



EUROPEAN PARLIAMENT

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*Committee on Employment and Social Affairs*

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**2011/2181(INI)**

7.12.2011

## **OPINION**

of the Committee on Employment and Social Affairs

for the Committee on Legal Affairs

on a corporate governance framework for European companies  
(2011/2181(INI))

Rapporteur: Ole Christensen

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## SUGGESTIONS

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

1. Underlines the importance of creating a more transparent, stable, reliable and accountable corporate sector in the EU, with improved corporate governance; considers that the corporate sector should be able to take social, ethical and environmental concerns into account in its practices and to demonstrate its responsibilities both towards employees and shareholders and towards society at large, in addition to ensuring better economic performance and the creation of decent jobs;
2. Takes the view, however, that good governance on its own cannot prevent excessive risk taking; calls therefore for independent auditing and rules respecting the different corporate cultures in the EU;
3. Considers that, in the wake of the financial crisis, lessons can be learned from the principal bankruptcies in the business world;
4. Points out that the aim of a corporate governance framework is to create and ensure a sound business environment where responsibility and respect for work are in equilibrium with the sound development of companies that create more jobs and lead to economic and social stability;
5. Points out that corporate governance should, among other things, facilitate relations with a company's various stakeholders, such as with its employees, who contribute to, and are dependent on, their company's success and performance; recalls, therefore, the importance of regular dialogue and employees' involvement in the affairs of a company which may also take the form of codetermination in corporate governance, as defined in the European Industrial Relations Dictionary<sup>1</sup>, and is disappointed that this aspect is underestimated in the Green Paper;
6. Considers that the 2004 OECD definition of corporate governance, according to which corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders, should be further promoted;
7. Underlines that the effective regulation of corporate governance should also be based on principles such as clarity, harmonisation, transparency, enforcement and sanctions, on effective functioning of the board of directors, on appropriate shareholder engagement and on efficient monitoring and enforcement of corporate governance codes;
8. Stresses the need to achieve better functioning of, and compliance with, existing governance rules and recommendations rather than imposing binding European corporate governance rules;

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<sup>1</sup> European Foundation for the Improvement of the Living and Working Conditions (Eurofound).

9. Calls on the Commission to submit every legislative proposal it considers on corporate governance to impact assessment which should focus both on objectives to be attained and on the need to keep companies competitive;
10. Supports a differentiated and proportionate regime for small and medium-sized listed companies;
11. Does not consider a ‘one size fits all approach’ to be helpful in view of the considerable diversity of companies within Europe and in particular the difference between listed and unlisted companies;
12. Is convinced that voluntary codes of conduct are the most efficient way of achieving good corporate governance;
13. Considers that initiatives on corporate governance should go hand in hand with the initiatives on corporate social responsibility proposed by the Commission; takes the view that, particularly under present-day economic and social circumstances, corporate social responsibility could, in combination with corporate governance, help to forge closer links between companies and the social environment in which they grow and operate;
14. Considers that employee information, consultation and participation in decision-making in line with European and national law should be promoted and strengthened, with special attention paid to SMEs; believes that increased levels of participation can be used as a motivational tool for employees and that their privileged insight into internal company procedures can enable employee representatives to contribute significantly to diversity and quality on supervisory boards, thus contributing to the long-term sustainability of corporate strategies;
15. Calls for greater diversity including gender diversity and complementarity of individual skills, expertise and experience in company supervisory and management boards and structures, so as to benefit from more diverse views, debates and challenges, talents and leadership styles in companies’ highest positions;
16. Emphasises the importance of greater female representation in company boards and other top positions, as provided in the Commission’s Women’s Charter; notes that Member States and companies have taken various measures to increase women’s representation on corporate boards, including gender quotas; stresses however, that besides existing practices there is also a need for diversity measures, measures contributing to work-life balance, and in-house career guidance; encourages companies to sign up to the ‘Women on the Board Pledge for Europe’, unveiled by the Commission on 1 March 2011, and to meet its targets;
17. Considers that more transparency is needed in the recruitment process of high-level executives, and points out that members’ profiles, different leadership experiences, international, national or regional professional backgrounds can contribute to enhancing the effective functionality of the board of directors;
18. Takes the view that it is the responsibility of management and supervisory board members to avail themselves of the training and further training necessary for fulfilment of their

tasks, with assistance from the company as necessary;

19. Believes that it is important to ensure that all shareholders are treated equally and fairly, given that minority shareholder protection is very complicated in Europe, with minority shareholders finding it difficult to represent their interests in companies with dominant shareholders;
20. Calls for sustainable long-term remuneration policies which should be based on the long-term functioning of the individual and his company; is of the view that inclusion of stock options as part of remuneration schemes should be minimised; supports, however, the promotion of voluntary employee share ownership schemes, carefully assessed so as to avoid exposure to risks from lack of diversification for employees, and open to all employees within a company; considers that employee share ownership should enable employees to share in the profits, but may not, under any circumstances, replace their wages or salaries or hinder collective bargaining;
21. Supports the inclusion in managers' variable remuneration of long-term sustainability components, such as making a percentage of their variable remuneration dependent on the achievement of corporate social responsibility targets such as health and safety in the workplace, employee job satisfaction, etc.;
22. Supports full and mandatory:
  - yearly disclosure of executive remuneration policies and schemes and of companies' risk profiles;
  - external evaluation of the boards and management committees of listed companies, to be carried out at least every three years, along with an (annual) evaluation carried out by the board itself in accordance with the Commission's recommendations<sup>1</sup>;
  - disclosure of all board members' business activities, including all posts held on other boards;
  - disclosure of a comparison by gender of pay levels;
23. Believes that steps for improving transparency in corporate governance and the regime for non-financial disclosure are necessary; considers that they should be proportional to company size and should not create additional administrative burdens for SMEs as a main source of employment in EU;
24. Takes the view that companies which do not comply with the corporate governance codes should be required to provide detailed explanations of such decisions on a 'comply or explain' basis, as well as to describe the alternative solutions that they have adopted; considers that such a 'comply or explain' approach could benefit most from a monitoring system which assigns priority to transparency and reliable information of high quality;

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<sup>1</sup> Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, OJ L 52, 25.2.2005, p. 51.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	5.12.2011
<b>Result of final vote</b>	+: 37 -: 0 0: 6
<b>Members present for the final vote</b>	Regina Bastos, Edit Bauer, Philippe Boulland, Milan Cabrnock, Alejandro Cercas, Ole Christensen, Sergio Gaetano Cofferati, Frédéric Daerden, Karima Delli, Sari Essayah, Richard Falbr, Ilda Figueiredo, Julie Girling, Roger Helmer, Nadja Hirsch, Liisa Jaakonsaari, Danuta Jazłowiecka, Jean Lambert, Veronica Lope Fontagné, Olle Ludvigsson, Elizabeth Lynne, Elisabeth Morin-Chartier, Csaba Óry, Siiri Oviir, Rovana Plumb, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Elisabeth Schroedter, Traian Ungureanu, Andrea Zaroni
<b>Substitute(s) present for the final vote</b>	Georges Bach, Raffaele Baldassarre, Sergio Gutiérrez Prieto, Gesine Meissner, Ria Oomen-Ruijten, Evelyn Regner, Csaba Sógor, Emilie Turunen, Gabriele Zimmer
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Cornelia Ernst, Sylvie Guillaume, Phil Prendergast