

ecoDa



The European Voice of Directors

10TH CORPORATE GOVERNANCE CONFERENCE
by the
AMERICAN-HELLENIC CHAMBER OF COMMERCE

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ecoDa in a nutshell

22 member institutes, representing 55.000 individual Board members

- ✓ Advocacy body in Brussels, monitoring corporate governance developments in the European Union (EU) and acting as the European voice of directors
- ✓ Community for sharing the best corporate governing practices, developing and publishing guidelines and recommendations
- ✓ Offering Board member education in the form of the European Board Diploma
- ✓ Other proactive initiatives, including the Corporate Governance Dialogue (an embryo of an internal think tank), director surveys, etc

www.ecoda.eu

European Board Diploma by ecoDa

- ✓ New program introduced in 2022
- ✓ Held twice a year, spring and autumn
- ✓ About 40 participants from numerous European countries
- ✓ Partnership with INSEAD, Chapter Zero, and GNDI
- ✓ Focus on the differences among the different national corporate governance models / new EU corporate governance developments / strong networking dimension among European peers

<https://ecoda.eu/european-board-diploma/>

Revised G20/OECD CG Principles

Essentials:

- ✓ **New chapter “Sustainability and resilience”** (promoting material sustainability-related disclosure with external assurance, emphasising Board responsibility to adequately consider sustainability risks and opportunities)
- ✓ **Company groups** (promoting their clear regulatory framework, improvements in disclosing third party transactions, Board access to key information)
- ✓ **Institutional investors** (addressing the growing use of stewardship codes, promoting increased disclosure and minimised conflict of interests of proxy advisors, ESG rating and data providers as well as index providers)
- ✓ **Board responsibilities and duties** (emphasising risk management, including crisis management; additional provisions on remuneration, including the use of sustainability indicators; reflecting the growing use of Board committees and diversity considerations in disclosing Board composition)
- ✓ **Safe harbours** for the management and board members’ actions
- ✓ **Digital technologies** (underlining the importance of a technology neutral approach, Board responsibilities for digital security risks, promoting remote participation in shareholder meetings)

Final adoption: September 2023

www.oecd.org/corporate

EU regulations (1/4)

- ✓ **Corporate Sustainability Reporting Directive (CSRD)**
 - Entered into force in January 2023.
 - The first companies will have to start applying the new rules in the 2024 financial year, for reports published in 2025.
 - A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability (about 50.000 companies in total).
 - CSRD requires companies to report on the impact of their corporate activities on the environment and society, and requires the audit (assurance) of reported information.

EU regulations (2/4)

✓ European Sustainability Reporting Standards (ESRS)

Based on CSRD, the European Commission is finalizing the ESRS, with the latest round of consultations closed on the 7 of July.

Different standards will be applied:

- ✓ Cross-cutting standards
- ✓ Environmental standards
- ✓ Social standards
- ✓ Governance standards - bribery or corruption

Expected adoption: by the end of 2023

EU regulations (3/4)

✓ Corporate Sustainability Due Diligence Directive (CSDDD)

European Parliament, the Council and the Commission are currently aligning their positions on CSDDD.

Companies in scope will be expected to carry out the following actions:

- ✓ Integrating due diligence into their policies;
- ✓ Preventing and mitigating potential adverse impacts;
- ✓ Monitoring the effectiveness of their due diligence policy and measures;
- ✓ Publicly communicating on due diligence.

The topics still under discussion during the dialogues are:

- ✓ The size of businesses that will fall under the scope (250 employees, 40 mEur)
- ✓ Inclusion of the financial sector in the scope;
- ✓ Where to stop the due diligence exercise down the chain;
- ✓ The civil liability provisions;
- ✓ The comprehensive coverage of environmental matters, including climate and human rights.

Expected adoption: by March 2024

EU regulations (4/4)

✓ ESG rating market

Considering the ESG rating market, the Commission has recently published a draft Regulation on the transparency and integrity of ESG rating activities.

In a nutshell, the new regulation includes the following should be authorised and supervised by the European Securities and Markets Authority (ESMA):

- ✓ ESG rating providers should review ESG rating methodologies on an ongoing basis and at least annually;
- ✓ They should disclose information on the methodologies to the public;
- ✓ They should ensure that they provide ESG ratings that are independent, objective and of adequate quality.

This initiative on rating agencies is part of a New EU Commission Sustainable Finance Package.

Challenges in the Boardrooms (1/2)

Effectively manage increasingly diverse risks & take advantage of new opportunities

- ✓ ESG (*shared* value creation)
- ✓ Digitalisation and cybersecurity (+AI)
- ✓ Talent management
- ✓ Supply chains and foreign markets (lessons from the pandemic, fundamental changes in geopolitics, etc.)
- ✓ Financial resilience - managing soaring inflation, high interest rates and overall economic uncertainties, etc.

In terms of regulations, differences between listed and unlisted companies are diminishing. Unlisted companies will have to get inspiration from listed companies even if they are not targeted by the new legislation, especially if they still want to attract capital.

Challenges in the Boardrooms (2/2)

Board diversity. The business environment became global and so should the Board.

Independent directors. It is not just a requirement of CG Code, it is a more professional, more trustworthy and more value-creating Board.

Board agility. Bords' role is to direct, thus directors should be the front runners that possess up-to-date knowledge.

Control and compliance. It is hygiene for the respectful company that brings efficiency, trust and higher long-term value.

The smartest Boards...

- ✓ Take all these and upcoming regulations very seriously, placing these topics on the Board agenda.
- ✓ Looking for ways to develop additional competitive advantages by revising the business models, processes, products and services.
- ✓ Taking the leadership in realigning the organisational structure.
- ✓ Imposing necessary corporate culture to exploit new opportunities.

Value-creating Board of tomorrow

- ✓ In this unpredictable world Boards often don't know what they do not know, so they must constantly question their environment and challenge the management.
- ✓ Boards need to be more outward looking for a comprehensive understanding of their business ecosystem and its future.
- ✓ Value the Boards are creating is placed on the tripod with three legs:
 - smart challenging;
 - efficient controls;
 - valuable support.
- ✓ Board's goal is creating long-term value for the company and making your country a better place to live.



Ευχαριστώ!

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