



2018 Annual Report



EUROPEAN CORPORATE GOVERNANCE INSTITUTE
Leading Research with Global Impact

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2018 ANNUAL REPORT

ECGI strives to raise the standards of corporate governance and stewardship around the world for the benefit of everyone. This is achieved through the sharing of independent scientific research and knowledge. ECGI assists leading academics in the field of corporate governance in bringing their research to the attention of leading practitioners, policymakers and thought leaders by making state of the art knowledge accessible and relevant to them. It makes high quality research accessible for the public good.

In 2018, ECGI collaborated on corporate governance themed conferences, workshops and roundtables in Oxford, Berlin, Harvard, London, Brussels, Tel Aviv and New York. It published 101 working papers and awarded two prizes, in addition to sharing slides, papers, reports and videos with its members. This report contains details of all of these papers.

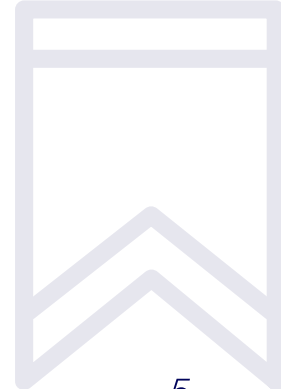
ECGI was honoured to receive the 2018 award for 'Excellence in Corporate Governance' from the International Corporate Governance Network (ICGN). This award is given annually to individuals or entities that have demonstrated exceptional achievement in the field of corporate governance and contributed to significant improvements in one or more jurisdiction.

The ECGI network appointed 71 new research members and welcomed 15 new institutional members, strengthening the range and depth of debate and knowledge within the network and providing tangible support that will help to deliver on the Institute's goals in the coming years. This brought the total number of research members contributing to ECGI around the world to 260 in 2018 and to 665 the total number of members worldwide, as more and more people and institutions take note of the academic work made accessible by ECGI.

The Global Corporate Governance Colloquium (GCGC) met in Harvard Law School in 2018 where highly regarded academics and practitioners discussed research on Common Ownership, Environmental & Social Governance, Index Inclusion, Emerging Markets, Labour, Boards and a lot more. This annual event is organised by ECGI and has established a notable reputation for multidisciplinary academic engagement across geographic regions, since its inception in 2015.

ECGI would like to thank you for your continued support and ask that you might recommend ECGI to others, enabling the organisation to continue to improve and grow, raising corporate governance and stewardship standards in the process.

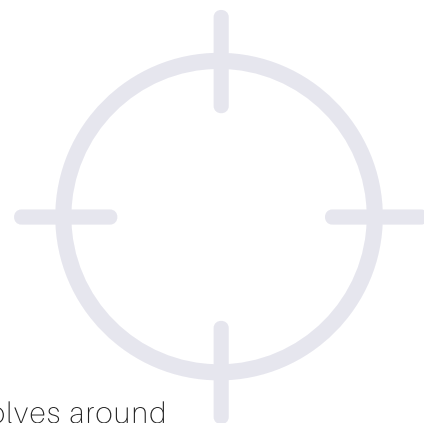
Marco Becht
Executive Director



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1. THE ECGI DEVELOPMENT PLAN



The ECGI Development Plan sets out a long-term vision for ECGI that revolves around three complementary activities:

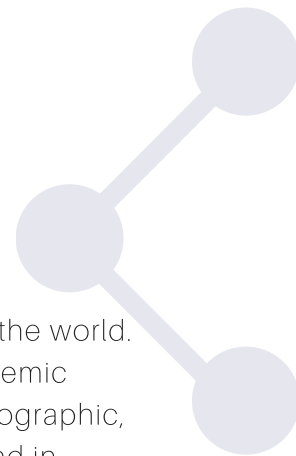
- 1) Research
- 2) Engagement
- 3) Dissemination

Consistent with the ECGI tagline “Leading Research with Global Impact”, the plan proposes that ECGI continues to capture the research output of its global network of research members, to make its existing engagement with practitioners and policymakers more effective, and to disseminate the results of these activities worldwide to achieve global impact. The plan also foresees that ECGI will support research projects undertaken by its research members and stimulate the development of new projects in the Institute’s name.

For a copy of the plan, contact the ECGI team at : admin@ecgi.org



2. EVENTS IN 2018



ECGI engages with its members and partners through wide-ranging events around the world. These take the form of academic conferences, roundtables, and practitioner-academic events. The aim of these events is to encourage discussion and debate across geographic, industry and disciplinary boundaries. In some cases, ECGI organises the events and in others it collaborates with partner organisations to deliver material and insights from events around the world. A full list of events is available at: <http://ecgi.global/content/event-list>

Global Corporate Governance Colloquium (GCGC)

1 - 2 June 2018, Harvard Law School, USA

The Global Corporate Governance Colloquia (GCGC) is a global initiative to bring together the best research in law, economics and finance relating to corporate governance at a yearly conference held at 12 leading universities in the Americas, Asia and Europe. The 12 hosting institutions are: Columbia University, Goethe University Frankfurt, Harvard University, London Business School, National University of Singapore, Peking University, Seoul National University, Stanford University, Swedish House of Finance, University of Oxford, University of Tokyo and Yale University.

The fourth annual GCGC conference took place at Harvard University on 1 -2 June 2018. The event, hosted by Harvard Law School and organised by ECGI was attended by over 70 senior academics



from a range of disciplines including finance, law, and economics with the aim of sharing corporate governance knowledge on important topics such as **Common Ownership, Environmental & Social Governance, Index Inclusion, Emerging Markets, Labour, Boards and more**. In addition to the sharing of knowledge on current research, the GCGC conference series inspires new thought and important avenues of future research.

The two-day conference programme also included panel discussions with invited business professionals and academics on topics of current importance. Taking part in a panel discussion on **'Index rule makers as a potentially powerful force in corporate governance'** were David Blitzer (S&P Dow Jones Indices), Matthew Mallow (BlackRock), and Jonas Jølle (Norges Bank Investment Management). The panel was moderated by Marco Becht (Solvay Brussels School) and Stephen Davis (Harvard Law School). Speaking on the second panel, moderated by Allen Ferrell (Harvard Law School), on the topic **'CSR and Impact Investing: Framing the Questions'** were Robert H. Sitkoff (Harvard Law School), Ron Gilson (Stanford Law School, Columbia Law School) and John M. Loder (Ropes & Gray).

Material from the event, including papers, slides, event summary report and videos, are available on www.gcgc.global



2018 Annual Members' Meeting

3 - 4 May, ESMT, Berlin

The 2018 ECGI Annual Members' Meeting took place at ESMT, Berlin, bringing together international academics and practitioners in the field of corporate governance for a programme that included a panel, a debate, a dinner, a general assembly, a lecture and a prize-giving ceremony.

