

**HEARING ON FUTURE PRIORITIES FOR THE
ACTION PLAN ON COMPANY LAW AND
CORPORATE GOVERNANCE**

CLOSING REMARKS

COMMISSIONER MCCREEVY

BRUSSELS, 3 MAY 2006

Ladies and Gentlemen,

I am pleased to be with you to bring to a close today's marathon debating session. I understand the hearing has been very productive and I should like to thank you for your participation. Your contributions today, together with the numerous and detailed replies to our public consultation, will provide the basis for our reflections on what to do next.

Personally I am convinced that, above all, we need to make sure that the regulatory framework in the area of company law and corporate governance will help boost the competitiveness of the EU's economy.

Europe's economic performance has, in general terms, been sclerotic in recent years. Some Member States, particularly the new ones, are continuing to deliver high levels of growth. But others, particularly the bigger older ones, are not. At a time of great global change and with an aging population, Europe is not keeping up.

Worse still, many Member States are not undertaking the reforms necessary to ensure a secure and stable future.

Recent regulatory activism in some Member States has been linked to a resurgence of economic protectionism which I am determined to fight. National protectionism can strangle business in Europe. The same is true of red tape, be it at national or EU level.

As you know, I am a firm believer in better regulation and in regulatory dialogue. I am determined to ensure that full account is taken of dialogue with interested parties in our actions. This will help ensure that a full picture is developed of the potential impact of our actions and that what we do is clearly focused on the needs of our constituents.

Ultimately, it should also mean that industry and business will be alleviated of unnecessary costs. The regulatory framework should remove obstacles to adaptability and innovation. At the same time, it should facilitate investors' assessment of the financial performances of companies and help them make better investment decisions.

I have noted that several contributions to the consultation expressed a feeling of "regulatory fatigue". A number of you consider a pause is needed to "digest" the recently adopted legislation. We have listened and will take heed of what you say.

I have also taken good note of the call for more focus on SMEs. They play a crucial role for the global economy and we will need to examine appropriate ways to make their lives easier.

I have also heard those voices calling for limited enabling legislation, allowing for example companies to transfer their registered office without having to face administrative obstacles.

On shareholder democracy, as you all know, we are commissioning an external study with the aim of identifying all existing deviations from the proportionality principle across EU listed companies. The study will provide an analysis of the regulatory frameworks at Member State level. It will evaluate their economic significance and potential impact on EU investors. The call for tender was published on April 15th, and the deadline for presenting offers will expire on May 29th. It is my intention that the study should be completed at the latest by the beginning of 2007.

This is a controversial area. But controversy should not prevent the EU from having a thorough and informed debate. The issue is too important for the competitiveness of business in the EU for us to put our heads in the sand and play the ostrich. We need well-managed, high performing companies to compete with the rest of the world. We must have an open debate on the best governance structures to nurture such companies and ensure they thrive. As a national politician, I did not shy away from difficult issues and I do not intend to do so now. This is not to say that legislation is the best way to confront this problem. On the contrary, I think that a recommendation may be more appropriate. At the very least, there must be full transparency about the way in which companies operate.

Finally, I should like to say a word about the directive on the exercise of voting rights by shareholders which was tabled in January this year. It is currently being examined in Parliament and in the Council. The plumbing of cross-border voting badly needs fixing. This can be done to a large extent by eliminating obstacles and complexities which are currently clogging the pipes. The proposal contains a set of focused measures ensuring that shareholders, no matter where they reside, can have timely access to the information before general meetings and can vote easily at a distance. Also, restrictions on who may act as a proxy, or on the way in which proxies can be appointed, should be lifted. We must move into the 21st Century in this area. I know that there are some calls to maintain, if not increase, restrictions on proxy voting. We all agree that cross-border voting, to be reliable, requires legal certainty. Some requirements are necessary but these must be strictly balanced and proportionate. Legal certainty must not be a pretext to introduce restrictions to limit the influence of non resident shareholders. Here again, I am afraid that the

shadow of economic protectionism looms large. It has no place in a true internal market.

Ladies and Gentlemen, we need to work together and not against each other, if we really want to help improve the competitiveness of our businesses and ensure that Europe is able to face the challenge of globalisation.

Thank you for your attention and thank you once again for your time and your valuable input in participating in this hearing.

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