

Corporate governance : the ambiguity of the words,
the strength of statements, the burden of procedures

Alain COURET

Riyad, January, 30, 2011

INTRODUCTION

- We can consider that corporate governance is a phenomenon that spread out through market's globalization
- Its generalization is an undeniable expression of globalization : international investors have the same expectations on every markets of the planet and those markets are interconnected
- Beyond the acknowledgement that everywhere markets operators are complying with corporate governant's demands, general common points and similarities need to be underlined
- In this presentation, we will point out the three aspects that are common to all corporate governance approaches

INTRODUCTION

- Those common elements held our attention because they seem to convey the three essential characteristics of governance processes
- However, in the same time, these characteristics are revealing strong contradictions

- First, Corporate governance uses a widely shared vocabulary
 - However, a certain ambiguity quickly appears behind identical words
 - Terms are the same, but do we speak about the same things ?

- Secondly, Corporate governance prioritizes statement processes
 - However, in practice, those statements can sometimes be reduced to « *box-ticking* »
 - There are various ways to sanction the lack of statement
 - Sometimes, the nature of the sanction can be criminal or para-criminal
 - Other times, its strength leans on the word given and the inflexible sanction of which the market will strike those who breached the trust. But how to verify and detect those breaches ?

- Third, Corporate governance increased the number and the burden of procedures
 - The approach is everywhere very quibbling. But do these procedures protect the market or executive themselves ?
 - The paradox (and even the snag) would be that governance became a way for executive to escape from their liability ?

CORPORATE GOVERNANCE

Therefore, we will consider the three following topics :

- THE AMBIGUITY OF THE WORDS
- THE STRENGTH OF THE STATEMENTS
- THE BURDEN OF PROCEDURES

I - THE AMBIGUITY OF THE WORDS

Corporate governance vocabulary shows numerous ambiguities. Lets illustrate this with a few examples :

- First, it's possible to notice that the words « *Corporate Governance* » have very variable meanings

I - THE AMBIGUITY OF THE WORDS

The words « *Corporate governance* » can refer to :

- A set of fundamental good practices rules that executive have to comply with in order to improve their company's efficiency
- A logic of purely financial activity in the benefit of shareholders only
- A global process of interest conflicts avoidance
- A global integration process of shareholders and third parties interests with social and environmental issues

I - THE AMBIGUITY OF THE WORDS

Each of these meaning is corresponding to a different perception of the firm

- The firm as an object of property for the shareholders
- The firm as an economic actor
- The firm as a social actor
- The firm as a societal actor

I - THE AMBIGUITY OF THE WORDS

- Code of corporate governance
- Committee
- Non executive Director
- Independent Director
- Chairman of the board
- Stakeholder

I - THE AMBIGUITY OF THE WORDS (1)

Code of corporate governance

Member States	Principal codes
UK	<i>Combined Code On Corporate Governance</i>
Germany	<i>German Corporate of Corporate Governance Corporate Governance Rules for German Quoted Companies</i>
Spain	<i>Unified Good Governance Code</i>
Italy	<i>Report and Code of Conduct (The PREDA Code) = Handbook on Corporate Governance Reports</i>
The Netherlands	<i>Dutch Corporate Governance Code</i>

I - THE AMBIGUITY OF THE WORDS (2)

Code of corporate governance

France	<i>VIENOT 1st REPORT</i> <i>VIENOT 2nd REPORT</i> <i>BOUTON REPORT</i>
Japan	<i>URGENT RECOMMENDATIONS CONCERNING CORPORATE GOVERNANCE</i> <i>CORPORATE GOVERNANCE PRINCIPLES</i> <i>REVISED CORPORATE GOVERNANCE PRINCIPLES</i>
USA	<i>GLOBAL CORPORATE GOVERNANCE PRINCIPLES (CALPERS)</i> <i>PRINCIPLES OF CORPORATE GOVERNANCE (The Business Roundtable)</i>

I - THE AMBIGUITY OF THE WORDS (3)

❑ CODE OF CORPORATE GOVERNANCE

- Normally, the reference the word « *code* » refers to an official and unique document
- Nevertheless, in many countries, one can find several codes that are more or less in competition
- These documents often differ a lot

They are minimum four types of Codes

- Nearly official Codes
- Codes emanating from stock exchange market
- Codes created by issuers
- Codes created by investors

