The Control of Corporate Europe

Marco Becht and Colin Mayer

Université Libre de Bruxelles & ECGI and Saïd Business School, University of Oxford & ECGI

based on research by the

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Project Contributors

Jonas Agnblad, Erik Berglöf, Marcello Bianchi, Magda Bianco, Laurence Bloch, Ekkehart Böhmer, Ariane Chapelle, Rafel Crespí-Cladera, Abe de Jong, Luca Enriques, Miguel Angel García-Cestona, Marc Goergen, Klaus Gugler, Peter Högfeldt, Rezaul Kabir, Susanne Kalss, Elizabeth Kremp, Teye Marra, Luc Renneboog, Ailsa Röell, Alex Stomper, Helena Svancar, Josef Zechner.

Project Sponsors

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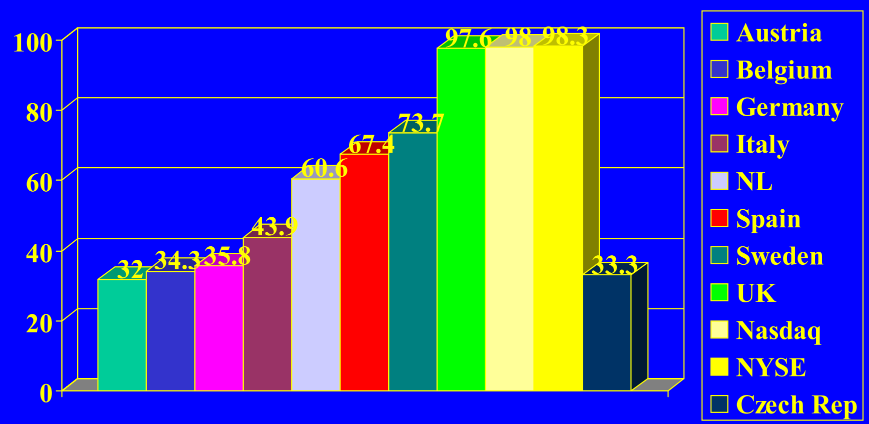
Main Results

1. Block holders dominate corporate governance in continental Europe;
2. Voting power can be leveraged over cash flow rights;
3. The U.K. is an exception: There are hardly any dominant block holders and no anti-takeover devices, but often the potential for influential shareholder coalitions;
4. In the absence of block holders control is typically exercised by boards that are well protected by anti-takeover devices; this is true in continental Europe and the United States.

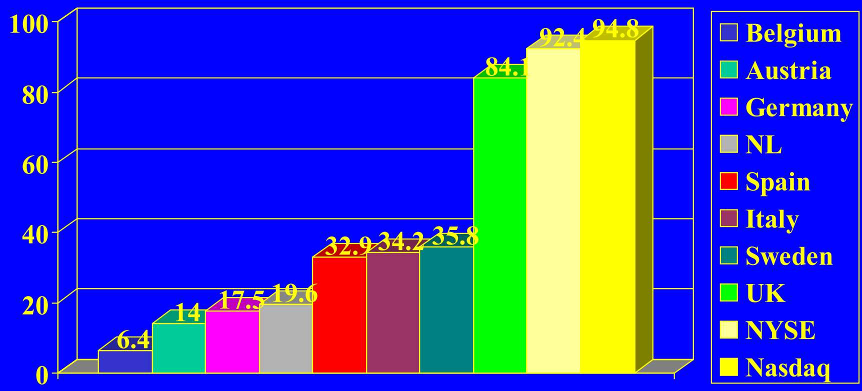
Blockholders Dominate Corporate Governance in Continental Europe

