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Sustainable finance: Different financing needed for different time horizons

PRESS RELEASE
ecoDa

Brussels, 22 September, 2017 – The EU should acknowledge that stock exchanges and their short-term oriented business models are at the heart of the time horizon challenge. While companies in the pharmaceutical, health, energy and infrastructure industries need long-term financing, the stock exchanges rely on high speed trading income that leaves no time to ponder how decisions affect sustainability.

"*More attention should be given to the necessary diversity and tailored mix of shareholders listed companies need, to foster long-term value creation. Moreover, to function properly stock markets need sustainable long-term oriented shareholders as well as short(er) term oriented investors. Further reflection on the paradox between the actual business models of stock exchanges and the need for long-term stable shareholders deserves the full attention of the European Commission",* stated Lutgart Van den Berghe, Chair of ecoDa Policy Committee.

In its comments to the public consultation, following the Interim Report of the High-Level Expert Group on Sustainable Finance of the European Union, ecoDa acknowledges the leadership role that board members can play to enhance sustainability. However, it is not always easy to counter-balance the pressure coming from short-term shareholders.

"If sustainability is the goal, then companies and their board need to be protected from shareholders whose short-term objectives hamper the respect of long-term perspectives", expressed Irena Prijovic, ecoDa Chair. There is much more alignment between long-term investors and boards than between short-term shareholders and boards. A categorization of shareholders could acknowledge this and nuance recommendations.

Beside boards and shareholders, ecoDa underlines the importance of the third pillar: the top management. "*We see more and more developments on what managers' responsibility should be concerning stakeholders' interest, for example by including non-financial targets in their remuneration. ecoDa encourages this positive development",* added Béatrice Richez-Baum, ecoDa Director General.

ecoDa also expressed its doubts as to the reliability and usefulness of integrating the approach for analyzing governance with the development of environmental and social criteria into the ESG concept. The EC should not try to standardize the investors' views on corporate governance. Any new EU guidelines for investors on how to assess corporate governance would end up with a box-ticking exercise which would be detrimental to the general perception that corporate governance should be tailored-made in order to fit with each company's strategy. ecoDa encourages therefore the High-level expert group to refer its sustainability approach to environmental and social aspects.

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Notes to editors

About the European Confederation of Directors Associations

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organisations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.

www.ecoDa.org

ecoDa's full response to the 2017 HLEG Interim report on Sustainable Finance:

http://ecoda.org/uploads/media/20170918_ecoDa_sustainable_finance_interim_report_consultation_FINAL.pdf