

The 24th European Corporate Governance Conference convened in Helsinki 12 December 2019 to discuss the role of company law and corporate governance in the actions against climate change. This memorandum includes a summary of the presentations and panels of the conference day.<sup>1</sup>

In their keynotes for the opening session of the conference Salla Saastamoinen presented **the European Green Deal and Commission's analytical and consultative work on sustainable corporate governance** and Beate Sjøfjell shared **SMART-project's findings and insights suggesting e.g. re-definition of corporate purpose and board duties**.

In their keynotes for the second conference session, Luigi Zingales **challenged the traditional Friedman arguments and suggested that companies should maximize shareholder welfare** and Mats Isaksson **discussed the key functions of company law and corporate governance**.

In his keynote for the concluding session of the conference, Alexander Dyck shared his insights on **how investors push for the environmental performance of companies and how certain concrete corporate governance means can be used to promote these goals**.

The conference panels gathered a variety of stakeholders to discuss the legal, economic and environmental aspects and consequences of possible action. The conference was concluded with **closing remarks** from Timo Löyttyniemi.

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<sup>1</sup> Recordings of the conference web-stream and other materials can be found via: <https://oikeusministerio.fi/en/corporate-governance-conference-helsinki>

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## OPENING REMARKS

### Welcome words

On behalf of the Finnish Ministry of Justice, **Antti Leinonen**<sup>2</sup> welcomed the conference guests to Helsinki. Leinonen stressed both the need and the urgency to address the climate change and mentioned the conference being one of the first major events where climate change would meet company law and corporate governance. Leinonen also mentioned the importance of finding the right solutions together. For the said reason, the aim of the conference was to enable a discussion where everyone was given the possibility to have their say. Even with the urgency, Leinonen reminded, we must remain calm and analyze the consequences of possible action and assess how different policy choices can be fit together. Leinonen also thanked the co-organizers<sup>3</sup> and financiers<sup>4</sup> of the conference.

### Introduction

**Timo Löyttyniemi**<sup>5</sup> started his introduction by stating that there is a consensus among the scientific community that climate change is a highly critical, global, man-made threat requiring rapid action. While there are different views on the 'scientific details' of the impacts of climate change, the necessary policy measures and concrete measures, the big picture is clear. If we fail now, the foundation for ensuring and promoting sustainability will be eroded.

Löyttyniemi described how we have come a long way from Adam Smith's time. Smith's idea about a world order in which an invisible hand creates wealth and makes the market economy forms a basis for understanding economic activity. However, this concept of the world is narrow and partly out of date. Economic activity is also associated with externalities, which can often be negative. Climate change is an important example of the negative externalities of economic activity. Moreover, as climate change is an extremely complex phenomenon, whether we look at it from a legal, economic, societal or scientific perspective, it is impossible to reach a solution if we examine the problem only from one point of view. We need discussion and reflection, Löyttyniemi reminded.

Löyttyniemi recognized a need for different kinds of legislative, administrative, private sector, and policy measures to address the issue. Instead of looking for one and only measure within the field of company law and corporate governance, we should try to reach a combination of different, both larger and smaller measures, the effects and compatibility of which we must first ensure. The speed at which the necessary measures must be taken is also a highly demanding challenge. Thus, when selecting the means for combating climate change, we must pay attention to how quickly they can be adopted. According to Löyttyniemi, we cannot afford – we simply do not have time – to go in the wrong direction.

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<sup>2</sup> Director General, Department for Private Law and Administration of Justice, Ministry of Justice

<sup>3</sup> The conference was organised in association with European Commission DG for Justice and Consumers, FIN-FSA Financial Supervisory Authority, NASDAQ Helsinki Stock Exchange, Directors Institute Finland, Confederation of Finnish Industries, The Finnish Foundation for Share Promotion, The Finnish Securities Market Association, The Finnish Shareholders' Association and WWF Finland.

