23rd European Corporate Governance Conference: April 2nd, Bucharest

Introduction

- Value creation is key now for companies.

Key note Prof Mervyn E. King

- It is time to have a Healthy company: Board shows long term health of the company and not the increase of wealth.
- Time has come to challenge maximising shareholder value at any cost and the regulations focusing on shareholders.
- Intangible assets represent today 86% of the balance sheet (ecological assets, reputation, human rights, outcomes of strategy, stakeholder's relationship...)
- Financial and sustainability must be integrated: IIRC is recommended, and the mindset must change.
- There are 3 aspects to check today in companies: financial, social and environmental.
- The "6 "capital of IIRC applies: financial, manufactured, intellectual, social & relationship, human, natural.
- Board needs to know stakeholders' relations, source of value creation and how the company makes money.
- Outcome must be present on the Board's agenda for the strategy, reporting.
- There are new challenges: mindset change, capital and stakeholder relationship, inclusive capitalism, outcomes-based approach to governance, sustainable capital, population growth and diminishing of assets.
- There are 4 outcomes to demonstrate good governance: intellectual, capacity, responsibility, accountability.

Key note George Ciamba, Minister in charge of European Affairs

- It is crucial to create value and not to destroy environment.
- Minimum threats and maximum opportunities may be achieved through collaboration between public and private sectors.
- The EU Legislation on sustainable finance helps in this direction.

Panel 1: what developments are there to address the changing of corporate governance in order to achieve long term value?

- The EC is involving and there is a clear objective to move Europe towards a more sustainable Europe by 2023. (eg 10 actions issued in march 2018)
- Sustainability is about new business models to apply and also new models for the transition period. We must understand long term big risks (social, environmental, human…).
- Even though the economic models and governance frameworks are different cross countries, there is an agreement that companies must do what is good for the long term and the society.
- Currently, the EC is collecting the current status/achievements (vs Paris agreement) and the next Commission will decide on the priorities to achieve the final goal.
- There is an urgency for more sustainable corporate governance model and there is a clear message from stakeholders, investors. There are many programs about more integrity and more sustainability: College des Bernardins, Brtish academy ...
- On top, there is a lack of trust from the citizens towards the institutions, governments, businesses.
- It is also time to discuss about materiality analysis, scenarios in the Board rooms.
- The current corporate reporting gives an idea in quantitative terms for sustainability but can be improved: some report are made of 700 to 1200 pages…it does not give a clear view of the goal and the means for sustainability Reports should be simpler and include the "why" and "how". The Governance model should be explicitly mentioned, and some Board choices should be described: why the Board made this decision for sustainability; why these policies are adopted for environment, social rights…
- The Board must endorse the right attitude, but we need the proper ecosystem: regulation/behaviour & attitude in the organization directed towards sustainability culture.
- Standardisation is critical to benchmark cross companies, but each company must develop its own model and it should not be regulated.
- The Board acts as a team: we need right mix of competencies, right items on the agenda (Chairman's role) and we must challenge the Management (more than before) the Board cannot rely only on information received from the Management -> the Board needs to look at information available (through achievable ways) and Board members need resources to help them being more active, raising questions for the long term value creation.
- Board members want to get more independent information and brainstorming sessions are organised, shadow committees are set up.
- Do we need at EU level mandatory rules for supply chain and due diligence? As Directors must manage the risks for companies' interests, it includes the risks in the supply chain as well.
- Based on a study in Italy (Non Exec Directors Association), to be sustainable, companies must invest in R&D, collaborate with stakeholders, invest in education to make the right investments and facilitate the culture change.

Rue Royale 109-111
1000 Brussels, Belgium
TR: 84917001473652
info@eciia.eu
ECIIA

- We need committed and competent people and a separation between the Chairman and CEO position. Independent thinkers and contributors are also key.
- The Digital disruption is not a particular issue but part of the strategic approach, the HR impact is a thought for the Board members.

Panel 2: how to provide a successful corporate governance framework to allow sufficient flexibility and proportionality for companies with different structures and ownership?

- Belgium has issued a corporate governance code for listed companies first and later for medium, small size not listed companies. Now, they are working on a code for public owned companies, but it is a difficult task.
- In France, there is a new Committee at MEDEF for corporate governance for SMEs: targeted communication, minimum rules and not necessarily a Code.
- Changing the behaviour and education are key to change corporate governance in smaller companies.
- Create a shadow Board with young people, assisting the Board is good practice in all companies.

Panel 3: corporate governance as a tool to increase business ethics

- We need better reporting bringing relevant information with KPIs and narrative (EY report in November 2018).
- There is no healthy company without healthy planet: no planet; no business
- We need new ways of doing, new ways of thinking.
- Board members want to get more independent information and brainstorming sessions are organised, shadow committees are set up
- The Sustainable development goals (17) from OECD give a new compass to responsible governance.
- There is a need for a new boardroom culture: composition, selection, reward, processes & roles
- We need people thinking differently, having courage, challenging what is said
- It might be a good idea to Have a Chief Value Officer in companies, besides the CEO, CFO, …
- Accountancy Europe will shortly issue a position paper: Europe through leadership with recommendations for the Board, Policy Makers,…
- There are 3 options to push ethics: rely on investors to discipline company, rely on market discipline or put more pressure on boards.
- The market shows positive impact on "ethics" and sustainable company and there is a strong correlation between business ethics and culture vs sustainable growth.

- Ethics is important for making the right decisions (accept or reject proposals), it also facilitates the compliance or explain questions. But it should be natural rather than putting pressure on Boards. Shareholders do have an important role to play in ethics as well.
- Codes and guidelines should remain principle based to keep ethical discussions at board level.
- Ethics and corporate culture are processes and not projects: they address the way company think and not why they do things.
- Companies liabilities are used to manage ethics subjects: eg. banks are in charge for anti-money laundering,…
- Board members need specialists to assist: Chief privacy Officer, Chief Data Officer…..
- The law does not impose culture, it must be built within the organization.
- There is no new approach to ethics but new challenges (environment, social…) to face.
- There is no company without shareholders, and they define the purpose of the company, but the Board must care about sustainability if the company goes into this direction.
- The Management has also an important role to play by implementing the right ethics.
- The selection of the CEO is crucial, and his/her own value (white CEO) and the Board must follow the tone at the top model to move the company towards more sustainability and more ethics.

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