I - THE AMBIGUITY OF THE WORDS (4)

❑ CODE OF CORPORATE GOVERNANCE

- Nearly official Codes
 - Codes (Corporate Governance Rules for German Quoted Companies and German Code of Corporate Governance) : created by a panel of academics and respected business world figures
 - Code LIPPENS (Belgium) : Commission gathering main Belgian business world actors
 - Code PETERS (Netherlands) : Committee representing the set of Dutch business world actors

I - THE AMBIGUITY OF THE WORDS (5)

❑ CODE OF CORPORATE GOVERNANCE

- Codes emanating from Stock exchange market (Spain, Italy)

Unified Spanish Good Governance Code arising from Comision National del Mercado de Valores

I - THE AMBIGUITY OF THE WORDS (6)

❑ CODE OF CORPORATE GOVERNANCE

- Codes created by trade associations
 - Federation approach (AFEP-MEDEF Code in France, Japan Federation of Economic Organisations in Japon, Associazione fra la societa italiana per azioni (ASSONIME) in Italia)
 - Experimentally based Federation approach (Middlenext Code in France)

I - THE AMBIGUITY OF THE WORDS (7)

❑ CODE OF CORPORATE GOVERNANCE

- Codes created by investors

- Global Corporate Governance Principles developed by CALPERS (USA)
- Guide for fund managers and corporations (AUSTRALIA) drew up by the Investment and Financial Services Association Limited

I - THE AMBIGUITY OF THE WORDS (8)

❑ CODE OF CORPORATE GOVERNANCE

- Various codes with various legitimacies
 - That also means variable force (binding or not)
 - In Europe, the issue of Governance Codes force and legitimacy has been partially solved through mechanisms of law (Comply or Explain)

I - THE AMBIGUITY OF THE WORDS (9)

- ❑ COMMITTEES (audit, remuneration, etc ...)
 - Independent and liable organs in the SARBANES OXLEY ACT
 - Appoint, pay and supervise auditors
 - Obligation to certify audit and consultancy services
 - Deal with complains concerning audit and supervision
 - Can surround themselves with independent advisers
 - French (and European) approach : emanations from the board of directors
 - Without specific power
 - Without specific responsibility

I - THE AMBIGUITY OF THE WORDS (10)

- ❑ COMMITTEES (audit, remuneration, etc ...)

- Probably, American boards of directors are less collegial than French ones, which may have facilitated their autonomy

I - THE AMBIGUITY OF THE WORDS (11)

□ NON EXECUTIVE DIRECTOR

- This issue is at the basis of Corporate Governance Development in Europe
- In the British system, the demand of CG arose from the fact that most directors were involved in management, which is incompatible with independent judgment abilities
- French legal system on the other hand mostly knows non executive directors because the plurality of director's and salaried executive offices is strickly bounded
- The English issue at the origin of Corporate Governance phenomenon is actually totaly unfamiliar with the French

I - THE AMBIGUITY OF THE WORDS (12)

□ NON EXECUTIVE DIRECTOR

- The vocabulary is the one of the European Union, and european provisions are mentioning « *non executive directors* »
- However ¹, the Commission recommendation of February, the 15th, 2005 on the non executive directors office shows that is our independant director that it's about

¹ For instance, the analysis of

I - THE AMBIGUITY OF THE WORDS (13)

□ NON EXECUTIVE DIRECTOR

The CADBURY report of 1992 is an excellent exemple of the ambiguity of the terms « *non executive directors* »

Section 4.12 : « *An essential quality which non executive directors should bring to the board's deliberations is that of independence of judgement. We recommend that the majority of non executives on a board should be independent of the company. This means that apart from their directors' fees and shareholdings, they should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. It is for the board to decide in particular cases whether this definition is met. Information about the relevant interests of directors should be disclosed in the Directors' Report* »

I - THE AMBIGUITY OF THE WORDS (14)

□ INDEPENDENT DIRECTOR

- Different meanings in Europe
- Different senses within the French system itself
- A very controversial notion
- Différent criteria of independence

I - THE AMBIGUITY OF THE WORDS (15)

□ NON EXECUTIVE DIRECTOR

- Sometimes, the criteria are exclusively qualitative : Combined Code of 2003

Section A.3.1 :

