

Sustainable Corporate Governance
Conference

Panel 2

24 January 2019



Wolfgang Kowalsky

MISCONCEPTIONS ON COMPANY'S INTEREST

1. A company is owned by shareholders

The logic of shareholder value maximisation is that shareholders own companies: In reality, 'shareholders own shares. No one owns a company.' (Christopher Halburd from Frank Bold Society).

2. The interest of the shareholders is the interest of the company.

- Linked to the claim that only owners and their representatives have the right to enter company boardrooms.
- In reality the interest of shareholders is shareholder value maximisation: 'The higher the shareholder value, the better it is for the company and management.' (The Economic Times)
- The average holding period for company shares is less than 1 year

ALTERNATIVE: SIX KEY DIMENSIONS OF SUSTAINABLE CORPORATE GOVERNANCE

1. Write into company law a clear statement that the directors of companies are obligated to **stakeholders**
2. A second dimension of the Sustainable Company is to include **worker representatives** on company boards
3. Obligation on companies to **develop sustainability goals** and a plan for achieving these goals
4. Obligation for non-financial reporting based on detailed and **comparable reporting standards**, such as the GRI (Global Reporting Initiative) standards
5. **Encourage long term sustainability-oriented investors** through differentiated voting rights for longer-term investors
6. Top management's **remuneration** should be oriented towards sustainability rather than towards stock market performance, by tying a portion of their bonuses to the **achievement of sustainability goals**

European Appeal

Handover of 900 signatures -

- 1) to DG of Commission during EWC Conference on 10 October 2018
- 2) to main political parties during a rally for more democracy at work in front of European Parliament (same day)



**MORE
DEMOCRACY
AT WORK**

SIGN HERE

European Appeal
Companies and Employees
Blazing a New European Trail

[Sign here](#)

