



The Role of Sustainable Company for Sustainable Society in post COVID-19 time

BOOK OF ABSTRACTS

Faculty of Economics and Business University of Zagreb
November 26-27, 2020
Zagreb - Croatia



**4th International Conference on
European Company Law and Corporate Governance -
The Role of Sustainable Company for Sustainable Society
in post COVID-19 time
Zagreb, Croatia, November 26-27, 2020**

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PREFACE

Dear colleagues & friends,

Perhaps more than ever before, we are proud and happy to present you the Book of Abstracts of the 4th International Conference on European Company Law and Corporate Governance - The Role of Sustainable Company for Sustainable Society in post COVID-19 time, Zagreb, Croatia, November 26-27, 2020, organized by Department of Law at Faculty of Economics & Business, University of Zagreb. Happy because we succeeded to organize the Conference despite all the extraordinary circumstances, and proud because we maintained the tradition and continuity of the Conference.

This year's conference was supposed to be special for two reasons. First, we wanted to make another step forward and improve the conference compared to ECL&CG 2018. Second, the conference should have had a solemn note since it is organized as part of the 100th anniversary of the Faculty of Economics and Business, University of Zagreb. Unfortunately, the global pandemic COVID-19 and the earthquake in Zagreb made it impossible to organize the conference as originally planned.

This year's Conference is therefore special because it is completely managed remotely. This form of Conference, of course, has its advantages, but also one irreparable disadvantage - inability to make new acquaintances and expand the social network. Yet, given the circumstances, remote conference was the only way to uphold the Conference and accomplish its scientific tasks.

The focus of this year's conference is a sustainable company. As announced in the European Green Deal and the Commission's Communication on the COVID -19 Recovery plan:

“- It is important that sustainability is further embedded into the corporate governance framework.

- Sustainability in CG encompasses encouraging business to consider environmental/including climate, biodiversity/, social human and economic impacts in their business decisions and to focus on long-term sustainable value creation rather than short-term financial value.

- Competitive sustainability will contribute to the COVID-19 recovery and to the long-term resilience and development of companies.”

The Conference reflects and underlines previous and new experiences that have been developed, implemented, and refined according to company law and corporate governance standards, resulting from the new circumstances that we all live and work at the moment. Moreover, the Conference tackles new approaches that have risen up with EU Taxonomy in line with demands of financial sustainability and ESG factors, digitalization etc. We are witnessing shift to a new paradigm and new definition of a corporate purpose to achieve sustainable company and move to a sustainable society. From the legal, economic, financial perspective there are many new elements we must consider. The debate between perils of shareholderism and stakeholderism are going on and on, daily. It is for sure the start of a new era...

On this occasion we would like to express special gratitude to our home Institution, Faculty of Economic and Business University of Zagreb, our official sponsor PwC Croatia for supporting and recognizing the importance of this conference, European Law Institute as scientific partner and Croatian Bar Association for their support and Faculty of Organization and Informatics for their technical support. Furthermore, we would like to thank the Ministry of Science and Education of the Republic of Croatia for recognizing and co-funding this project again. Also, a big thank you to all the wonderful people who made the great efforts and engagement to help us in carrying out the Conference – the members of Program and Organizing Committees, our reviewers & operative staff. In the end we would like to thank all our speakers and participants for giving this Conference the true purpose.

We truly hope you will enjoy the Conference, expand your knowledge in European Company Law and Corporate Governance.

Sincerely yours,

Professor Hana Horak, Chair of the Program Committee

Assistant Professor Zvonimir Šafranko, Organizing Committee

PLENARY SESSION

SHAREHOLDER STEWARDSHIP UNDER COVID 19

Christoph van der Elst



Christoph Van der Elst is professor of Business Law and Economics at Tilburg University (The Netherlands) and at Ghent University (Belgium). He is a member of the Belgian Bar (Cottyn) and an ECGI research associate. He has/had been visiting professor at Vanderbilt (US), IDC (Israel), UAMS (Belgium), TIAS (The Netherlands), European College (Belgium), Babeş-Bolyai University (Romania) and CLEI (Italy). He is also a member of the audit committee of the Ghent University Hospital.

His current research interests are corporate stewardship, (economic analysis of) company law and in particular shareholder rights and voting and the effects of distributed ledger technology, and published widely in these fields in both academic and professional journals.

ABSTRACT

Covid-19 started to rage over the whole of Europe early 2020 and had a dramatic effect on both our social as well as our economic life. Many countries responded and issued emergency legislation or executive orders to authorize the daily corporate life in general and shareholder meetings (AGMs) in particular. A large majority of the companies had to postpone their AGMs, restrict, or exclude the “live” voting right and change dividend and remuneration policies. This regulatory and business transformation not only highlights how the relationships between the company and the shareholders developed, but it also shows how shareholders are connecting in this era of technology. As both shareholder stewardship and technology should be embraced, the interaction of both must be furthered in an enforcing process. Thereto, the effects of emergency legislation are to be investigated, addressing both concerns that the innovative approaches curb stewardship and that the traditional physical engagement activities reach its boundaries in shareholder democracy.

This paper makes three contributions to the existing literature on technology and stewardship. Using a new hand-collected dataset of French companies, it offers an empirical account on the willingness of shareholders for upfront online voting. Second, it shows if and how loyal shareholders make different use of voting modes compared to other shareholders both before and during the covid-19 hybrid meeting era. Third, it reveals if and how hybrid meetings affect the voting results. Integrating these results with the findings of other stewardship techniques, the paper concludes that technology can be used for strengthening

shareholder engagement but only if the regulatory framework is nudging companies for shareholder stewardship.

THE ROLE OF SUSTAINABLE CORPORATE GOVERNANCE IN THE GLOBAL ECONOMY

Corrado Malberti



Corrado Malberti is Associate Professor of Commercial Law at University of Trento since 2015. From 2010 to 2015 he was Associate Professor of Commercial Law at University of Luxembourg, where he was also director of the Master 1 in European Law. He graduated from University of Milan in 2000. He completed an LL.M. at University of Chicago in 2005 and a Ph.D. in commercial law at Bocconi University (Milan) in 2006. His principal research interests are national, comparative, and European company law and financial market regulation. He has widely published in the fields of company law and financial market regulation in English, Italian and French.

ABSTRACT

The advancement of environmental, social and corporate governance goals and the encouragement of sustainability in company law are gaining momentum across the world. In the European Union, after groundbreaking discussions that resulted in the adoption of revolutionary national legislation, the European Commission is now preparing a set of initiatives that could reshape the framework of the laws and principles governing companies. The lively debate that followed the announcement of these proposals raises fundamental questions for the future evolution of company law and corporate governance: are we on the verge of a paradigm shift or will companies come back to 'business as usual' after resisting the emergence of the new paradigm? Investigating this question, I will discuss what are the implications of these competing approaches for the debate on globalization, exploring what role environmental, social and corporate governance could reserve to companies and company law.

