SUMMARY NOTE - 19 March 2025 Webinar

Welcome

Rytis Ambrazevičius, ecoDa, Chair

Béatrice Richez-Baum, ecoDa, DG

ecoDa, the European Confederation of Directors Associations, is celebrating its 20-year anniversary by holding a conference on Driving EU Competitiveness. To mark this anniversary, ecoDa is also releasing a special compilation of EU laws that have shaped the work of board members over the past two decades. This compilation highlights the central role of Corporate Governance on the European agenda and serves as a testament to ecoDa's active involvement in these developments.

As we look to the future, the critical role of European company boards in driving strategies that enhance global competitiveness is more apparent than ever. Boards are evolving beyond traditional oversight to take on broader responsibilities, including fostering innovation, prioritizing sustainability, and ensuring robust governance. The upcoming discussions will offer valuable insights from experts on how boards can strengthen resilience and drive competitiveness in the years ahead.

Insights: Corporate Governance Trends over the past years

Constance d'Apsremont, Ethics & Boards, CEO

When it comes to board size, Europe and the U.S. are relatively aligned. European boards average 11 members, while S&P 100 companies have slightly larger boards, with an average of 12 members. However, Europe is still behind the U.S. in terms of board independence. While Europe is progressing, the U.S. has been quicker to adopt more independent board structures, reflecting a higher focus on transparency and oversight.

Europe has made significant progress in terms of gender diversity. Women's representation on European boards has increased by 10 percentage points over the last seven years, reaching over 40%. However, Europe still faces challenges, with fewer than 10% of boards chaired by women, revealing the persistent gap in top executive roles for women. In comparison to the U.S., Europe is leading in gender diversity on boards by 6 percentage points, a notable achievement.

Another significant difference is the demographic profile of board directors. On average, European directors are 4 years younger than their U.S. counterparts. Additionally, European boards tend to be more diverse in terms of nationalities, reflecting the region's varied cultural and economic landscape. However, while European directors have an average of 6 years of board seniority, U.S. directors have an average of 8 years, highlighting differences in tenure and potentially in experience across regions.

Director remuneration in Europe has seen a steady increase, with an average annual rise of 3.9% since 2019. This pay increase reflects growing expectations and responsibilities for board members. At the same time, we witness sharp rise in external board evaluations, which increased by 30% in 2023 compared to 2019. This indicates a stronger push for accountability and transparency, as companies seek to better assess board performance and effectiveness.

Keynote Speech: European Commission Priorities on Corporate Governance

Dan DIONISIE, Head of Unit, European Commission, DG JUST), Unit A3 – Company Law

The European Commission aims to strengthen European competitiveness through corporate governance and company law reforms. Three major initiatives will have an impact on board members: The 28th regime, the Omnibus on sustainability and the potential review of the shareholder's rights directive.

The 28th Regime aims to simplify applicable rules and reduce the cost of failures, including irrelevant aspects of corporate law, insolvency, and labor law. Particular attention will be given to the scope of the corporate legal framework, which will be at the core of this 28th regime. A key question will be whether to open it to all companies or restrict it to private enterprises. The 28th Regime will build on recent advancements in corporate law, including digitalization.

The Omnibus proposal, introduced in February 2025, significantly reduced the reporting burden on companies. The requirement for companies to conduct systematic, in-depth assessments of their indirect business partners further down the value chain was deleted. The proposal aims to protect smaller businesses and is expected to save companies €320 million per year. These changes are currently being debated by the co-legislators, the Council and the Parliament.

Finally, the Commission will adopt its strategy on the Savings and Investments Union in 2025. As part of this, it has been announced that there may be a review of the Shareholders Rights Directive. This directive plays a significant role in facilitating investment, particularly cross-border investment within the single market.

Keynote Speech: How stakeholder capitalism can strengthen European competitiveness

Colin Mayer, Emeritus Professor of Management Studies, Said Business School, University of Oxford

The increasing frequency and intensity of crises, will continue until the root problems are addressed. There has been too much emphasis on risks, regulation, and costs, and not enough on value creation and the commercial opportunities that arise from solving problems.