Board-level representation in Europe

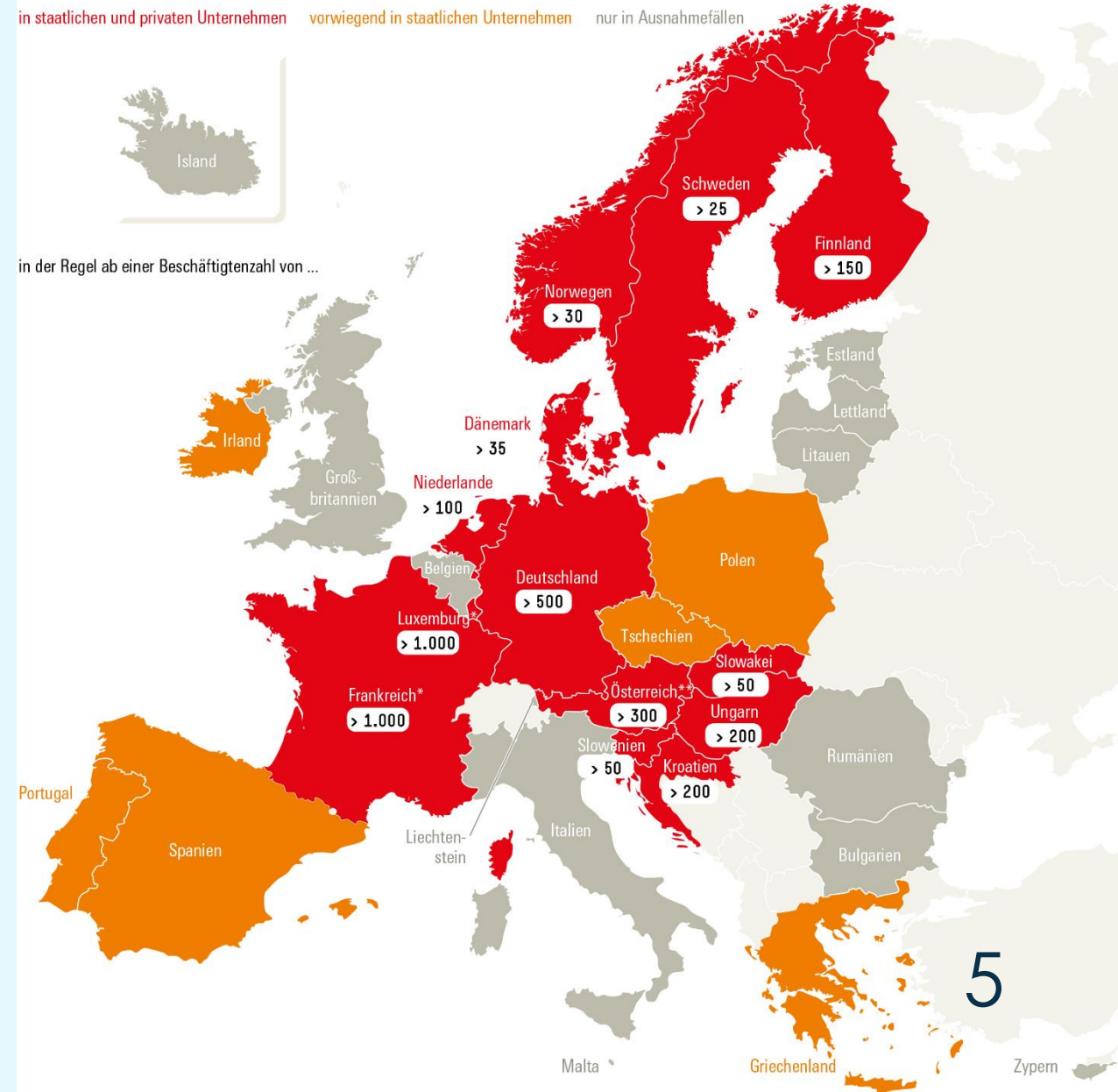


- > 25 - Up from 25 employees
- Red - private and public companies
- Orange - mostly public
- Grey - only exceptional

Wo Arbeitnehmer mitentscheiden

Das Recht auf Mitbestimmung in Führungsgremien gibt es ...

in staatlichen und privaten Unternehmen vorwiegend in staatlichen Unternehmen nur in Ausnahmefällen



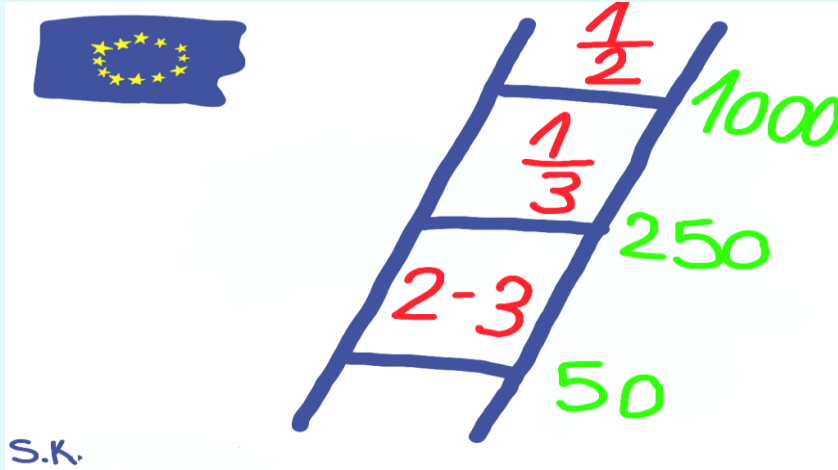
*gilt nicht für staatliche Unternehmen **nur GmbHs, bei AGs kein Schwellenwert, sofern ein Betriebsrat existiert Quelle: ETUI 2015 Grafik zum Download: bit.do/impuls0217

▶ ETUC proposal for a new EU architecture for information, consultation and board-level representation

- Take the best of the *acquis* but go further (Art. 27 Charter)
- Give priority to negotiations at company level with fall-back provisions
- Respect for more protective national industrial relation systems
- Board members should be full members of the board with the same rights as other members
- No interference with other trade union rights
- Strong articulation between the three dimensions of the triangle of info, consultation & board-level repr.
- including reporting back to works councils etc.

▶ 'Escalator'

Proportion by number
of employees



ETUC on **gender balance**:

"ETUC believes that gender equality and diversity in the boardroom of companies is a key democratic principle with positive economic side-effects. *Each gender should be represented at a level of between 40% and 60% in decision-making structures.* This principle should apply to publicly-listed and non-listed companies and to both executive and non-executive board members."



- ▶ Thanks for your attention
- ▶ wkowalsk@etuc.org