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