

## Commission Action Plan on European company law and corporate governance

### AFEP Position paper

In December 2012, the Commission adopted an action plan that introduces its forthcoming initiatives for 2013 and 2014 in the field of corporate governance and company law.

AFEP, in line with its responses to the various Commission's consultations and green papers, approves the initiatives to be taken in the following areas:

- Shareholder identification: this initiative aims to improve the visibility of shareholdings in Europe by requiring additional information on the identity of quoted companies' shareholders. Nevertheless, AFEP considers that the Commission could go further by promoting a shareholder identification system based on the French system or at least foresee a mutual recognition scheme for existing national identification systems.
- Transparency of investors' voting policies and of the way they meet their responsibilities in the field of voting rights: this requirement is essential to enable issuers to better understand their shareholders' expectations.
- Regulating proxy advisors: the initiative aims to improve transparency both on their working methodologies and on potential conflicts of interest. AFEP considers that proxy advisors should be required to declare their activity to the competent national authority and comply with a code of conduct that should entail a series of principles defined at European level. Proxy advisors should commit to this code on a 'comply or explain' basis.
- Employee share ownership: the Commission will identify and investigate potential obstacles to trans-national employee share ownership schemes, and will take appropriate action to encourage employee share ownership throughout Europe. AFEP considers that, as a first step, mutual recognition schemes could be encouraged and a minimal harmonisation of some essential framework rules could be ensured. Such a proportionate project would meet the companies' wish to rapidly get simplified procedures to introduce employee share ownership plans in Europe.

As far as corporate governance topics are concerned, such as Board diversity, non-financial risks' management and directors' remuneration, AFEP supports the Commission's initiatives that aim to promote transparency in these areas. As the Commission acknowledges that governance codes are an efficient regulation means, AFEP is also in favour of the adoption of a recommendation to improve the quality of information on corporate governance, and in particular the quality of explanations to be provided by companies that depart from the reference corporate governance code. As regards the shareholders' vote on remunerations, the Commission considers granting shareholders the right to vote on remuneration policy and the remuneration report. AFEP believes that this vote should be consultative and should only concern the remuneration policy for the on-going financial year.

As far as company law initiatives are concerned, AFEP supports the Commission's initiatives aiming at facilitating cross-border mergers and creating a framework for cross-border divisions. AFEP nevertheless regrets that the Commission remains cautious on transfers of registered offices between Member States, whereas a proposal for a 14th Directive has existed for many years. The association is also cautious about the recognition of 'group interest' that might lead to a group law based on the German model.

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