



**Newsletter - June 2011**

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## ecoDa's News

Beside the Baltic Institute of Corporate Governance which has joined ecoDa as a full member at the beginning of the year, the European Confederation of Institutes of Internal Auditing (ECIIA) and the Institute of Business Ethics (IBE) have just joined our confederation as affiliated members.

ecoDa has appointed Patrick Zurstrassen as its new Chairman at its annual conference on last 19 May. Patrick Zurstrassen is an independent director. After nearly 30 years of banking and fund management with "Credit Agricole Indosuez" Group, Patrick Zurstrassen founded in Luxembourg "The Directors' Office". He sits on the board of several fund management and investment companies.

## European News

### EU Green Paper on CG for Listed Companies

The European Commission has launched in April 2011 a public consultation that addresses the ways in which corporate governance of European companies can be improved. The consultation covers a number of issues such as how to improve the diversity and functioning of the boards of directors and the monitoring and enforcement of existing national corporate governance codes, and how to enhance the engagement of shareholders. The deadline for submitting contributions in response to the consultation is 22 July 2011. The ongoing

## Events Calendar

***Audit committees in Europe: a key component of corporate governance***  
**ecoDa**

**7 September 2011**  
**Brussels**

<http://www.ecoda.org/07September2011-Programme.html>



***ICGN event- The new corporate governance landscape***

**12- 14 September 2011**  
**Paris**



***Round Table – International Board practices***

**Guberna**  
**26 September 2011 – Brussels**



***Corporate governance – new experiences: Implementation in South Eastern Europe***  
**Jean Monnet Chair Faculty of economics and business University of Zagreb**

**3-4 November 2011**  
**Zagreb**

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***XI European Corporate Governance Conference***  
**The Polish Institute of Directors and the Polish Stock Exchange**  
**Warsaw - 15 November 2011**

consultation addresses CG for non listed companies and the question of diversity concerns all kind of companies.

[http://ec.europa.eu/internal\\_market/consultations/2011/corporate-governance-framework\\_en.htm](http://ec.europa.eu/internal_market/consultations/2011/corporate-governance-framework_en.htm)

### EU Green Paper on CG for Listed Companies

Measures will be taken in July in the CRD4 initiative for committed shareholders, responsible traders etc. According to Commissioner Barnier, financial institutions

need to stop their excessive remuneration culture: *"it is unsustainable and unjustifiable in the present context of austerity"*. *"Financial institutions should get sensible risk management. A more strict remuneration policy could re-establish confidence and attract more capital"*. The Commission will propose additional measures even if we have in Europe the strictest rules already. Regarding the implementation of CDR3, infringement proceeding will be taken soon against the Member States that have not implemented it.

## European Corporate Governance Forum

In April, the European Corporate Governance Forum has taken a statement on Significant Transactions for Listed Entities. The Forum recommends that all acquisitions or disposals of businesses representing 25% or more of assets or profits should be submitted to shareholders for their prior approval before becoming effective, although alternatively companies may obtain a blanket authority from their shareholders provided this authority is renewed at least once every 12 months. Companies should investigate the operational and financial consequences of these transactions in detail before determining a course of action and the Forum believes that the directors should take a leading role in the decision process.

[http://ec.europa.eu/internal\\_market/company/docs/ecgforum/statement\\_significant\\_transactions\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/ecgforum/statement_significant_transactions_en.pdf)

The mandate of the Forum will expire in July 2011.

## European Company Law

The European Commission organised a conference entitled "European Company Law: the way forward" on 16 and 17 May 2011. The Report of the Reflection Group on the Future of EU Company Law was circulated at that time. This report comprises a full set of recommendations. According to the Reflection Group, the board should indicate in its corporate governance report what its long term objectives are and how it plans to realise such goals while taking account of the short term imperatives. Options available to listed companies should be increased by issuing an EU Directive enabling

listed companies under their national law to amend their Articles of association to define different directors' term length, to adopt staggered boards, and to limit directors' dismissal at will ("ad nutum"). The Reflection Group recommends amending the Directive 2006/46/EC to require boards and management to explain, to avoid boilerplate approach, risk management functions, risk management policies, structures and procedures, in the corporate governance report.

A public consultation on Company Law will be initiated at the end of 2011 or beginning of 2012.

