

Protecting societal interests in corporate takeovers

Citation for published version (APA):

Ai, H. (2021). *Protecting societal interests in corporate takeovers: A comparative analysis of the regulatory framework in the U.K., Germany and China*. [Doctoral Thesis, Maastricht University]. ProefschriftMaken. <https://doi.org/10.26481/dis.20211208ha>

Document status and date:

Published: 01/01/2021

DOI:

[10.26481/dis.20211208ha](https://doi.org/10.26481/dis.20211208ha)

Document Version:

Publisher's PDF, also known as Version of record

Please check the document version of this publication:

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
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- The final published version features the final layout of the paper including the volume, issue and page numbers.

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Propositions accompanying the thesis

Protecting Societal Interests in Corporate Takeovers:

**A Comparative Analysis of the Regulatory Framework in the U.K.,
Germany and China**

Huizi Ai

1. Four types of market failures may arise as a result of takeovers, which affect not only the interests of shareholders and other corporate stakeholders but also legally recognized public interest considerations and other societal interests.
2. In order to protect every potential group of stakeholders and type of societal interest in takeovers, it is necessary to build a regulatory framework that combines public laws, private laws and self-regulatory corporate governance rules.
3. The COVID-19 crisis led to recent reforms in public laws giving Governments much more power in reviewing foreign takeovers under the public interest basis by including not only the national security interest but also a country's capability to combat public health emergencies.
4. Expansion of the recognized public interest considerations should be conducted cautiously and follow the principles of "necessity" and "proportionality".
5. To restrict the Government's expanded intervention in corporate activities in the name of protecting public interest, public laws should specify the composition, power and liabilities of the responsible public authorities and the transparency requirement of the enforcement process.
6. Corporate governance models that feature a "shareholder primacy" theory should be rethought and replaced by a model which incorporates more specific protection mechanisms for other stakeholders than shareholders.
7. In future reforms, takeover laws should be improved by introducing or strengthening mechanisms to incentivize the acquirer and the target company to consider the interests of non-shareholder stakeholders and make arrangements for them in the takeover process.
8. In future reforms, corporate laws and corporate governance codes should work towards incentivizing the board(s) to introduce more engagement mechanisms for non-shareholder stakeholders and incentivizing the shareholders to better consider other stakeholders' interests in their decisions and to disclose their engagement policy in the company with regard to the stakeholder matters.
9. Formulating the regulatory rules and protection mechanisms for different stakeholders and societal interests in corporate activities is not only a legislative choice, but also a political one.
10. Coffee, music, drama, and more importantly, running away from the office every now and then make the world go round (inspired by the Japanese Drama "Runaway is ashamed but helpful" and my supervisors).