

Discussion of EY Report by Roe/Spamann/Fried/Wang
(ssrn.com/abstract=3711652)

Part 4: Reform Proposals

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Preliminary remarks

1. Corporate Gov. system is complex, not broken → tune with care!
 - Short-termism:
 - EY report's "evidence" is inapposite (Fried & Wang 2020)
 - More subtle evidence: side effect, not main problem (?)
 - Externalities: *mainly* addressed by regulation/taxation
2. Short-termism is not a valid rationale for mandatory EU regulation
 - Unlike externalities, short-termism is primarily a problem for investors
 - let investors decide (opt-in)
 - at a minimum, let national regulators decide (subsidiarity!)

EY's 7 Proposals (Option C: Mandatory)

1. Directors' duties → stakeholders
2. [Incentivize LT holdings; prohibit earnings guidance & QR]
3. Sustainability strategy
4. Director remuneration:
 - a) long-term
 - b) sustainability metrics
5. Director nominations: “consider” sustainability
6. Stakeholder involvement
7. Stakeholder lawsuits for violation of duties