



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Employment and Social Affairs

2010/2009(INI)

2.6.2010

OPINION

of the Committee on Employment and Social Affairs

for the Committee on Economic and Monetary Affairs

on remuneration of directors of listed companies and remuneration policies in
the financial services sector
(2010/2009(INI))

Rapporteur: Ole Christensen

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SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas, in the financial sector and in some listed companies, remuneration policies for categories of staff whose professional activity has a material impact on the company's risk profile have been such as to encourage transactions seeking short-term profits, with increasingly risky business models being developed to that end, to the detriment of workers, savers and investors, and sustainable growth in general,
- B. whereas the Commission presented recommendations on remuneration policies in the financial services sector and for listed companies on 30 April 2009, and whereas the Council and Parliament are currently amending the Capital Requirements Directives so as to incorporate, *inter alia*, financial supervision of remuneration policy,
- C. whereas the agreed principles and measures already taken in respect of remuneration policy should be continually reviewed and, where necessary, adapted in order to create uniform conditions throughout Europe and secure the global competitiveness of the European finance industry,
 - 1. Calls on the Commission to reinforce its recommendations of 30 April 2009 on pay structure and risk alignment as required by the principles established by the Financial Stability Board and endorsed by the G20 in September 2009;
 - 2. Urges supervisors in the financial sector to implement the Compensation Principles and Standards Assessment Methodology proposed by the Basel Committee on Banking Supervision in January 2010;
 - 3. Considers that the personal financial interest of directors linked to variable remuneration is, in many cases, in conflict with the long-term interests of the company; stresses that policy on the remuneration of directors and other staff who bear responsibility for risky decisions should be consistent with a balanced and properly functioning system of risk management, and that there should be an appropriate ratio between fixed and variable pay; calls urgently for the introduction, across the board, of measures for the reduction, or indeed withdrawal, of the variable pay of categories of staff whose performance is responsible for a deterioration in their company's results;
 - 4. Suggests including corporate social responsibility targets in the long-term criteria justifying the payment of deferred variable remuneration; stresses that variable remuneration should be calculated in accordance with pre-determined measurable criteria geared to securing corporate policy sustainability; insists that such remuneration must be determined exclusively by the longer-term performance – including social and environmental aspects of performance – of the company concerned; also calls for the payment of a large portion of variable remuneration to be deferred for several years to ensure that longer-term risks are also taken into account;

5. Considers that continuing to do business or maintain branches in non-cooperative countries is contrary to the long-term interests of companies generally, and calls for the development of a European strategy to combat tax havens in order to implement the pronouncements made by the G20 in London and Pittsburgh;
6. Is of the opinion, not only for ethical reasons but also in the interests of social justice and economic sustainability, that the difference between the highest and the lowest remuneration in a company should be reasonable;
7. Calls for a specific framework for the granting of end-of-contract bonuses; supports, in accordance with the Commission's recommendations of 30 April 2009, the setting of a ceiling on end-of-contract allowances for company directors, or indeed a ban on the payment of such allowances where a contract is terminated on grounds of the company's inadequate performance;
8. Calls for complete transparency, at both national and international level, towards shareholders, employees and third parties, with regard to remuneration policies for directors and urges the Commission to explore the possibilities of standardising such regular disclosure;
9. Calls for state enterprises, like other companies, to exercise complete transparency concerning their pay and bonus policies;
10. Calls, too, for the publication of details of companies' pension and supplementary pension arrangements, including those of state enterprises;
11. Calls for the determination of pay policies to take account of equality between men and women;
12. Calls for a ban on the use of stock options or similar instruments as variable components of remuneration; considers that stock-option plans are not an appropriate remuneration tool, as stock options give only a bonus and not a malus in case of failure; believes, further, that all remuneration should be subject to a bonus/malus principle based on symmetrical rules;
13. Considers that share-based variable remuneration is not an appropriate form of incentive because share prices are particularly volatile and there is a risk of encouraging short-term financial strategies;
14. Calls for the setting-up, in companies of a significant size, of internal and independent remuneration committees, which should work in cooperation with works councils and whose opinions should be published;
15. Calls on the Commission to encourage Member States to remind listed companies and financial services companies of their social responsibility, their tarnished image and the need to set a good example in a prosperous international society;
16. the need to punish all forms of discrimination in companies, particularly in the determination of remuneration policies, in career development and in the process of

recruiting directors;

17. Calls for it to be ensured that the regulation of remuneration is not to the detriment of the right of management and labour to engage in collective bargaining.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.6.2010
Result of final vote	+: 44 -: 3 0: 0
Members present for the final vote	Regina Bastos, Edit Bauer, Jean-Luc Bennahmias, Mara Bizzotto, Milan Cabrnach, David Casa, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Sergio Gaetano Cofferati, Marije Cornelissen, Frédéric Daerden, Karima Delli, Proinsias De Rossa, Frank Engel, Sari Essayah, Richard Falbr, Ilda Figueiredo, Pascale Gruny, Marian Harkin, Roger Helmer, Nadja Hirsch, Liisa Jaakonsaari, Danuta Jazłowiecka, Martin Kastler, Ádám Kósa, Jean Lambert, Patrick Le Hyaric, Olle Ludvigsson, Elizabeth Lynne, Thomas Mann, Elisabeth Morin-Chartier, Csaba Óry, Siiri Oviir, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Jutta Steinruck, Traian Ungureanu
Substitute(s) present for the final vote	Georges Bach, Françoise Castex, Jürgen Creutzmann, Marielle Gallo, Joe Higgins, Franz Obermayr, Evelyn Regner, Birgit Sippel, Emilie Turunen, Cecilia Wikström
Substitute(s) under Rule 187(2) present for the final vote	Rosa Estaràs Ferragut, Oldřich Vlasák