Percentage of listed companies not under majority control



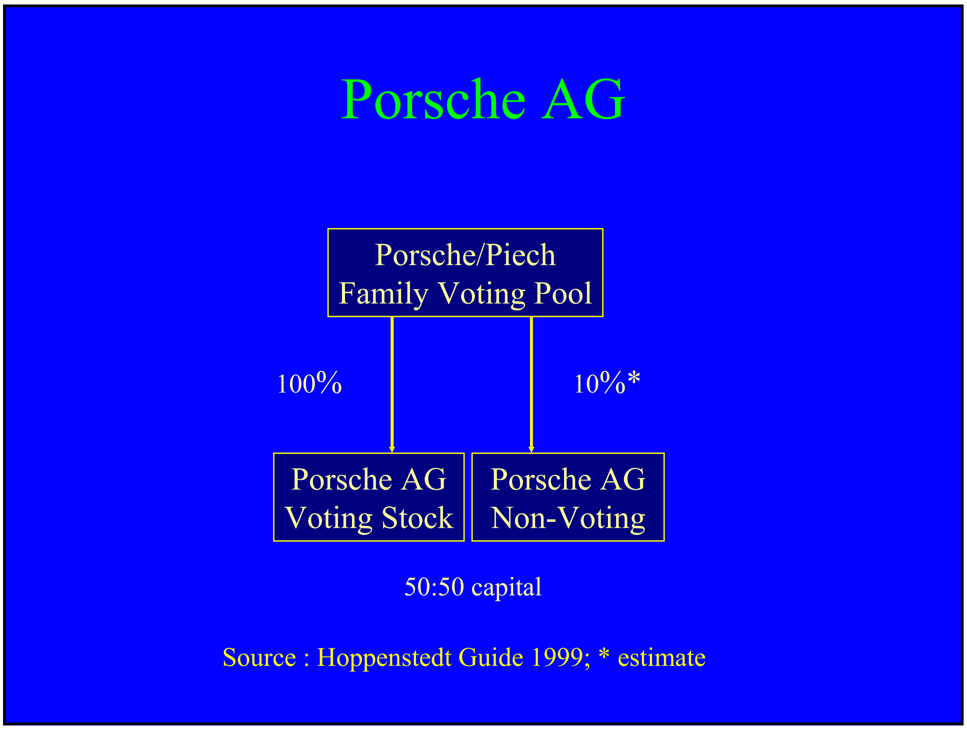
Source : country chapters in Barca and Becht (2001)

Percentage of listed companies with no blocking minority of at least 25%



Source : country chapters in Barca and Becht (2001)

Voting power can be leveraged over cash flow rights


Porsche AG
Porsche/Piech
Family Voting Pool
100%
10%*
Porsche AG
Voting Stock
Porsche AG
Non-Voting
50:50 capital
Source : Hoppenstedt Guide 1999; * estimate


ING Groep N.V.
Certificate Holders
100% capital
0% votes
ING Administratie
Kantoor
100% capital
100% votes
ING
Source : Form 20-F

The U.K. is Different

BP plc

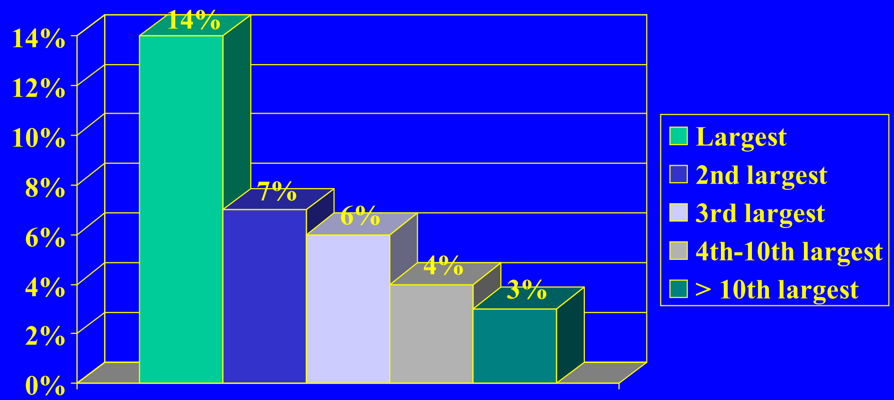
(Global FT500 #15)

- no 5%+ block holders
  - 365,905 registered shareholders
  - 168,899 ADR holders
  - at least one ADR with 536,000 holders
- no anti-takeover devices
- compliance with the Combined Code
- S&P corporate governance score : 9.6/10

BP plc

Source : Annual Report 2000, S&P

Size of Voting Blocks in the UK (Means)



Source : Goergen and Renneboog in Barca and Becht (2001)

Widely held companies in the U.S. and continental Europe are well protected against (hostile) takeovers

Texaco Inc.

(Global FT500 #162)

- no 5%+ block holder
- 1/3 staggered board with 3 year terms
- blank check preferred stock
- poison pill shareholder rights plan
  - pill approved by shareholders
  - vote (1998) : 65.1% for, 34.1% against
- 11/12 directors independent

Texaco Inc.