- *Has been an employee of the company or group within the last five years ;*
- *Has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company ;*
- *Has received or receives additional remuneration from the company part from a director 's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme ;*

I - THE AMBIGUITY OF THE WORDS (16)

❑ NON EXECUTIVE DIRECTOR

- Parfois des critères exclusivement qualitatifs : Combined Code of 2003

Section A.3.1 :

- *Has been an employee of the company or group within the last five years ;*
- *Has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company ;*
- *Has received or receives additional remuneration from the company part from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme ;*

I - THE AMBIGUITY OF THE WORDS (17)

□ NON EXECUTIVE DIRECTOR

- *Has close family ties with any of the company's advisers, directors or senior employees ;*
- *Hold cross-directorships or has significant links with other directors through involvement in other companies or bodies ;*
- *Represents significant shareholder ; or*
- *Has served on the board for more than nine years from the date of their first election*

I - THE AMBIGUITY OF THE WORDS (18)

□ NON EXECUTIVE DIRECTOR

- NASDAQ, new rules (2009)

Section 5605 (a) (2)

« Independent Director » means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this rule, « Family Member » means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home. The following persons shall not be considered independent :

I - THE AMBIGUITY OF THE WORDS (19)

❑ NON EXECUTIVE DIRECTOR

- NASDAQ, new rules (2009)

Section 5605 (a) (2)

« A director who is, or at any time during the past three years was, employed by the Company ;

(A) A director who accepted or who has a Family Member who accepted any compensation from the Company in excess of \$ 120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following »

I - THE AMBIGUITY OF THE WORDS (20)

□ NON EXECUTIVE DIRECTOR

- Quantitative criteria in the USA

Section 303 A NYSE, 2003 : Section 303 A.02 :

In order to tighten the definition of « independent director » for purposes of these standards : (.....)

(b) In addition :

(i) A director who is an employee, or whose immediate family member is an executive officer, of the company is not independent until three years after the end of such employment relationship

(ii) A director who receives, or whose immediate family member receives, more than \$ 100,00 per yer in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$ 100,000 per year in such compensation

I - THE AMBIGUITY OF THE WORDS (21)

□ CHAIRMAN OF THE BOARD

- Main character of governance
- Many financial markets consider as right, and if not necessary, to plainly dissociate CHAIRMAN OF THE BOARD FROM CHIEF EXECUTIVE OFFICER
- Others are completely hostile to this dissociation
- Moreover, this dissociation can exist without the deep meaning that corporate governance confers to it : obviously this is the case of the French approach

I - THE AMBIGUITY OF THE WORDS (22)

❑ CHAIRMAN OF THE BOARD

- In the French system, the quality of Chairman allows to keep high incomes, despite the fact that executive took his retirement
- This permits to avoid wealth tax

STAKEHOLDERS

<u>STAKEHOLDERS</u>	
<i>Shareholders</i>	Shareholders (they own the capital as they invested into company's shares, which mean they indirectly own the company's assets)
<i>Direct Stakeholders</i>	<p>Employees } They are indispensable for the</p> <p>Suppliers, clients, bankers, creditors } company to produce wealth</p>
<i>Collateral Stakeholders</i>	Local communities
<i>Distant Stakeholders</i>	<p>Next Generations } They are the ones to which</p> <p>Biodiversity } company's (shareholders and</p> <p>Sustainable Development } managers) liability is expanding to</p> <p>Social Responsibility }</p>

II - THE STRENGTH OF THE STATEMENTS (1)

Governance requests a lot of statements from the actors. Many examples of these statement mechanisms can be cited :

- The annual corporate governance statement
 - Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006
- The principle « *comply or explain* »
- The principle « *say on pay* »
- The statements about social liability or sustainable development

II - THE STRENGTH OF THE STATEMENTS (2)

- The annual corporate governance statement

Article 46 a

« 1. *A company whose securities are admitted to trading on a regulated market within the meaning of Article 4 (1), point (14) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (+) shall include **a corporate governance statement** in its annual report. That statement shall be included as a specific section of the annual report »*

II - THE STRENGTH OF THE STATEMENTS (3)

(a)

- (i) the corporate governance code to which the company is subject
and/or
- (ii) the corporate governance code which the company may have voluntarily decided to apply
and/or
- (iii) all relevant information about the corporate governance practices applied beyond the requirements under national law