The focus panel on **"Common Ownership: Antitrust Meets Corporate Governance"**, composed of Prof. Xavier Vives (IESE), Barbara Novick (BlackRock), and Greg Medcraft (OECD), discussed the challenges faced by asset managers holding significant stakes in multiple companies in the same industry. The discussion brought out very clearly the tension between increased stewardship and governance involvement, and concerns about potential collusion between competing firms having the same shareholders.

In the Oxford Union-style debate that followed, Levin Holle (German Federal Ministry of Finance) and Peter Montagnon (Institute of Business Ethics) proposed the motion: “This House believes that Brussels should have the power to block foreign takeovers”. They were opposed by Professors John C. Coffee (Columbia Law) and Ernst-Ludwig von Thadden (University of Mannheim). After a lively debate including interventions from the floor, the House voted by a narrow margin against the motion.

Speaking at the ECGI Members’ dinner, Dr. Eckhard Cordes (EMERAM, Cevian Capital, Bilfinger, Volvo) shared his personal experience, having been a member on thirteen boards in Germany, Sweden, the United Kingdom and the United States.

The annual lecture was delivered by Professor Antoinette Schoar (MIT and visiting Imperial College, London). Professor Schoar’s lecture, entitled “Is Big Data a Challenge for Boards?”, presented new research on the use of personal data in the United States by financial intermediaries in marketing pre-approved credit cards. The study shows that companies utilise the information to selectively sell more expensive products to less educated customers by shrouding the actual terms within the marketing material. The practice is not illegal but poses a moral dilemma for boards.

Following the lecture, ECGI awarded two research prizes for the best papers in the Finance and Law Working Paper Series’ from the previous year (see Announcements section).



ECGI ROUNDTABLE SERIES



The ECGI Roundtable Series provides an engagement platform between ECGI Research Members and Institutional or Patron Members of ECGI. The topics are selected based on geographic relevance and the interests of the participating members. For queries about hosting or taking part in an ECGI Roundtable, contact Prof. Marco Becht, ECGI Executive Director.

Loyalty Shares

18 June 2018, Brussels, Belgium

This ECGI Roundtable was organised with the help of the Faculty of Law, University of Oxford. It focused on loyalty shares as a legal solution for encouraging long-term ownership, a concept that is promoted by policy makers, including the European Commission, some institutional investors and issuers.

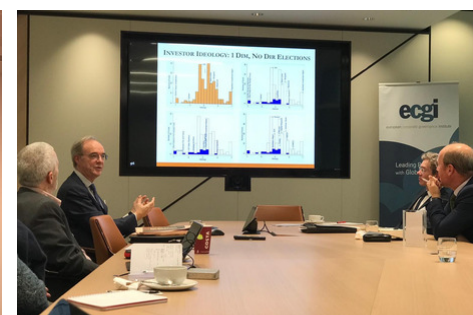
A summary report from the event is available on the ECGI website: <https://ecgi.global/content/loyalty-shares>



Shareholder Ideology and Stewardship

25 October 2018, Hermes Investment Management, London

Hosted by Hermes Investment Management, this ECGI Roundtable focused on the nature of governance interventions by institutional shareholders. Institutional investors have a conflict between promoting socially responsible behaviour of companies and shareholder value orientation at all cost. The roundtable addressed questions like: What can we learn from voting behaviour about “shareholder ideology”? How actively involved are institutional investors with portfolio companies? Do active managers take buy and sell decisions based on governance and stewardship information? Is there a link between sell decisions, voting and other types of governance intervention?



Technology and Corporate Governance

26 November 2018, Allen & Overy LLP, London

Hosted by Allen & Overy, the Roundtable focused on the impact of new technologies such as blockchain and AI on corporate governance. The discussion revolved around the following questions: Does blockchain have promise as a tool for registering ownership claims and the exercise of voting rights in listed corporations? What is the impact of AI and big data analysis on firms' management and governance? Will smart contracts affect the boundaries between firms and markets in a number of industries?

A summary report is available on the ECGI website:
<https://ecgi.global/content/technology-and-corporate-governance>



Loyalty Shares

7 December 2018, NYU School of Law, USA

Organised by NYU School of Law and ECGI, this Roundtable focused on loyalty shares as a legal solution for encouraging long-term ownership, a concept that is gaining traction in Europe with the support of the European Commission, and has also attracted interest in the United States. A summary report is available on the ECGI website: <https://ecgi.global/content/loyalty-shares-1>



OTHER AFFILIATED EVENTS IN 2018

ECGI also provided communication support to events organised by ECGI Research Members during the year. These included:

Book Launch - Finance and Investment: The European Case

20 March 2018, Residence Palace, Brussels



ECGI and the Centre for Economic Policy Research hosted the book launch of: Finance and Investment: The European Case. This book is the product of a two-year research programme entitled Restarting European Long-Term Investment Finance (RELTIF) organised by Assonime and the Centre for Economic Policy Research (CEPR) in London. Please contact admin@ecgi.org if you wish to obtain a copy of the book.

The Future of the Corporation: Law and A.I.

20 March 2018, Hogan Lovells International LLP, Brussels

Artificial Intelligence in the law profession was the subject of a discussion hosted by the international law firm Hogan Lovells in Brussels on 20 March 2018. Professor Richard Susskind, a renowned author on the subject, spoke to an audience of lawyers and policymakers about the need to reconsider our conceptual approach to A.I.





Book Launch: The Oxford Handbook of Corporate Law and Governance

11 May 2018, Saïd Business School, Oxford

The launch conference of the Oxford Handbook of Corporate Law and Governance, edited by Jeffrey N. Gordon and Wolf-Georg Ringe and published by Oxford University Press, was held in Oxford on Friday May 11, 2018. Speakers included Ronald J. Gilson (Columbia/Stanford), Mark Roe (Harvard), Colin Mayer (Oxford), and Simon Deakin (Cambridge).

Third Annual Cass Mergers and Acquisitions Research Centre Conference

20 August 2018, London

Organised by ECGI and The Mergers & Acquisitions Research Centre at Cass Business School, The third Cass Mergers and Acquisitions Research Centre (MARC) Conference was held at Cass Business School, City, University of London on Monday 20 August 2018. The keynote speech was delivered by Philip Whitchelo, Vice President for Strategic Business & Corporate Development, Intralinks. The conference was attended by academics, PhD students and alumni.

