Building European Companies as Communities of Persons

COMECE contribution to the debate on the proposed 28th Regime corporate legal framework, "EU Inc."

COMECE welcomes efforts to strengthen the European Single Market and remove unnecessary legal and administrative barriers that prevent European enterprises from starting, growing and operating across borders.

Europe needs a regulatory environment that supports innovation, responsible entrepreneurship and long-term investment. At a time when the European Union seeks to enhance its global competitiveness, the challenge is not simply to make it easier to establish companies, but to ensure that European competitiveness continues to reflect the values of the social market economy. A voluntary European corporate form may contribute to these objectives, particularly for start-ups, scale-ups and companies facing business succession.

However, simplification must not become a means of weakening the European social model, circumventing national protections or treating companies primarily as instruments of short-term capital extraction. Company law affects not only founders and investors, but also workers, families, local communities and society as a whole.

From the perspective of Catholic social teaching, a company is not merely a collection of capital assets. It is a community of persons whose activities should serve human dignity, dignified work and the common good.

COMECE therefore supports the development of an optional 28th Regime if it is accompanied by strong social, governance and anti-abuse safeguards. Within such a framework, the recognition of steward ownership could provide an important additional option for founders seeking to protect the long-term mission and independence of their companies.

Protecting the social dimension of the European economy

The first condition for a legitimate and sustainable 28th Regime is that it must not weaken existing social rights and protections.

The optional nature of the EU Inc. framework may broaden the legal possibilities available to entrepreneurs. It must not, however, allow companies to opt out of mandatory rules concerning workers, social security, taxation, creditors, consumers or the environment.

COMECE therefore welcomes the emphasis placed in the draft report of the European Parliament's Committee on Legal Affairs on preventing regulatory arbitrage, forum shopping and the circumvention of national protections.

Recognising steward ownership as an optional corporate model

Within a socially responsible EU Inc. framework, COMECE supports the inclusion of steward ownership as an optional form of corporate organisation. Steward ownership rests on two legally binding principles: the separation of voting rights from profit rights, and bound assets, whereby the company's assets and profits are permanently dedicated to serving its purpose. Those entrusted with governing the company are responsible for preserving its independence, purpose and long-term development, while investors may receive an appropriate financial return without acquiring control over the enterprise.

Under the principle of bound assets, profits may be reinvested, used to provide investors with an appropriate capped return, or donated. The company itself cannot be converted into an object of speculation, and its residual value cannot be privately extracted upon its sale or liquidation.

This model may contribute to:

- preserving the mission of a company beyond the departure of its founder;
- facilitating responsible business succession;
- limiting short-term investor pressure;
- protecting viable companies from purely speculative acquisitions;
- preserving employment, productive capacity and innovation in Europe;
- supporting patient investment and sustainable value creation.

The draft report's proposed recognition of a steward-owned EU Inc. is therefore a welcomed development. COMECE strongly urges that this recognition, together with that of employee ownership, be retained as a priority through the vote in the Committee on Legal Affairs, the position of the Council and the subsequent negotiations between the institutions.

COMECE encourages the Member States, whose positions are currently being formed in the Council's Working Party on Company Law, to support the inclusion of these options. COMECE supports the principle that the separation between voting rights and profit rights, together with the principle of bound assets, should be legally binding and should not be easily removed through amendments to the company's statutes or equivalent corporate decisions.

European recognition would also address a practical barrier. Establishing steward ownership today requires bespoke legal work that few founders can afford, and converting an existing company can cost hundreds of thousands of euros. A ready-made European legal form would make choosing stewardship simple and affordable from the moment of founding, an objective that national legal systems alone have not achieved. This is precisely the kind of genuine necessity that justifies proportionate European action.

Steward ownership should nevertheless be understood as one responsible business model among several. Cooperatives, mutual societies, social enterprises, employee-owned companies, family businesses and other purpose-oriented structures also contribute to the diversity of Europe's social market economy.

The enterprise as a community of persons

Catholic social teaching recognises the legitimate role of profit, investment and private initiative. At the same time, it rejects an understanding of the company as an asset existing solely for the benefit of its providers of capital.

The purpose of a company is not simply the generation of profit. It is also a community of persons contributing through their work, knowledge, creativity and responsibility to the production of goods and services for society.

