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Foreword

Our Annual Report for 2016 details the research we published and the main events of the year, with such highlights as the Global Corporate Governance Colloquium in Stockholm, the launch of the European Corporate Governance Research foundation in Brussels, and the Annual Members’ meeting in London.

One significant achievement during the year is that the ECGI Board produced a Development Plan for ECGI, which was presented at our AGM at IMD, Lausanne in April 2017 and shortly afterwards disseminated to all our members.

The Development Plan is forward looking, realistic and in line with the spirit of ECGI as the home for all those with an interest in corporate governance. Feedback is invited on the Development Plan which will be further developed. It centres around three distinct themes:

The research agenda of ECGI
The form of engagement that ECGI should be having
Public dissemination of ECGI Research

In relation to Research, there are two areas of primary focus:

Cross-Institutional research whereby ECGI plays a facilitating role, helping people to coordinate across institutions, in particular helping ECGI Research Members to collaborate with each other. This is a bottom-up approach, promoted by individual researchers.

The second focus is concentrating on top-down policy issues, which might be subjects of research, where in particular there may be an international dimension to those topics. This is similar to previous studies undertaken by ECGI on subjects such as dual class shares and one share one vote.

In relation to the new focus of Engagement, there are two groups of parties that ECGI would like to have particular engagement with, first of all, with practitioners and more specifically with Patron and Institutional members of ECGI, thereby providing them with a direct benefit of membership. This is important for the long-term sustainability of the organisation.

In line with the development plan, events and roundtables where topics of particular interest can be addressed, are encouraged. This will enable ECGI research members and practitioner partners to debate and discuss issues of relevance and importance.

Under the focus of engagement, and without taking any official position, ECGI will continue to initiate policy dialogues with policymakers using similar small group formats, centred on particular policy issues. ECGI does not lobby for any particular matter, but rather serves to inform the debate around the issues and enrich the dialogue that ensues. When facilitating these conversations across geographic borders and research disciplines, ECGI acts as a bridge within wider Europe and in relation to other continents keeping an eye on the wider perspectives.

The third aspect of the plan is dissemination. ECGI is in a unique position for putting out research into the public domain. With the development of the new website, there are many new opportunities for novel ways of putting this material into the public domain and putting more engaged communication amongst its diverse group of members.

We look forward to taking this plan forward in the coming years with the involvement of our many partners.
On different note, in 2016, we were sorry to have the retirement from the board of Leo Goldschmidt, who has been such a pillar for the cause of corporate governance generally and has specifically as a founder of ECGI always been both inspirational and practical. While we will miss his regular contributions, we are fortunate that he has kindly agreed to continue to advise us.

More recently, we are delighted that Honorary Professor Guy Jubb has agreed to join the board and we look forward to his participation, drawing on his long experience of corporate governance in practice as the representative of a leading institutional investor.

We are proud of our Patron Members, Investor AB and BP plc, who are affiliated through the European Corporate Governance Research Foundation. They continue to give us vital and most generous support, for which we are most grateful, and without which our Development Plan would remain words on a page.

We continue to have high aspirations for ECGI in this time of fast-paced political, social and technological change, while acknowledging that our ambitions are only constrained by limited resources. Nonetheless, we can achieve much of academic and practical value even with limited resources.

We thus hope, as we move forward, to make a strong case for further support of ECGI both from our existing membership and from new Patron and Institutional partners.

We look forward to the next couple of years with your continued support.

David Devlin
ECGI Chairman
“Academic research gives a deeper meaning to the question, a deeper analysis, a deeper understanding, and it allows for a debate around the issues. This is key when it comes to corporate governance; that we continually develop the thoughts and the processes”

Jacob Wallenberg, Chairman, Investor AB
EVENTS IN 2016

Global Corporate Governance Colloquia
European Corporate Governance Research Foundation
ECGI Annual Lecture
ECGI Collaborations
The GCGC conference series, which facilitates this best-in-class discussion forum, is an initiative supported by twelve universities (Harvard, Oxford, Tokyo, Singapore, Frankfurt, Swedish House of Finance, London Business School, Columbia, Yale, Peking, Seoul, Stanford) together with a select group of corporate and other entities (Zurich AG, the European Investment Bank, Japan Exchange Group). The inaugural conference for the series took place in Stanford University in 2015.