Differential Voting Shares

12 December 2018, Bar-Ilan University, Tel Aviv, Israel

Academic research on the subject of 'Differential Voting Shares' was the focus of a two-day conference in Israel. The event, which was co-organised and hosted with Bar-Ilan University, took place in Tel-Aviv on 12 December. Material from the event is available on the ECGI website: <https://ecgi.global/content/differential-voting-shares>

3. 2018 ANNOUNCEMENTS

In May, ECGI announced the appointment of Prof. Luca Enriques to the ECGI Board. Prof. Enriques has been a long-standing member of ECGI, Editor of the ECGI Working Paper Law Series and a member of the Research Committee. He always contributes generously of his time to the organisation and his input on the board since his appointment has been very meaningful.

In June, ECGI was announced as the 2018 recipient of the International Corporate Governance Network (ICGN)'s 'Excellence In Corporate Governance' award at a ceremony in Milan. The ICGN Award is given annually to individuals or entities that have demonstrated exceptional achievement in the field of corporate governance and contributed to significant improvements in one or more jurisdiction. ECGI was awarded the prestigious award in recognition of its long-standing dedication to corporate governance research.

In July, ECGI announced a collaboration with the international law firm Cleary Gottlieb Steen & Hamilton LLP which will sponsor the ECGI's annual prize for the best research working paper in its law series.

In August, ECGI announced that in the past twelve months, there were 15 new institutional members that joined the network. These are: Allen & Overy LLP; The National Stock Exchange of India (NSE); Enel; Hermes Investment Management; Cleary Gottlieb Steen & Hamilton LLP; Norges Bank Investment Management; EY; Banca Generali; Solvay Brussels Business School; The Brevan Howard Centre for Financial Analysis, Imperial College, London; ETH Zurich; University of Oxford; Kelley Business School, Indiana; NYU Law School; and Stanford Law School.

15 new Institutional members joined ECGI

Events were held in Oxford, Brussels, London, Berlin, Cambridge (Harvard), Tel Aviv and New York

ECGI was awarded the ICGN Excellence Award in Corporate Governance

Appointment of 75 new Research members

Luca Enriques joined the ECGI Board

€10,000 in prizes were awarded to the best working papers of 2017

Over 90 Working Papers were published in the ECGI Working Paper Series

The ECGI Roundtable Series continued with events in Brussels, London and New York

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2018

4. WORKING PAPER PRIZES 2018

In 2018, the Finance Series prize of €5,000, sponsored by Aberdeen Standard Investments, the global fund manager, was awarded to Professors Mike Burkart (London School of Economics), Salvatore Miglietta (BI Norwegian Business School) and Charlotte Ostergaard (BI Norwegian Business School), for their paper on “Why Do Boards Exist? Governance Design in the Absence of Corporate Law” (ECGI Finance Working Paper 504/2017).

The paper begs the question of when boards would emerge endogenously, which is intriguing yet almost impossible to answer because all countries mandate boards. It therefore takes some ingenuity to go back in time to a period when boards were not mandated to address this question. Such work on historical data is time-consuming and requires more manual labor compared to readily accessible electronic databases.

The Law Series prize of €5,000, sponsored by Allen & Overy LLP, the international law firm, was awarded to Professor John C. Coffee (Columbia Law School) for his paper “The Agency Costs of Activism: Information Leakage, Thwarted Majorities, and the Public Morality” (ECGI Law Working Paper 373/2017).

This paper focuses on one of the most hotly debated corporate governance phenomena, hedge fund activism. Professor Coffee posits that “any new structure of governance will have its own unique agency costs”. Based mostly on quantitative evidence, while using case studies, and empirical findings, he then identifies four such sources of agency costs that are specific to hedge fund activism: private benefits, in the form of expense reimbursement for successful campaigns; information leakage when hedge funds succeed to appoint their board nominees; the fact that activists, holding often no more than 10 percent of the shares, can obtain the changes they push for in private settlements with managers, without letting other shareholders, who may have a different (longer-term) view over a company’s trajectory; and the exclusive focus on shareholder value maximization that drives their often successful campaigns: again, that may contrast with other shareholders’ preferences about the goals managers at public corporations should pursue.



5. ECGI RESEARCH MEMBER APPOINTMENTS

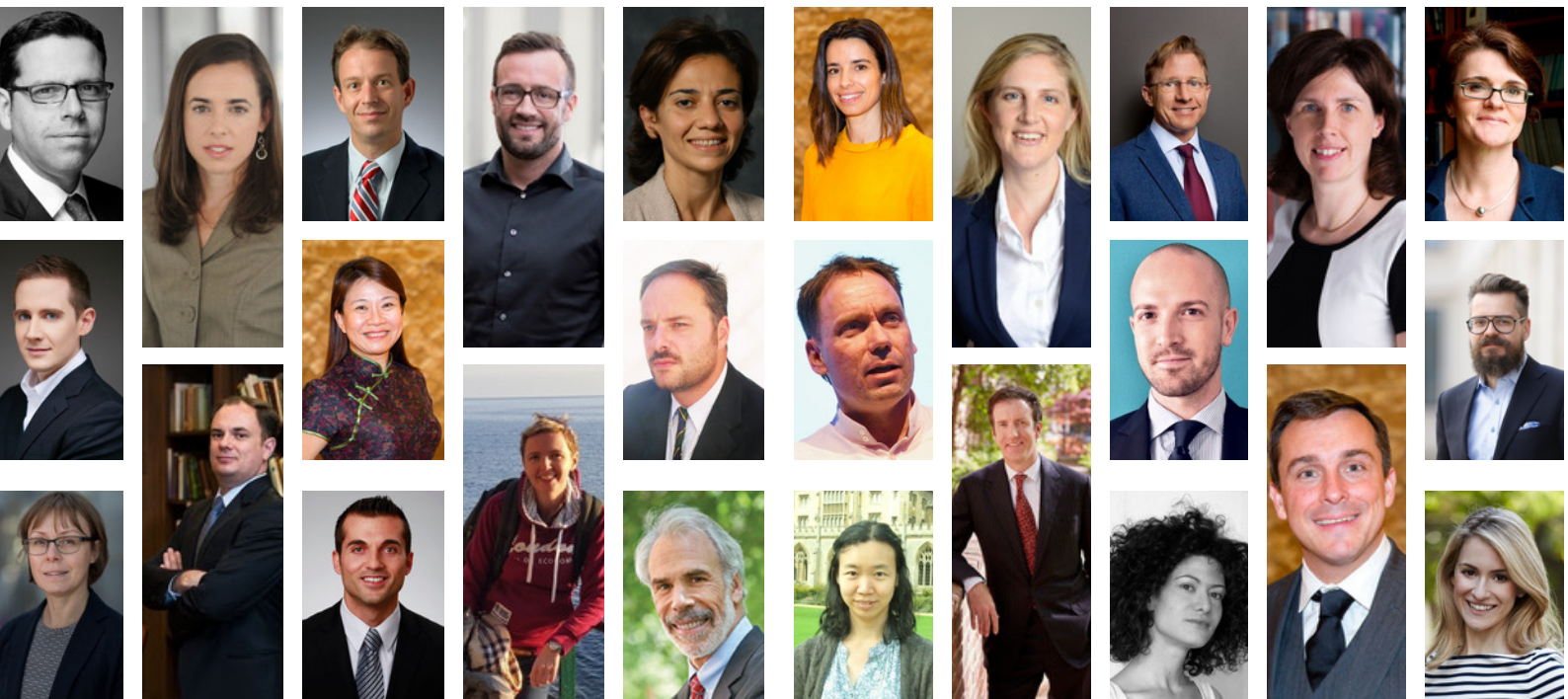
Research Members play a special role in the governance of ECGI, they are the guardians of its scientific independence and integrity. With the support of ECGRF, 71 new research members were appointed to the European Corporate Governance Institute in March 2018.

