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european corporate governance institute

# *BEYOND THE CRISIS*

## *New Challenges for Corporate Governance*

### Report with presentations and speeches

The Conference opened with a Welcome address by **Hans Dalborg**, Chairman, Swedish Corporate Governance Board.

#### Session 1: The Future of Corporate Governance Regulation in the European Union

The basis of the discussion at this session was a study of monitoring and enforcement practices in corporate governance in the EU member states, carried out on assignment for the European Commission by a consortium led by the RiskMetrics Group.

The main findings of this study were presented in public for the first time at the conference. Their implications for the scope and forms of future corporate governance regulation in the European Union have been assessed by a panel of leading practitioners and regulators within this field.

The session began with a **presentation by Jean-Nicolas Caprasse** of the RiskMetrics Group of the main findings of the study, followed by comments from the EU regulator's perspective represented by **Pierre Delsaux** of the European Commission. Moderated by **Grant Kirkpatrick** of the OECD (replacing Rolf Skog, who was prevented from participating by last-minute upcoming matters), a panel of representatives of different corporate governance jurisdictions and traditions within the EU discussed the findings of the study and their possible repercussions for corporate governance regulation within the Union in the future. See [Study on Member States' corporate governance codes](#).

#### Session 2: Remuneration – A Case for Regulation?

In the aftermath of the global crisis, and particularly as a result of the two recommendations on remuneration issued by the European Commission earlier this year, regulation of remuneration has been a topic of much debate throughout this year.

These recommendations take the case for regulating remuneration of key staff in listed companies and financial institutions a major leap forward, requiring regulation of not only disclosure and decision processes but also the structure and substance of remuneration. This raises some fundamental issues that were examined at the conference: To what extent should remuneration be subject to regulation or left to companies to decide on for themselves? What aspects of remuneration matters should be dealt with if regulation is considered necessary?

Strong demands have been voiced for stricter regulation of remuneration, particularly within the financial sector, but also of directors of listed companies.

The purpose of this session was to question, not only how, but more fundamentally if and to what extent there is a case for regulation of remuneration in the first place, either through legislation or self-regulation. The session was moderated by **John Plender** of the Financial Times, who opened by reviewing the issues to be covered and then led a very lively discussion between the panel members. The panel reflected a broad scope of perspectives on the topic, from institutional investors, to the companies concerned and public and private regulators.

#### Session 3: Government in Corporate Governance

The financial crisis has forced governments to rescue companies that are considered too systemically important or too large to fail, leading to governments taking equity positions, providing guarantees and loans, replacing boards and imposing restrictions on executive remuneration. Governments have ended up as holders of substantial equity ownership in many companies, not only in the financial sector but also in other major industries. Such state intervention has been largely uncoordinated within the European Union, carried out primarily by the individual Member States.

This raises crucial questions regarding the conditions of government take-over of companies too systemic to fail, how governments should exercise their ownership rights and the long-term implications of government intervention for competition policy; the functioning of the free market economy and the implications for European competition policy.

The session opened with presentations by **Xavier Freixas**, Professor of Banking and Finance at the Universitat Pompeu Fabra, Barcelona and by **Humbert Drabbe**, Director State Aid at DG Competition of the European Commission. This was followed by a panel Discussion, which brought together representatives of the financial sector, institutional investors, finance market regulators and academic researchers, moderated by **Marco Becht** of the ECGI.