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Confédération Européenne des Associations d'Administrateurs
European Confederation of Directors' Associations

11 December 2014

ecoDa's PRESS RELEASE

Employees representation in boardrooms should not be mandatory

At the time when the draft directive on Shareholders' Rights Directive is being discussed at the European Parliament, the Socialist and Democrats Group has started to expand the debate calling for strengthening workers' voice in corporate boards.

The European Confederation of Directors' Associations (ecoDa) has always been very supportive of boards' diversity in a broader sense. Employees' participation in boardrooms is part of this diversity and can have indeed many positive effects on companies.

However, employee representation in boardrooms should not be seen as the panacea to limit executive pay. As stated by Lutgart Van den Bergh (Chair of ecoDa's Policy Committee), *"academic studies show that remunerations are higher in Germany. There is clear evidence that employee board members have no great influence on executive pay. What really matters is the shareholders' model in place in the countries"*. Indeed, the higher disperse the shareholders' model is, the higher executive remuneration is.

What the draft directive on Shareholders' Rights Directive is certainly lacking is a greater focus on the large heterogeneity in shareholders' models throughout Europe. The directive does not include new incentives for active monitoring like explicit rights to effectively nominate and dismiss directors.

The draft directive addresses already complex topics; it should concentrate on how to make shareholders to perform a better role and how to get more long term oriented shareholders. As pointed out by ecoDa's Chair, Lars-Erik Forsgardh, *"the draft directive on shareholders' rights directive should not become the directive on stakeholders' rights. It is also a bit disturbing to see on the one hand a tendency in the directive to reduce boards' strategic role and to encourage on the other hand a broader composition"*.

In any case, ecoDa would not support the idea of mandatory employees' representation. *"Companies should have the freedom to define the best business model that suits their needs"*, added Lars-Erik Forsgardh.

CONTACT DETAILS

About ecoDa - The European Confederation of Directors' Associations

www.ecoDa.org

ecoDa's objective is to promote board members' skills, professionalism and impact on society. By contributing to a professional framework for both current and future board members, ecoDa hopes to help them to develop and add value to their organisations, both in the commercial and non-commercial sectors. ecoDa proposes solutions to the key corporate governance questions facing Europe today, including the challenge of helping board members to operate effectively across all the European Union Member States. ecoDa aims to be an active partner of the European Union and of its institutions – especially the European Parliament and European Commission.

ecoDa's members: the British IoD, the Belgian GUBERNA, the French IFA, the Luxembourgish ILA, the Spanish IC-A, the Finnish Hallitusammattilaiset ry, the Slovenian association of supervisory board members, the Croatian Association of certified supervisory board members, the Polish PID, the Norwegian institute of directors (Styreinstitut), the Danish Board Network, the Swedish StyrelseAkademien, the German VARD, the Dutch NCD the Italian Nedcommunity and the Macedonian IoD.

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