Source : Proxy Statement for meeting April 26, 2000; IRRC 2000

Total Fina Elf S.A.

(Global FT500 #108)

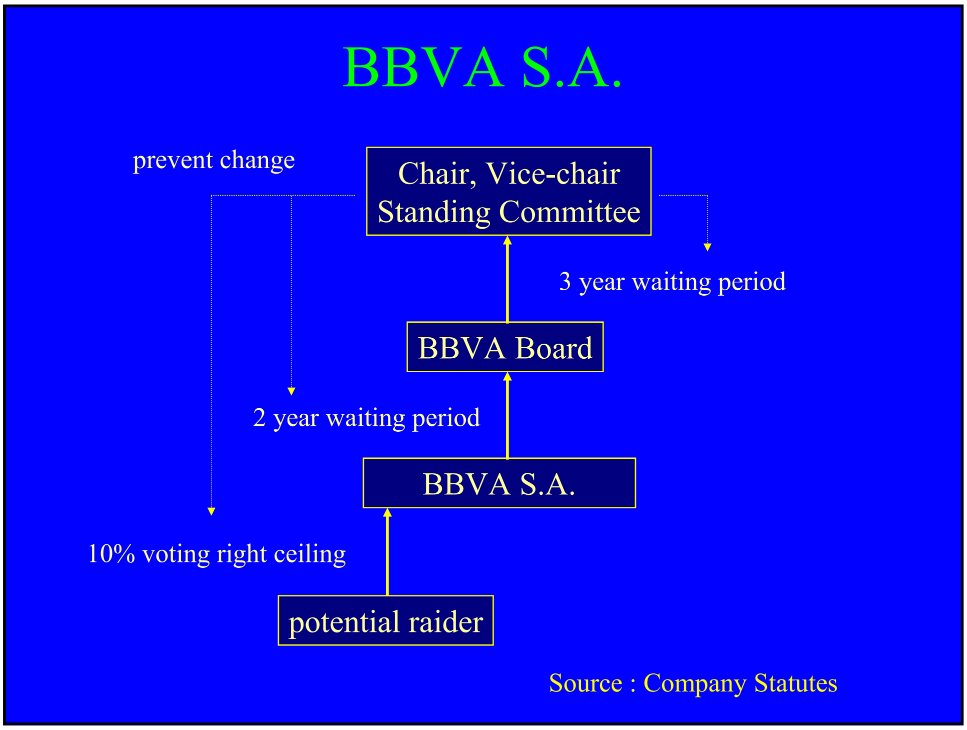
- double voting rights after two years
- voting right restriction of 10% (20%)
- restriction lifted in a full tender offer
- formal approval of French state for M&A required

