Letter

Letter: Brussels' sustainable corporate governance plan is flawed

From Jan-Olof Jacke, Lars Sandahl Sorensen, Jyri Hakamies, Ole Erik Almlid, Arto Aas, Sigurdur Hannesson, Chief Executives, Nordic Confederations of Industries of Sweden, Denmark, Finland, Norway, Estonia and Iceland

The Berlaymont, headquarters of the European Commission © Martin Bertrand / Hans Lucas

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With the European Green Deal, the European Commission has initiated an ambitious sustainability agenda (FT View, April 21). We strongly support this but cannot support the initiative called "sustainable corporate governance". This smart labelling gives the false impression that disagreeing with its ideas is equal to disagreeing with the sustainability agenda itself.

The initiative aims at harmonising and dramatically changing directors' duties so that in future directors of privately owned companies must balance the interests of all stakeholders when making decisions. The same undefined group of stakeholders will be given a right to enforce the new directors' duties, including the NGOs. These radical ideas are based on a dubious study, which has been debunked by nine Harvard professors, who go as far as saying "no EU policymaker should rely on this report".

Furthermore, the initiative is combined with a separate proposal — mandatory supply chain due diligence — thereby confusing a proper debate on the merits of the corporate governance ideas alone.

The corporate governance initiative is flawed in all respects. It claims to be something it is not. It ignores that sustainability is already a market-driven competitive factor essential for companies' ability to attract customers, investors and employees. It ignores already adopted and upcoming EU proposals impacting companies and supporting a market-based transition. It ignores a proper impact analysis and violates fundamental principles of good EU regulation — the subsidiarity and proportionality principles and the evidence-based approach.

There is a substantial risk it will harm companies' ability to do business effectively, weaken current corporate governance models and blur directors' duties. This will probably result in risk-averse decision making, conflicts of interest, lawsuits and weakening of owners' rights and incentives, which would harm the ability to attract risk capital, including capital needed to reach the sustainability objectives.

The commission should not go forward with this proposal.

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