

Creating Sustainable Companies Summit

Purpose, Governance and the Long-term

28 September 2016, Brussels

Summary of discussions

Introduction

To foster the debate on how corporate governance can contribute to long-term sustainable value creation for corporations, shareholders, and society, Frank Bold and Cass Business School jointly organised the Creating Sustainable Companies Summit. The summit gathered leading thinkers, businesses, policymakers and civil society in Brussels on September 28, 2016.

After the global financial crisis, the contemporary model of corporate governance has been increasingly criticised for forcing corporations to focus on short-term profit maximisation at the expense of long-term strategy, innovation and sustainability. A consensus has begun to emerge that corporations should focus on creating long-term sustainable value but that we lack clear vision on how to achieve this outcome.

In order to produce more clarity on appropriate structures and practices for publicly listed corporations, Frank Bold initiated the Purpose of the Corporation Project, which, in collaboration with the Modern Corporation, a project at Cass Business School, aims to provide a strategic, open-source platform for leading experts and organisations interested in promoting the long-term health and sustainability of publicly listed corporations.

Between 2014 and 2016, the Purpose of the Corporation Project organised the Corporate Governance for a Changing World Roundtable Series to identify the outcomes that corporate governance should deliver and working back from there, design a corporate governance model that is fit for the challenges of the 21st century.

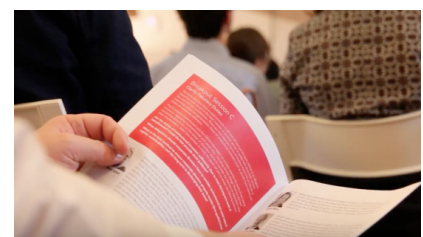
The series engaged more than 260 experts from business management, investment, regulation and academic and civil society communities in multiple European jurisdictions and the U.S.

The summit presented the final report from the roundtable series, which contains the recommendations and best practices identified in the roundtables structured according to the main issues of the debate: the purpose of the corporation, fiduciary duties, the role of the board, incentive structures for directors and executives, stakeholder engagement in corporate governance, long-term and sustainable shareholding, and corporate reporting.

The aim of the summit was to identify which elements of this emerging framework are most important and how they can be further elaborated, and to start a discussion about how they can be integrated into actual practice and policy-making. After the summit, the Purpose of Corporation Project continues to connect thought leaders from practice as well as academia and civil society with the aim to foster implementation of the recommendations, develop practical solutions, and create an evidence base to support change.

See below the summary of selected high-level reflections expressed by summit speakers and the outline of the summit agenda.

Videos of the sessions are available online on Frank Bold's YouTube Channel: <https://www.youtube.com/channel/UCZxNjKwhtjG5uDZunw39mnQ/videos>





Richard Howitt, Member of the European Parliament, opened the event noting that “The problem is that everyone thinks that shareholder primacy is a legal requirement when actually it is not, it is only a norm.”

In his keynote, John Kay emphasised that the purpose of the corporation is about achieving success in the long-term, not about maximising shareholder value. “The job of business people is to create great businesses, this is what the majority of business people want to do and it is what a high proportion of them is actually doing.”

He further explained that: “The purpose of business is to make products people want, it is to make money for investors, it is to provide a satisfying work environment for the people who live there, and above all, it is to leave all the communities in which they operate better rather than worst off as a result of their activities.” He used the example of Imperial Chemical Industries, for a long time the largest manufacturer in the UK, which narrowed its purpose to focus on maximising shareholder value, before eventually going out of business in 2008.



European Commissioner for Justice, Consumers and Gender Equality Věra Jourová gave some insight on the most recent development of the European Commission regarding corporate governance.

She stated: “The private sector, as an agent of economic growth, has a large role to play in determining whether the growth it creates is inclusive for long-term growth, competitiveness, and sustainable prosperity. We need well governed companies that are resilient, responsive and responsible. These companies will easier be able to adapt, manage risks and benefit from the new generation of opportunities that arise.”

Susanne Stormer, Chief Sustainability Officer at Novo Nordisk, explained how Novo Nordisk has been able to build its corporate governance system in a way that supports its purpose and sustainability.

She said that “there is no point in being a sustainable business if the society we operate in goes in a more unsustainable direction. This is why it is in the interest of business leaders to work towards making society more sustainable as a whole.”



Steve Waygood, Chief Responsible Investment Officer at Aviva Investors, outlined Aviva’s views on the market failures at a high level. He stressed that “financial markets are not working for sustainability and that we need action by all actors, including policy-makers to make sure companies and financial institutions support the delivery of the Sustainable Development Goals.”

Steve also presented Aviva’s views on what the constructive solutions are, based on Aviva’s Money talks – a sustainable finance policy toolkit. This will include what the EU can do internationally by supporting the G20, the FSB and the UN and what it can do in Europe as part of the sustainable finance strategy that was recently announced as.

Beate Sjøfjell, Professor at the University of Oslo, said that “we are on a very certain path towards a very unsustainable future; business as usual is not an alternative.”