The new Research Members, who are drawn from academia in Europe, North America, Asia, South America and the Middle East, were admitted on the quality of their academic work in the field of corporate governance.

Barry Adler
 Pablo de Andres
 Dan Awrey
 Bo Becker
 Richard Booth
 Fabio Braggion
 Valentina Bruno
 Ryan Bubb
 Salim Chahine
 Hse-Yu Iris Chiu
 Martijn Cremers
 Jens Dammann
 Mark DeFond
 Elroy Dimson
 Andreas Engert
 Vyacheslav Fos
 Nickolay Gantchev
 Carsten Gerner-Beuerle
 Rajna Gibson Brandon
 Mireia Giné
 Todd Gormley
 Zohar Goshen
 Sean Griffith

Brigitte Haar
 Dirk Hackbarth
 Harald Hau
 Genevieve Helleringer
 Thomas Hellmann
 Benjamin Hermalin
 Clifford Holderness
 Robert Jackson
 Wei Jiang
 Kathryn Judge
 Oğuzhan Karakaş
 Woojin Kim
 Luh Luh Lan
 Doron Levit
 Hao Liang
 Andrew Metrick
 Daniel Metzger
 Florian Möslin
 Mary O'Sullivan
 Gaizka Ormazabal
 Charlotte Ostergaard
 Anete Pajuste
 Mariana Pargendler

Frank Partnoy
 Jennifer Payne
 Francisco Perez-Gonzalez
 Andrea Polo
 Tarun Ramadorai
 Morgan Ricks
 Wolf-Georg Ringe
 Edward Rock
 Joshua Ronen
 Paola Sapienza
 Zacharias Sautner
 Martin Schmalz
 David Schoenherr
 Simone Sepe
 Rolf Skog
 Richard Squire
 Oren Sussman
 Tobias Tröger
 Kristin van Zwieten
 Erik Vermeulen
 Hannes Wagner
 Michael Weisbach
 Russ Wermers
 David Yermack



6. RESEARCH



In 2018, ECGI's 261 research members published 101 ECGI Working Papers on corporate governance related topics. One of ECGI's main roles is to disseminate this research output to a variety of audiences using different formats and tools. All working papers are available on the ECGI website. Topics that featured include: Activism; Related Party Transactions; Short-Termism; Board of Directors; Common Ownership; Institutional Investors; Value; Stewardship; The following is a list of the papers published in the series in 2018:

Activism

Unexpected Corporate Outcomes from Hedge Fund Activism in Japan

John Buchanan, University of Cambridge, Dominic H. Chai, University of Cambridge, Simon Deakin, University of Cambridge and ECGI
Law Working Paper 383/2018

Blockchain Technology for Corporate Governance and Shareholder Activism

Anne Lafarre, Tilburg University, Christoph Van der Elst, Tilburg University and ECGI
Law Working Paper 390/2018

Shareholder Sustainability Activism in the Netherlands

Anne Lafarre, Tilburg University, Christoph Van der Elst, Tilburg University and ECGI
Law Working Paper 396/2018

Governance under the Gun: Spillover Effects of Hedge Fund Activism

Nickolay Gantchev, Southern Methodist University and ECGI, Oleg Gredil, Tulane University, Chotibhak Jotikasthira, Southern Methodist University
Finance Working Paper 562/2018

Activism and Empire Building

Nickolay Gantchev, Southern Methodist University and ECGI, Merih Sevilir, Indiana University, Anil Shivdasani, University of North Carolina at Chapel Hill
Finance Working Paper 575/2018

Long-Term Economic Consequences of Hedge Fund Activist Interventions

Ed deHaan, University of Washington, David Larcker, Stanford University, Rock Center for Corporate Governance and ECGI, Charles McClure, University of Chicago
Finance Working Paper 577/2018

The Costs and Benefits of Shareholder Democracy

Nickolay Gantchev, Southern Methodist University and ECGI, Mariassunta Giannetti, Stockholm School of Economics, CEPR and ECGI
Finance Working Paper 586/2018

Related Party Transactions

Be Careful What You Wish For: How Progress Engendered Regression in Related Party Transaction Regulation in Israel

Amir N. Licht, Interdisciplinary Center Herzliya and ECGI
Law Working Paper 382/2018

RPTs in SOEs: Tunneling, Propping, and Policy Channeling

Curtis J. Milhaupt, Stanford University and ECGI, Mariana Pargendler, Fundação Getulio Vargas Law School and New York University
Law Working Paper 386/2018

Related Party Transactions: UK Model

Paul Davies, University of Oxford and ECGI
Law Working Paper 387/2018

Germany's Reluctance to Regulate Related Party Transactions

Tobias H. Tröger, Goethe University Frankfurt and SAFE
Law Working Paper 388/2018

MOM Approval in a World of Active Shareholders

Edward B. Rock, New York University and ECGI
Law Working Paper 389/2018

Related Party Transactions in East Asia

Kon Sik Kim, Seoul National University
Finance Working Paper 391/2018

Procedural and Substantive Review of Related-Party Transactions: The Case for NCS (Non-Controlling Shareholder)-Dependent Directors

Alessio M. Paccès, Erasmus University Rotterdam and ECGI
Law Working Paper 399/2018