Profit comes from advancement and progress, while competition often leads to a race to the bottom. The annual accounts do not reflect the true cost and do not provide a fair profit. They don't account for the cleanup of the mess created by companies.

The duty of board members is to report their true costs and fair profits without harm. Directors' duties remain solely to their shareholders, but with the recognition that success derives from profiting without harm.

Shareholders should ensure that profit without harm is a basic rule — not just a moral precept but a precondition for the functioning of our economy.

Corporate law should establish that corporate success is defined by rising profits achieved without causing harm. To ensure transparency and accountability, corporate auditing must guarantee that companies' financial reports are both true and fair. Additionally, stewardship codes should focus on fostering the creation of long-term value for all beneficiaries.

By aligning the interests of shareholders with those of other stakeholders, innovation is encouraged, creating a shared purpose that promotes collective prosperity.

Ultimately, corporate strategy should prioritize problem-solving, driving sustainable growth and progress.

Insights: Innovation gaps between the US and the EU

David Beatty, Emeritus Professor, University of Toronto

There is a significant decline in publicly traded companies in both Europe and the U.S., with the U.S. seeing a 50% drop in such companies over the past century. Today, only 15% of publicly listed companies in the U.S. have revenue above $100 million, and much of the market activity has shifted to private equity and venture capital, making it less visible in mainstream media.

The United States is outpacing Europe in terms of economic progress, with companies aggressively pursuing competitive advantages. In contrast, Europe is lagging behind, particularly in the digital realm, known as the "digital tsunami." This digital transformation is fundamentally reshaping industries, and the speed at which innovation is occurring is staggering. Innovation is essential for survival in the modern economy.

In terms of funding and scale, the U.S. dominates with significant investments in sectors like AI and private equity, receiving far more funding than Europe. Moreover, the U.S. leads in AI innovation, with the vast majority of AI patents coming from American companies. Europe's spending on AI lags behind the U.S. by 45% to 70%, with one European company making the top 20 list for AI patents.

Europe must dramatically change its course to catch up with the U.S. and China, both of which are leading in key technological areas

Panel 1: Developing the right ecosystem for EU competitiveness

Maria Althin, BusinessEurope Company Law Working Group, Chair
Philippe Lambrecht, EuropeanIssuers, Board member
Benoit van den Hove, Euronext Brussels, CEO
Severine Neervoort, ICGN, Policy Director
Alessandra De Lisio, Lloyd's Insurance Company, Company Secretary & Head of Corporate Strategy
Moderator – Roger Barker, Director of Policy and Corporate Governance, IoD

The first panel discussion addressed the ecosystem for EU competitiveness. The panellists made it clear that we cannot have a sustainable planet without a sustainable economy. The EU tends to be a champion in regulation, but regulation should be more business-friendly. Regulators should better understand what it means to run a business. It is important to cut the red tape, and the initiatives we see are heading in the right direction (Omnibus Regulation, Listing Act with a lower threshold for prospectus requirements). The Omnibus Regulation should provide real simplification and not introduce matters that would not help in that regard. Positive elements are moving in the right direction: a level playing field, lower thresholds, etc., while maintaining ambition. The ISSB might serve as the minimum standard, while the ESRS could be used by more ambitious companies.

Regulation is not a problem per se, as long as proportionality is ensured. Regulations often come too late; the EU should have the capacity to speed up and adapt to market conditions. It is important to foster convergence in regulation and supervision by ensuring better harmonization of national supervisory authorities. Overregulation is a problem, as is the contradiction between regulations. However, the Commission should not look for quick fixes. The risk would be hindering good Corporate Governance foundations or undermining the Green Deal. Corporate Governance is crucial for competitiveness, as it creates trust.

Regulation is not an end in itself; it is the consequence of a culture. In the EU, incentives exist to promote savings and debt instruments, but not much is done to foster equity investment. The EU should look at the core conditions required to run a business. The Capital Markets Union has been a mantra for years, but it is still not a reality. The EU needs to make the internal market a true reality.

