



The European Corporate Governance Institute and the University of Luxembourg sign an agreement to establish a
New European Corporate Governance Research Foundation

This joint press release is issued by the University of Luxembourg and the ECGI. It is embargoed and not for release before 11.00 CEST Thursday, 18 June 2009. Convenience translations into French and German are available.

Luxembourg, 18th June 2009 – The European Corporate Governance Institute (ECGI) and the University of Luxembourg today signed an agreement towards the establishment of a new entity, the European Corporate Governance Research Foundation (ECGRF), in Luxembourg. The announcement of the agreement is made at a conference on “Corporate Governance in Crisis?”, which assembles a distinguished group of researchers under the High Patronage of European Commission President, José Manuel Barroso. The event is held a week after G8 Finance Ministers made corporate governance the first of five categories in the Lecce Framework.

The new Foundation will allow the ECGI to meet the need for an independent, multi-national organisation that promotes relevant world-class research on corporate governance to guide policy makers and practitioners. It will receive endowments from outside contributors. The ultimate fund-raising goal is €12.6 million to be reached over two years.

Since its foundation in 2002, the ECGI has established itself as the largest and most prestigious group of academics working in the field of corporate governance in the world. It has as its research members the most prominent researchers in economics, finance and law in both Europe and North America. It has a growing base of individual and corporate practitioners with a shared interest in corporate governance. It has organised high profile conferences that have been at the forefront of academic debate and at the top of the policy agenda. It has exposed leading practitioners and policymakers in Europe and across the Atlantic to the latest facts, academic thinking and analysis; and it has demonstrated that it has the managerial capabilities to organise activities and events of the highest quality and to the highest standards.

Over this period, the ECGI's activities have been funded by membership subscriptions and by fees for research and training projects commissioned by third parties. Having laid the basis for the establishment of an institution of unsurpassed academic excellence and policy relevance, the ECGI Board, supported by its members, has been involved in detailed discussions with



the University of Luxembourg with a view to establish a strategic partnership and to create a Research Foundation with sufficient additional resources to establish a physical as well as an intellectual presence and pursue a research agenda that will further guide policy over the current century.

To this end, corporate governance will continue to be interpreted broadly so as to fit in all areas of modern corporate finance, corporate law and institutional economics. This concerns the governance of corporations of all kinds, listed or not listed, including industrial companies, holding companies, banks, insurance companies, stock exchanges, co-operatives, not for profit organisations, foundations and investment funds. The research agenda addresses topics such as ownership and control, shareholder activism, family firms, private equity, sovereign wealth funds, the role of debt holders, the involvement of employees, the role of gatekeepers like rating agencies, law firms, investment banks, accountants and auditors. In short ECGRF will help ECGI championing cutting-edge research on topical problems, such as the role of corporate governance in preventing banking crises.

ECGI's activities are complementary to those of the University of Luxembourg's dynamic Faculty of Law, Economics and Finance that stands to benefit from ECGI's scientific potential, international reach and privileged contacts. While housing and materially supporting ECGI, the University has fully recognised that ECGI's intellectual and organic independence must be entirely preserved and governance provisions have been foreseen to ensure this.

When the minimum endowment threshold (€6.6 million) is reached, the ECGI will, subject to the approval of its members, move its seat to Luxembourg and be transformed from a Belgian into a Luxembourg not-for-profit association. The ECGI will then found the ECGRF, a foundation under Luxembourg statute.

ECGI will remain scientifically and organically independent. Its international Board of Directors will continue to be elected by its membership and ultimate control of the Board will continue to lie with its academic component. The Chairman will continue to be a non-academic. The Board of Trustees of the Foundation will have the same basic features as ECGI while the Chair and two other seats, one academic and one non-academic, will be reserved for Luxembourg designees.

The combined resources of the ECGI and the ECGRF will make possible an even more effective contribution from Europe to the challenges that face the corporate world, regulators and policy makers.



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Regarding the agreement:

Professor Rolf Tarrach, Rector of the University of Luxembourg, said “Luxembourg, a country that is seeking to develop itself as a centre for foundations, is ideally placed to host ECGRF and ECGI. Luxembourg is an original Founding Member of the European Union and has played a major role in moving European integration. It is a small country that attaches great importance to the effectiveness and reputation of its institutions. Luxembourg has a significant international presence and is firmly committed to openness and international trade. Luxembourg is the hub of the European investment fund market. The continued success of the fund industry crucially depends on the quality of fund governance and regulation. Luxembourg has a natural interest in hosting a prestigious institution that will organise events there bringing together academics, policy-makers and economic actors and projecting the European experience and best practice from there into the world.”

Professor André Prüm, Dean of the Faculty of Law, Economics and Finance of the University of Luxembourg said: "ECGI has proved to be the leading research network on all issues related to modern corporate governance, reaching well beyond Europe's borders. Haven to numerous prestigious foundations, Luxembourg is the ideal location for ECGRF. The Faculty of Law, Economics and Finance of its University will offer ECGI a unique base for the development of its scientific activities and create opportunities for mutually beneficial synergies."