“We need a corporate law reform which operationalizes the planetary boundaries on the corporate level; redefining the purpose of the company and role and duties of the board, including the drawing up of a sustainable business plan”. She argued that such a reform would provide the necessary link between what the board perceives it has a duty to do and what it is meant to report on, instead of the disconnect there is today. It would also give a better basis for socially responsible investors to choose the businesses in which they need to invest.



Nicolas Bernier-Abad, Policy Officer at the European Commission in DG Financial Stability, provided updates on the EU Directive on disclosure of non-financial and diversity information.

The EU Non-Financial Reporting Directive is leading the global push to promote corporate sustainability transparency. “Transparency makes a difference and makes companies better, because having companies knowing that they are going to be exposed to the views of the owners of the companies and of society at large, helps them to acquire more discipline.”



Marcello Bianchi, Deputy Director General of Assonime and member of the Policy Committee of European Issuers, started by explaining the G20/OECD Principles of Corporate Governance, their importance for policy-making and the long-term objective of ensuring their coherence with the OECD Guidelines for Multinational Enterprises.

He highlighted recent developments in Italy, notably the introduction of loyalty shares (as part of the government policy to facilitate companies’ access to capital markets), and the introduction of a special corporate form called the Benefit Corporation. On the role of the board, he stressed that: “The key role and the key responsibility of the board is risk management as a key part of company strategy.”



Policy Director at ICGN George Dallas focused the role of investor stewardship codes in the current governance debate from both a company-specific (micro) and a systemic perspective (macro).

He spoke about the ICGN Viewpoint on Human rights and Corporate Governance. Regarding systemic issues, George Dallas stressed that “a lot of corporate governors are looking at what individual companies are doing and that is important, but individual companies coming together as a group form a market and we need to think about this in a systemic context to try to promote long-term economic growth for economies that will provide stability to populations. “Investors are not just stock pickers, they need to be engaged with companies in their governance. They need to develop broader skills than evaluation. They need to be in a position to engage with companies and use their ownership rights responsibly.”



Outline of the Summit

Opening

Richard Howitt (Member of European Parliament)

Plenary Sessions:

I - Define the Purpose of the Corporation

Keynote speech: John Kay (London School of Economics and Political Science)

Discussants:

Moderator - Paul Adamson (Forum Europe and E!Sharp)

Susanne Stormer (Novo Nordisk)

Marcello Palazzi (Progressio Foundation and B Corp Europe)

Presentation of the Corporate Governance for a Changing World Roundtable Series:

Jeroen Veldman (Cass Business School)

II. Building an Innovative and Inclusive European Economy: The Role of Corporate Governance and Regulation

Keynote speech: Věra Jourová (European Commissioner for Justice, Consumers and Gender Equality)

Discussants:

Moderator - Katrin Muff (Business University Lausanne)

Steve Waygood (Aviva Investors)

Marcello Bianchi (Assonime and EuropeanIssuers)

III. Closing Remarks: Creating New Prosperity

Moderator: Katrin Muff (Business School Lausanne)

Discussants:

Tineke Lambooy (Nyenrode Business Universiteit)

Filip Gregor (Frank Bold)

Breakout Sessions:

Revise Executive Pay

Moderator: Stefan Stern (Director of the High Pay Centre)

Panelists:

Michel Bande (Solvay S.A.)

Eszter Vitorino (Global Reporting Initiative)

Hans Ulrich Beck (Sustainalytics)

Strengthen Board Role

Moderator: Peter Tunjic (DLMA Labs)

Panelists:

Emma Ihre (Mannheimer Swartling)

Riitta Mynttinen (EcoDa)

Peter Montagnon (Institute of Business Ethics)

Clarify Fiduciary Duties

Moderator: Joanna Sikora-Wittnebel (European Commission)

Panelists:

Beate Sjøfjell (University of Oslo)

Eric Holterhues (Triodos)

George Dallas (ICGN)

Improve Corporate Reporting

Moderator: Filip Gregor (Frank Bold)

Panelists:

Nicolas Bernier-Abad (European Commission)

Paul Dickinson (Carbon Disclosure Project)

Jean-Guillaume Peladan (Sycomore Asset Management)

Matthias Schmidt (International Integrated Reporting Council)

Long-term and Sustainable Investment

Moderator: Andrew Johnston (University of Sheffield)

Panelists:

Raj Thamootheram (Preventable Surprises)

Per Lekvall (Swedish Corporate Governance Board)

Strengthen Stakeholders Voice

Moderator: Paige Morrow (Frank Bold)

Panelists:

Katrin Muff (Business School Lausanne)

Jan Cremers (Amsterdam Institute of Advanced Labour Studies)

Mairead Keigher (Shift Project)

Global Statement on Investor Obligations and Duties

Speaker: Will Martindale (UN-supported Principles for Responsible Investment)

Sustainable Capital Markets Union

Speaker: Sam Maule (E3G)