



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Economic and Monetary Affairs

2011/2181(INI)

21.12.2011

OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on Legal Affairs

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

Rapporteur (*): Ashley Fox

(*): Procedure with associated committees - Rule 50 of the Rules of Procedure

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SUGGESTIONS

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

1. Welcomes the Commission's green paper on the EU corporate governance framework; believes that, given the diverse nature of existing national frameworks and individual listed companies, a proportionate and flexible approach to corporate governance must be applied; calls for excessive bureaucratic burdens to be avoided, taking into account the ambitious growth targets set by Agenda 2020 and the provisions of Directive 2006/46/EC;
2. Considers that companies should put in place mechanisms (training, information briefings, regular newsletters, etc.) to increase shareholders' awareness, participation and responsibility, and exchange best practices, provided that this would not impose disproportionate burdens on companies;
3. States that it is a prerequisite that a well-governed company should be accountable and transparent to its employees, shareholders and, where appropriate, to other stakeholders;
4. Considers that, in the wake of the financial crisis, lessons can be learned from the principal shortcomings in the business world;
5. Advocates, nonetheless, a certain restraint in this context and calls for every proposal to be assessed very critically in the light of the objectives to be attained and the cost-benefit ratio of such proposals;
6. Does not consider a 'one size fits all approach' to be appropriate in view of the considerable diversity of companies within Europe and in particular the difference between listed and unlisted companies; believes in a 'comply or explain' approach, including codes of best practice, targeted principle-based regulation, and enhanced supervision at national and EU level ensuring that the information and explanations from companies are reliable and of high quality, helping to improve shareholder scrutiny; considers that enforcement action should be taken where companies fail to explain the reason for deviating from the relevant code, and that this failure should also be publicised; takes the view that enhanced 'comply or explain' procedures for systemic companies should ensure that the appropriate regulator is satisfied that the explanation is clear and contains the information needed by shareholders to decide whether it is satisfactory;
7. Emphasises that the Green Paper only deals with stock exchange listed companies, but considers that good governance can also benefit unlisted companies and encourages the Commission in cooperation with business organisations to develop non-binding guidance for such companies;
8. Notes in the meantime that more effective enforcement of 'comply or explain' should involve peer pressure, by making monitoring reports on companies publicly available;
9. Takes the view that the identification of shareholders should be facilitated in order to

encourage dialogue between companies and their shareholders and reduce the risk of abuse connected to ‘empty voting’;

10. Agrees with the Commission on the need to increase shareholder identification and welcomes its proposals in the Transparency Directive on this issue; calls on the remaining Member States to grant issuers the right to know their domestic shareholders;
11. Believes that codes of practice can deliver behavioural change and that the flexibility provided by codes allows innovation which can draw on best practice throughout the EU; believes that a sharing of best practice would improve corporate governance in the EU;
12. Believes that existing codes should be strengthened and that more effective monitoring of codes and better quality of explanations are required; stresses that shareholders (not only the majority but also minority ones) must play effectively their role in the governance of companies, that they should contribute more to responsible corporate governance, and that they should also be encouraged to think of the company’s long-term financial results; considers that, amongst other things, shareholders should have the right to reject the remuneration policy defined by the remuneration committee at the general meeting; believes that shareholders should inform regulators when a company provides an unacceptable explanation for departing from a code of practice;
13. Notes the lack of progress made in increasing gender diversity on company boards; calls on the Commission to require listed companies in their annual report to describe their policy on diversity, including gender, the targets it has set for implementing the policy, and progress on achieving those targets; emphasises that corporate management and remuneration policies must comply with and foster the principle of equal treatment of women and men established by EU directives;
14. Recognises that transparency is necessary with regard to related party transactions and that significant transactions which involve a related party should be notified to the listing authority and be accompanied by a letter from an independent adviser confirming that the transaction is fair and reasonable, or should be subject to a vote of shareholders with the related party being excluded from this vote; proposes that ESMA issue guidelines concerning the appropriate benchmark in consultation with the relevant national authorities;
15. Stresses that a well-governed company should be transparent and accountable to its shareholders and where appropriate to other stakeholders; reaffirms that directors of corporate entities have to take account of sustainability and long-term interests when taking decisions, in order to minimise risks;
16. Welcomes the development of Stewardship Codes for institutional investors across the European Union; believes that a European Stewardship Code could be developed drawing on existing models and in collaboration with national authorities;
17. Notes that there is a lack of long-term focus within the market and urges the Commission to review all relevant legislation to assess whether any requirements have inadvertently added to short-termism; in particular welcomes the Commission’s proposal to abandon the requirement for quarterly reporting in the Transparency Directive, a requirement which

- adds little to shareholder knowledge and simply creates short-term trading opportunities;
18. Stresses the need for company board members to be selected on the basis of a broad set of criteria including relevant experience and qualifications;
 19. Underlines that it is crucial to ensure that non-executive directors devote sufficient time to monitoring and supervising particular companies and that the number of mandates that a non-executive director may hold should therefore take into account the scale and complexity of the business and the extra responsibilities associated with holding chairmanships and therefore be limited;
 20. Emphasises the need for the roles of CEO and chairman to be separated and that the roles should only be combined in exceptional circumstances;
 21. Calls for an obligatory cooling-off period for executive directors who wish to take a non-executive appointment in the same firm, to ensure that oversight by non-executives is appropriately independent;
 22. Welcomes the Commission's recommendation that listed companies should disclose their remuneration policy, remuneration of individual directors and the results of shareholders' votes on remuneration, and supports the mandatory disclosure of individual remuneration of executive and non-executive directors of listed companies;
 23. Contends that while risk is often an inherent part of business activity, it is important for boards of directors to clearly define their company's risk policy and ensure proper and independent oversight of risk management processes;
 24. Notes the many benefits of employee share ownership, including raising productivity and the commitment of workers in their company, and calls on the Commission to work with Member States to extend and encourage employee share ownership.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	20.12.2011
Result of final vote	+ : 26 - : 5 0 : 12
Members present for the final vote	Burkhard Balz, Sharon Bowles, Udo Bullmann, Pascal Canfin, Nikolaos Chountis, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Elisa Ferreira, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Gunnar Hökmark, Syed Kamall, Othmar Karas, Wolf Klinz, Jürgen Klute, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Werner Langen, Astrid Lulling, Arlene McCarthy, Ivari Padar, Alfredo Pallone, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Edward Scicluna, Peter Simon, Theodor Dumitru Stolojan, Kay Swinburne, Marianne Thyssen, Corien Wortmann-Kool
Substitute(s) present for the final vote	Sophie Auconie, Elena Băsescu, Pervenche Berès, Saïd El Khadraoui, Ashley Fox, Danuta Maria Hübner, Sophia in 't Veld, Thomas Mann