Antonio Borges, the ECGI Chairman, said “The ECGRF and ECGI working in tandem will bring European corporate governance topics, insights and concepts to the international debate. This is especially relevant in the current economic and business climate where issues of corporate governance have assumed a higher importance in the political policy agenda. We are fortunate to find in the University of Luxembourg a strategic partner with the initiative, expertise and resources to make our vision become reality.”

Colin Mayer, Chairman of the ECGI Research Committee and Peter Moores Dean of the Said Business School, University of Oxford said “The creation of a permanent European endowment is very important for research on corporate governance. It will provide the resources to undertake significant research projects and initiatives on corporate governance. Never has the need for knowledge in this area been greater and therefore this agreement comes at a very opportune moment. Not only will it promote research by members of ECGI but it will also strengthen the relation between ECGI and leading business schools and universities in Europe and elsewhere. We look forward to this partnership providing the basis for developing important research initiatives with academic institutions around the world.”



Regarding the new Foundation and its vision for the future:

José Manuel Barroso, President of the European Commission, said: "Corporate Governance is an area where the European Commission will continue to invest considerable effort, in order to develop a European approach that will be constructive, demanding and reassuring. Our work will benefit from the intellectual contribution of European and worldwide researchers, who devote their best efforts to provide a solid foundation for our policy proposals. The European Commission has already used substantial input from researchers at the European Corporate Governance Institute, and hopes to continue to count in the future on similarly valuable collaborative work."

Luc Frieden, Luxembourg Minister of Justice, said: "Luxembourg welcomes the decision of the European Corporate Governance Institute to establish a strategic partnership with the University of Luxembourg in order to create in Luxembourg the European Corporate Governance Research Foundation. It is an honour for us to host such a large and prestigious group of academics working in the field of corporate governance. This alliance will undoubtedly strengthen the European Corporate Governance Institute's capacity to provide leading practitioners and policymakers in Europe with academic research excellence, and will further diversify Luxembourg's position as a leading European host country for law and finance."

Philippe Maystadt, President of the European Investment Bank, said: "ECGI is a credible and useful institution which has established strong credentials in the European Union and beyond. Therefore its move to Luxembourg and the launch of a partnership with the University of Luxembourg can only have a positive impact on the other institutions established in Luxembourg and more broadly on the financial place."

Peter Montagnon, Chairman of the International Corporate Governance Network (ICGN) and Director of Investment Affairs at the Association of British Insurers (ABI), said: "Corporate governance is very important to our collective prosperity. We need to understand better what works best. The ECGI with its rigorous academic approach plays an invaluable role in developing that understanding."

Klaus-Peter Müller, President of the German Corporate Governance Code Commission and Chairman of the Supervisory Board of Commerzbank, said: "There has never been a greater need for the independent study of corporate governance and evidence based policy making. The ECGI is in a unique position to address this challenge."

Peter D. Sutherland KCMG, Chairman of BP, said: "BP sponsored the launch of ECGI in 2002 and we are extremely pleased with the Institute's accomplishments, in particular the creation of the Transatlantic Corporate Governance Dialogue. The European project offers many useful lessons for the integration of the global economy and scholarly research plays a crucial role in sharing this knowledge. ECGI's present plans should be endorsed by the whole community."



Jacob Wallenberg, Chairman of Investor AB, Sweden, said: "Corporate governance is vital to the effective running of business. Through its extensive international network of scholars and members the ECgi covers every governance model and tradition. It provides a forum for independent and fair debate between interested parties with different backgrounds and approaches. The new Research Foundation will make ECgi even more effective."

Eddy Wymeersch, Chairman of the Committee of European Securities Regulators (CESR) and Professor Emeritus of Corporate Law, Ghent University, Belgium, said: "ECgi is the forum of choice for interdisciplinary co-operation between lawyers, economists and finance scholars from Europe and America dealing with corporate governance. The independent work its research members produce and its freely accessible services, such as its online corporate governance codes collection, are highly valuable for policy makers, regulators, corporations, investors and scholars. ECgi's plan to raise an endowment will enable it to expand and perpetuate its contribution to the public good."



Background information: About the Lecce Framework

In Lecce, Italy on 13 June 2009, the G8 Finance Ministers agreed on common principles and standards for propriety, integrity and transparency ("The Lecce Framework"). The statement concludes :

"We are in the middle of the worst crisis since the Great Depression. The breadth and intensity of the prolonged downturn have revealed the importance of strengthening our commitment to standards of propriety, integrity and transparency. Excessive risk taking and the violation of these basic principles contributed to undermine international economic and financial stability. This occurred both in areas that relied on self regulation and market discipline and in fields with formal rules and oversight, revealing flaws in the functioning of markets.

For the market economy to generate sustained prosperity, fundamental norms of propriety, integrity and transparency in economic interactions must be respected. The magnitude and reach of the crisis has demonstrated the need for urgent action in this regard. Reform efforts must address these flaws in international economic and financial systems with resolve. This will require promoting appropriate levels of transparency, strengthening regulatory and supervisory systems, better protecting investors, and strengthening business ethics.