In 2016, the event was hosted by Swedish House of Finance in Stockholm and organised by ECGI. It was attended by more than 70 senior academics from a range of disciplines including Finance, Law, and Management with the aim of sharing corporate governance knowledge on topics such as Executive Remuneration, Shareholder Value, Bankruptcy, Majority Voting, Debt Markets and many more. 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. Taking part in a panel discussion on the ‘Corporate Governance of Infrastructure’ were Dr. Rajiv B. Lall, Founder, MD and CEO of Infrastructure Development Finance Company (IDFC) Bank, India, and also Mr. Gordon Bajnai, former Prime Minister of Hungary, now Group Chief Operating Officer of Meridiam.

On the second day panel on ‘The Governance of Business Groups’ were Ms. Petra Hedengran, General Counsel and Managing Director, Investor AB, Ms. Claudia Biedermann, Attorney at Law, Zurich Insurance Group AG, and Ms. Daniela Weber-Rey, Attorney at Law, Deutsche Bank AG.

Material from the event, including papers, slides and videos, are available on www.gcgc.global
European Corporate Governance research Foundation (ECGRF) Launch

International business leaders and academics gathered in Brussels on 31 May 2016 to launch the European Corporate Governance Research Foundation (ECGRF), which was established to promote philanthropic support for corporate governance research projects.

The event, organised by ECGI at the Royal Academies of Belgium, was attended by more than 150 senior professionals from a spectrum of industries. Most notable among the distinguished participants were Jacob Wallenberg, Chairman of Investor AB, Carl-Henric Svanberg, Chairman of BP plc and Volvo AB, and Jean-Pierre Clamadieu, CEO of Solvay SA who participated in a panel discussion on current corporate governance issues.

The keynote lecture was delivered by Nobel Laureate Bengt Holmström, the Paul A. Samuelson Professor of Economics at the Massachusetts Institute of Technology (MIT) and ECGI Fellow, who discussed the challenges of corporate transparency including the escalating levels of executive pay caused by enhanced disclosure and benchmarking. The full lecture and subsequent discussion were published on both the ECGI (www.ecgi.global) and the ECGRF websites (www.ecgrf.org).

The launch of the ECGRF is reflective of the growing momentum behind responsible corporate governance internationally and shows the importance of independent scientific research in further understanding this field. The European Commission also expressed strong support for this project and for the need for research in this area. The event was attended by Paweł Świeboda, Deputy Head, European Political Strategy Centre, European Commission, delivering an address which emphasised the importance and centrality of corporate governance across many key European issues with a shift in focus from macro issues to micro dynamics.

Speaking at the event, Jacob Wallenberg, Chairman of Investor AB said, “Investor has been an active and long-term owner of high quality companies for over 100 years. … We support the ECGRF in the work that it does to continually innovate and drive the future of corporate governance thinking”.

The new foundation (ECGRF) will seek to develop the links between academic research and the corporate world by supporting projects that will create engagement between the two groups across geographic and industry boundaries. One is the creation of a new corporate governance research portal that will lead to greater dissemination of leading research with global impact. A full list of current projects is available on the ECGRF website and is expected to increase as support for the foundation continues.
ECGI held its Annual Members’ Meeting in London on 21-22 April 2016. The event brought together academics and practitioners in the field of corporate governance.

At the members’ dinner, which took place at the British Academy, Peter Montagnon, Associate Director at the Institute of Business Ethics, provided the after-dinner speech. A transcript of this speech is available on request.

The annual lecture, attended by ECGI members together with interested members of the public, was delivered by Professor Francesca Cornelli, Professor of Finance and Director of Private Equity, London Business School. Entitled “Are CEO’s Fired for Bad Luck?”, the lecture debated the accountability of senior corporate management and whether they always deserve the consequences of unfortunate events that may lead to their demise.