KEYWORDS: *corporate governance; sustainability; environmental, social and governance; globalization; directors' duties*

Session 1

**CORPORATE RESPONSIBILITY &
SOCIALY SUSTAINABLE COMPANY**

GREEN FINANCE FOR SUSTAINABLE GROWTH, THE CASE OF CROATIA

Tomislav Ridzak & Ante Žigman

Tomislav Ridzak, finished his undergraduate and graduate studies at the Faculty of Economics and Business, University of Zagreb, he got a master's degree in economics and finance from the University of York, United Kingdom, and a doctoral degree from the Juraj Dobrila University in Pula. He started his professional career as a junior researcher at the Institute of Economics in Zagreb. From 2003 he worked for companies Interkapital vrijednosni papiri and ICAM as the Head of Asset Management, Head of Portfolio, and a securities trader. In 2009, he started working at the Croatian National Bank, first as an adviser, and from 2012 to 2018 as the Head of Financial Stability Department. In February 2018, he was appointed member of the Board of Hanfa. He has written many scientific papers published in Croatia and abroad.

Ante Žigman, is the President of the Board of Hanfa whose scope of competence includes a wide range of financial non-banking services, from regulation and supervision of the capital market, through insurance to investment and pension funds. He is a member of the Mediation Panel of the European Insurance and Occupational Pensions Authority (EIOPA) and a member of the Executive Committee of the International Association of Insurance Supervisors (IAIS) as a representative of the CEET region (Central and Eastern Europe and Transcaucasia). He actively participates in the work of these international bodies. Prior to his appointment as the Head of Hanfa, he held a number of important functions, some of them being: Assistant Minister of Finance for Macroeconomic Analysis and Planning, followed by Secretary of State at the Ministry of Finance. He has also served as the vice president of the Committee for Fiscal Policy of the Croatian Parliament, and member of the Economic and Financial Committee's Sub-Committee on EU Sovereign Debt Markets (ESDM). In the banking sector, he was a Board Member of the Partner Bank, as well the Head of Macroeconomic and Financial Research Division and the Chief Economist at the Raiffeisen Bank in Croatia. He has spent a significant part of his career at the Croatian National Bank where he worked in the Office of the Governor until being appointed to the current position. He has written numerous scientific and expert papers in the field of fiscal policy and finance and is an active lecturer in the area of economics and finance.

ABSTRACT

European Union has embarked on an ambitious plan to tackle climate change. One of important parts of that plan is “green finance”. This package, which contains several acts has been promulgated through the European parliament. The regulation is expected to be implemented in member states by 2021, but important implementing acts remain to be prepared by the European Commission.

New regulation will bring about changes throughout the financial industry, especially in the non-bank financial intermediaries. However, the regulation will also affect the issuers that have their stock, bonds and other securities listed or sold to public. In other words, the regulation aims to influence both the supply and demand for securities and make the whole system more environmentally friendly. Already, the “green finance” is very hot topic in financial markets as everything because it sells very well, as the data shows. This new regulation will introduce clear labels and link investment style with specified climate goals.

The aim of this article is to assess the possible impact of this regulation bundle on financial industry and issuers of securities in Croatia. Croatia is an interesting example because it is similar to other new member states in terms of financial market development, but it also has relatively big pension fund industry. This is important because pension funds are important long-term investors and their investment behavior can significantly impact and motivate listed companies and other issuers to modify their behavior in order to attract pension fund investments.

KEYWORDS: *green finance, green investment, corporate governance*

SUSTAINABILITY VS. CORPORATE PURPOSE: WILL SOCIAL NORMS SHIFT THE PARADIGM

Anne-Marie Weber-Elżanowska



Anne-Marie Weber-Elżanowska conducts academic research and teaches courses at the Faculty of Law and Administration of the University of Warsaw, where she has received her Ph.D. in 2015. Her doctoral thesis undertook the topic of capital market regulation as an instrument mitigating the inefficiency of public (state) ownership of corporations and was distinguished in 2016 by the Chairman of the Polish Financial Supervision Authority in the competition for the best thesis concerning financial market regulation. In 2012 Anne-Marie graduated from the University of California, Berkeley School of Law. Her current research is focused on the impact of transformative social change on company law - in particular as regards digitalization and the sustainability debate.

ABSTRACT

The recently reignited debate on the corporate purpose in the context of pressing ecological and social challenges focuses primarily on the question, whether sustainability-influenced stakeholderism may substitute the dominating shareholder value doctrine. The paper aims to argue that profoundly changing social norms will force a paradigm shift in the understanding of the corporate purpose, even without a conceptual diversion from the shareholder value model. The author argues that the process of “decoding” the corporate purpose by directors and managers within the shareholder value model was never to be understood as limitless. These content limitations result from black letter law but also from “legal safety valves” embedded in private law systems across jurisdictions that refer to socially and morally acceptable standards of conduct (good manners). As these social norms are in an exponential state of change as regards society’s sustainability expectations towards corporations, the boundaries of shaping the corporate purpose must be reset.

KEYWORDS: *sustainability, corporate purpose, social norms, stakeholderism, shareholderism*

ESG FACTORS - DO SOCIAL FACTORS REALLY MATTER?

Mario Vinković

Mario Vinković, Ph.D., is a full professor and head of the Department of Labor and Social Security Law and Social Work at the Faculty of Law in Osijek. He is the head of the specialist postgraduate interdisciplinary study "European Studies - Regional Cooperation and EU Integration" at the Josip Juraj Strossmayer University in Osijek, and since May 2011 the head of the Postgraduate Interdisciplinary Doctoral Studies - European Studies of the Doctoral School of the same University. He has been on study research at the University of Manchester (2003) and at the University of Liverpool (2006). He studied at the Constitutional & Legislative Policy Institute (COLPI) and the Central European University in Budapest (2000), and in the field of higher education at the University of Illinois in Urbana-Champaign (2017). He was a member of the Governing Board of the Judicial Academy as a representative of university professors of legal sciences (2010-2014). From 1 October 2009 to 30 September 2014, he was Vice-Dean for Science and International Cooperation at the Faculty of Law in Osijek, and from 1 October 2014 to 30 September 2017, Vice-Rector for Teaching and Students at Josip Juraj Strossmayer University of Osijek. He is a full member of the Croatian Academy of Legal Sciences and the winner of the first Jean Monnet Chair of the University of Osijek - Jean Monnet Chair in EU Labor, Equality and Human Rights Law (2013-2016). He has been a member of the State Judicial Council since 2019.

ABSTRACT

ESG factors are becoming increasingly important in the world of investments, assessments of material and business opportunities, but also the risk of exposure of investors and companies. They are often interconnected, not strictly and fixedly defined, but their impact is potentially multiple and multidimensional. In the literature, social factors are determined as factors assessing the strengths and weaknesses of companies, while in sustainable investment they are important for assessing the ability to cope with the challenges of the world of work, social trends and relevant policies.

The article focuses on social factors, their closer identification and significance, primarily from the perspective of workers, labor law and CSR. In addition, the article seeks to provide an answer to questions of their legal treatment and legal nature. The methodological approach is focused on qualitative research, analysis of available statistical indicators and comparative legal method.