The EU should build on what works well in certain national jurisdictions that drive capital markets with easy access for smaller companies and replicate these models in other Member States. The EU should also examine tax schemes that make it possible for businesses to grow. Additionally, the EU should help investors make informed decisions by providing access to information and modernizing the voting chain.

The EU needs a business model and should define what kind of capitalism we want, with a long-term view.

Panel 2: The Role of Corporate Governance in Boosting European Competitiveness

Mari Kiviniemi, Past Prime Minister of Finland, Past Deputy Director General of the OECD, Board member of Metsä Board
Jan Wozniak, chairman of non-executive board and head of remuneration committee of Sanok Rubber Company, member of Polish Association of Independent Non-Executive Directors
Carola Paschola, Supervisory Board Member of ClearBank Europe NV, Chair of the Nomination and Remuneration Committee

Marika Rathle, Chair of Devialet
Moderator – Denis Terrien, ecoDa Board member, Chair of the French Institute of Directors (IFA)

The second panel focuses on a sector-specific perspective, bringing together leaders from fintech, bio-economy, automotive, and startups. They examine the competitive challenges their industries face, highlighting the critical obstacles that hinder Europe's competitiveness and innovation. One of the main challenges is regulatory complexity and fragmentation, which creates uncertainty, administrative burdens, and inconsistencies across EU member states. Panelists emphasize the need for regulatory reforms to foster innovation, attract investment, and enable industries to thrive. A more unified and coherent regulatory framework would facilitate business scaling and enhance Europe's global competitiveness.

Funding constraints also pose a significant challenge, as Europe lags far behind the U.S. in investment. For startups and scale-ups, U.S. funding reached $209 billion, while Europe secured only $45 billion. Increased EU funding programs, along with policies that make European capital markets more attractive, are crucial for sustaining innovation and growth. Talent attraction and retention is another pressing issue. Special visa programs, tax incentives, and workforce training initiatives are necessary to ensure that Europe remains competitive in emerging fields.

To drive economic growth, investment in research, digital transformation, and sustainability must be a priority. Strengthening AI capabilities, expanding fast-charging infrastructure for mobility, promoting green hydrogen, and improving cybersecurity through a European cloud will enhance Europe's long-term resilience and competitiveness.

At the board level, decision-making needs to emphasize innovation, sustainability, and digital literacy. Establishing technology and innovation committees, integrating ESG considerations, and ensuring diverse and experienced board leadership will strengthen strategic vision. Board composition should focus on competence, annual up-skilling programs should be introduced to maintain strong governance.

To address these challenges, Europe must implement cohesive regulatory frameworks, increase funding for innovation, attract and retain skilled talent, and strengthen digital transformation efforts. These measures will enable European industries to scale, compete globally, and transition towards a more sustainable and resilient economy.

In conversation: Corporate Governance Upcoming Challenges

Rytis Ambrazevičius, ecoDa, Chair
Valentine Deprez, Greenyard, Board Member
Prof. Konstantinos Sergakis, Guberna, Knowledge and Research Director
Moderator – Trevor Pryer, Board Agenda, CEO & Publisher

Digital transformation, regulatory complexity, access to capital, and governance best practices are among the key challenges impacting European businesses.

The panelists emphasized that boards need to be more agile, proactive, and engaged in today's unpredictable world. It is crucial for boards to continuously assess their effectiveness and ensure they are adding strategic value to the organization.

Boards must balance short and long-term perspectives, with a recognition of the shift toward a more nonlinear world. This change requires adjustments in business models and company culture.

It was suggested that boards should create space for emotional processing during decision-making and embrace a broader, more meaningful form of diversity. There was also a call for a shift in how risks are perceived, encouraging boards to see them as opportunities for innovation. Additionally, boards must assess whether they have the necessary competencies to address modern challenges, such as AI, cybersecurity, and digital transformation. The critical role of the board chair in guiding the board's effectiveness was also emphasized.

As the conversation wraps up, final advice to board members was to keep updating their skills and pursue their education journey.