

COMMON STATEMENT BY THE FIVE CHAIRMEN GROUP

THE FIVE CHAIRMEN GROUP UNDERLINES THE ROLE OF CORPORATE GOVERNANCE BEST PRACTICES IN FOSTERING LONG TERM VALUE CREATION IN EUROPEAN COUNTRIES

The Five Chairmen Group of the governing bodies of the Corporate Governance Codes in France, Germany, Italy, the Netherlands and the UK met in June in London for their 3rd annual meeting. The Five Chairmen Group acts as an informal forum for dialogue on the role of Corporate Governance Codes in Europe. It meets to exchange views and experiences on market issues and the evolution of regulations and practices, and aims to promote a shared understanding of the benefits of codes and the conditions needed for their successful operation, including:

- the complementary interaction of laws, regulations and Codes in delivering effective policymaking and practices;
- the essential role of effectively applied principles (rather than legislation);
- the value of “comply-or-explain”, linked to transparency about how this flexibility is used;
- the importance of codes in promoting efficiency and lowering the cost of capital;
- effective dialogue and consultation between the different stakeholders involved; and,
- the importance of integrity in delivering public trust and creating value in the long term.

The Five Chairmen Group emphasized the need to enhance competitiveness of the European capital markets and to aim for a common playing field at the international level by avoiding a prescriptive approach to corporate governance reform.

In particular, the Five Chairmen Group recommends European and national regulators to adopt a proportionate regulatory approach which respects the diversity of market structures and business circumstances. A correct balance between law, regulation, codes and the effective use of “comply or explain” will enable European companies to maintain and improve competitiveness, including by attracting expertise and talent at all levels.

The group recommends a flexible approach in implementing the new Shareholders’ Rights Directive which respects national legal and regulatory shareholder protection and the positive role played by Codes of best practices both for issuers and institutional investors.

The Five Chairmen Group highlighted the importance of the application of Corporate Governance Code Principles in improving the quality of corporate governance practices also by companies which are not listed on the main regulated market (e.g. large family firms, firms listed on Multilateral Trading Facilities) as a tool for growth and for sounder relations with different stakeholders.

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