KEYWORDS: *ESG factors, S factors, labor, workers, CSR*

A FLEXIBLE MODEL FOR EFFICIENT EMPLOYEE PARTICIPATION IN EUROPEAN COMPANIES

Andreas Kokkinis & Konstantinos Sergakis



Professor **Andreas Kokkinis** joined Warwick Law School in 2013. Before that he taught at UCL, the University of Kent and Buckingham University. He holds a PhD from University College London (2014), an LLM from the London School of Economics (2009) and an LLB from the National University of Athens (2008). He qualified as an advocate in Greece in 2011. He has published widely in the areas of bank corporate governance and financial regulation and engages regularly with policy makers and the media. Dr Kokkinis has presented his research and delivered workshops and masterclasses in several countries including the US, Colombia, Singapore, Malaysia, Norway, Germany, France, Italy, Spain, Poland and Latvia. Dr Kokkinis is the course director of the LLM in International Corporate Governance and Financial Regulation and module convener of its core module. He also jointly convenes the Law of Business Organizations module (UG) and convenes the International Corporate Finance module (PG). He is a member of the GLOBE Centre Steering Committee and editor of the GLOBE Centre Briefing Papers Series. Dr Kokkinis currently holds external examiner positions at King's College London, the University of York, the University of Glasgow and the University of Southampton.



Konstantinos Sergakis is Professor of Capital Markets Law and Corporate Governance and Director of the LLM in Corporate and Financial Law at the University of Glasgow. He has recently published 'The Law of Capital Markets in the EU' (Palgrave Macmillan 2018). His book "The Transparency of Listed Companies in EU Law" received the prestigious prize "*Prix Solennel André Isoré*" under the Presidency of the French Prime Minister.

The question of the role of employees in corporate governance is a politically sensitive one that has recently attracted policy maker attention in the UK, the EU and the US. Corporate contractarian literature dismisses employee participation as inefficient on the grounds that, if it were efficient, it would be voluntarily adopted widely. We argue that the scarcity of employee participation in the UK can be attributed to shareholder short-termism and behavioral biases and, therefore, that the question of its efficiency remains open for companies that want to explore this possibility. We propose a flexible approach that UK companies can follow to implement employee participation. We argue that the most pragmatic way to encourage efficient employee participation is through the introduction of formal employee advisory panels and, in the longer term, the proliferation of employee share ownership schemes coupled with special rights to appoint a number of directors in tandem with the size of employee share ownership. Addressing concerns of tokenism, we argue that such structure can offer multiple benefits to employees, most notably in the area of education, preparedness for board appointments and ongoing dialogue within the company. We also argue that this model is adaptable to any other national framework which does not provide for employee representation on boards. This new paradigm has wider ramifications for the re-conceptualization of corporate law as a hybrid governance mechanism enabling long-term engagement of investors, employees and other stakeholders.

KEYWORDS: *corporate governance, employee participation, employee share ownership schemes*

**CREDITOR PROTECTION IN LOW CAPITAL COMPANIES -
THE CURRENT STATUS OF THE “SHAREHOLDER VS STAKEHOLDER”
DILEMMA IN EUROPE AFTER TWO DECADES OF DECREASING
MINIMUM CAPITAL REQUIREMENTS IN PRIVATE COMPANIES**

Marcin Mazgaj

Marcin Mazgaj, Ph.D., is a graduate of the Jagiellonian University in Cracow, an assistant professor at the Pedagogical University of Cracow and an attorney-at-law. He was a member of the expert committee that prepared the major reform of Polish company law (introducing a new type of private company that is not based on the legal capital regime). He was a visiting scholar at Bucerius Law School in Hamburg and Vytautas Magnus University in Kaunas. His main area of research is company law, with particular emphasis on the law of private companies.

ABSTRACT

The reduction of the minimum capital requirement in a private company is a reform that has been carried out in many European jurisdictions over the past two decades. The nature of specific reforms has, however, varied widely. Several of them involved the creation of a new sub-type of company based on the existing model (e.g. the German entrepreneurial company [UG]), while in certain states these reforms constituted a significant breakthrough in the previous regulation (an example of which is the Polish simple joint stock company [P.S.A.], almost entirely abandoning the legal capital regime). Noticeably, in many jurisdictions the reduction of the minimum capital requirement has been accompanied by introduction of additional mechanisms of creditor protection, with the examples such as solvency tests or mandatory reserves to cover future losses. Importantly, in the past few years certain reversals of the aforementioned reforms have also been conducted, with the notable examples of abolishment of the Danish entrepreneurial company (IVS) or increasing the minimum capital requirement in the Austrian limited liability company (GmbH).

The aim of the paper is to (i) provide a comparative analysis of the mechanisms of creditor protection that have been introduced by the national legislators with respect to low capital companies, (ii) analyze the effectiveness of these mechanisms on the basis of the available data (including empirical data), (iii) present model solutions that ensure both legal certainty and an appropriate balance between the interests of shareholders and stakeholders.

KEYWORDS: *creditor protection, company, legal capital, solvency test, low capital companies, minimum capital requirement*

Dr. **Shanshan Zhu** graduated from Genoa Law School with a final grade of 110/110 cum laude and publication recommended. In May 2019, she obtained her PhD with the dissertation “Corporate Governance of Banks: An interdisciplinary approach to establish a sound culture”. Currently, she holds the position of Post-Doctoral Research Fellow in Sustainable Financial Regulation and Adjunct Professor of Company Law of Tourism at the University of Genoa. Her research interests are corporate governance, organizational culture, finance and banking regulation, and sustainable finance. She completed an internship at Allen & Overy International Law Firm in the Corporate and M&A Department, and she is currently collaborating as ESG specialist at FinScience S.r.l in Milan. In October 2019, she was admitted as a lawyer (Milan).



Michele Siri is a full professor of Business Law and holds the Jean Monnet Chair on European Union Insurance and Financial Markets Regulation at the Department of Law of the University of Genoa, Italy. He is also an adjunct professor of Financial Institutions and Markets Law as well as of Insurance Law at Bocconi University in Milan. He has published widely in the fields of insurance and financial services law and acted as an adviser to the Italian Supervisory Authorities with a special focus on European Union policy initiatives. He has been a member of the Consultative Working Group for Investor Protection & Intermediaries Standing Committee (IPISC) at ESMA - the European Securities and Markets Authority in Paris (2017-2018). Currently, he has been appointed in 2018 by EIOPA, the European Insurance and Occupational Pensions Authority, as a member of the Board of Appeal of the European Supervisory Authorities. Since 2019 Michele Siri is an academic member of the advisory committee of the Italian Financial Markets Authority (CONSOB), which has been set up to express opinions on regulatory subjects as well as on strategic issues. He has fulfilled independent director roles for boards both of financial institutions and listed companies as well as acted as supervisor in the administrative procedures for the recovery and resolution of the insurance undertakings. He was an advisor to the Italian Government as a member of the Commission of Experts on the Insurance Markets Law Reform (2003-2005) and acted as an academic consultant to assist the Italian Department of Trade and Industry in the implementation process of the European insurance mediation directive (2003-2005). His main research interests are financial and insurance regulation and corporate governance issues. He is a regular speaker at academic and business conferences as well as at seminars and workshop with the supervisory authorities. He is also a member of several editorial

board or committee of referees of Italian and European law reviews on company law and financial services regulation and is a guest contributor to the Oxford Business Law Blog.

