

European Commission Action Plan: European Company law and corporate governance

On 12 December 2012, the European Commission published its *action plan “European Company Law and Corporate Governance - a modern legal framework for more engaged shareholders and sustainable companies”*.

With this action plan, the Commission follows up on its two Green Papers on Corporate Governance, the 2010 Green Paper on Corporate Governance in Financial Institutions and the 2011 Green Paper on the EU corporate governance framework.

The Action Plan identifies 3 main lines of action:

- Enhancing transparency: companies should provide better information about corporate governance to their investors and society at large; institutional investors should be more transparent about their voting policies; companies should be allowed to know who their shareholders are.
- Engaging shareholders: shareholders should be encouraged to engage more; in particular a limited number of obligations will be imposed on institutional investors, asset managers and proxy advisors to bring about effective engagement.
- Supporting companies growth and their competitiveness.

The action plan announces a number of initiatives the Commission will be taking in the next years regarding these 3 main lines of action. Of particular interest to EFAMA members will be:

- Initiative planned for 2013, possibly in form of a Recommendation, to improve quality of corporate governance reports and in particular quality of explanations to be provided by companies that depart from corporate governance codes.
- Initiative planned for 2013 on disclosure of voting and engagement policies as well as voting records by institutional investors and asset managers. In this context the Action Plan specifically mentions the EFAMA Code for External Governance.
- Initiative planned for 2013 on remuneration (disclosure of remuneration policies and individual remuneration of directors as well as shareholder vote on remuneration policy and remuneration report).
- Initiative planned for 2013 to enhance transparency and conflict of interest rules for proxy advisors.
- Cooperation between the Commission, ESMA and national authorities to develop guidance to increase legal certainty on relationship between investor cooperation on corporate governance issues and rules on acting in concert.