<sup>4</sup> The Conference was financed by Elo Mutual Pension Insurance Company, Varma, Veritas Pension Insurance, Fortum, Nokia, The renewable materials company Stora Enso, UPM, Taaleri Plc, Borenus Attorneys Ltd, Dittmar & Indrenius Attorneys Ltd and EY.

<sup>5</sup> Vice Chair, EU Single Resolution Board

With regard to the aim of the conference, Löyttyniemi hoped that all participants would learn about the preconditions for and impacts of the different means and measures being discussed, as identifying and taking them into account is necessary if we wish to find a well-functioning and sustainable set of solutions to address climate change.

## PANEL I: State of play and way forward within the EU

### Sustainable Corporate Governance in the wake of the climate crisis

In the opening keynote, **Salla Saastamoinen**<sup>6</sup> presented the European Commission's approach and described how Europe is becoming vulnerable to the impacts of climate change. Saastamoinen referred to both the climate emergency recently declared by the European Parliament and the EU and Member State commitments to deliver on United Sustainable Development Goals and Paris Agreement.

Saastamoinen mentioned that the newly appointed Ursula von Der Leyen's commission is taking climate change seriously as one of the main objectives of their political guidelines that aim for a climate neutral planet with strong and resilient social market economy. According to Commissioner von Der Leyen, Europe needs to rediscover its competitive sustainability that is in the heart of our social market economy and addresses not only shareholder value but also the broader needs of stakeholders. As the Commission's European Green Deal was announced a day before the conference, Saastamoinen raised the European wide binding climate law that aims for a climate neutral continent and the renewed sustainable finance strategy where sustainability is about to be further embedded in the European corporate governance framework.

According to Saastamoinen, European companies can play a significant role in a just transition towards sustainability. For time being, they are not able to do so, because of the pre-dominant short-term focus that limits the ability to take sustainability aspects adequately into account. Moreover, possible sustainability strategies are rarely aligned with science-based targets. While business as usual can no longer be an answer, Saastamoinen referred to the possibility for European companies to act as competitive agents for a change. From the Commission's side she presented the following three items:

- 1) companies interest (and board duties): there is a need to find a right balance between the interests of shareholders and other stakeholders
- 2) sustainability strategies: one way to go by could be requiring European companies to come up with adequate sustainability strategies
- 3) due diligence: sustainable business conduct could also be enhanced by requiring due diligence (through supply chains) on company-specific relevant sustainability aspects

In order to address the above issues, the Commission conducts analytic and consultative work especially in the areas of 1) due diligence (preliminary results were already available for the conference, see below) and 2) directors duties, interest of company & sustainability strategy (study to be finalized in spring 2020).

With regard to the preliminary results on the study on due diligence, Ms. Saastamoinen presented the following:

- voluntary action has not brought about the necessary change,
- there is a stakeholder support for a policy change ensuring legal certainty and level playing field,

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<sup>6</sup> Director for Civil and Commercial Justice, Directorate-General for Justice and Consumers European Commission

- there is a preference for a mandatory due diligence as a standard of care – general cross-sectoral approach taking into account the specifics of different sectors and size of the company,
- costs for the policy recommendations are not substantial in relation to the company revenues and potential benefits of equal standards

The above Commission studies are about to be finalized in 2020 and the Commission is also gathering information through other ways of consultation (incl. conferences alike etc.).

## Securing the future of European business – The role of company law and corporate governance

**Beate Sjøfjell**<sup>7</sup> began her keynote by referring to the Planetary Boundaries framework as defined in the research led by Stockholm Resilience Center, mentioning of the nine boundaries identified so far, at least four have already been transgressed. According to Sjøfjell, we face the challenge of securing the social foundation for humanity now and in the future within these boundaries.

Sjøfjell et. al. comparative studies suggest that currently, company law as such in most countries allows businesses to integrate environmental and other sustainability concerns; however, the social norm of shareholder primacy has taken this space provided by company law. Moreover, the various forms of corporate group, network and value chain structures exacerbate this effect and company reporting has failed in serving for sustainability.