ABSTRACT

In the light of the strong commitment by the EU in undertaking a sustainability path towards the goals set by the Paris Agreement and the UN 2030 Agenda, it is more pressing than ever that companies truly integrate a long-term sustainable approach in their strategies and operations, and therefore that corporate governance codes provide a useful guidance towards such objectives. Many authors investigated the effective implementation of corporate governance codes, but a few considered the role of the codes in promoting environmental and social responsibility.

The aim of the chapter is to comparatively evaluate the most recent attempts to integrate sustainability considerations in corporate governance codes of listed companies within the EU Member States, in order to understand if such progress is on the way and what corrective measures could be taken for addressing existing gaps and weaknesses. The study found that even though some EU corporate governance codes started including specific references to sustainability-related concepts, some gaps and weaknesses in each of the analyzed aspects reveal that further effort is needed for full integration of environmental and social issues in corporate governance of listed companies.

KEYWORDS: *sustainability, corporate governance codes, corporate governance*

Session 2

PRUDENT CAPITAL MANAGEMENT

STRENGTHENING THE ROLE OF THE CORPORATE CULTURE IN THE DIGITAL AGE – HOW TO BRIDGE THE GAP BETWEEN RAPID TECHNOLOGICAL CHANGES AND MISSING LEGAL FRAMEWORK

Edita Čulinović-Herc & Sara Madžarov Matijević



Professor **Edita Čulinović-Herc** is head of Chair of Commercial and Company law at the University of Rijeka, Faculty of Law, Head of the Department of Corporate and Financial law and Co-director of the Postgraduate University Specialist Course – “Corporate Finance law” at the same Faculty. She was Principal Investigator of the Croatian Science Foundation research project “Legal Aspects of Corporate Acquisitions and Knowledge Driven Companies’ Restructuring” from 2015 to 2019.



Sara Madžarov Matijević is assistant at the Chair of Commercial and Corporate law, University of Rijeka, Faculty of Law since January 2019. From 2013 to 2019 she was employed in notary public office, in Rijeka as trainee, adviser and deputy. In 2017 she enrolled into Postgraduate Specialist Study program - Corporate Finance Law at the University of Rijeka, Faculty of Law which she completed in 2019 with final thesis: “Share in limited liability company with special reference to questions of its transfer and divisibility”. In 2019 she enrolled in the Doctoral study program at University of Rijeka, Faculty of Law.

ABSTRACT

Development of new technologies has led to multi-layered social transformation. In order to stay relevant, companies introduce new business models as well as new corporate governance practices. While many aspects of new technologies are not yet addressed by the law, the risk of misuse and abuse of new technologies is relatively high. In order to promote standards of integrity and honesty in corporations, the role of corporate culture is becoming vital. Implementation of corporate culture could be fostered by soft law mechanisms. However, it is vital that their creators, – i.e. owners, managers, as well as workers, acquire ethical leadership competencies and skills throughout their university and/or life-long learning education.

Authors are of opinion that it would be beneficial, not only for nurturing a new generation of socially responsible entrepreneurs, in-house lawyers and workers in general, but would lead to quality of working conditions in the digital age.

KEYWORDS: *new technologies, corporate governance, corporate culture, ethical education*

ADDRESSING SUSTAINABILITY THROUGH STEWARDSHIP: BOLD PROMISES BUT BABY STEPS

Dionysia Katelouzou



Dionysia Katelouzou is Senior Lecturer Dickson Poon School of Law, King's College London, UK since 2018. She is also visiting Lecturer at Institute of Advanced Legal Studies in London, Research Associate at Centre of Business Research, Judge Business School, University of Cambridge and Research Associate at London Centre for Corporate Governance and Ethics, Birkbeck, University of London. She is Founder and Director of the Global Shareholder Stewardship Project at King's College London. Previously she was Lecturer at Dickson Poon School of Law, King's College London and at Norwich Law School, University of East Anglia. Dionysia Katelouzou got her PhD in Law at Faculty of Law, University of Cambridge, Trinity. Her main research interests are Corporate Governance, Corporate Law, Comparative and Transnational Law, CSR and Sustainability, Empirical Legal Studies, Law and Finance and Financial Regulation.

ABSTRACT

We are living in a dynamic time for the investor and academic community. Across the world, policymakers are grappling with how to improve the sustainability of financial markets. Challenges include addressing the root causes of short-termism; correcting the failure of corporations and investors to manage the financial risks associated with climate change and social inequality; and mobilizing business to support sustainable development. The Covid-19 pandemic has added to these challenges, yet also provides an opportunity to reassess the purpose of financial markets and their role in social and economic recovery. Institutional investors, who control the savings of millions of ordinary people, have a key role to play in ensuring that the companies in which they invest maintain high standards of governance and accountability. This paper examines the emergence of the soft law of stewardship around the world and addresses questions about the social function of institutional investors and their leadership in ESG practices. It does this by drawing on unique hand-collected data analyzing the content of 25 stewardship codes around the world. It reveals that the consideration of environmental, social and governance factors is becoming more and more integrated into stewardship codes, a trend which is likely to be exacerbated post-Covid 19. But the soft-law nature and mild enforcement of stewardship codes are among the factors that have

prevented the realization of the full potential of stewardship to address environmental social risks.

KEYWORDS: *institutional investors, stewardship, sustainability, soft law, ESG*

TRENDS ON REPORTING MATERIALITY INFORMATION IN THE INDEPENDENT AUDITOR'S REPORT – CASE OF CROATIA

Boris Tušek & Ana Ježovita



Boris Tušek, PhD is a tenured professor at the Department of Accounting at the Faculty of Economics and Business, University of Zagreb, Croatia. He is engaged in teaching and research in fields of internal audit, financial statements audits, and accounting. Besides teaching at the undergraduate and graduate study programs of Business Economics, he is a course coordinator and lecturer for many compulsory and elective courses at several postgraduate study programs at the Faculty of Economics and Business in Zagreb. He is also co-leader of a postgraduate study program Financial reporting, auditing and analysis at the Faculty of Economics and Business Zagreb. He has written number of scientific and professional papers in fields of internal audit, audit of financial statements and accounting. The major areas of his research interest include application of accounting and auditing theories. His articles have been published in various international journals. He has published fourteen scientific and professional books, both as an author or as an independent author. He participated and presented his research papers at various international scientific conferences both at home and abroad. He has over twenty years' experience as a consultant for numerous Croatian companies and institutions. He is a member of a several professional associations and institutions.



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ABSTRACT

It is known that the financial statement audit represents the corporate governance mechanism crucial for ensuring the appropriate quality of the financial reporting process and

financial statements. One of the most significant aspects of the financial statement audit process is the application of the materiality concept. Auditors apply the concept in planning and performing the process, as well as in evaluating the effects of identified misstatements. The International Accounting Standards Board (IASB) defines that the information provided in financial statements is material if could reasonably be expected that will influence the business decisions of the stakeholders. Although not mandatory, recent Standards and regulation changes resulted in reporting materiality details by a significant number of auditors in Croatia.

