

**BUSINESSEUROPE**



# ***Board of Directors: Composition, Role and Transparency***

**Conference on Corporate Governance in Practice**

**9 February 2012, Athens**

**American-Hellenic Chamber of Commerce**

# BUSINESSEUROPE: 41 members in 35 countries

							
Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic	Denmark	Denmark
							
Estonia	Finland	France	Germany	Germany	Greece	Hungary	Iceland
							
Iceland	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Montenegro
							
Norway	Poland	Portugal	Portugal	Rep. San Marino	Romania	Slovakia	Serbia
							
Slovenia	Spain	Sweden	Switzerland	Switzerland	The Netherlands	Turkey	Turkey
							
United Kingdom							



# I. Background :

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- Since 2008, Corporate Governance is at forefront of business, government and EU agendas

## WHY?

- Good and efficient corporate governance is of utmost importance to restore confidence in the markets and to streamline the relationship between companies and their stakeholders
- Corporate governance is one means to curb harmful short-termism and excessive risk-taking. It ensures company sustainability



## II. Green paper on corporate governance 2011

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- Public consultation launched on 4 April and closed on 22 July
- Objective :
  - improve corporate governance in companies at large
  - Restore investor's confidence
  - Debates measures at EU level to fulfil these goals
- Key issues:
  - How to improve the functioning of boards?
  - How to enhance shareholders' involvement?
  - How to improve monitoring and enforcement of national corporate governance codes?



## II. Green paper: general observations

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409 respondents :

- ❖ **welcome the reflection** on the improvement of the corporate governance framework
- ❖ are divided as to the **need of further regulation** on the EU level
- ❖ are **against one-size-fits-all** approach
- ❖ favour a **principle-based and flexible** approach



## III.1 Focus on boards of directors

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- **Performance:** High performing, effective boards are needed to challenge executive management.
- **Responsibility:** vital part to play in the development of responsible companies
- **Competence and diversity:** boards need non-executive members with diverse views, skills and appropriate professional experience.
- **Availability:** to invest sufficient time in the work of the board
- **Strong chairmanship:** The role of chairman of the board is particularly important, as are the board's responsibilities for risk management.



## III.2 Green paper: main results

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- **Majority of respondents are in favour of :**
  - **more diversity (gender and not only)**
  - **more time-commitment**
  - **board evaluation**
  - **board's approval of risk strategy and profile**
  - **disclosure of remuneration**
- **More divided views as to :**
  - **prohibition to cumulate mandates of chairman and CEO**
  - **limiting the number of mandates**
  - **binding gender quotas**
  - **mandatory external evaluation**



## III.3 Way forward

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- More transparency/disclosure in recruitment is needed
- Diversity is key:
  - Nationality
  - Gender
  - Professional
- Evaluation is always constructive
- Remuneration aligned with long-term objectives
- Optimized communication within the board



## III.3.1. The gender/diversity issue

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- Related to diversity rather than discrimination
- Low European average: only 10%
- More women should be brought in to boards:
  - Double the pool of talent
  - Another attitude towards risk
  - Better reflection on firm's customer base
  - Positive corporate image and credibility
- **BUT...quotas are not the answer**



## III.3.2. Remuneration:

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- Emphasis shift from more regulation to better monitoring and effective application of rules
- Good practices combine:
  - Better disclosure of remuneration policy
  - Creation of remuneration committees
  - Shareholder consultative vote
  - No reward for failure
  - Objective criteria to award remuneration: level of responsibility, economic situation, results, strategic development and medium- and long-term objectives



## **III.3.3. Separation Chairman/CEO**

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- Less relevant in countries that use the two-tier system
- No conclusive evidence about splitting the two roles
- Optimal board structures vary in accordance to many factors (e.g. ownership structure, size and form of the company). No one-size-fits-all
- This should be a voluntary matter for the board and shareholders to decide, having regard to its relevant national code



## III.3.4. Role of Committees

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- Important role in risk assessment, remuneration, nomination of board members etc

But

- Their consultative role should not be extrapolated. At the end it is up to the board and shareholders to decide.



## IV. Follow-up to the green paper:

- Political decision: the Commission will reflect on possible measures based on the green paper results.
- Possible areas of intervention: shareholder identification; disclosure; remunerations of directors; gender balance; minority shareholders
- Timing : Second half of 2012



## V. Conclusion

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- In this time of crisis we need to maintain an environment of confidence around management and the way that companies are managed.
- Greece has a chance of having a fresh new start and becoming a beacon for good governance in Europe



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*THANK YOU  
FOR YOUR ATTENTION!*

More information about the green paper can be found at:  
[http://ec.europa.eu/internal\\_market/company/docs/modern/20111115-feedback-statement\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/modern/20111115-feedback-statement_en.pdf)