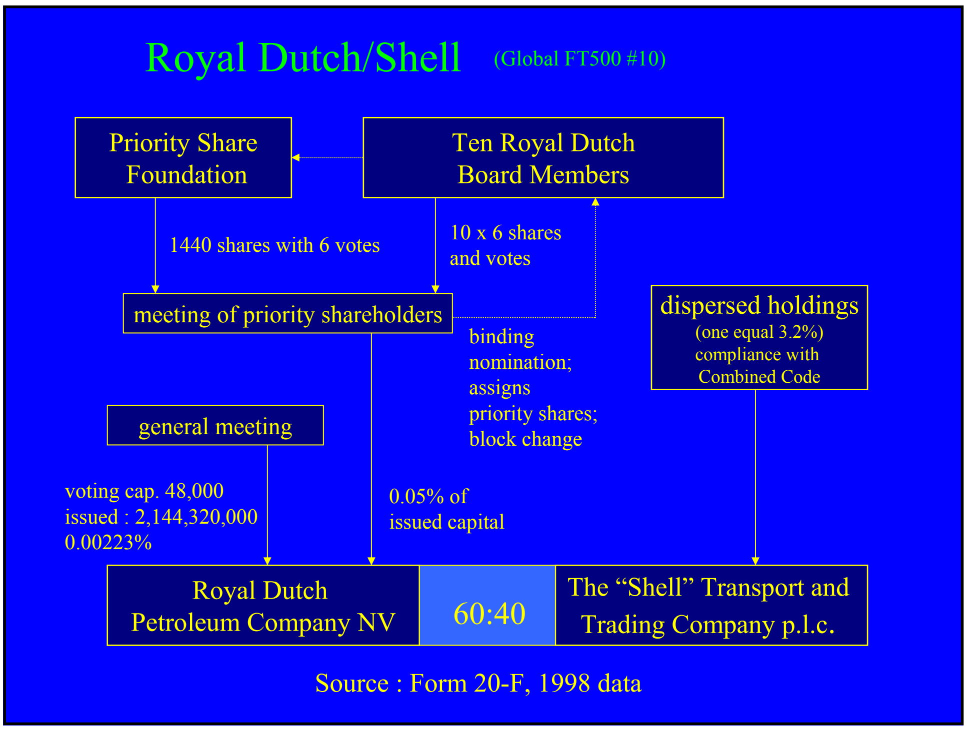
Frère-Desmarais Group

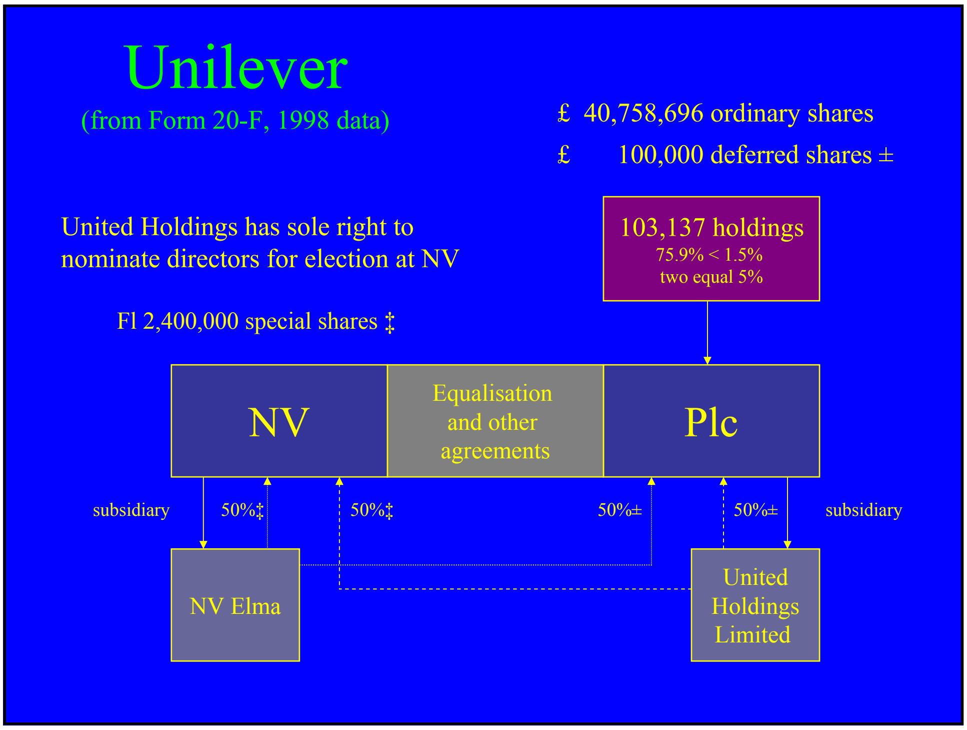
4.1 % capital | 6.9 % votes

Total Fina Elf S.A.

Source : Form 20-F for year ending 31 December 2000


BBVA S.A.
prevent change
Chair, Vice-chair
Standing Committee
3 year waiting period
BBVA Board
2 year waiting period
BBVA S.A.
10% voting right ceiling
potential raider
Source : Company Statutes


Royal Dutch/Shell
(Global FT500 #10)
Priority Share
Foundation
Ten Royal Dutch
Board Members
1440 shares with 6 votes
10 x 6 shares
and votes
meeting of priority shareholders
binding
nomination;
assigns
priority shares;
block change
dispersed holdings
(one equal 3.2%)
compliance with
Combined Code
general meeting
voting cap. 48,000
issued : 2,144,320,000
0.00223%
0.05% of
issued capital
Royal Dutch
Petroleum Company NV
60:40
The “Shell” Transport and
Trading Company p.l.c.
Source : Form 20-F, 1998 data



Some Questions Raised by the Results

- Is it possible to have shareholder oversight without block holders?
- Do block holders exert too much control?
- Should we impose “one-share-one-vote”?
- Should we prevent majority shareholders from appointing the majority of board members, like in the U.K.?
- Are anti-takeover defences harmful or, when used liked in the U.S., beneficial?

Do Large Shareholder Make for Good Corporate Governance?