The research question is how that practice develops from the implementation year, 2016, to nowadays, 2020, and what can be expected in the future. Following the research problem, the objective of the paper will be to investigate the current state and future perspective of disclosing information regarding materiality in the independent auditor's report in Croatia. To investigate the research problem, we will analyze independent auditor's reports of Croatian listed companies (public interest entities - PIEs) from 2016 to 2019. We will process the research data by applying appropriate statistical methodology as descriptive statistics, cluster analysis, and non-parametric tests.

KEYWORDS: *financial statement audit, the International Standards on Auditing, independent auditor's report, materiality, listed companies, public interest entities, the IAASB, communication gap, information gap*

SOLVENCY TEST AS A YARDSTICK FOR PRUDENT DIVIDEND DISTRIBUTION: A CROATIAN OUTLOOK

Hana Horak & Kristijan Poljanec



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Hana Horak, PhD is a tenured professor at the Department of Law, Faculty of Economics and Business, University of Zagreb, and a Jean Monnet Chair. She teaches courses in Commercial and Company law, European Company Law and Corporate Governance, EU Internal Market and Law of International Trade at the undergraduate and graduate study programs. For number of years she is the head of the Master Study Programme “Legal and Economic Framework of Doing Business in the EU”. She has written number of scientific and professional papers in fields of European Company Law and Corporate Governance. During her academic career she participated and presented her research papers at various international scientific conferences both at home and abroad. Hana has over twenty years’ experience as a consultant. She is a member of a several professional associations and institutions.

ABSTRACT

Building their paper around long-standing critics of the EU capital maintenance regime and the distribution rules thereof, the authors consider introducing additional instruments for creditor protection into Croatian company law, where special regard is paid to the ‘solvency test’. Given the scope and aim of the EU Codification Directive, the paper seeks to find out whether and to what extent such test could be introduced into Croatian law. The paper argues that the EU regime allows the introduction of the solvency test into Croatian law on public limited companies as a distribution test complementary to the two-fold ‘balance sheet test’ leaving, however, entirely to the Croatian legislator to decide about the place of the solvency test in private limited companies. Alongside the examination of legal sources and literature,

the authors pursue their research by employing systematic and teleologic analysis of distribution rules under the Croatian Companies' Act. That act has already introduced the 'circumstances test' as a yardstick for the assessment of the validity of the decision to withhold dividend payment. After the introduction, the second part of the paper considers the concept of legal capital and provides an overview of potentially more efficient means of creditor protection. The third part analyses the Croatian legal capital regime, aiming at revisiting it in light of the solvency test. This part examines various solvency tests so as to decide which one could align with the Croatian distribution rules. The fourth part summarizes and concludes.

KEYWORDS: *legal capital, balance sheet test, solvency test, dividend distribution, the Codification, the Croatian Companies Act*

THE ROLE OF MINORITY SHAREHOLDERS PROTECTION IN CORPORATE GOVERNANCE

Meltem Karatepe Kaya



Meltem Karatepe Kaya PhD is a lecturer at Commercial Law department at Istanbul Medeniyet University. She earned her PhD in 2019 at Brunel University London with dissertation “A Critical Analysis of the Protection of Minority Shareholders in Turkey”. Her research interests are *Commercial Law, Company Law and Trademark Law*.

ABSTRACT

Differences in the histories, social and political cultures, and local traditions of countries play an important role in shaping the minority shareholder protection system. Therefore, it should be acknowledged that a country’s minority shareholder protection model is always somewhat dependent on some factors. Furthermore, the ownership structures of companies in a country influence the provided legal rules to protect minority shareholders. Accordingly, in modern company law a global model for a strong corporate governance system has developed that countries are expected to follow. Therefore, a strong corporate governance regime requires that all shareholders are treated fairly and equitably, irrespective of their shareholding. Protection of shareholders matters for the ability of companies to raise the capital required to grow, innovate, diversify and compete. Finally, it is worth to note that there is a wealth of anecdotal evidence which shows that protection of minority shareholders is an important issue in the corporate governance literature. This study will assess the role of protection of minority shareholders in corporate governance and try to find answer this question: Why it is inevitable for company law to treat in a successful way the problems arising from minority shareholders` conflict with other shareholders of a company?

KEYWORDS: *minority shareholder protection, corporate governance, shareholder democracy, majority rule*

FIT AND PROPER ASSESSMENT OF BOARD MEMBERS

Lucia Ana Tomić, David Tomašek & Marko Žunić



Lucia Ana Tomić is Head of regulatory and legal in Wiener insurance VIG d.d. The scope of her work includes legal, corporate governance, compliance, prevention of money laundering and fraud. The biggest advantage of her job is that she loves what she's doing. After graduating from the Faculty of Law and the Faculty of Economics and Business, Lucia Ana Tomić gained my MBA and worked as a lawyer attending to legal affairs from the domain of company law in various institutions and positions. I found my luck in the financial industry. For 5 years she was Executive director of Compliance and Management Board Support at Hrvatska Poštanska Banka.



David Tomašek, seasoned executive with over 10 years of experience in banking and financial industry. David spent the largest part of his career in banking, where he held various positions including B-1 roles in the fields of accounting & controlling, project management and strategic development, where he has worked on several large scale projects ranging from equity issuance to M&A. David holds a bachelor's degree in economic analysis and development from Faculty of Economics & Business in Zagreb. During his career in banking he attended numerous educational seminars and workshops in the fields of banking, accounting and finance, where he acquired extensive knowledge of the banking industry. He is currently working as CFO at MARAVIĆ-INŽENJERING I KONSTRUKCIJE d.o.o., Čakovec, Croatia, responsible for financial and balance sheet management of the firm, as well as project management. He is also a member of supervisory boards of several entities in the areas of financial and real estate industry.



Marko Žunić has been an Attorney at Law since 2010. His practice includes corporate law, commercial crimes, commercial law, bankruptcy law, banking law and sports law. He is also a trustee in bankruptcy. Marko graduated from the Faculty of Law, University of Rijeka and obtained an Executive MBA at Cotrugli Business School in 2016. He is a member of Croatian Mediation Association.

Analyzing corporate failures, regulators tagged lack of professional competences and integrity of board members, supervisory board members, as one of the reasons that lead to bankruptcies. It became necessary to full fill other standards. Financial industry, as the most regulated, proscribed the concept of „fit and proper" criteria for managers, as a standard in corporate governance. Criteria was set up to examine and evaluate manager's ability to fulfil their duties "fitness", as well as their integrity and suitability "propriety". Rules and criteria's are prescribed to prevent individuals who can pose a risk to companies correct functioning. Today most financial supervision mechanism include these fit and proper requirements in their regulatory frameworks. Purpose is to ensure that companies have a knowledgeable and solid management. Senior management who hold influence over the entity's key operations must also meet the "fit and proper" criteria. Through fit proper process it must be positively confirmed that managers are capable of making prudent decisions. Appointing suitable management with integrity, sets tone from the top and makes a corner stone of the company's prosperous compliance program. Requirements take into consideration experience, integrity, analyze aspects such as criminal records, financial position, sanctions applied by regulators, questionable business practices etc. They are set to prevent appointment in the first place and also from continuing the management role if any problem regarding managers fit and proper evaluation arises during his mandate.