II - THE STRENGTH OF THE STATEMENTS (4)

Where points (i) and (ii) apply, the company shall also indicate where the relevant texts are publicly available ; where point (iii) applies, the company shall make its corporate governance practices publicly available

II - THE STRENGTH OF THE STATEMENTS (5)

➤ The « *comply or explain* » principle

(b) To the extent to which a company, in accordance with national law, departs from a corporate governance code referred to under points (a)(i) or (ii), and explanation by the company as to which parts of the corporate governance code it departs from and the reasons for doing so. Where the company has decided not to apply any provisions of a corporate governance code referred to under points (a)(i) or (ii), it shall explain its reasons for doing so.

II - THE STRENGTH OF THE STATEMENTS (6)

- The “comply or explain” principle is based on the idea that there is not a “ready-to-wear” approach in corporate governance (“*one size fits all*”).
- A single governance structure is not desirable; instead, a certain mix of models should be accepted.
- Nevertheless, some common standards can be developed ; a reference framework can be established that offers a guideline of best practices from which corporations may deviate if they explain their choice.

II - THE STRENGTH OF THE STATEMENTS (7)

- For corporations

- The “comply or explain” principle is believed to improve corporations’ competitiveness, because the cost of compliance with a corporate governance code is lower than the cost of compliance with regulation, such as the Sarbanes-Oxley Act.
- Moreover, this principle advocates a more flexible approach that allows companies to adapt themselves faster in a competitive environment.

- For the market

- The main objective of the “comply or explain” principle is to reinforce the standards of good corporate governance in listed companies (“comply”).
- It provides at the same time a flexible framework that takes into account the specificities of each listed company particularities (“explain”).

II - THE STRENGTH OF THE STATEMENTS (8)

HISTORY

- 1992 Cadbury Report in UK was drafted to be applied according to the “comply or explain” principle: *“Listed companies ... should state in the report and account whether they comply with the Code and identify and give reasons for any areas of non-compliance”*
- In 2000, UK imposed the application of this principle through the Financial Services Authority’s listing rules
- In Europe, the “comply or explain” principle was established by the directive of June 14, 2006

II - THE STRENGTH OF THE STATEMENTS (9)

The modes of implementation of this principle by the financial markets regulation

- How should the principle be implemented ? (A)
- Which sanction should be provided for the violation of the principle ? (B)

II - THE STRENGTH OF THE STATEMENTS (10)

A - How to implement the principle?

The logic leads to three distinct recommendations in the European directive.

- Apply a governance code or explain why we do not apply any code;
- Comply with the code or disclose the derogations;
- Disclose and explain why we do not comply.

II - THE STRENGTH OF THE STATEMENTS (11)

1 - Apply or explain

The European directive of 5 september 2006 considers two hypotheses:

- a company voluntarily refers to a Code (a),
- or a company does not voluntarily refer to a Code (b).

a. “When a company voluntarily refers to a corporate governance code...”

Which Code could it be?

II - THE STRENGTH OF THE STATEMENTS (12)

b. “When a company does not refer to such a corporate governance code...”

- Firstly, the chairman of the annual board shall indicate, in a report attached to the report, *“the chosen rules in addition to the legal requirements”*.
- Moreover, the report shall explain the reasons why the company has decided not to apply any of the corporate governance code’s provisions.

II - THE STRENGTH OF THE STATEMENTS (13)

2 - Comply or disclose

We assume that a Code has been selected. However, the company does not want to apply the whole code.

- It must indicate which parts of the code it derogates from (“*comply or disclose*”).
- This has been adopted by the German legislator, before the adoption of the European directive.

II - THE STRENGTH OF THE STATEMENTS (14)

3 - Disclose and explain

- Formally, the explanations are often included in the annual report.
- However, some Member States, such as Germany and Norway, are more demanding, and require a distinct specific report.

II - THE STRENGTH OF THE STATEMENTS (15)

WHAT IS THE REAL EFFECTIVENESS OF PRACTICES IN THIS AREA ?

The studies conducted on the European governance practices are very interesting. It can be noticed that :

- 23% of the companies supplying a “comply or explain” information were fully compliant.
- 77% of companies reported at least one difference with the corporate governance code.