Today, we, the G8 Finance Ministers, discussed the need for a set of common principles and standards for propriety, integrity and transparency regarding the conduct of international business and finance. We have agreed on the objectives of a strategy, "the Lecce Framework", to create a comprehensive framework, building on existing initiatives, to identify and fill regulatory gaps and foster the broad international consensus needed for rapid implementation.

The Lecce Framework recognizes that there is a wide range of instruments, both existing and under development, which have a *common thread related to propriety, integrity and transparency and classifies them into five categories: corporate governance, market integrity, financial regulation and supervision, tax cooperation, and transparency of macroeconomic policy and data*. Specific issues covered include, inter alia, executive compensation, regulation of systemically important institutions, credit rating agencies, accounting standards, the cross-border exchange of information, bribery, tax havens, non-cooperative jurisdictions, money laundering and the financing of terrorism, and the quality and dissemination of economic and financial data. International institutions and fora have already developed a significant body of work addressing a number of important issues in these areas, but, in many cases, the initiatives suffer from insufficient country participation and/or commitment.

Today, we agreed to create a coherent framework which builds on work done by the IMF, World Bank, OECD, FSB, FATF, and other international organizations, to strengthen the global market system. To ensure effectiveness, we will make every effort to pursue maximum country participation and swift and resolute implementation. We are committed to working with our international partners to make progress with the Lecce Framework, with a view to reaching out to broader fora, including the G20 and beyond."

(emphasis added)



Background information : About the ECGI

The ECGI is an international scientific non-profit association that provides a forum for debate and dialogue between academics, legislators and practitioners. Founded in 2002, the Institute's primary role is to undertake, commission and disseminate research on corporate governance.

Since 2002, membership has grown steadily to its current level of 583, comprising 115 Research Members (Fellows and Research Associates who are the most prominent corporate governance researchers in economics, finance and law in both Europe and North America.), 207 Academic Members, 194 Ordinary Members and 67 Institutional, or corporate, Members.

To encourage the undertaking and dissemination of research, the ECGI has established two working paper series in law and finance. It produces a regular research newsletter focusing on a topical corporate governance issue and drawing on published papers in the two working paper series. Each year, it awards prizes to the best working papers and organises a clinical paper competition in conjunction with a leading economic journal. It maintains the premier online collection of full text corporate governance codes.

Since 2004, the ECGI has organised an annual conference called the Transatlantic Corporate Governance Dialogue. Sponsored by the European Commission and the Securities and Exchange Commission, these events are held alternately in the United States and Europe. They aim to foster better understanding and convergence in public policy relating to corporate governance between the EU and the USA.

Other highlights of the ECGI's first seven years have been the training of early stage researchers through the establishment of a European Corporate Governance Training Network funded by the European Commission under the Marie Curie Research Actions; the organisation of conferences and seminars in conjunction with various EU Presidencies, universities and financial institutions; and participation in major European research projects such as BRITE which sought to enhance the interoperability of Business Registers across the EU, and One-Share-One-Vote, which studied the merits and demerits of Control Enhancing Mechanisms in Europe and other selected countries.

Website: www.ecgi.org



Background information: About the University of Luxembourg and its Faculty of Law, Economics and Finance

The University of Luxembourg was founded in 2003 as the first and only university of the Grand-Duchy of Luxembourg. It strives to be **multilingual, international** and is **strongly focused on research**. It is located close to European institutions, international companies and the financial centre of Luxembourg.

The University has three faculties – the Faculty of Science, Technology and Communication, the Faculty of Law, Economics and Finance and the Faculty of Language and Literature, Humanities, Arts and Education. Students number 4500 in total (Bachelor: 2719, Master: 557, PhD: 250, other: 991) of which 50 percent are foreign, originating from 87 countries. The academic staff consists of 167 professors and associate professors, supported by 567 professional experts. Research focuses on seven priorities: security and reliability of information technology, material science, life sciences, European and business law, finance, educational science, Luxembourg studies.

The Faculty of Law, Economics and Finance (FDEF) has close links to Luxembourg's international financial center, its innovative industry and the European Court of Justice. The FDEF has an internationally diverse faculty with currently thirty full and associate professors from all over Europe.

The faculty offers three Bachelor study programmes in law, economics and applied management as well five Masters in European Law, Entrepreneurship and Innovation, Financial Economics or Banking and Finance. Programmes are either bilingual (French/English), or taught completely in English. The FDEF currently has around 1600 students from Luxembourg and abroad. The department of law within the FDEF focuses on two main research areas: European Law and International Business Law. The FDEF also frequently assists the Luxembourg government in modernising the national legislation especially in the areas of banking and finance.

Research at the Luxembourg School of Finance, that embodies the financial department of FDEF, concentrates on more traditional areas such as risk management or behavioural finance, but also topics of importance for the financial centre of Luxembourg such as fund management or financial stability.

The economics department directs its research at regional economics, macro-economics and industrial economics. Strategic management and international business relations are the focus of the Luxembourg Business Academy, a joint venture with the Luxembourg Chamber of Commerce. The close contacts between FDEF's departments fosters the creation of interdisciplinary expert teams that cover all areas of research.

FDEF's environment and working methods match the activities of the European Corporate Governance Institute perfectly and hold great promise for cooperation and new synergies.

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