ECGI also awarded two research prizes for the best papers in the Finance and Law Working Paper Series’ from the previous year.

The Finance Series prize of €5,000, sponsored by Standard Life Investments, the global asset manager, was awarded to Professor Karl Lins (University of Utah), Professor Henri Servaes (London Business School), and Professor Ane Tamayo (London School of Economics) for their paper on “Social Capital, Trust, and Firm Performance: The Value of Corporate Social Responsibility during the Financial Crisis”.

The paper examines the link between a firm’s social capital, as measured by its Corporate Social Responsibility (CSR) activities and performance during the financial crisis. It suggests that the trust between the firm and its stakeholders and investors, built through investments in social capital, pays off when the overall level of trust in corporations and markets suffers a negative shock.

The Law Series prize of €5,000, sponsored by Allen & Overy LLP, the international law firm, was awarded to Professor Holger Spamann (Harvard University) for his paper on “Monetary Liability for Breach of the Duty of Care?”.

This paper clarifies why optimal corporate governance generally excludes monetary liability for breach of directors’ and managers’ fiduciary duty of care, while also highlighting the potential for an optimal combination of standard performance pay and tailored partial liability.
ECGI Asia Corporate Governance Dialogue 2016

This conference series was established in 2011 by ECGI and the University of Tokyo in order to engage academics and practitioners in a constructive dialogue between Europe and Asia on issues of concern in the field of corporate governance.

The 2016 ECGI Asia Conference took place on 8 July 2016 in Tokyo, Japan and focused on the theme of “Corporate Governance and the Public Interest”. The event was organised by the University of Tokyo and ECGI, and supported by the Financial Research Center of the Japanese Financial Services Agency. It was hosted by the EU Delegation to Japan and opened by Jonathan Hatwell, Minister/ Deputy Head of Delegation of the European Union to Japan, and Tomoyuki Furusawa, Deputy Director-General, Financial Services Agency, Japan.

The material from this event, is available on the ECGI website www.ecgi.global.

Other affiliated events in 2016

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

First Annual Cass Mergers and Acquisitions Research Centre Conference
22 August 2016
Cass Business School, City University London

The conference included original theoretical and empirical papers covering issues related to mergers and acquisitions (M&A), including deal structure from financing to integration, corporate governance in M&A, regulatory changes, domestic and cross border transactions, among others.

Conference on Finance & Labour
8-9 September 2016
“Mario Cacace” Multimedia Center, Via Giuseppe Orlandi, Anacapri, Italy

The event was organised by CSEF jointly with Einaudi Institute for Economics and Finance (EIEF) and the Stanford Institute for Theoretical Economics at Stanford University (SITE). The conference brought together researchers from financial and labour economics to discuss issues from the point of view of both disciplines.
On 10 October 2016, two ECGI Fellows, Oliver Hart (Harvard University) and Bengt Holmström (Massachusetts Institute of Technology), were awarded the Nobel Prize “for their contributions to contract theory”. In announcing the award, the Nobel Prize Committee provided the following context:

Modern economies are held together by innumerable contracts. The new theoretical tools created by Hart and Holmström are valuable to the understanding of real-life contracts and institutions, as well as potential pitfalls in contract design.

This year’s laureates have developed contract theory, a comprehensive framework for analysing diverse issues in contractual design.

In the late 1970s, Bengt Holmström demonstrated how a principal (e.g. a company’s shareholders) should design an optimal contract for an agent and his informativeness principle stated precisely how this contract should link the agent’s pay to performance-relevant information. In later work, Holmström generalised these results.

In the mid-1980s, Oliver Hart made fundamental contributions to the theory that deals with incomplete contracts. Hart’s findings have shed new light on the ownership and control of businesses and have had a vast impact on several fields of economics, as well as political science and law.

