

28 October 2011

EU CORPORATE GOVERNANCE FRAMEWORK

KEY MESSAGES

- 1 In this time of crisis we need to create an environment of confidence around those who manage and the way that companies are managed. Good and efficient corporate governance is of utmost importance to restore this confidence and to streamline the relationship between companies and their stakeholders.
- 2 There is no one-size-fits-all solution in this area.
- 3 Solutions based on 'hard law' should be kept to a minimum and only for those aspects where codes of corporate governance and other soft law instruments cannot provide satisfactory results. Europe should not fall in the trap of overregulation.

WHAT DOES BUSINESSEUROPE AIM FOR?

- The 'comply or explain' principle should be strictly applied and that whenever a company departs from a provision of a code, it should explain why and, if it is the case, include particulars of the alternative solution chosen.
- Keeping a good balance between professional regulation (soft law) and hard law is key in this area.
- Any EU intervention in this area should be based on sound empirical and scientific evidence and should respect the following principles: subsidiarity, principle-based approach, market-driven approach, comply or explain, transparency and disclosure, global orientation and better regulation.
- When it comes to the composition of the board of a company, skills, expertise and competence should be the decisive factors. More needs to be done to have more women in boards but quotas do not provide the appropriate solution. In the course of the past decade significant progress has been reached, mostly through soft law measures, but it is key to give boards more time to adjust to such measures.
- Ways need to be found to encourage more shareholder involvement.

KEY FACTS AND FIGURES

Sound corporate governance can contribute to the ambitious growth targets set by 'Agenda 2020'.

Corporate governance is one means to curb harmful short-termism and excessive risk-taking. It ensures a company's sustainability.