

# Board Accountability

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Board accountability is of significant focus for us here at Legal & General Investment Management.

## What does this mean?

Board composition and performance are critical elements of any company's success. For us it's about ensuring that boards are aligned with their company's long term strategy, as well as shareholder expectations, and that they are thinking about the benefits of diversity, improved board reviews and succession planning.

In the US, currently, only 3% of S&P 500 companies specify term limits for directors and we are challenging companies on this issue as well as on the continued structure of the CEO and board Chair roles being held by the same person.

This year we engaged with the US bank Wells Fargo which was implicated in an internal cross selling issue that involved 1.5m fraudulent customer accounts, and half a million fraudulent credit card applications, that resulted in the dismissal of 5000 employees.

We engaged with Wells Fargo to encourage a review of the structure of its board. Specifically, we suggested that the CEO, who also acted as chair of the board, step down due to a clear failure of oversight. Additionally, we requested that the roles of chair and CEO be separated and set in the company bylaws going forward.

## The result?

Our engagement was one factor in a process that 9 days later saw the CEO step down, and 6 weeks later the implementation into company bylaws that the CEO and chair roles be separate, independent directors.