Related Party Transactions in Insolvency

Kristin van Zwieten, University of Oxford and ECGI
Law Working Paper 401/2018

Enforcing Rules on Related Party Transactions in Italy: One Securities Regulator's Challenge

Marcello Bianchi, Assonime, Luca Enriques, University of Oxford and ECGI, Mateja Milič, Assonime
Law Working Paper 409/2018

The Law and (Some) Finance of Related Party Transactions: An Introduction

Luca Enriques, University of Oxford and ECGI, Tobias Tröger, SAFE Frankfurt and ECGI
Law Working Paper 411/2018

Cheap-Stock Tunneling Around Preemptive Rights

Jesse M. Fried, Harvard University and ECGI, Holger Spamann, Harvard University and ECGI
Law Working Paper 408/2018

Optimally Restrained Tunneling: The Puzzle of Controlling Shareholders' "Generous" Exploitation in Bad-Law Jurisdictions

Sang Yop Kang, Peking University
Law Working Paper 410/2018

Related Party Transactions in Commonwealth Asia: Complexity Revealed

Dan W. Puchniak, National University of Singapore and CALS, Umakanth Varottil, National University of Singapore
Law Working Paper 404/2018

Short-Termism

Optimal Short-Termism

Dirk Hackbarth Boston University, CEPR and ECGI, Alejandro Rivera, University of Texas at Dallas, Tak-Yuen Wong, Shanghai University of Finance and Economics
Finance Working Paper 546/2018

Stock Market Short-Termism's Impact

Mark J. Roe, Harvard University and ECGI
Law Working Paper 426/2018

The Neglected Role of Justification under Uncertainty in Corporate Governance and Finance

Claire A. Hill, University of Minnesota, Alessio M. Paccès, University of Amsterdam and ECGI
Law Working Paper 429/2018

Board of Directors

The Market for Non-Executive Directors: Does Acquisition Performance Influence Future Board Seats?

Marc Goergen, Cardiff University and ECGI, Svetlana Mira, Cardiff University, Noel O'Sullivan, Loughborough University
Finance Working Paper 551/2018

Disclosing Directors

Piergaetano Marchetti, Bocconi University, Gianfranco Siciliano, Bocconi University, Marco Ventrone, Bocconi University, Max Planck Institute and ECGI
Law Working Paper 420/2018

Evaluating the Board of Directors: International Practice

Mark Fenwick, Kyushu University, Erik P.M. Vermeulen, Tilburg University and ECGI
Law Working Paper 425/2018

Directors: Older and Wiser, or Too Old to Govern?

Ronald W. Masulis, University of New South Wales and ECGI, Cong Wang, Chinese University of Hong Kong and Shenzhen Finance Institute, Fei Xie, University of Delaware, Shuran Zhang, Jinan University

Finance Working Paper 584/2018

Common Ownership

Does the Potential to Merge Reduce Competition?

Dirk Hackbarth, Boston University, CEPR and ECGI, Bart Taub, University of Glasgow

Finance Working Paper 554/2018

Who's Paying Attention? Measuring Common Ownership and Its Impact on Managerial Incentives

Erik P. Gilje, University of Pennsylvania and NBER, Todd A. Gormley, Washington University in St. Louis and ECGI, Doron Levit, University of Pennsylvania and ECGI

Finance Working Paper 568/2018

The Strategies of Anticompetitive Common Ownership

C. Scott Hemphill, New York University, Marcel Kahan, New York University and ECGI

Law Working Paper 423/2018

Institutional Investors

Institutional Investor Voting Behavior: A Network Theory Perspective

Luca Enriques, University of Oxford and ECGI, Alessandro Romano, Yale University

Law Working Paper 393/2018

The Sustainability Footprint of Institutional Investors

Rajna Gibson Brandon, University of Geneva, GSEM, GFRI and ECGI, Philipp Krüger University of Geneva, GSEM, SFI and GFRI

Finance Working Paper 571/2018

Passive Investors

Jill Fisch, University of Pennsylvania and ECGI, Assaf Hamdani, Tel Aviv University and ECGI, Steven Davidoff Solomon, University of California

Law Working Paper 414/2018

Institutional Investors' Impact on the Terms and Outcome of Freeze-out Tender Offers

Beni Lauterbach, Bar Ilan University, ISRAEL and ECGI, Yevgeny Mugerman, Bar Ilan University

Finance Working Paper 576/2018

Value

How Investors Can (and Can't) Create Social Value

Paul Brest, Stanford University, Ronald J. Gilson, Stanford University, Columbia University, and ECGI, Mark A. Wolfson, Jasper Ridge Partners, Stanford University, and Jasper Ridge Charitable Fund

Law Working Paper 394/2018

Asking the Right Question: The Statutory Right of Appraisal and Efficient Markets

Jonathan Macey, Yale University and ECGI, Joshua Mitts, Columbia University
Law Working Paper 428/2018

May the Force be With You: Investor Power and Company Valuations

Thomas Hellmann, University of Oxford and ECGI, Veikko Thiele, Queen's University
Finance Working Paper 580/2018

Funds

Career Risk and Market Discipline in Asset Management

Andrew Ellul, Indiana University, CSEF, CEPR and ECGI, Marco Pagano, University of Naples Federico II and ECGI, Annalisa Scognamiglio, University of Naples Federico II
Finance Working Paper 558/2018

Do Investors Value Sustainability? A Natural Experiment Examining Ranking and Fund Flows

Samuel M. Hartzmark, University of Chicago, Abigail B. Sussman, University of Chicago
Finance Working Paper 565/2018

Index Funds and the Future of Corporate Governance: Theory, Evidence, and Policy

Lucian Bebchuk, Harvard Law School, NBER, CEPR and ECGI, Scott Hirst, Boston University, Harvard Law School
Law Working Paper 433/2018

The Costs and Benefits of Performance Fees in Mutual Funds

Henri Servaes, London Business School, CEPR, and ECGI, Kari Sigurdsson, AQR Capital Management
Finance Working Paper 588/2018

Mergers & Acquisitions

China as a "National Strategic Buyer": Towards a Multilateral Regime for Cross-Border M&A

Jeffrey N. Gordon, Columbia University and ECGI, Curtis J. Milhaupt, Stanford University and ECGI
Law Working Paper 407/2018

Employee-Manager Alliances and Shareholder Returns from Acquisitions

Ronald W. Masulis, University of New South Wales and ECGI, Cong Wang, Chinese University of Hong Kong and Shenzhen Finance Institute, Fei Xie, University of Delaware
Finance Working Paper 583/2018

What Goes Wrong in M&As? On the Long-Run Success Factors in M&As

Luc Renneboog, Tilburg University, CentER and ECGI, Cara Vansteenkiste, University of New South Wales
Finance Working Paper 589/2018