Hart and Holmström’s analysis of optimal contractual arrangements lays an intellectual foundation for designing policies and institutions in many areas, from bankruptcy legislation to political constitutions.
OWNERSHIP
Does Institutional Ownership Matter for International Stock Return Comovement?  
José Faias, Católica Lisbon School of Business and Economics, Miguel Ferreira, Nova School of Business and Economics and ECGI  

The Corporate Finance Benefits of Short Horizon Investors  
Mariassunta Giannetti, Stockholm School of Economics and ECGI  
Xiaoyun Yu, Indiana University  

Are Foreign Investors Locusts? The Long-Term Effects of Foreign Institutional Ownership  
Jan Bena, University of British Columbia Miguel Ferreira, Nova School of Business and Economics and ECGI Pedro Matos, University of Virginia and ECGI Pedro Pires, Nova School of Business and Economics  

Weak Governance by Informed Large Shareholders  
Eitan Goldman, Indiana University and ECGI  
Wenyu Wang, Indiana University  

Institutional Investors and Corporate Political Activism  
Rui Albuquerque, Boston College, CEPR and ECGI  
Zicheng Lei, University of Surrey Jörg Rocholl, ESMT European School of Management and Technology  
Chendi Zhang, University of Warwick  

Blockholders: A Survey of Theory and Evidence  
Alex Edmans London Business School, CEPR and ECGI  
Chendi Zhang, University of Warwick  
Clifford Holderness Boston College  

Prof. Pedro Matos speaking at the Global Corporate Governance Colloquia (GCGC) conference in June 2016, Stockholm (left).
PUBLICATIONS

How Important are Risk-Taking Incentives in Executive Compensation?
Ingolf Dittmann, Erasmus University Rotterdam and ECGI Ko-Chia Yu, Shanghai University of Finance and Economics Dan Zhang, Norwegian Business School

Relative Performance, Banker Compensation, and Systemic Risk
Rui Albuquerque Boston College and ECGI Luis Cabral New York University Jose Correa Guedes Catholic University of Portugal

Measuring Compliance with Executive Remuneration Standards at Controlled Corporations
Roberto Barontini Sant’Anna School of Advanced Studies Stefano Bozzi Catholic University “Sacro Cuore” Guido Ferrarini University of Genoa and ECGI

Jun 2016 · 30 days
TWEET HIGHLIGHTS

Top Tweet earned 3,133 impressions
Jean Pierre Clamadieu discussing DualRoles Remuneration harmonisation & more at ECGRF launch conf. @SolvayGroup pic.twitter.com/kZcT55AZbr

Oct 2016 · 31 days
TWEET HIGHLIGHTS

Top Tweet earned 677 impressions
Are the “elite” traits of CEO's the reason why they are paid so well?
@UNSWbusiness @AaltoUniversity @BI_BizSchool #Sweden #corpgov twitter.com/ecgiwp/status/
TAKEOVERS, MERGERS & ACQUISITIONS
PUBLICATIONS

Creditor Rights, Claims Enforcement, and Bond Returns in Mergers and Acquisitions
Luc Renneboog, Tilburg University, CentER and ECGI Peter Szilagyi, Central European University and University of Cambridge Cara Vansteenkiste, Tilburg University

Defensive Tactics and Optimal Search: A Simulation Approach
Ronald Gilson, Columbia University, Stanford University and ECGI Alan Schwartz, Yale University

Price and Probability: Decomposing the Takeover Effects of Anti-Takeover Provisions
Vicente Cuñat, London School of Economics and Political Science and ECGI Mireia Giné, University of Pennsylvania and University of Navarra Maria Guadalupe, INSEAD

Shareholder Approval in Mergers & Acquisitions
Kai Li, University of British Columbia Tingting Liu, Creighton University Juan (Julie) Wu, University of Nebraska - Lincoln

Mergers and Acquisitions, Technological Change and Inequality
Wenting Ma, University of North Carolina, Chapel Hill Paige Ouimet, University of North Carolina, Chapel Hill Elena Simintzi, University of British Columbia

Will I Get Paid? Employee Stock Options and Mergers and Acquisitions
Ilona Babenko Arizona State University Fangfang Du Arizona State University Yuri Tserlukiech Arizona State University

