

**A BRIEF HISTORY OF CORPORATE GOVERNANCE**

1970s

Corporate governance emerges as a consideration for US investors. In 1976, the New York Stock Exchange requires that each listed corporation have an audit committee composed of all independent board directors.



1990s

Corporate scandals in the UK hurt investor confidence and prompts the establishment in 1991 of the Committee on the Financial Aspects of Corporate Governance by the Financial Reporting Council, the London Stock Exchange, and the accountancy profession.



2000s

After corporate scandals in the US, the Sarbanes-Oxley Act passes in 2002 to resolve endemic conflicts of interest and lack of independence on companies' boards. The first CFA Institute corporate governance manual for investors is published in 2005.



Today

Consideration for wider stakeholder interests is becoming more prevalent as part of the debates about the purpose of a corporation. The growth of ESG investing is contributing to the dialogue about value creation.



**SHAREHOLDER CAPITALISM**



- Dominant in the Anglo-Saxon world
- Dispersed ownership structure
- Priority is interest of shareholders
- Capital markets influence company conduct

**CONCEPTUAL FRAMEWORK ROOTED IN ENGLISH COMMON LAW (CASES) AND PRINCIPLES-BASED STANDARDS.**

**WHERE IS THE DEBATE TODAY AND WHAT LIES AHEAD?**

**STAKEHOLDER CAPITALISM**



- Applied in Continental Europe and Japan.
- Concentrated ownership with large institutions
- Model focused on conflict resolution
- Value dispersed across various stakeholders

**CONCEPTUAL FRAMEWORK ROOTED IN CIVIL CODE LAW AND DETAILED CONDUCT RULES.**



**The EU's Capital Markets Union (CMU) project is ultimately aiming to reconcile shareholder capitalism and stakeholder capitalism.**

- Can a synthesis be established?
- Can the interest of all stakeholders be aligned?
- Which model will the EU choose (principles or rules)?
- The scoping of the upcoming sustainable corporate governance framework will be key.

**Germany's model is currently the most advanced on the application of the stakeholder framework.**

- Employee co-determination and representation is enshrined in the law.
- Works Councils play an important interfacing and mediation role at individual company level.
- Works Councils aim to improve conflict resolution and align long-term interest of all parties around company resilience.