[http://ec.europa.eu/internal\\_market/company/docs/modern/reflectiongroup\\_report\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/modern/reflectiongroup_report_en.pdf)

[http://ec.europa.eu/internal\\_market/company/modern/index\\_fr.htm#conference](http://ec.europa.eu/internal_market/company/modern/index_fr.htm#conference)

## Audit

Following its consultation on the role of statutory audit as well the wider environment within which audits are conducted, the Commission is currently analysing the different instruments that could be taken. An initiative will be taken at the end of 2011.

[http://ec.europa.eu/internal\\_market/consultations/docs/2010/audit/green\\_paper\\_audit\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2010/audit/green_paper_audit_en.pdf)

## CSR

In 2011, the Commission will adopt a Communication on corporate social responsibility (CSR) – a wider concept than social business – which encourages all businesses to pursue actions with social or environmental objectives as part of their daily activities.

The new name of the Unit in charge of "Corporate Governance, Social Responsibility" at the European Commission is now in force.

[http://ec.europa.eu/dgs/internal\\_market/docs/organigramme/organichart\\_en.pdf](http://ec.europa.eu/dgs/internal_market/docs/organigramme/organichart_en.pdf)

## Transparency of Social and Environmental Information

After its public consultation, the Commission will present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors

## Social Entrepreneurship

According to Commissioner Barnier, Europe has enormous potential for developing social entrepreneurship. The Commission will encourage longer term investments, including ethical investments, exploring options for a specific labelling regime. The tremendous financial lever of the European asset-management industry (EUR 7 000 billion in 2009) should be used to promote the development of businesses which have chosen – above and beyond the legitimate quest for financial gain – to pursue objectives of general interest or relating to social, ethical or environmental development. In 2011 the Commission will launch a study on the situation of mutual associations in all Member States to examine in particular their cross-border activities. The Commission is thinking about harmonization of mutual companies' status.

## Other News

### Code for External Governance

The European Fund and Asset Management Association (EFAMA) has published what it describes as a "Code for External Governance" setting out principles for the exercise of ownership rights in investee companies. The purpose of the code is "to provide a framework of high level principles and best practice recommendations which should act as a catalyst for engagement between Investment Management Companies (IMC) and the companies in which they invest. Adherence to

this code should support interaction between the IMC and companies and ensure a strong link between governance and the investment process. The code is "principles" based in that it relies upon good judgement rather than prescription. As such, the recommendations recognise that the 'best' approach for many issues depends on the circumstances. The Code is not designed to supersede applicable law and regulations".

[http://www.efama.org/index.php?option=com\\_docman&task=doc\\_download&gid=1387&Itemid=-99](http://www.efama.org/index.php?option=com_docman&task=doc_download&gid=1387&Itemid=-99)

## CG For Small and Mid-Caps

The Quoted Companies Alliance, the UK association representing quoted companies, together with MiddleNext, the French association representing listed SMEs and mid-cap companies, and Deutsches Atkieninstitut, the German association representing listed companies, have produced a set of common corporate governance guidelines. These high-level principles aim to identify and address the corporate governance issues which are relevant to small and mid-cap quoted companies throughout Europe.

[http://www.middlenext.com/lienhtml/European\\_guidelines\\_CP.pdf](http://www.middlenext.com/lienhtml/European_guidelines_CP.pdf)

## OECD

The OECD has published a revised edition of its Guidelines on Insurer Governance <http://www.oecd.org/dataoecd/57/1/48071279.pdf>

## United Kingdom

ICSA (the Institute of chartered secretaries & administrators) has published the results of its annual survey of how board evaluations have been carried out by the largest UK listed companies. The survey reports that 33 of the 200 companies in the survey undertook some form of external board evaluation.

<http://icsa.org.uk/assets/files/pdfs/Publications/bereport2011.pdf>

The UK government has just launched a new review of corporate governance. The review follows on from the call for evidence 'A long-term focus for corporate Britain' launched in October 2010. The Review will include an examination of the way that the investment chain currently works – from company boards, through pension funds, advisers and fund managers, to ultimate beneficiaries.

<http://www.bis.gov.uk/assets/biscore/business-law/docs/k/11-1015-kay-review-terms-of-reference.pdf>

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