The issues that differ from the Code’s recommendations are the following :

- Administrative or supervisory board (35% of explanations)
- Remunerations (28%)
- Shareholders’ duties and rights (7%)
- Audit (11%)

II - THE STRENGTH OF THE STATEMENTS (16)

FRENCH SITUATION

Now, let us examine the last report issued by the French AMF on the corporate governance and on the internal control :

- 22% of the companies, which turn down some of the provisions of the code they comply with, do not justify why they are doing so.
- Whereas 81% of the companies quote the AFEP-MEDEF Code as a reference code in corporate governance, 67% of them declare that they derogate from certain of its provisions.
- More than 20% of the companies quoting the AFEP-MEDEF code do not respect the “apply or explain” principle by not giving any justification on this partial compliance (“*never complain, never explain*”).

II - THE STRENGTH OF THE STATEMENTS (17)

B – Which sanction for the principle ?

- The underlying hypothesis is that the sanction is a non legal one (1).
- But we can also imagine legal sanctions not sure that legal sanctions are totally missing (2).

II - THE STRENGTH OF THE STATEMENTS (18)

1 - Non legal sanctions

- Sanctions take place mainly through the investors' behaviour.
- Some of these investors, for example the institutional investors, may be very powerful and dictate to companies in which they have invested, the respect of soft law rules.
- If the companies do not respect those rules or do not give any convincing explanations, the investors can vote with their feet.

II - THE STRENGTH OF THE STATEMENTS (19)

2 - Legal sanctions

- Firstly, we should refer to the **administrative repression** which is based on a breach of the competent authority of General Regulation : this regulation penalizes the communication of misleading information.

- **Criminal sanctions** seem hardly conceivable. The legal basis of these sanctions is the offence of wrong or misleading information.

- However criminal sanctions require the proof of an intentional element.

- Moreover the relevant information must be able to influence the stock price, which is not easy to prove.

- The managers' **civil liability** is also hardly conceivable.

- The damage resulting from the disclosure of financial information should be proved.

- But how to prove the causal link between the misleading declaration of compliance or non compliance and the damage suffered ?

II - THE STRENGTH OF THE STATEMENTS (20)

C – Which the limits of the model ?

1 - The intrinsic limits of the principle

- The principle is primarily based on the hypothesis of investor's economic rationality : the investor is ready to penalize a fraudulent issuer
- Moreover, the model is based on rigid requirements

II - THE STRENGTH OF THE STATEMENTS (21)

- *A model based on the hypothesis that the market penalizes the breach of the statement*

There is a fundamental hypothesis. The influence of the compliance on the share price is the underlying idea of the “*comply or explain*” principle

II - THE STRENGTH OF THE STATEMENTS (22)

- But studies conducted in several countries seem controversial.
- Studies from Germany and the Netherlands showed that compliance or non-compliance do not have any significant effect on market.
- Studies from Spain and the UK provided conflicting results. Certain Spanish studies display a positive correlative.
- While several studies conducted in UK demonstrate impact only if the company is in crisis and presents bad performance, others show a more positive link.

II - THE STRENGTH OF THE STATEMENTS (23)

- *A demanding model concerning its effectiveness conditions*

Three pillars are generally considered as essential for the principle effectiveness :

- a real obligation to comply or explain;
- a high level of transparency, with coherent and focused disclosure;
- and a way for shareholders to hold company boards ultimately accountable for their decisions to comply-or-explain and the quality of their disclosures.

It is not obvious that these conditions are currently satisfied within the different European legislations.

II - THE STRENGTH OF THE STATEMENTS (24)

2 - Extrinsic limits : the necessary cohabitation with a prescriptive system

- The “*comply or explain*” principle cannot only be set by a governance code.
- It can be also provided by the law itself or by a Stock Exchange regulation.

