

## Corporate Governance Dialogue | ecoDa | September 16 DRAFT NOTES

### Who is in charge of the corporate purpose ?

- Is it the management? The risk to give control to the managers (like advocated by the US Business Roundtable) is to come back to managerial capitalism and its pitfalls.
- Is it the board? Directors' duties are still defined towards shareholders. They are nominated by the shareholders and they remain accountable to the shareholders who discharge them. Boards cannot take into consideration the broad scale of stakeholders. It is impossible to put all the trade-offs on the shoulders of the board members. Board members are not allowed to take into account interests if they are not aligned with the company purpose. They cannot be held accountable to different "masters". It is up to the politicians/regulators to impose that certain stakeholders' interests should be considered when they are not compatible with the corporate purpose. The society has indeed the right to require incentives and to define the level playing field. Boards should not be faced by conflicts of goals. Otherwise, the risk is to turn them into entrepreneurial zombies.
- Is it a prerogative of the shareholders? Most of the participants considered that shareholders should be legally required to set the corporate purpose. The ownership is not only of assets anymore but of corporate purpose. In other words, shareholders don't only have rights, they have duties. Long term owners should be educated and they should know what products they want to deliver to society. The shareholders should define the purpose and then discharge the board. As a consequence, any change in the definition of the corporate purpose should be agreed at the GM. That would require adaptation of the AoA (with qualified majority). Board members will have to prove to shareholders that they contribute to the corporate purpose. Depreciation of all types of assets (negative externalities) will have to be taken into account. It is quite challenging to identify the right performance measures and to develop the right metrics. However boards should play this role by default and define the corporate purpose where ownership is too disperse. Board should also take the leadership when the company has existed for a long time.