The Biases of an “Unbiased” Optional Takeovers Regime: The Mandatory Bid Threshold as a Reverse Drawbridge
Johannes Fedderke, Pennsylvania State University Marco Ventoruzzo, Bocconi University and ECGI

The Transactional Scope of Takeover Law in Comparative Perspective
Paul Davies, University of Oxford and ECGI

The Rise and Fall of Delaware’s Takeover Standards
Steven Davidoff Solomon University of California, Berkeley Randall Thomas Vanderbilt University and ECGI

Why Have M&A Contracts Grown? Evidence from Twenty Years of Deals
John Coates, Harvard Law School and ECGI
DIVERSITY
PUBLICATIONS

Board Diversity and Firm Performance Volatility
Mariassunta Giannetti, Stockholm School of Economics and ECGI
Mengxin Zhao, University of Alberta

Does Gender-Balancing the Board Reduce Firm Value?
Espen Eckbo, Dartmouth College and ECGI
Knut Nygaard, Oslo Business School
Karín Thorburn, Norwegian School of Economics and ECGI

Women on Boards: The Superheroes of Tomorrow?
Renée Adams, University of New South Wales and ECGI

Women in Finance
Renée Adams, University of New South Wales, ABFER, FIRN and ECGI
Tom Kirchmaier, London School of Economics

The impact of board gender composition on dividend payouts
Jie Chen, Cardiff University
Woon Sau Leung, Cardiff University
Marc Goergen, Cardiff University and ECGI

The impact of board gender composition on dividend payouts
Jie Chen, Cardiff University
Woon Sau Leung, Cardiff University
Marc Goergen, Cardiff University and ECGI
INSOLVENCY & BANKRUPTCY
Rediscovering Corporate Governance in Bankruptcy
David Skeel, University of Pennsylvania and ECGI

The New Synthesis of Bank Regulation and Bankruptcy in the Dodd-Frank Era
David Skeel, University of Pennsylvania and ECGI

Comparative Corporate Insolvency Law
Horst Eidenmüller, University of Oxford and ECGI

What is an insolvency proceeding?
Horst Eidenmüller University of Oxford and ECGI

Prof. Vicente Cuñat speaking at the Global Corporate Governance Colloquia (GCGC) conference in June 2016, Stockholm (above).
PUBLICATIONS

Are CEOs Born Leaders? Lessons from Traits of a Million Individuals
Renée Adams University of New South Wales, ABFER, FIRN and ECGI Matti Keloharju Aalto University, IFN and CEPR Samuli Knüpfer BI Norwegian Business School, CEPR, and IFN Finance Working Paper No. 478/2016

The German Law of and Experience with the Supervisory Board

Corporate Darwinism: Disciplining Managers in a World with Weak Shareholder Litigation

Does Majority Voting Improve Board Accountability?

Directors’ Duties and Shareholders’ Rights in the European Union: Mandatory and/or Default Rules?

Corporate Governance Changes as a Signal: Contextualizing the Performance Link

Dissenting Directors
Piergaetano Marchetti, Bocconi University Gianfranco Siciliano, Bocconi University Marco Ventoruzzo, Bocconi University, Pennsylvania State University and ECGI Law Working Paper No. 332/2016

EVENTS

The 2016 ECGI Annual Lecture, “Are CEO's Fired for Bad Luck?“ was delivered by Prof. Francesca Cornelli, Professor of Finance Director of Private Equity, London Business School.
FINANCIAL STATEMENTS 2016