One of the SMART project's key findings<sup>8</sup> is that shareholder primacy is the key barrier for sustainability. It has taken place through a mix of market signals and incentives and it undermines external regulation (e.g. tax, labour, environmental law), which for these and other reasons is insufficient.

As a solution, Sjøfjell presented that company law must take back the power of defining the purpose of company and board duties. As a legislative matter, the purpose of the company should include the concept of planetary boundaries as follows: "The purpose of the undertaking is to create sustainable value within planetary boundaries, balancing the interests of its investors and others involved and affected parties". With regard to board duties, Sjøfjell proposed a commitment to the overarching purpose of sustainable value creation within planetary boundaries that must be integrated throughout the business of the company. To follow this up, the board should develop and make public a sustainability strategy. To identify potential for improvement, a sustainability assessment and sustainability due diligence should be undertaken. This would encompass environmental as well as human rights due diligence. Sufficient assurance of systems and processes should take place and annual reporting based on an ambitious continuous improvement plan should be audited.

## Panel discussion

In the main lines of the **panel discussion**,<sup>9</sup> the following views were expressed:

- The purpose of company is not only returns for shareholders anymore. Sustainable value creation to all relevant stakeholders, including society as a whole, should be the clear focus of today's boards.

<sup>7</sup> Professor, Dr. Juris, Faculty of Law, University of Oslo, SMART-project

<sup>8</sup> More information about SMART-project can be found at: <https://www.smart.uio.no/>

<sup>9</sup> The panel was moderated by Salla Saastamoinen. The panellists were Joëlle Simon (MEDEF, Business Europe), Rytis Ambrazevičius (Baltic Institute of Corporate Governance, ecoDa), Olivier Boutellis-Taft (Accountancy Europe), Sebastien Godinot (WWF European Policy Office), Petra Hedengran (Investor AB) and Beate Sjøfjell.

Topics like climate change are on the board agendas of the European companies already. At the same time, transition of businesses will demand remarkable investments, therefore shareholders and investors should be patient in their high expectations on returns in the short-term, to have good and more widely distributed returns in the long-term.

- A regulatory shift would entail costs and possible effects to the competitiveness of European companies (major part of which SME's.); thus any possible EU level action should take into account the limits of what companies can do and be backed with a quality impact assessment.
- On the other hand, in the current situation, European companies transitioning to sustainability have to compete against unsustainable business. A level playing field needs to be created, giving sustainable companies the competitive advantage.
- Companies balance between expectations from different stakeholders and create a platform to gather capital for innovation and solutions that address the climate change. Sustainable business approach is a pre-requisite for long-term value creation for shareholders and to achieve this, companies need to satisfy the expectations of their stakeholders.
- Company purpose and board duties/accountability should be kept clear to attract risk capital for innovation and work as a driver for economy. We should be careful not to create ambiguity to company purpose and board duties as this would in turn lead into paralyzed and/or non-accountable management.
- Despite the raising awareness, we have not done enough; we need to change the way we think. History shows that radical changes to business models are doable. We need to prioritize and put the right first things first: without a stabilized climate and functional ecosystems, there is no business possible.
- Voluntary progress has been too slow and limited. It is also slowing down the pace of the leaders. In order to provide a level playing field, mandatory human rights and environmental due diligence requirements should be adopted. Companies should have sustainability strategies with clear measurable and science-based targets that should be implemented in remuneration policies. In addition, the lobbying practices need to be double-checked to be consistent with sustainability goals.
- Not only companies need to change, but also consumers need to be prepared to pay for the responsible manner.
- There will be no progress if we cannot measure our impact. Reporting as such is not a game changer, but we need to be able to measure things to manage them.
- Possibilities offered by "soft law" should be further explored. EU company law should be principle-based. Voluntary initiatives are positive as they offer the necessary flexibility for companies and can go even beyond mandatory requirements.
- There is no business without workers. Social dimension is an important basis for long-term sustainable business conduct.