KEYWORDS: *Fit and proper, professional competences, integrity, compliance program*

Session 3

DIGITALISATION OF COMPANY LAW & RELATED AREAS

DIGITALIZATION: BALANCE AND PROTECTION – STATE-OF-THE-ART

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Tina Jakupak is a judge at Commercial Court in Zagreb, Croatia, since 2011. She practices Commercial Law, Contract Law, Company Law, Market Law, Competition Law, Law of International Trade, court register (etc.) proceedings. She is a Vice-President of the Court Register Department since 2013. She graduated (Magister Iuris) in 2000 at Faculty of Law, University of Zagreb, passed Bar exam in 2003 and earned her degree univ. spec. oec. (university specialist postgraduate study) in 2016. on "Shareholders Rights in Republic of Croatia and European Union" at the Faculty of Economics and Business, University of Zagreb. She is a Judge Mentor for students of law and courts' advisers.



Željka Bregeš is a judge at Commercial Court in Zagreb, Croatia since 2004. She practices Commercial Law, Contract Law, Company Law, Court Register. She is the President of Court Register Department at Commercial Court in Zagreb. She graduated in 1988 at Faculty of Law, University of Zagreb, passed Bar exam in 1994. She is a Judge Mentor for students of law and court's advisers.

ABSTRACT

This paper provides an overview of the state-of-the-art in this digitalization era in the field of company law. In this paper, authors present a summary of the (amending) directive of the European Union that is essential for the future digitalization improvement: Directive (EU) 2019/1151 on digital tools and processes in company law. In next two years it is necessary to transpose this (amending) directive into national systems of Member States, but in the same time it is necessary to maintain national legal traditions. Digitalization and globalization are two most frequently used words in our surroundings in the last decade. In that perspective authors analyze amendments of directive as regards the use of digital tools and processes in company law. It is essential to interconnect central, commercial and companies registers of Member States. Authors investigate on-line solutions of a company's

lifecycle in Member States as well as access to company information. The focus of this paper is on the rules on online formation of companies, on online registration of branches. Authors also present a summary of the Directive (EU) 2019/2121 on cross-border mergers. The freedom of establishment has an important role and companies can exercise this freedom through the new rules on cross-border mergers. Authors take insight into amendments of European Union Directive as regards cross-border conversions, mergers and divisions. Directive continues to introduce the right to establishment and discusses the harmonization of EU law in the national law of Member States. This paper summarizes the state-of-the-art in this subject area and discusses future development directions. Authors conclude this paper with essential information about benefits, constraints and challenges associated with digitalization.

KEYWORDS: *EU company law; digitalization; cross-border mergers; directives amendments*

NATIONAL-LEVEL CORPORATE ANTI-ABUSE MEASURES RELEVANT TO THE EU COMPANY LAW PACKAGE

Sigurt Vitols



Sigurt Vitols, Ph.D. is an Associate Researcher at the European Trade Union Institute, Senior Researcher at the WZB Social Science Center Berlin (WZB) and Guest Lecturer at the Free University Berlin. His policy-oriented research focuses on sustainability, corporate social responsibility, worker involvement and corporate governance. He has provided policy advice and testified at hearings for the European Trade Union Confederation, the European Commission, the European Parliament and the German Bundestag. His publications include a three-volume edited collection on the characteristics and prerequisites of the ‘Sustainable Company’: *The Sustainable Company: a New Approach to Corporate Governance* (co-edited with Norbert Kluge, 2011); *European company law and the Sustainable Company: a stakeholder approach* (co-edited with Johannes Heuschmid, 2012); and *Long-term Investment and the Sustainable Company* (2015) (all published in Brussels by the ETUI).

ABSTRACT

This paper will report the preliminary results of a project mapping the current state of “anti-abuse” measures at the national level in company registration, reporting and reorganization and to identify “best practices” that would feed into recommendations for the national transpositions of the EU Company Law Package (CLP). The paper will be based on the preliminary results of about 10 national case studies. The study is coordinated by the European Trade Union Institute.

KEYWORDS: *Company law, corporate abuse*

ELECTRONIC DECISION-MAKING IN A LIMITED LIABILITY COMPANY

Hrvoje Markovinović & Antun Bilić



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Antun Bilić, PhD, is an assistant professor of commercial and company law at the Faculty of Law, University of Zagreb. Antun's core areas of interest are multi-party obligations, multi-party contracts and groups of companies. He published a number of scholarly papers and book chapters and participated in many international conferences.

ABSTRACT

Covid-19 accentuated the fact that the electronic communication can replace practically all other means of communication. Since the decision-making in a limited liability company is itself a way of communication, a question arises how much should it be conducted electronically? This depends not only on the technological development but also on the applicable law. Since EU law regulated to some extent only the electronic participation in a general meeting of a listed company (Art. 8 Directive 2007/36/EC), those issues are largely left to the national company laws of particular Member States.

This paper intends to study the electronic decision-making in a limited liability company. It will primarily focus on Croatian law, but it will also take into account other, relatively similar,

national company laws. The paper especially aims to analyze what are the advantages and disadvantages the electronic decision-making and under which conditions it should be allowed. A distinction will be made between public and private limited liability companies and between various organs of those companies (management board, supervisory board and the (general) meeting). A conclusion will be reached on how to interpret or amend the existing statutory provisions. Recommendations will be given on how to draft the provisions of the articles of association in order to reach the desired level of electronic decision-making.

KEYWORDS: *electronic decision-making; limited liability company, voting rights, company organs, articles of association*

CONCENTRATIONS IN DIGITAL SECTOR - A NEW EU ANTITRUST STANDARD FOR “KILLER ACQUISITIONS” NEEDED?

Václav Šmejkal



Václav Šmejkal teaches European Union law (with focus on competition, consumer, and social issues) at Skoda Auto University in Mladá Boleslav (Central Bohemia) and the Charles University in Prague. He is currently also a visiting scholar at the Faculty of Economics and Business of the University of Zagreb. He publishes extensively in Czech and foreign legal journals and practices law as an arbitrator of the permanent Arbitration Court of the Czech Economic and Agrarian Chambers in Prague.

ABSTRACT

The paper stands on the border between competition law and corporate law. It is based on the fact that digital technologies are one of the most important factors driving the current EU to revise its competition rules, inter alia in an area as sensitive to corporate strategies as mergers and acquisitions. The European Commission and number of independent experts have already identified several key problems that the online environment raises for the application of traditional merger control institutes. Among them the takeovers of promising start-ups, that have already attracted millions of users to their freely distributed application, by some of the major online world players, sometimes referred to as killer acquisitions, could even not to come under the authority of the European Commission because the EU Merger Regulation turnover criteria are not achieved. Should other criteria be chosen, or would such take-overs rather be controlled ex-post and under the risk of a de-concentration being ordered? The Commission is coming up with first outlines of an answer. Its search for response to these merger control challenge should be closely monitored by corporate practice, as it will set future boundaries for corporate strategies on the markets of tomorrow. The paper tries to structure the main challenges and possible EU law answers to the issue to predict for what undertakings have to be ready when contemplating their future strategies for European markets.