Technology

Blockchain and Smart Contracting for the Shareholder Community

Christoph Van der Elst, Tilburg University, Ghent University and ECGI, Anne Lafarre, Tilburg University

Law Working Paper 412/2018

Why 'Blockchain' Will Disrupt Corporate Organizations

Mark Fenwick, Kyushu University, Wulf A. Kaal, University of St. Thomas, Erik P.M. Vermeulen, Tilburg University, Philips Lighting and ECGI

Law Working Paper 419/2018

Technology and Corporate Governance: Blockchain, Crypto, and Artificial Intelligence

Mark Fenwick, Kyushu University, Erik P.M. Vermeulen, Tilburg University and ECGI

Law Working Paper 424/2018

Putting Technology to Good Use for Society: the Role of Corporate, Competition and Tax Law

John Armour, University of Oxford and ECGI, Luca Enriques, University of Oxford and ECGI, Ariel Ezrachi, University of Oxford, John Vella, University of Oxford

Law Working Paper 427/2018

The End of "Corporate" Governance (Hello "Platform" Governance)

Mark Fenwick, Kyushu University, Joseph A. McCahery, Tilburg University and ECGI, Erik P.M. Vermeulen, Tilburg University and ECGI

Law Working Paper 430/2018

More...

Does Agency Structure Affect Agency Decisionmaking? Implications of the CFPB's Design for Administrative Governance

Roberta Romano, Yale Law School, NBER and ECGI

Law Working Paper 380/2018

Empirical Studies of Corporate Law and Governance: Some Steps Forward and Some Steps Not

Michael Klausner, Stanford University and ECGI

Law Working Paper 381/2018

International Evidence on Firm Level Decisions in Response to the Crisis: Shareholders vs. Other Stakeholders

Franklin Allen, Imperial College London and ECGI, Elena Carletti, Bocconi University and CEPR, Yaniv Grinstein, IDC Herzliya and ECGI

Finance Working Paper 545/2018

Eclipse of the public corporation or eclipse of the public markets?

Craig Doidge, University of Toronto, Kathleen M. Kahle, University of Arizona, G. Andrew Karolyi, Cornell University, René M. Stulz, The Ohio State University, NBER and ECGI

Finance Working Paper 547/2018

Underwriter Competition and Bargaining Power in the Corporate Bond Market

Alberto Manconi Bocconi University Ekaterina Neretina Tilburg University and CentER Luc
Renneboog Tilburg University and ECGI
Finance Working Paper 548/2018

Skin-in-the-Game in ABS Transactions: A Critical Review of Policy Options

Jan-Pieter Krahn, Goethe University Frankfurt and ECGI, Christian Wilde, Goethe University
Frankfurt
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The Life-Cycle of Dual Class Firms

Martijn Cremers, University of Notre Dame and ECGI, Beni Lauterbach, Bar Ilan University, ISRAEL
and ECGI, Anete Pajuste, Stockholm School of Economics in Riga and ECGI
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The impact of mandatory governance changes on financial risk management

Ulrich Hege, Toulouse School of Economics and ECGI, Elaine Hutson, Monash University, Elaine
Laing, Trinity College Dublin
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Will Tenure Voting Give Corporate Managers Lifetime Tenure?

Paul H. Edelman Vanderbilt University Wei Jiang Columbia University Randall S. Thomas
Vanderbilt University and ECGI
Law Working Paper 384/2018

The Effect of Minority Veto Rights on Controller Tunneling

Jesse M. Fried, Harvard University and ECGI, Ehud Kamar, Tel Aviv University and ECGI, Yishay
Yafeh, The Hebrew University of Jerusalem, CEPR and ECGI
Law Working Paper 385/2018

"Since You're So Rich, You Must Be Really Smart": Talent and the Finance Wage Premium

Michael Böhm, University of Bonn and IZA, Daniel Metzger, Stockholm School of Economics,
Swedish House of Finance, FMG and ECGI, Per Strömberg, Stockholm School of Economics,
Swedish House of Finance, CEPR and ECGI
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When Does the Family Govern the Family Firm?

Øyvind Bøhren, BI Norwegian Business School and ECGI, Bogdan Stacescu, BI Norwegian
Business School, Line F. Almlie, Deloitte, Kathrine L. Søndergaard, Deloitte
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Industrial Foundations as Long-Term Owners

Steen Thomsen, Copenhagen Business School and ECGI, Thomas Poulsen, Copenhagen
Business School, Christa Børsting, Copenhagen Business School, Johan Kuhn, Copenhagen
Business School
Finance Working Paper 556/2018

Investor Ideology

Patrick Bolton, Columbia University and ECGI, Tao Li, University of Florida, Enrichetta Ravina, Northwestern University, Howard Rosenthal, New York University
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Fiduciary Principles in European Civil Law Systems

Martin Gelter, Fordham University and ECGI, Geneviève Helleringer, ESSEC Business School and University of Oxford
Law Working Paper 392/2018

The Real Cost of CEO Compensation: The Effect of Behindness Aversion of Employees

Ingolf Dittmann, Erasmus University Rotterdam and ECGI, Christoph Schneider, Tilburg University, Yuhao Zhu Erasmus University Rotterdam
Finance Working Paper 559/2018

The Origins of a Capital Market Union in the United States

Jeffrey N. Gordon, Columbia University, Millstein Center for Global Markets and Corporate Ownership and ECGI, Kathryn Judge, Columbia University and ECGI
Law Working Paper 395/2018

Evidence-Based Policymaking: Promise, Challenges and Opportunities for Accounting and Financial Markets Research

Christian Leuz, University of Chicago, NBER and ECGI
Law Working Paper 397/2018

Loyalty Shares with Tenure Voting - A Coasian Bargain? Evidence from the Loi Florange Experiment

Marco Becht, Université libre de Bruxelles, CEPR and ECGI, Yuliya Kamisarenka, Stockholm School of Economics in Riga, Anete Pajuste, Stockholm School of Economics in Riga and ECGI
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Socially Responsible Corporate Customers

Rui Dai, University of Pennsylvania, Hao Liang, Singapore Management University and ECGI, Lilian Ng, York University
Finance Working Paper 560/2018

Firm Response to Competitive Shocks: Evidence from China's Minimum Wage Policy

Harald Hau, University of Geneva, CEPR, Swiss Finance Institute and ECGI, Yi Huang, Graduate Institute of International and Development Studies, Gewei Wang, Peking University
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An Institutional Theory of Corporate Regulation

Iris H-Y Chiu, University College London and ECGI
Law Working Paper 400/2018

The Death of Corporate Law

Zohar Goshen, Columbia University and ECGI, Sharon Hanes, Tel Aviv University
Law Working Paper 402/2018

Collateral Damage: Brexit's Negative Effects on Regulatory Competition and Legal Innovation in Private Law

Horst Eidenmueller, University of Oxford and ECGI
Law Working Paper 403/2018

Do Founders Control Start-Up Firms that Go Public?