## PANEL II: State of play and way forward – insights from outside the EU

### Companies Should Maximize Shareholder Welfare Not Market Value

Professor **Luigi Zingales**<sup>10</sup> began his keynote by stating that even in a shareholder primacy based model things could be much better than they are today. Zingales referred to the traditional Friedman conclusion suggesting a conduct of business in accordance with shareholders desires, which generally will be to make as much as money as possible, while conforming to the basic rules of the society, both those embodied in law and those

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<sup>10</sup> Robert C. McCormack distinguished Service Professor, Entrepreneurship and Finance, University of Chicago Booth School of Business

embodied in ethical custom. According to Zingales, this conclusion constitutes a flaw in the logic of the social norm of shareholder privacy.

The Friedman conclusions are based on three assumptions, two of which Zingales was willing to challenge. Firstly, Zingales presented, it is very hard to maintain the assumption that shareholders only care about money (e.g. foundations that have social objectives in mind, consumers/private investors, especially millennials, care about environment etc.). Secondly, the assumption that shareholders can always use their money (e.g. company dividends) efficiently for the purpose they care about does not hold. Thus, it may be more efficient for the companies to adopt shareholder's social objectives, such as protecting the environment, directly.

Zingales' conclusion was that instead of maximizing shareholder value, companies should maximize shareholder welfare.<sup>11</sup> The challenge with this conclusion is how these types of shareholder preferences are to be expressed. According to Zingales, while using the exit right is not always possible (e.g. index investors), and divesting as well may be a dangerous strategy having the opposite outcome, it is better to invest and engage.

Zingales went on explaining that business judgement rule is not an appropriate tool to address the shareholders welfare related questions, as they include social trade-off (not business) decisions. Moreover, business managers have no expertise nor legitimacy to make these kind of decisions. When it is not about business judgement, Zingales said, people who carry the cost should be the ones that make the decisions. According to Zingales, "political decisions" should be done in companies because of the frictions in the actual political process and corporate lobbying leading into a direction opposite to the interest of shareholders. There are also national borders and limits that can be overcome by corporations. Moreover, when a company is not in a competitive environment, maximizing shareholder value is not a proper objective.

Zingales concluded by stating that in order to better achieve shareholder welfare, institutional investors should be more demanding and pressure from their ultimate beneficiaries is needed. In Europe, this is already taking place. As one of the main challenges, Zingales mentioned measuring and aggregating investor's social objectives as well as auditing the results. The implementation of these means is not only required but also possible.

## Corporate Governance, Value Creation and Economic Growth

In his keynote, **Mats Isaksson**<sup>12</sup> discussed how we should think about corporate governance and its key statutory components, such as company law and securities regulation and their limited ability to compensate for shortcomings in other policy areas. Firstly, Isaksson explained the following key economic functions and objectives that the statutory elements of corporate governance should serve:

- 1) to ensure that household savings are available to finance productive investment in the real economy
- 2) to facilitate efficient allocation of capital between competing ends
- 3) to ensure that the final use of capital is effectively monitored by the providers of capital

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<sup>11</sup> See also Oliver Hart & Luigi Zingales, Companies Should Maximize Shareholder Welfare Not Market Value, 2017 at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3004794](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3004794)

<sup>12</sup> Head of Corporate Governance and Corporate Finance division, Organisation for Economic Co-operation and Development (OECD)

According to Isaksson, the above functions constitute the foundation of G20/OECD Principles of Corporate Governance. At the very core of the G20/OECD Principles are also the concepts of private property rights and the rule of law that should protect from undue and arbitrary interventions from political rulers, intermediaries and corporate executives that are responsible for managing other people's money.

Secondly, Isaksson stressed the rational boundaries of the statutory provisions. These boundaries, Isaksson said, define when, how and for what purposes the statutory components of corporate governance should be used. In this respect, the following two are especially important:

- 1) **The boundary towards market and business**, i.e. what corporate governance issues are best handled by business itself in a flexible fashion that reflects the needs of individual companies and what issues are systemic in the way that they require mandatory provisions.
- 2) **The boundary towards other legal domains**, such as labour law, competition, consumer protection, and environmental law. All regulations have their costs and benefits. They also make up a delicate web where they complement each other. In order to minimize negative unintended consequences it is important to maintain a maximum of clarity and a minimum of overlap.