KEYWORDS: *EU Merger Regulation, online platforms, relevant market, turnover criteria*

RETHINKING THE EFFECTS OF INNOVATION IN COMPETITION IN THE ERA OF NEW DIGITAL TECHNOLOGIES

Ana Pošćić & Adrijana Martinović



Dr **Ana Pošćić** is an associate professor and Head of Department of European Public Law at the University of Rijeka, Faculty of Law. She is the head of the Jean Monnet Inter - University Centre of Excellence Opatija, and co-director and lecturer at the life-long learning programme “Law in Medicine”. Her research interests include EU competition law, internal market and consumer protection law. She is currently the head of a research project funded by the University of Rijeka “Digital transformation of society: Legal aspects”.



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ABSTRACT

The new technologies, digitalization, algorithms, big data, artificial intelligence are already changing our lives and commercial habits. The technological revolution with new products and services is transforming the market and business operators. There is a general understanding that new technological improvements benefit competition. The question is, whether competition models are adequate and ready to deal with the challenges associated with new technologies. In recent years, there has been a revived interest in the concept of innovation and its application in competition policy and law. However, proper examination of its influence on competition policy is lacking. During the last decades, there have been attempts to explain the relationship between competition and innovation by including various innovation models in competition analysis. The innovation instruments have

developed. Despite these developments, there are still diametrically opposed theoretical approaches, from completely ignoring the concept of innovation in competition law to the ones that develop specific economic test in competition analysis.

This paper will try to analyze and compare different approaches in the intersection of competition and innovation.

KEYWORDS: *innovation, competition, digital era*

POLISH AND CROATIAN APPROACH TO THE FUNCTION OF SUPERVISORY BOARD IN JOINT-STOCK COMPANY. ANALYSIS OF DIFFERENCES AND SIMILARITIES

Piotr Hetnar



Piotr Hetnar has 15 years-proven track record of job experience in the area of management of the limited liabilities and joint-stock companies, as well as international trade, law and corporate finance. His current position is CEO of Grupa Azoty ZACH SA which is one of the biggest chemical holding in Europe. Previously he held position of the COO & Board Member in Gradir Montenegro - leading polish mining company located in Montenegro. In the field of science in 2016 Piotr decided to complement his knowledge and strengthen already acquitted professional experience. He began doctoral studies in Commercial and Trade Law Department at University of Wroclaw, Faculty of Law, Administration and Economics. His scientific interests pertain to issues related to corporate supervisory in joint-stock companies and holdings structures. The whole research is conducted under the guidance of Professor Józef Frąckowiak, a Judge in the Supreme Court, and one of the biggest authorities in Poland in the area of corporate law.

ABSTRACT

Subject of this research paper is comparative analysis of Polish and Croatian approach to the function of supervisory board in joint-stock company. This both legal systems, in the last decades of XIX century mostly implemented German solutions for company's law to the national regulations. During next 130 years, each one developed on own way, mostly determined by the socio-political systems is in force. Especially last years or even months (the Covid-19 pandemic) created new challenges for supervisory boards. New, European restrictive regulations – AML/CFT, MAR, MDR or even new national regulations like pandemic's obligation to proceed by the supervisory board on on-line assembly – create a lot new tasks and obligations for supervisory boards. Thereby it's underline different, but at the same time similar approach to this things. My elaboration is divided on chapters, in which I characterize Polish legal regulations of supervisory board in joint-stock company, Croatian regulations of this matter and comparative analysis which describe the legal status with the indication of differences and similarities. Scientific sources for this treatise are results of my own research/studies in libraries in Zagreb and Wrocław. In my elaboration I use

comparative methodology of these two law systems. Main aim of this research paper is comparisons of this two different legal systems and attempt to answer the question, which regulation is more efficient, or tailor made to the necessity of this day's joint-stock company.

KEYWORDS: *supervisory board, joint-stock company, Polish companies' law, Croatian companies law*

Session 4

SUSTAINABLE AND RESPONSIBLE INVESTMENT

INVESTMENT FUNDS WITH LEGAL PERSONALITY – A TRUE RIVAL TO MUTUAL FUNDS?

Morana Derenčinović Ruk, Suzana Audić Vuletić & Mihaela Braut Filipović

Morana Derenčinović Ruk has been working in the capital market for 17 years, and the last 10 years for the National Competent Authority in the field of licensing and supervision of investment funds, pension funds and investment companies. In 2018 she got her PhD in the area of compliance and conflict of interest in the capital market. She also works as an arbitrator in proceedings without an international element before the Permanent Arbitration Court at the Croatian Chamber of Economy.

Suzana Audić Vuletić is a Director of legal serve Hrvatska poštanska banka PLC and the Deputy of the President of the Supervisory Board at Plovput Ltd. She also has experience as the deputy of notary public. Suzana graduated at Faculty of Law University of Zagreb in 1989 and got Specialized Master s degree in Economics at Faculty of Economics and Business, University of Zagreb in 2012. Currently she is PhD candidate at Faculty of Law, University of Rijeka. She is also arbitrator at Arbitration Court and judge at Court of honor at Croatian Chamber of Commerce.



Mihaela Braut Filipović is an assistant professor from 2016 at the Department of commercial and company law in the University of Rijeka, Faculty of law. She obtained her PhD in 2014 on the topic of the UCITS funds, with the focus on the legal relations between the depositary, managers, and investors. She is the author of many articles from the area of company, commercial and capital market law.

ABSTRACT

Investment funds come in large variety of legal forms, investment techniques, target investors, redemption rights and others. It is often said that there are no two investment funds which are the same. However, some basic characteristics stem from common traits between certain group of funds. The focus of this article is the legal form in which they come. The literature on investment funds is by far more oriented towards mutual funds which

represent the funds without legal personality. On the other hand, the analysis of legal structure of funds with legal personality, whether UCITS or alternative investment funds, is seriously undermined. Authors shall analyze the position of investors in funds with legal personality in order to discuss differences in comparison to investors in mutual funds. On the EU level only the UCITS funds are harmonized, while alternative investment funds are left to national regulations. The aim is to discuss whether the legal status of investment funds is a real yardstick for determining the crucial investor's rights such as redemption rights and relations between the investors and fund managers. In order to provide an answer authors shall compare funds in jurisdictions that are comparable and often serve as role models, as well as those in which the fund industry is most developed, followed by Croatian perspective. Finally, authors shall contribute to the discussion of how can traditional types of companies such as joint stock or limited liability companies be integrated in the capital market law arena, serving as a vessel to investment funds.

KEYWORDS: *investment funds with legal personality; Joint-stock and limited liability company as investment funds; investors as shareholders; redemption right*

CZECH SOCIETAS EUROPAEA MARKET LEADERSHIP: HOW SUSTAINABLE ARE THE DRIVING FORCES?

Jan Lasak



Jan Lasak, PhD, is assistant professor of corporate law at Palacký University in Olomouc, Faculty of Law and external lecturer on corporate law at Masaryk University in Brno. He is also partner at Kocian Solc Balastik law firm. His professional interest is corporate law.

