

Corporate Governance: Setting and Maintaining High Standards



Dirk Jungé, Pitcairn Chairman & CEO

Corporate governance scandals and their effect on the financial sector have been a growing concern for many investors. As one of the first financial service companies of its kind, Pitcairn made corporate governance a top priority long before the issue became a hot topic.

Chairman Dirk Jungé is a frequent speaker about the increasing importance of corporate governance in the financial service industry. We had a chance to talk with him about how Pitcairn maintains its governance standards.

What is corporate governance?

Dirk Jungé: Corporate governance defines how a company conducts its business, including the ethical standards and accountability applied to its leadership

and employees. It provides for oversight of the company's management and leadership activities and assigns specific authority and responsibilities to ensure that a business is run well and that all stakeholders – clients, owners and employees – are treated fairly.

As a private enterprise, Pitcairn is not subject to the same corporate governance regulations as public companies. However, parts of our business are certainly in the public domain – Pitcairn itself, as a state-chartered trust company, is regulated and regularly examined by the Pennsylvania Department of Banking, and our mutual funds are regulated and examined by the SEC, governed by the Investment Company Act of 1940 and subject to the Sarbanes-Oxley Act. At Pitcairn, we strive to achieve a standard of corporate governance equal to the best private organizations, while meeting or exceeding the standards applied to public companies.

Why is governance important to Pitcairn?

DJ: For a financial service firm to prosper, clear, explicit corporate governance must be implemented throughout all levels of the company. Otherwise, there is potential for conflict that can negatively impact

the enterprise. Governance is critical for defining the expectations of all stakeholders and is the glue that holds together their unique relationship with the business.

That is why it's important that the governance Pitcairn applies to our client relationships has clarity and accountability. The Investment Policy Statement is just one example of a governance tool that we use to define client expectations and to guide our actions on behalf of the client.

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Governance Review Process

- Values, Vision, and Mission
- Strategic Planning
- Risk Management
- Measuring and Monitoring Performance
- Capital Deployment
- Management Evaluation, Compensation and Succession Planning
- Board Dynamics

Source: *Corporate Governance and the Board – What Works Best*, PricewaterhouseCoopers.

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Strong corporate governance helps us improve business processes and distinguish ourselves in the financial community. Not only is it the right thing to do, but it also creates a competitive advantage. Effective corporate governance is critical to Pitcairn's success.

Pitcairn must be able to demonstrate to all of our stakeholders that our commitment to integrity and accountability is among the strongest in the financial service industry

Sometimes when an organization's integrity and ethics are severely compromised, there is an opportunity for a paradigm shift and a fresh approach that restores the company's integrity and reputation. Tyco is an example of a public corporation that lost its way and has realized that the elements of governance dealing with leadership and management accountability must be their number one priority in order to rebuild a successful business enterprise.

Within the financial service industry, our goal is to be the gold standard. Pitcairn must be able to demonstrate to all of our stakeholders that our commitment to integrity and accountability is among the strongest in the financial service industry.

How does Pitcairn ensure that its governance structure is effective?

DJ: Pitcairn has always appreciated what good governance means to an organization. It starts with the leadership – Board of Directors, Board Committees and Management Committees. These groups are charged with ensuring that business is conducted in a thoughtful and prudent way. The committees regularly review the processes used to ensure that the corporation is applying sound business practices to its strategic planning, business planning and all fiduciary relationships it assumes on behalf of its clients. Following their reviews, the committees present feedback to the Board.

Pitcairn also has an extensive Code of Ethics and Code of Conduct, which clearly set forth standards for corporate behavior that we believe are even higher than a typical corporate enterprise would have.

What are the benefits to Pitcairn stakeholders?

DJ: Review of governance and ethical conduct go hand-in-hand. Pitcairn continues to set and maintain high standards for our clients, owners and employees. For Pitcairn, it is, and has always been, integrity first. Integrity in our advice, integrity in our services, and integrity in our people. By establishing comprehensive corporate governance processes, we are able to clearly demonstrate our commitment

Pitcairn's Governance Structure

- Board of Directors
- Executive Management Committee
- Investment Policy Committee
- Mutual Fund Board
- Auxiliary Board
- Audit Committee
- Compensation Committee
- Capital Committee

Pitcairn Policies and Procedures

- Code of Conduct
- Code of Ethics
- Conflict of Interest Policies

to integrity, open disclosure and accountability in every aspect of our business.

Maintaining high standards of corporate governance and ethics is the right thing to do. It helps us differentiate ourselves from an industry that has suffered greatly from mismanagement and fraud. We believe governance is more than an obligation; it's good business.

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