Brian Broughman, Indiana University, Jesse M. Fried, Harvard University and ECGI
Law Working Paper 405/2018

The Stability of Dividends and Wages: Effects of Competitor Inflexibility

Daniel A. Rettl, University of Georgia, Alex Stomper Humboldt, University and ECGI, Josef Zechner, Vienna University of Economics and Business and ECGI
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The Economic Significance of Laws Relating to Employment Protection and Different Forms of Employment: Analysis of a Panel of 117 Countries, 1990-2013

Zoe Adams, Centre for Business Research, Louise Bishop, Centre for Business Research, Simon Deakin, University of Cambridge and ECGI, Colin Fenwick, International Labour Office, Sara Martinsson Garzelli, International Labour Office, Giudy Rusconi, Evidence for Policy Design India
Law Working Paper 406/2018

Initial Coin Offerings: Financing Growth with Cryptocurrency Token Sales

Sabrina T. Howell, New York University and NBER. Marina Niessner, Yale University, David Yermack, New York University, NBER and ECGI
Finance Working Paper 564/2018

Which Aspects of Corporate Governance Matter in Emerging Markets: Evidence from Brazil, India, Korea, and Turkey

Bernard Black, Northwestern University and ECGI, Antonio Gledson de Carvalho, Fundacao Getulio Vargas School of Business at Sao Paulo, Vikramaditya Khanna, University of Michigan, Woochan Kim, Korea University Business School and ECGI, Burcin Yurtoglu, WHU - Otto Beisheim School of Management
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Governance through Shame and Aspiration: Index Creation and Corporate Behavior

Akash Chattopadhyay, University of Toronto, Matthew D. Shaffer, Harvard University Charles C.Y. Wang, Harvard University
Finance Working Paper 567/2018

Trust and Shareholder Voting

Simon Lesmeister, University of Cologne and Centre for Financial Research (CFR), Peter Limbach, University of Cologne and Centre for Financial Research (CFR), Marc Goergen Cardiff University and ECGI
Finance Working Paper 569/2018

Does Transparency Increase Takeover Vulnerability?

Lifeng Gu, University of Hong Kong, Dirk Hackbarth, Boston University, CEPR and ECGI
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Non-Shareholder Voice in Bank Governance: Board Composition, Performance and Liability

Paul Davies, University of Oxford and ECGI, Klaus J. Hopt, Max Planck Institute for Comparative and International Private Law and ECGI
Law Working Paper 413/2018

The Perils of Limiting the Coverage of Mandatory Pay Disclosure: The Korean Experience

Jinhyeok Ra, Korea University Business School, Woochan Kim, Korea University Business School and ECGI
Finance Working Paper 572/2018

Insider Trading and Networked Directors

Marc Goergen, IE Business School and ECGI, Luc Renneboog, Tilburg University and ECGI, Yang Zhao Newcastle University Business School
Finance Working Paper 573/2018

Shareholder Collaboration

Jill Fisch, University of Pennsylvania and ECGI, Simone M. Sepe, University of Arizona, IAST and ECGI
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The Teva Case: A Tale of a Race to the Bottom in Global Securities Regulation

Sharon Hannes, Tel Aviv University, Ehud Kamar, Tel Aviv University and ECGI
Law Working Paper 416/2018

Governance of Financial Services Outsourcing: Managing Misconduct and Third-Party Risks

Joseph A. McCahery, Tilburg University and ECGI, F. Alexander De Roode
Robeco Asset Management
Law Working Paper 417/2018

Elective Stock and Scrip Dividends

Isabel Feito-Ruiz, University of Leon, Luc Renneboog, Tilburg University and ECGI, Cara Vansteenkiste, University of Tilburg
Finance Working Paper 574/2018

Powering Preemptive Rights with Presubscription Disclosure

Jesse M. Fried Harvard University and ECGI
Law Working Paper 418/2018

The Protection of Investors and the Compensation for their Losses: Australia

Olivia Dixon, University of Sydney, Jennifer G. Hill, University of Sydney and ECGI
Law Working Paper 421/2018

Disclosure of Inside Information

Jennifer Payne, University of Oxford and ECGI
Law Working Paper 422/2018

Creative Corporate Culture and Innovation

Franco Fiordelisi, University of Rome III, Luc Renneboog, Tilburg University and ECGI, Ornella Ricci, University of Rome III, Saverio Stentella Lopes, Bangor University
Finance Working Paper 578/2018

Say on Pay: Do Shareholders Care?

Carsten Gerner-Beuerle, University College London and ECGI, Tom Kirchmaier, Copenhagen Business School and London School of Economics and Political Science
Finance Working Paper 579/2018

Is it Worthwhile to Augment the Legal Protection of Public Debt Placed by Privately Held Companies?

Keren Bar-Hava, Hebrew University, Roi Katz, Ben-Gurion University of the Negev, Beni Lauterbach, Bar Ilan University, ISRAEL and ECGI
Finance Working Paper 581/2018

Investment Returns and Distribution Policies of Non-Profit Endowment Funds

Sandeep Dahiya, Georgetown University, David Yermack, New York University, NBER and ECGI
Finance Working Paper 582/2018

Universal Corporate Governance

Mikael Homanen, City University of London, Hao Liang, Singapore Management University and ECGI
Finance Working Paper 585/2018

Why Are Firms with More Managerial Ownership Worth Less?

Kornelia Fabisik, Ecole Polytechnique Fédérale de Lausanne, Rüdiger Fahlenbrach, Ecole Polytechnique Fédérale de Lausanne, SFI and ECGI, René M. Stulz, The Ohio State University, NBER, Wharton Financial Institutions Center and ECGI, Jérôme P. Taillard, Babson College
Finance Working Paper 587/2018

Legal Personhood and Liability for Flawed Corporate Cultures

Jennifer G. Hill University of Sydney and ECGI
Law Working Paper 431/2018

Do Managers Successfully Shop for Compliant Auditors? Evidence from Accounting Estimates

Mark DeFond, University of Southern California and ECGI, Jieying Zhang, University of Texas at Dallas, Yuping Zhao, University of Houston
Law Working Paper 432/2018

The Perils of Small-Minority Controllers

Lucian Bebchuk, Harvard Law School, NBER, CEPR and ECGI, Kobi Kastiel, Tel Aviv University, Harvard Law School
Law Working Paper 434/2018



7. ECGI PERFORMANCE

Since its inception in 2002, ECGI has operated on a modest budget with a spirit of collaboration and innovation. It has developed a global reputation for disseminating high quality research and also for organising top-class events on important topics, with highly knowledgeable speakers. In addition to the funds it invests in research related activities with the support of the European Corporate Governance Research Foundation (ECGRF), it also relies on collaborations and contributions from various research grants and centers which help to deliver the many activities throughout the year.