Isaksson referred to the unique ability of equity capital in taking a long-term view when financing innovation and productivity. As an example, Isaksson referred to a recent European Central Bank study on the correlation between the level of equity financing and CO<sub>2</sub>-emissions. According to the report the higher degree of equity financing in a country's financial mix, the lower the carbon emissions. One explanation is that more advanced equity markets are more efficient in allocating and reallocating capital to less polluting sectors and pushing carbon intensive sectors to develop and implement greener technologies. Thus, the study suggests that public joint-stock company form and policies supporting the development of equity markets can fill an important role in decreasing carbon emissions. According to Isaksson, efficient and accessible equity market can indeed be used to allocate capital to companies that through innovation challenge status quo to address the climate change dilemma.

## Panel discussion

In the main lines of the **panel discussion**,<sup>13</sup> the following views were expressed:

- Addressing climate change is not about charity anymore as companies are changing their portfolios into a sustainable direction and asking whether they exist in the future if they don't do something. Nowadays, it's seen that only sustainable companies can be profitable and only profitable companies can be sustainable in the long run. Shareholders should keep on questioning "where is the money" and thus creating a business case for sustainability.
- There is a great amount of expertise in the companies, which should be used better.
- Controlling the global value chains is a key issue. As they are covered by separate jurisdictions, a purely national approach is insufficient. While international law may not be realistic and private international law has not been very successful in serving sustainability, EU law could be seen as a means to regulate major part of global value chains.
- Putting a price to carbon as an external change could be effective push to the whole industry.
- Instead of company law, the political system has traditionally been used to balance the interests around societal questions. As the Commission is assessing the need to re-define board duties towards

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<sup>13</sup> The panel was moderated by Luigi Zingales. The panellists were Mateja Milič (Assonime, European Issuers), Kaisa Hietala (Gaia Group), Jukka Mähönen (University of Oslo), Rolf Skog (Swedish Ministry of Justice) and Mats Isaksson.

a multi-dimensional goal, it runs the risk of undermining board accountability and its previous efforts to strengthen the role of shareholders.

- As the non-financial reporting directive and changes to the shareholders rights directive have been recently adopted, maybe it would be appropriate to measure their impact first. Any shift in the tools and the ways problems are addressed should be fact based.
- As Europe has a heritage in corporate governance codes and good practices, they should also be considered as a possible way forward.
- With regard to value chains, once the companies have adopted cleaner technologies, they are proven to introduce them in their subsidiaries and contractors in other countries as well.
- The system of governance is not working in a proper way, because companies are playing a disproportionate role in the society.
- As corporate governance codes are a product of industry, they do not address sustainability well enough. On the contrary, whereas mandatory legislation is to set the minimum that everybody must comply, the codes are above and more than the legislation.
- The Commission should think about measures that incentivize long-term investment better (e.g. multiple voting shares, which on the other hand were mentioned to carry the risk of disproportionate concentration of power).

## PANEL III: Corporate governance and other means – efficiency, coherence and added value?

### The Role of Investors and Corporate Governance in Firm Environmental Performance

For the last keynote of the conference, **Alexander Dyck**<sup>14</sup> wanted to discuss the role of investors and market based mechanisms for sustainability, where he saw quite a lot of room for improvement. Dyck started by addressing the challenge of measurement; how can we find useful and reliable condensed information. As it stand, there is a lack of standardization and oversight, which means that the information is not great currently.

The two basic questions that Dyck wanted to address, where 1) if and why institutional investors drive the environmental performance of companies and secondly 2) if and how certain measures of corporate governance affect the environmental performance of companies.

With regard to the first question, Dyck described how institutional ownership is positively associated with E&S performance and how additional tests suggest this relation to be causal.<sup>15</sup> This is because institutions are motivated not only by financial but also social returns. Furthermore, Dyck et. al. studies suggest that when investors come from countries with a strong community belief in the importance of E&S issues, they increase target firms' E&S performance (but not otherwise). This suggests that these institutional investors transplant their social norms regarding E&S issues around the world.