Balance Sheet
Income Statement
### ECGI - BALANCE SHEET 2012 - 2016

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Euros</td>
<td>Euros</td>
<td>Euros</td>
<td>Euros</td>
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<td>Cash at bank</td>
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<td>Savings Accounts</td>
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<td>89,773</td>
<td>35,255</td>
<td>39,332</td>
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<td>Current Accounts</td>
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<td>142,173</td>
<td>39,950</td>
<td>34,504</td>
<td>42,202</td>
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<td>Total Current/Savings</td>
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<td>231,947</td>
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<td>75,836</td>
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<td><strong>TOTAL ASSETS</strong></td>
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<td><strong>258,926</strong></td>
<td><strong>190,802</strong></td>
<td><strong>97,675</strong></td>
<td><strong>183,642</strong></td>
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<tr>
<td></td>
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<td></td>
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<tr>
<td>Equity</td>
<td></td>
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<td>Retained Earnings</td>
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<td>144,003</td>
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<td>129,002</td>
<td>48,029</td>
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<td>1,256</td>
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<td><strong>255,202</strong></td>
<td><strong>126,199</strong></td>
<td><strong>78,170</strong></td>
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<td>Current liabilities</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
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<td><strong>258,926</strong></td>
<td><strong>190,802</strong></td>
<td><strong>97,675</strong></td>
<td><strong>183,642</strong></td>
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</table>
## ECGI INCOME STATEMENT 2015 - 2016

<table>
<thead>
<tr>
<th>Income/Expense</th>
<th>2015 Actual</th>
<th>2016 Budget</th>
<th>2016 Actual</th>
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<tbody>
<tr>
<td><strong>Income</strong></td>
<td>Euros</td>
<td>Euros</td>
<td>Euros</td>
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<tr>
<td>Subscriptions income</td>
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<td>80,000</td>
<td>88,744</td>
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<td>ECGRF Contribution</td>
<td>95,500</td>
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<td>Project Income and Reimbursements</td>
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<td>Sponsorship</td>
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<td>5,000</td>
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<td>Bank interest/exchange rate loss/gain</td>
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<td>5,837</td>
<td>92</td>
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<td><strong>Total Income</strong></td>
<td>262,622</td>
<td>245,837</td>
<td>244,780</td>
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<tr>
<td><strong>Expenditure</strong></td>
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<tr>
<td><strong>Administration</strong></td>
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<tr>
<td>Accounting &amp; Fin. charges</td>
<td>-17,575</td>
<td>-15,000</td>
<td>-13,643</td>
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<td>Administration Charge</td>
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<td>-60,567</td>
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<td>IT &amp; Online Services</td>
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<td>Office expenses</td>
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<td>Miscellaneous</td>
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<td><strong>Total Administration</strong></td>
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<td><strong>Research</strong></td>
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<tr>
<td>Annual Lecture &amp; Prizes</td>
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<td>-13,516</td>
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<tr>
<td>Conferences &amp; Workshops</td>
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<td>-15,000</td>
<td>-5,822</td>
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<tr>
<td>Research &amp; Academic Staff</td>
<td>-8,000</td>
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<td>Research Communication</td>
<td>-20,000</td>
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<td>Working papers</td>
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<td>Project Expenditure</td>
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<td>New Online Research Portal</td>
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<td><strong>Total Research</strong></td>
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<td><strong>Total Expenditure</strong></td>
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<td><strong>Net Total Income</strong></td>
<td>129,002</td>
<td>4,837</td>
<td>83,018</td>
</tr>
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</table>

1. ECGRF has given its formal approval of the 2016 amount which has been transferred to ECGI
2. GCGC Project income; Stockholm conference (2016) was considerably less costly than Tokyo (2017)
3. General travel, board meetings
4. Includes sponsored prize
5. This item is included in intangible assets and depreciated for 5 years
About the European Corporate Governance Institute (ECGI)

www.ecgi.global

The ECGI is an international scientific non-profit association which provides a forum for debate and dialogue focusing on major corporate governance issues and thereby promoting best practice. It is the home for all those with an interest in corporate governance offering membership categories for academics, practitioners, patrons and institutions.

Its primary role is to undertake, commission and disseminate research on corporate governance. Based upon impartial and objective research and the collective knowledge and wisdom of its members, it can advise on the formulation of corporate governance policy and development of best practice. In seeking to achieve the aim of improving corporate governance, ECGI acts as a focal point for academics working on corporate governance in Europe and elsewhere, encouraging the interaction between the different disciplines, such as economics, law, finance and management.

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