

Pervenche Berès - 30 Jan 2014

Thank you for holding this conference. Thank you for inviting us to speak at it. I am very happy that you will have Phil Bennion later on this afternoon in your panel, because he is also been very much involved in this dossier, but in the end we have a position of the European Parliament (EP) and I think it is a striking topic on which obviously this Parliament will not be able to achieve much more, but there will be a legacy for the next Parliament and hopefully for the next Commission. I must say, having been the rapporteur in the EP for the crisis committee, we have been looking at these governance issues of enterprises. Maybe I would admit some kind of a second thought that we should have taken this dossier much earlier. But it is among the ones where we have a strong conviction and saying this, I have in mind the status for mutuals also.

The crisis has revealed that all these governance questions around enterprises are critical ones. My regret is that in the end we have not been doing so much regarding directly the governance of enterprises. We have been very much looking at saving banks – that was needed – but on top of this, I think since 2008 or at least 2009, we knew that we also needed to tackle the issue of the structure of governance of enterprises, if we wanted to make sure that the excessive financing of the economy or the lack of long-term perspective in the governance of boards would be looked at carefully. If I looked at the balance sheet of this mandate in the end I think the only direct governance topic that has been taken is the one regarding the quota for women in boards. It is of the essence, I will not undermine this, but I think there is still a lot to do and this is one of the topics that will need also to be put forward.

Just before I go back to what has just been voted by the Parliament and I believe Phil Bennion will elaborate a bit more also on this, I would just like to recall that it is thanks to some of you that we now have this Pilot Project that will be presented in its interim form today. I am very pleased that we are here today, because I think it has been a wish that was really pushed by the Parliament in its legislative power to make sure that this Pilot Project could be financed through the budget. When we are all discussing good governance this is also a way how to do it, to make sure that we can have this Pilot Project and then demonstrate or the legitimacy by the proof is done. So it is more helpful than to go to the next step, which is to make sure that the 29th regime and taxation topics can be addressed together.

Let me come back to my speaking points, but first of course I would like to recall what Olivier Guersent has already mentioned that if you look at the situation of unemployment and SMEs' access to finance, the question of how employee share ownership increase would improve this whole landscape. This is a point that we all need to have in mind to make sure we have the right argument to convince that there is a way ahead for this kind of initiative.

As it has been already recalled on 19 January we have adopted a resolution in the EP regarding this issue of employee share ownership. It does identify a broad range of benefits for both employers and employees, which include the increase of the likelihood of companies retaining skilled workers on the long-term. It can contribute to the improvement of employees' job satisfaction and overall performance and motivation. It can of course encourage employees to develop a sense of ownership and a better understanding of their company as well as enhance mutual respect between employers and employees. So this is also maybe a contribution to something that is quite fancy for some people nowadays, which is the social dialogue and the quality of the dialogue between employers and employees in companies.

It does also help to encourage employees to develop a sense of ownership and responsibility and increase their feeling of inclusion and the likelihood that their employers will engage with them and understand their concern perspective and ideas. The establishment of employee ownership can help to boost productivity, improve performance, support the alignment of employees' and shareholder's interests and retain key personal. The EP in its resolution does encourage the EC to present an independent impact assessment on the 29th Regime. Here we are now, straight in the heart of the legal way how to do it. And we also asked to anticipate the inclusion of information that are in the Commission's interim report.

The 29th Regime as an optional single legal framework open to employers all through the EU, which would respect areas of Member State competent on fiscal and labour law, could take the form of something that can be laid down in five points:

- 1) A set of simple, elementary and basic supportive models developed from best practice examples from each type and size of company.
- 2) A market based approach where only companies finding a single regime useful would use it.

- 3) Allowing difference in Member States' different legal culture in that the national regimes continue to exist in parallel. This is the pure logic of the 29th Regime.
- 4) Improving transparency and access to information to facilitate equal implementation in different Member-States; and
- 5) The applicability of national and/or EU-level where needed and not being restricted to cross-border companies, taking into account tax issues as well as financial risks for employees.

Now the question also that we have raised regarding employee financial participation and corporate governance as I mentioned it earlier, because we do believe it can provide some promising potential to change the way companies are managed. This is a way to enter to the discussion to change from short to long-term incentives. Of course there are significant obstacles to the uptake of EFP at EU-level related to cross-border issues, e.g. different social security contributions, of course, in EU-Member-States or double taxation. Because there are large differences in Member-States' EFP schemes, some offer a broad framework for this, e.g. the country I know the best, while other lack national legislative measures favoring EFP. Then, this is obviously, beyond the 29th Regime, a field where good practice and benchlearning should be encouraged.

Of course we also need to take into account other characteristics of successful EFP schemes. This means first the voluntary participation of employees; second, that it should be in addition to work-based pay and contractual right, not a substitute to this right; and of course it does need to include social partners. But I think this is a golden rule for any successful enterprise and the more I am involved in the social matters and the more I know—I am sorry to put this here in this debate because you might believe it's outside your topic this morning—but where I see that you believe you are going to resettle an economy without involving social partners I think you are going the wrong road. This is why sometimes I have doubts on what the Troika is doing in some of the Member-States. This is also what we are currently looking at in the EP.

Of course, I am sorry that I will not attend the presentation on what is happening in the Spanish concept of *Sociedades Laborales*, because I think this really a very exciting example.

When I look at the main recommendation that we did in this resolution that was adopted, of

course, this is about information that should be made accessible especially for SMEs and their employees, representing the main target group for such a reform and of course a call to the EC to establish a single information portal, a so-called "one-stop shop". This is also something we know cross-dossiers, but we also have to play it there and provide all necessary information on the different existing models on EFP and the incentives available. A virtual information centre could be a first step in this direction and, of course, further transparency is needed also with regard to taxation and fiscal treatment of national employee ownership schemes.

Let me just finish by two words. The first one is just to inform about something you might not know.. When we have had the negotiation on the renewal of the legal base for the EGF (European Globalisation Adjustment Fund), in which the EP was very much involved since the beginning, we have very much insisted that it should be written there, that in case of a difficulty for an enterprise, the EGF could be used to help employees to buy their company. It has been a battle because the EC was saying that it was not forbidden and so we said OK, we better write it down, so everybody knows it was there. It is a bit on top of your topic but it goes in the same direction, it is all about who should have the ownership of the capital and how we can change this a little bit, to change the behaviour of enterprises and corporate governance. I think this is worth mentioning in this conference because I believe nobody else in the conference will mention it.

My last point is of course a pledge that this time we get in order to do it next time. Because it have been five years that we have been turning around this point. I know there are arguments pro and cons, but this is always the case when you engage in a reform. **And I hope this day will help us demonstrate that there are more pros than cons and that the pros will really push us to make sure that in the next election, in the next EC, in the next EP, this becomes the 29th Regime or at least that the share of EFP is increased, first in SMEs, but not only.**

Have a good day, have a good work, and I will be very happy to have the conclusions and the findings of your work. Thank you so much.