This understanding requires the primacy of labour over capital. Capital, technology and corporate structures are instruments. Work is performed by human persons and is inseparable from their dignity and integral development.

Any European corporate framework should therefore promote enterprises that:

- provide dignified and fairly remunerated work;
- respect workers' participation and social dialogue;
- create sustainable economic and social value;
- act responsibly towards communities and the environment;
- consider their long-term contribution to society.

Employee ownership must complement decent work

Employee share ownership and stock-option schemes may allow workers to participate more directly in the success of their company. They can also strengthen long-term commitment and a sense of shared responsibility. COMECE therefore supports the recognition of employee ownership as an option within the EU Inc. framework, made equally simple and affordable to adopt. However, employee ownership must not replace ordinary remuneration or transfer an inappropriate level of business risk to workers.

The EU Inc. framework should guarantee that participation in such schemes remains voluntary and that shares, warrants or similar instruments complement rather than replace:

- statutory minimum wages;
- collectively agreed pay;
- pensions;
- social security contributions;
- other employment rights.

Employees should also receive clear and understandable information about the financial risks, conditions and rights associated with such schemes. Financial participation cannot substitute for genuine participation in company decisionmaking. Employee ownership should therefore not weaken rights to information, consultation, collective bargaining or board-level representation.

Subsidiarity and diversity of national systems

COMECE recognises the value of European harmonisation where it removes genuine barriers to cross-border activity and creates legal certainty.

At the same time, company law, employee participation, labour relations and business succession are closely connected to different national legal and social traditions. The creation of an EU Inc. should not undermine national systems offering stronger social protections or supporting successful forms of responsible enterprise. Harmonisation should therefore remain proportionate and limited to what is genuinely necessary for the functioning and mutual recognition of the optional European corporate form. A directive-based approach would serve these objectives better than a regulation: it preserves subsidiarity while allowing the optional framework to remain fully compatible with national labour law, taxation and legislation already in place.

Member States should retain the ability to apply justified and proportionate rules protecting workers, creditors, tax systems and other legitimate public interests.

Recommendations

1. **Include a binding social non-regression clause**, protecting labour law, social protection, collective bargaining and employee participation.
2. **Recognise steward ownership as an optional legal model**, with clear and enforceable safeguards protecting the separation of voting and profit rights and legally bound assets, neither of which should be removable through later amendment of the company's statutes.
3. **Prevent regime shopping and regulatory arbitrage**, particularly where the registered office has no genuine connection to the company's workforce or economic activities.
4. **Preserve existing and acquired employee participation rights**, including information, consultation and board-level representation.
5. **Recognise employee ownership as an option within the framework, and ensure that it complements decent remuneration**, rather than replacing wages, pensions or social security rights.
6. **Provide strong anti-abuse mechanisms**, including preventive controls, beneficial ownership transparency and safeguards against letterbox companies, fraud, money laundering and tax avoidance.
7. **Introduce accountability requirements for stewards**, including transparency, conflict-of-interest rules and effective remedies.
8. **Recognise the diversity of responsible enterprise models**, including cooperatives, mutuals, social enterprises, employee-owned businesses and family enterprises.

9. **Respect subsidiarity and national social traditions**, allowing Member States to maintain justified and proportionate public-interest protections.
10. **Provide for regular evaluation**, of the regime's impact on employment, workers' rights, tax revenues, business succession and the long-term resilience of European enterprises.

Conclusion

The proposed 28th Regime offers an opportunity to facilitate entrepreneurship, innovation and cross-border investment in the European Union. Its success should not, however, be measured only by the speed with which a company can be established or capital can be raised.

A European corporate form must also be assessed according to the quality of the employment it creates, its contribution to society and its respect for the European social model. The first responsibility of the legislators is therefore to ensure that the EU Inc. framework contains strong social, labour and anti-abuse safeguards.

Within this responsible framework, steward ownership can provide a valuable additional option for founders seeking to protect the independence, mission and long-term purpose of their companies.

The objective should be a European economy in which enterprises are capable not only of growing, but also of enduring responsibly as communities of persons at the service of society and the common good.

Europe's competitiveness and Europe's social model should not be regarded as competing objectives. A truly competitive European economy is one in which innovation, entrepreneurship and investment are placed at the service of human dignity, dignified work and the common good.