.*

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