II - THE STRENGTH OF THE STATEMENTS (25)

➤ The principe « *say on pay* »

- « *Say on pay* » is term used for a rule in corporate law whereby a firm's shareholders have the right to vote on the remuneration of executives
- It is designed to give shareholders greater input over executive compensation after many investors expressed outrage during the financial crisis at lavish pay practices

II - THE STRENGTH OF THE STATEMENTS (26)

➤ The principe « *say on pay* »

- The principle is born in Great Britain in 2002
- In the US, there is a regulation that in a first time applies to remuneration of executives who recieved aid from US Treasury(TROUBLED ASSET RELIEF PROGRAM) SARBANES OXLEY

II - THE STRENGTH OF THE STATEMENTS (27)

➤ The principe « *say on pay* »

- In a second time, the regulation lies in the DODD – FRANCK (Section 951)
- The say-on-pay vote is non-binding, although companies generally want to avoid the embarrassment of a « *no* » vote

II - THE STRENGTH OF THE STATEMENTS (28)

➤ DODD – FRANCK

Enhanced Voting Requirements - Executive Compensation (Sec. 951)

Beginning with the first annual or other shareholder meeting taking place on or after January 21, 2011, and at least once every three years thereafter, a company will have to provide its shareholders with an opportunity to vote to approve the compensation of those executive officers for whom it is required to make compensation disclosure pursuant to the Securities and Exchange Commission's proxy rules. At least once every six years, a company will also have to provide its shareholders with an opportunity to determine whether the vote to approve executive compensation should take place every year, every other year or every three years. Any shareholder vote to approve executive compensation is non-binding

II - THE STRENGTH OF THE STATEMENTS (29)

➤ DODD – FRANCK

Golden Parachutes (Sec. 951)

For any proxy or consent solicitation for a shareholder meeting taking place on or after January 21, 2011, in which shareholders are asked to vote to approve a merger, acquisition or similar transaction, the shareholders must also be provided with an opportunity to vote to approve any agreements or understandings regarding compensation that may be paid to a named executive officer in relation to the transaction. Any shareholder vote to approve golden parachute compensation is also non-binding

II - THE STRENGTH OF THE STATEMENTS (30)

➤ DODD – FRANCK

Possible Exemptions (Sec. 951)

The Dodd-Frank Act also provides that the Commission may exempt a company or entire class of the companies from these non-binding shareholder approval requirements, taking into consideration whether smaller issuers are disproportionately burdened by the requirements

II - THE STRENGTH OF THE STATEMENTS (31)

➤ DODD – FRANCK

Last week, the SEC decided in a 3-2 vote to oppose the « *say on pay* » with the target to implement the provision of the DODD-FRANK

II - THE STRENGTH OF THE STATEMENTS (32)

➤ Say on pay : EUROPE

- The directive n° 2007/36/CE on shareholders rights allows shareholders to request the inscription of « *topics* » that are not necessarily resolution (in the agenda)
- Would those « *topics* » be the occasion to bring the question of remuneration of executives in the debate at the shareholders meeting?

The issue is rising in different European Union member states

II - THE STRENGTH OF THE STATEMENTS (33)

- The statements about social responsibility or sustainable development
- French law requires a certain number of information in the management report
 - Article L. 225-100 of Commercial Code – Management report
 - « *To the extent necessary for an understanding of the company's business development, results or position, and independently of the key performance indicators of a financial analysis includes, where appropriate, the key performance indicators of a non-financial nature which relate to the company specific business, such as information pertaining to environmental issues and personnel matters* »

II - THE STRENGTH OF THE STATEMENTS (34)

- Sustainable development reports are spreading out

II - THE STRENGTH OF THE STATEMENTS (35)

- Making steps towards tax statements ?
 - Fighting against tax haven
 - Fighting against tax evasion
 - Must report from the Chairman of the Board about the Company tax policy be initiated ?

III - THE BURDEN OF PROCEDURES (1)

- Corporate governance contributes to the « *proceduralization* » of business world
- Which type of procedure ?
- Who benefits from the procedure ?

III - THE BURDEN OF PROCEDURES (2)

- Which type of procedure ?
 - ✓ The increase in reports
 - Chairman's report
 - Auditors reports on Chairman's report
 - Specific report on comply or explain principle application
 - ✓ Involvement of committees in decision processes

III - THE BURDEN OF PROCEDURES (3)

- Implementation of conflicts resolution procedures
- Account certification by the CIO and the financial manager in th SARBANES OXLEY ACT

III - THE BURDEN OF PROCEDURES (4)

- Who benefits from the procedures ?
 - ✓ Shareholders ?
 - ✓ The Market ?
 - ✓ Executives ?
 - Exemption from liability if compliance with the procedures