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<sup>14</sup> Professor, Finance and Economic Analysis and Policy, Rotman School of Management, University of Toronto

<sup>15</sup> See also Dyck, Lins, Roth and Wagner, Do institutional investors drive corporate social responsibility? International evidence, at: <https://www.sciencedirect.com/science/article/pii/S0304405X18302381>

Secondly, Dyck discussed whether and how “G comes before E”, i.e. what part of governance matters for environmental performance.<sup>16</sup> According to Dyck, strong evidence can be found to support that better governance improves firms’ environmental performance, including in settings where environmental risks are most salient. Especially governance mechanisms that focus on board renewal through enhanced investor power in director elections or appointment of female directors seem to effect are associated with the greatest improvements.

Dyck concluded his keynote by saying that appropriate governance is needed to achieve environmental performance. He also stressed that investors should be seen as a part of solution and their drive and power are needed to achieve change.

## Panel discussion

In the main lines of the **panel discussion**,<sup>17</sup> the following views were expressed:

- Governance trends are locally specified. In Europe, investors are trying to integrate environmental and social performance into governance e.g. via remuneration and incentive plans.
- While investors are pushing for board accountability, companies are still struggling in finding the right measures.
- The governance of European companies has lately been reinforced by the revised shareholders right directive, which is still to be implemented in a couple of member states – before proposing new rules, it could make sense to take a little bit of time to see the effects that the new rules may have on long-term commitment.
- In the light of the fiduciary duty of institutional investors, addressing E&S questions may constitute risks.
- From a pension fund point of view, it is clear that a top down approach is needed and robust policies and solid guidelines should exist. The structure of the fund (e.g. involvement of relevant stakeholders) can be used to capture certain preferences on E&S objectives.
- It is important to study whether the sustainability preferences of the ultimate beneficiaries transmit through the investment chain. When studying the impact on real economy through engagement in shareholder resolutions, a significant voting gap can be found. Keeping this in mind, there is a need for innovation on investment products to aggregate individual preferences. Supply chain impact is a powerful tool but it takes some time.
- Even though there are restrictions on how smaller investors and asset managers can affect, everybody has a role in making the change. Smaller actors can participate e.g. via collaboration and be a part of a bigger movement.
- There is an increased demand for board diversity. This applies not only to gender, but a good combination of characters is needed.
- ESG data is in a key role; the existing reporting regime may not be sufficient. We do need actually proper international sustainability reporting framework. As it may not be very easy to agree on global level, European harmonization could also be useful. If governments cannot solve the issue,

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<sup>16</sup> See also Dyck, Lins, Roth, Towner and Wagner, Renewable Governance: Good for the Environment?, at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3224680](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3224680)

<sup>17</sup> The panel was moderated by Alexander Dyck. The panelists were Aleksandra Palinska (EFAMA), Robbert Gerritsen (Institutional Shareholder Services), Hanna Hiidenpalo (Elo Mutual Pension Insurance Company), David Cooke (2<sup>o</sup> Investing Initiative) and Jo Iwasaki (Helsinki Capital Partners).

standardization around industry and based on investor demand may take place and it may be messier than we would ideally like.

- As solutions are needed quickly, possible standardization on ESG data should not be too granular but to concentrate on the key points. The rest could come from the industry.
- Not only data is needed, but also (scenario based) analyzation tools should be established.
- As a lot of focus has been put on what can be measured, there might be a risk of over-emphasis on the measurable. We must remember that the data is about history (and mostly quantitative).
- Director's duties towards the company are enforced (mainly) by shareholders. It is questionable whether the shareholders have adequate tools and/or are sufficiently incentivized. Thus, there might be an accountability gap that should be further examined.
- Share buybacks are not an isolated question and one should not generalize too much when assessing them.