Following a market review and analysis of the membership fees, the ECGI members voted at the 2017 General Assembly in Berlin, to increase the subscription fee for all paying categories, with the exception of the Academic Membership category. The decision had a positive financial impact (as reported in the annual accounts), although the volume of individual practitioner memberships decreased as anticipated. The board and management team have sought to address this by actively seeking to expand the Institutional Membership category in order to maximise the financial impact and breadth of engagement with corporate groups and individuals.

"In current times, ECGI is more relevant than ever, in its ability to deliver evidence-based knowledge that can challenge unsubstantiated claims".

- ECGI Development Plan



7. FINANCIAL STATEMENTS 2018



ECGI - BALANCE SHEET as at 31 December 2018

		Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
		Euro	Euro	Euro
ASSETS				
	Intangible assets	72,509	76,570	57,058
	Cash at bank			
	Savings Accounts	34,687	22,802	55,194
	Current Accounts	314,188	323,998	299,001
	Total Current/Savings	348,875	346,800	354,196
	Accounts Receivable	64,195	25,411	28,142
	deferred charges	6,166	2,731	493
TOTAL ASSETS		491,744	451,512	439,887
	Equity			
	Retained Earnings	401,194	338,219	255,202
	Net Income	43,122	62,975	83,018
		444,316	401,194	338,219
	Current liabilities			
	Charges payable	39,243	49,880	96,423
	deferred income	8,186	438	5,245
TOTAL LIABILITIES		491,744	451,512	439,887



7. FINANCIAL STATEMENTS 2018



ECGI Profit & Loss Account

	2018	2017	2016
	Audited	Audited	Audited
	Euro	Euro	Euro
Income/Expense			
Income			
Subscriptions income	117,388	78,885	88,744
ECGRF Contribution	100,000	120,000	120,000
Project Income and Reimbursements	36,109	68,091	30,944 ¹
GCGC Income - adjustment 2016	0	3,771	
Sponsorship	0	0	5,000
Bank interest/exchange rate loss/gain	40	37	92
Total Income	253,537	270,784	244,780
Expenditure			
Administration			
Accounting & Fin. charges	-11,019	-20,025	-13,643
Administration Charge	-60,157	-64,871	-60,567
IT & Online Services	-4,786	-7,095	-4,663
Office Rental	-5,500	-5,500	-5,500
Office expenses	-4,834	-1,239	-5,956
Travel and representation	-10,719	-10,432	-12,005
AGM	-7,971	-4,540	-7,297
Miscellaneous	-2,347	-799	-1,800
Total Admin	-107,332	-114,502	-111,430
Research			
Annual Lecture & Prizes	-15,998	-9,397	-13,516
Conferences & Workshops	-7,209	-28,948	-5,822
Research & Academic Staff	-16,000	-7,986	-7,260
Research Communication	-16,806	-2,560	-5,561
Working papers	-20,366	-16,740	-15,656
Project Expenditure	0	-5,000	0
New Online Research Portal	-26,703	-22,676	-2,517 ²
Total Research	-103,083	-93,307	-50,332
Total Expenditure	-210,415	-207,809	-161,762
Net Total Income	43,122	62,975	83,018

¹ Project income includes income from GCGC only (in 2017 this included other project income)

² To date EUR 118,497 (including VAT) has been spent (staggered) on the new website development (excluding maintenance). The reported 2018 figure (EUR 26,703) refers to the depreciation expense.

The 2018 cash expenditure on the new website was EUR 19,639 (including VAT)

The cash effect of the website payments in 2018 would result in a net cash profit of EUR 50,186 for the financial year

The 2018 audit was conducted by Ghislain Dochen, Réviseur d'entreprises, whose offices are located in Belgium, Boulevard du Centenaire, 93, 1325 Dion-le-Val (Chaumont-Gistoux). A copy of the Audit Letter is available on request at admin@ecgi.org

8. MEMBERSHIP

The European Corporate Governance Institute is the home for all those who have an active interest and involvement in corporate governance. At the core of ECGI are the research members who are appointed on the basis of their significant contribution to the field of corporate governance study and are selected on the basis of strict criteria by a designated committee. ECGI distributes the work of the research members through its extensive global network which comprises of practitioner, academic and institutional members.

ACADEMIC MEMBERSHIP

Open to individuals either employed by or engaged in full or part time study in any accredited university or educational institution. Academic members are eligible for election as an academic representative on the ECGI Board. The academic membership subscription is currently EUR 100 per annum.

INSTITUTIONAL MEMBERSHIP

Open to companies, institutions and enterprises such as stock exchanges, regulators, investors, companies, rating agencies, stock price index producers and law firms, whether based in Europe or elsewhere. The institutional membership subscription is currently EUR 2,500 per annum.

ACADEMIC INSTITUTIONAL MEMBERSHIP

Open to universities, business schools, or other academic bodies whether based in Europe or elsewhere. The institutional membership subscription is currently EUR 2,000 per annum.

PRACTITIONER MEMBERSHIP

Open to private individuals or those in companies, institutions and enterprises who wish to join in their own right. Practitioner members are eligible for election as a non-academic representative on the ECGI Board. The practitioner membership subscription is currently EUR 250 per annum.

PATRON MEMBERSHIP

Patron Members are legal entities or individuals interested in corporate governance and are Patrons of the European Corporate Governance Research Foundations (ECGRF). They are appointed in agreement with the boards of ECGI and ECGRF.

RESEARCH MEMBERSHIP

Research Members are individuals who have been appointed by ECGI. These include ECGI Fellows. Membership, which is for the duration of their appointment, is free.

ECGI is not responsible for, nor does it screen or certify the corporate governance policies or practices of its members. Membership of ECGI therefore should not be regarded or used as a sign or certification of corporate governance quality. However ECGI research members are appointed following appraisal by committee.

Prices exclude VAT (21%). Anyone who wishes to apply for membership of the Institute can do so on the ECGI website.

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