

**OPENING STATEMENT OF  
CHAIRMAN PAUL E. KANJORSKI**  
**SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES**  
**HEARING ON CORPORORATE GOVERNANCE  
AND SHAREHOLDER EMPOWERMENT**  
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Good morning. Today we meet to consider several thoughtful bills that seek by various means to correct the imbalance of power between investors and management. For far too long at too many public companies, corporate executives have had the upper hand.

The financial crisis revealed, at times vividly and shockingly, how all too frequently corporate management and boards failed to consider the long-term interests of their shareholders. As a result, innocent investors incurred monumental losses, even while corporate chieftains escaped the inferno unscathed, usually by golden parachute.

It is clear that the deck was stacked, especially when you consider that Wall Street bankers took home enormous paychecks while the taxpayers got stuck with the bill. We now need to chart a different course. Congress must act to democratize corporate governance rules so that investors have a greater say in the companies that they own.

First and foremost, we ought to provide shareholders an easier means of getting directors nominated. Also, we should act to improve transparency by requiring more institutional investment managers to disclose how they vote on shareholder proxies.

In the run-up to the crisis, excessive leverage and risk-taking became the norm on Wall Street. These decisions flew in the face of financial stability and lacked a fundamental level of good judgment. We can fix this problem by requiring public companies to form independent risk-management committees with prescribed functions and duties.

While the ideas in each of the bills before us are well intended, we also need to carefully examine each proposal. As for the appealing idea of separating the role of chairman from that of chief executive officer, we should explore how such a policy will affect small companies. Requiring majority voting for uncontested directors also appears a worthy goal, but we must determine if it could produce inadvertent problems, especially if too few shareholders vote.

As part of last year's debates on the Wall Street reform bill, our Committee has already acted to improve corporate governance laws. As passed by the House, H.R. 4173 contained important provisions on proxy access and executive pay. It is my hope that the Senate will act with all deliberate speed on its reform legislation so that these important corporate governance reforms can become law.

In the meantime, we must advance the debate about how we can further enhance corporate governance through increased transparency, better executive accountability, and greater shareholder rights. In this regard, I look forward to the testimony today and thank the witnesses for appearing. I would also like to thank Congressman Peters, Congressman Ellison and Congresswoman Kilroy for their hard work on these important policy matters.

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