ABSTRACT

Over time, the Czech Republic has become a clear market leader in SE incorporations. For instance, in 2012, more than 55% of all Societas Europaeas were incorporated in the Czech Republic. In recent years, the number of SE incorporations has always been substantial in the Czech Republic, which has created an interesting puzzle for both academics and practitioners. In previous research, a three-level structure of Czech SEs was identified – (i) operating SEs, (ii) “UFO SEs” and (iii) Shelf SEs.

In a follow-up study prepared by Lasak and Eidenmueller, several corporate governance elements were identified as forces driving SE incorporations in the Czech Republic. My paper analyses these driving forces in the light of the development of Czech corporate governance and evaluates how sustainable these drivers for market leadership of the Czech Republic in terms of Czech SE incorporations are at the beginning of the third decade of this century.

KEYWORDS: *Societas Europaea, sustainability*

GENERAL MEETING OF SHAREHOLDERS IN COVID-19: LESSONS LEARNED IN COMPARATIVE CONTEXT AND CROATIAN LAW

Dominik Vuletić & Antonio Vlahov



Dominik Vuletić is assistant professor at the Law Department of the Faculty of Economics and Business, University of Zagreb. His teaching activities include obligatory and elective courses conducted by the Law Department and Department for Trade and International Business. He is an active participant on several competitive international and national scientific projects, author of academic papers, co-author of one textbook and participant in a number of international conferences. Dominik defended doctoral dissertation in 2014 at the Faculty of Law, University of Zagreb *summa cum laude* with thesis in EU Law and graduated from the same institution in 2007. During his reading of law, he was awarded both Rector's Award and Dean's Award. Prior to employment at the University of Zagreb Dominik worked in judiciary (Zagreb County Court), private sector (Law Office) and as a Research Assistant in the Institute for International Relations (IMO) Zagreb. He is a member of the European Affairs Committee of the Croatian Parliament.

Antonio Vlahov is assistant professor at the Tourism Department of the Faculty of Economics and Business, University of Zagreb. His teaching activities include Tourism and Management of Hotels.

ABSTRACT

The Company Law at universal level requires shareholders to participate in meetings in order to formulate number of corporate acts. Although provisions allowing the possibility for virtual only shareholder meetings have been previous implemented in some legislations COVID-19 crisis has put this relative legal novelty to a status of outmost regulatory importance. The Croatian Company Law ahead of the pandemic encompassed possibility for, under certain preconditions, virtual only shareholder general meetings of shareholders. Aforementioned possibility has been used for the first time during the outbreak of COVID-19 crisis. Introductory, paper produces comparative overview of virtual-only shareholder meetings regulations in selected jurisdictions: Switzerland, Italy, Germany and US state of Delaware. The main subject of analysis is current Croatian regulation of virtual-only general meeting of shareholders in comparative context and in light of the recent national corporate

experiences. Conclusions of the paper produce regulatory policy recommendations in this field.

KEYWORDS: *virtual only general meetings of shareholders, company law, corporate governance, COVID-19, Croatia*

FINANCIAL LITERACY, THE CHANNEL TOWARDS SUSTAINABLE FINANCING INFRASTRUCTURE?

Gordana Golubić & Michael Huertas



Gordana Golubić is attorney at law in Golubic & Partners GP. She received Mag. iur. title from the University of Zagreb and holds LL.M. Finance from the Institute for Law and Finance at the Goethe University. She gained professional international experience when she was working at equity capital markets in Frankfurt am Main. In Golubic & Partners GP, she works on various areas of corporate law, banking regulatory, private equity and private debt financing projects. Gordana frequently represents domestic and foreign clients in litigation proceedings before courts and administrative bodies. She is fluent in 3 foreign languages and regularly advises German- and English-speaking clients.



Michael Huertas, LL.M., MBA (University of London) is a Partner with Dentons and the Co-Head of the Financial Institutions Regulatory Practice Group in Europe. Michael specifically advises on the Eurozone's Banking Union, the European Central Bank's monetary policy activity and the EU's Capital Markets Union workstreams, along with the regulatory and supervisory priorities of the European Supervisory Authorities. Michael is qualified as a Solicitor-Advocate (England), a Solicitor (Ireland) and a Rechtsanwalt (Germany). Michael is a member of the steering assembly of the provident fund of lawyers in Hessen and lectures on EU regulation of derivatives and structured finance at the ILF (Institute for Law and Finance) at the Goethe-University in Frankfurt am Main as well as EU banking regulation at the Frankfurt School of Finance and Management.

ABSTRACT

This paper is motivated by the unnoticed opportunity of European household savings. Increasing financial literacy of retail consumers and SMEs may create more investment opportunities and an influx of fresh capital into European capital markets. The question is whether EU efforts of improving financial literacy go far enough or just a plan. Financial (il)literacy is not a challenge that only retail consumers are faced with. The level of financial education of the European SMEs is often overlooked. As 99% of EU's companies are SMEs,

most of which are dependent on bank financing, literacy provides options to those with limited awareness of other financing methods. This paper reviews the best practice of financial education for retail consumers, assessing if the approach(es) can be applied to increase SME's financial literacy. It analyses its particularities and whether increasing financial literacy levels would create a greater sustainable financing infrastructure that could enable sustainable growth of SMEs thus contributing to the growth and strengthening of Europe's "real economy" and more financialized households.

The existing research of financial literacy concentrates on retail consumers. This research will contribute to literature on financial literacy from a specific perspective of SMEs. It is relevant for scientific research as well as for policymakers and practical implementation of reforms. This paper empirically analyses data published by international institutions such as OECD, relevant European institutions, and research published in respected journals.

KEYWORDS: *financial literacy, SMEs, Capital Markets Union, Banking Union*

THE PUBLIC EFFECTS OF PRIVATE SUSTAINABILITY DISCLOSURE: A NORDIC STAKEHOLDER GOVERNANCE PERSPECTIVE

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ABSTRACT

This study examines whether private disclosure on sustainability risks affects the public performance and disclosure of companies that sustainable and responsible (SRI) investors attempt to influence in hidden, behind the-scenes dialogues. Private engagement and dialogue is the direct corporate governance mechanism of investor activism on sustainability risks prior to or independent of a shareholder resolution. A unique data set is provided by the professional agent of Nordic institutional investors for 326 private reports in relation to engagement cases triggered by environmental and social incidents in MSCI World companies. This study finds that the changes requested by Nordic SRI investors in private disclosures are, in 29.8 per cent of cases, made by the target companies. However, an initiation of private dialogue and disclosure in relation to environmental and social incidents, on average, decreases the subsequent change in market value and sustainability performance ratings of target companies in relation to a matched sample. This study finds no evidence of significant public effect of private disclosures on the target companies' sustainability performance, sustainability transparency and financial performance in three years following an initial targeting. This study interprets empirical findings as confirming the use of private engagement and disclosure in the Nordic stakeholder model of corporate governance. The findings reveal the difficult detection of financial and sustainability outcomes of private disclosure by means of public information vehicle.

KEYWORDS: *corporate governance, active ownership, environmental, social, and governance*

