



## CG for sustainable and competitive European companies

28 October 2020

### *Joint event ecoDa, BusinessEurope & EuropeanIssuers - Summary report*

On October 28, ecoDa jointly organized with BusinessEurope and EuropeanIssuers a conference on Corporate Governance for sustainable and competitive European companies, two days after the European Commission had launched its related consultation. The conference brought together mainly experts from the three organizations and was animated by two important testimonials, one of L'Oréal and another one from Candriam. MEPs Heidi Hautala and Lara Wolters took part in the discussions and the European Commission represented by Maija Laurila concluded the conference.

Part of the discussion focused on the E&Y [study on directors' duties and corporate governance](#) that the European Commission seems to take as a basis for its reflection and its European legislative action. The three organizing associations reaffirmed that the study seems biased (in terms of methodology and sources used) towards producing preconceived results rather than containing a comprehensive analysis regarding different aspects and views on the matter. The study paints a very dark picture of boards that would prioritize shareholders' interests and a short-term vision although most CG codes recommend promoting long-term value creation.

There was a huge consensus amongst the speakers that the EU policy makers should disregard this study given that it seeks solutions to false problems. More worrying is the fact that if applied, these solutions would have detrimental effects on European companies by lowering their competitiveness, by making them risk averse and less agile. Many academics have already expressed themselves in the same direction.

This does not mean that companies deny the urgency of action, particularly in terms of the environment, or that they do not make the issue of sustainability a priority. The private sector is to some extent part of the solution. Companies are constantly adapting their business models to meet the aspirations of the society and more particularly of their customers. For instance, l'Oréal testimonial has developed a sustainable development programme gathering the group's actions with regard to its stakeholders. This programme includes a dashboard with all targets and results published every year to ensure transparency. In general, directors are also aware that they have an important role to play to integrate sustainability risks. They have moved from a controlling role to a more guiding role on the path of ESG transition. Sustainability is definitely part of their business strategy.

The institutes of directors are strengthening awareness on sustainability issues and work hard in stimulating debate and good practices. Companies are constantly innovating and even ahead of the

recommendations of corporate governance codes. ESG is now part of the fiduciary duties of asset managers. The pressure exerted on them is already having a direct impact on businesses.

The European Commission can certainly accompany this evolution but it should refrain from bringing too harsh regulation that could be detrimental to the evolutions observed, causing the trend of delisting in Europe to become worse which is something the Capital Markets Union is trying to reverse. Companies exercise their license to operate in an already highly regulated environment. They need a minimum of legislative stability in order to be able to define long-term strategies. It would be dangerous for the regulator to seek to impose the same solutions on all companies. It is agility that companies must demonstrate. Balanced decision-making cannot be regulated. However, the European Commission can certainly help standardize the information.

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