## SUMMARY

For the summary of the day, Timo Löyttyniemi shared the following:

**1. A paradigm shift is taking place:** Over 10 years ago, we heard the inconvenient truth from Al Gore. We are now continuing the same discussion and already seeing a paradigm shift. The experiences from taking care of the financial crisis shows how changes are possible if there is a will to do it; there has been a major paradigm shift in financial market. This shows how there are solutions to be implemented once there is a will. Crisis typically make the will quite effective.

**2. Criteria for future action and measures:** The measures need to be efficient. We have to focus on the right measures and their timely implementation. We do not have the luxury of time. We must find measures that have impact hopefully in the global scene as well. Even though it was mentioned during the day that costs of doing wrong policy choices is also a risk, there is an urgency call to take action

**3. Green washing:** Do we rank companies by their reporting or by their action? Reporting is not the wrong way, but only a minimum way of doing – we need much more. Green washing is speaking in one terms but acting in a different way. We need to act the way we speak.

**4. Shareholder primacy:** Shareholder primacy is absolutely in the heart of the discussion of the day. Throughout 1980-1990's we experienced a paradigm shift to shareholder value. Not much progress has taken place around that discussion since. Also the discussion on long-term vs. short-term seems to be the same than it was 20 years ago. In the conference, Prof. Zingales presented a new concept called "shareholder welfare" - without knowing that concept, I've always believed in that. Of course, investors think about the totality of their return in one way or the other. There is something good on shareholder primacy as it is a very efficient way of balancing stakeholder interests. However, governments and regulators should put shareholder primacy within limits.

**5. Is the company law and corporate governance route the right one?** In discussing whether there is a path forward within the company law route, a proposal to re-define the corporate purpose was presented. The discussion of the day did not provide a clear answer; there have been and will be a number of analysis around addressing the question. On the other hand, there are also other corporate law means and other forms of corporations. This means that you may have different company formats if there is a need and even a rivalry of different corporate forms. It is also for the customers and society to choose which one is the best. Of course, there can be requirements on the duty of directors through regulation and self-regulation through

various codes. Codes absolutely add value as the regulation provides the minimum and codes are adding on top of that. Both the codes and directors' behavior need to change as the society changes.

**6. Transparency and reporting:** Better transparency has been one of the biggest advancements during the past decades – it is the first step. In order to understand where we are, we need to have good reporting and transparency. Otherwise, we do not have a clue. Recent initiatives within this filed include e.g. EU taxonomy and Non-Financial Reporting Directive. Support for global harmonization was expressed during the conference day and corporations as well plea for a harmonized approach in that regard. It is not necessary to tackle all the reports of the world, but if the climate change is the issue, then we can tackle the climate change as a niche reporting from the harmonized global point of view.

**7. Roles of corporations and government:** It was said during the day: “If there is a lack of action by the politicians it cannot be replaced by requesting action from corporations”. Even with this citation, there is a number of items that can be addressed in the corporate level. These include e.g. change of behavior among investors and a change on companies' purposes, strategies and action because of internal pressures, investor pressure, demand from customers, restrictions, taxation, demands from the workers. There is a number of forces driving the change. Even though absolutely needed and already taking place, these however are not sufficient to solve the climate change.

**8. The role of lobbying:** This issue was also discussed during the day and it naturally relates to the procedure of creating new company legislation and regulation in general. This once again proves how it has to be the government responsible for climate change mitigation action.

**9. Social norms:** Evidence on social norms and their impact was heard during the conference day. The background of investors e.g. has an impact. We have a reason to be optimistic, as our preferences as customers and investors have an impact.

**10. Women in boards:** There is clear evidence that women can make the difference in climate change. In Finland, we have five government party leaders that are all women and mainly young. EU is leading the way by Ursula von der Leyen and her Green Deal.

**11. Internalization of externalities as an answer.** Even though simple to say, internalization of externalities was heard multiple times during the conference day. If we succeed in this, the market and price mechanisms can be used to efficiently tackle the issue. We need to have right mechanisms in place and if we do it well, we are pretty close in solving the climate change. Internalization of externalities has also taken place within the financial sector during past five years. It is possible and doable. It may not exactly relate to corporate law, but it is close.