



The Importance Of Human Leadership Upholding Integrity Through Law

Presentation

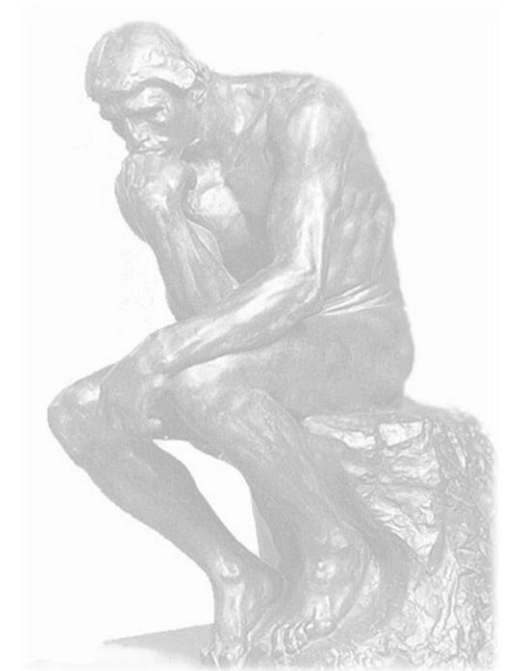
19 September 2023

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This presentation is about...

- An apparent decline of human leadership
- Caused by internal and external factors
- Legal and practical solutions to fix the issue
- A suggestion for corporate implementation



Human leadership: an apparent decline

- Focus on maximizing only the shareholder value can lead to a toxic corporate culture
- Overregulation suggests a company's inability to control its own business and conduct
- Excessive supervision may hamper individual thinking and responsible moral judgment
- More-for-less cost pressures may lead to a de-humanizing reliance on technology

Shareholder primacy vs. stakeholder interests

- Sole focus on financial gains may overshadow a company's true societal purpose
- Shareholder primacy is facilitated by:
 - potentially one-dimensional takeover laws
 - excessive diversification by uncommitted investors
 - capital markets' view of the company as a “*balance sheet*”
 - corruption pressures that may lead to an irresponsible capital use



The dangers of variable remuneration

- Does variable remuneration enhance productivity?
- Not in the long-term due to:
 - setting of unachievable targets
 - creation of incentives to cheat
 - facilitation of internal “*turf wars*”



Result:

This may lead to a toxic work environment!

Potential erosion of employee confidence

- Disconnected management
- Lack of employee identification
- CEO can be part of the problem



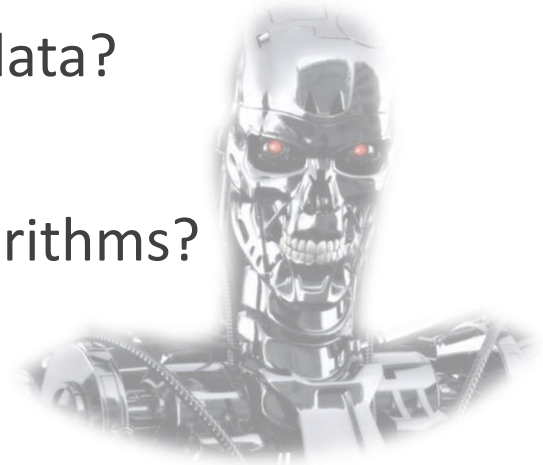
Excessive supervision vs. moral judgment

- Intensive growth of post-crisis supervision
- Illusion of an “*ideal*” regulatory system
- More control → less individual responsibility
 - EU CRD IV Article 91, sub-para 12 (c):
 - EBA guidelines for “honesty and integrity”
- Adequate role of external supervision
 - protect the system from corrupted elements
 - US Financial Choice Act as a positive example

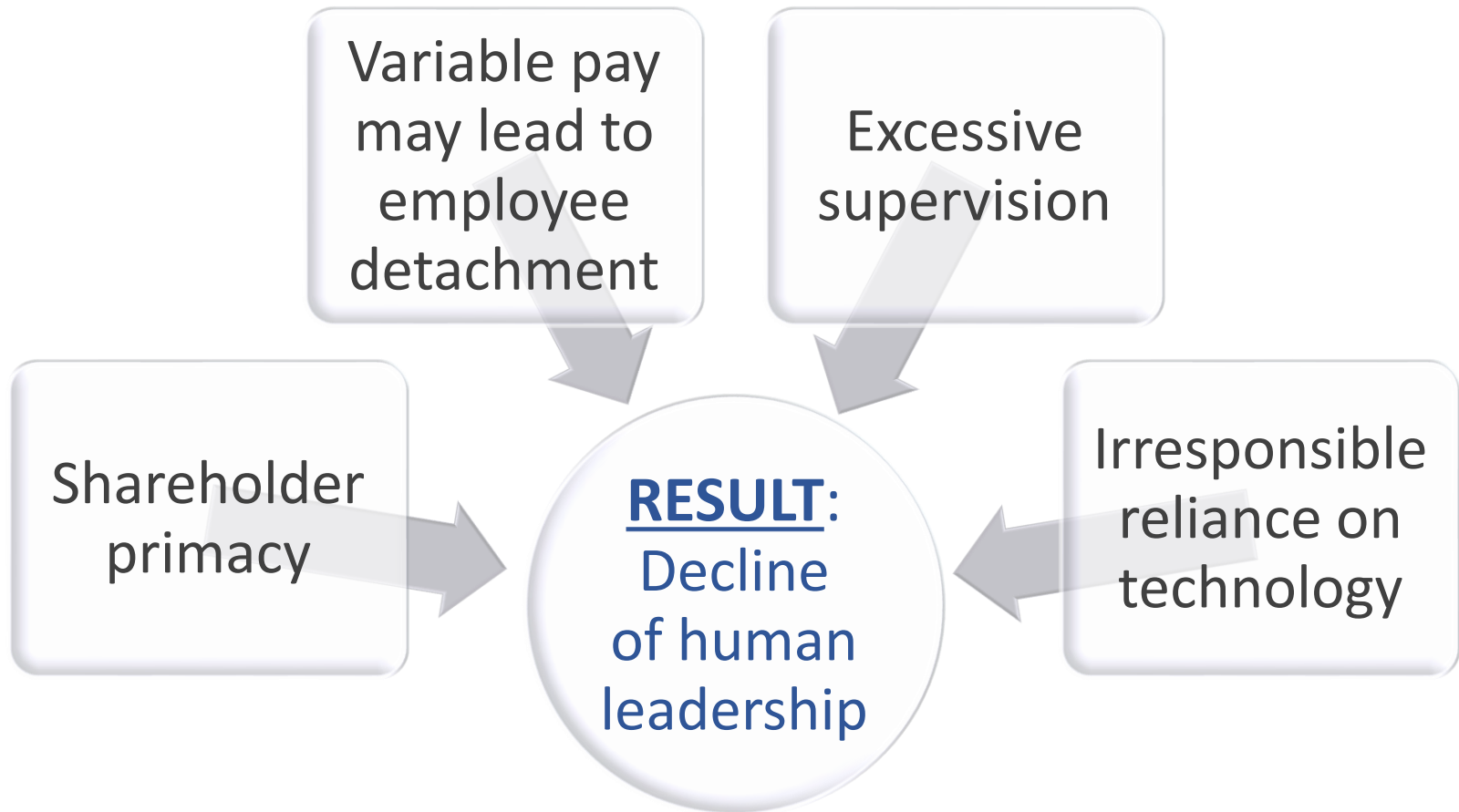


Dangers of an irresponsible reliance on technology

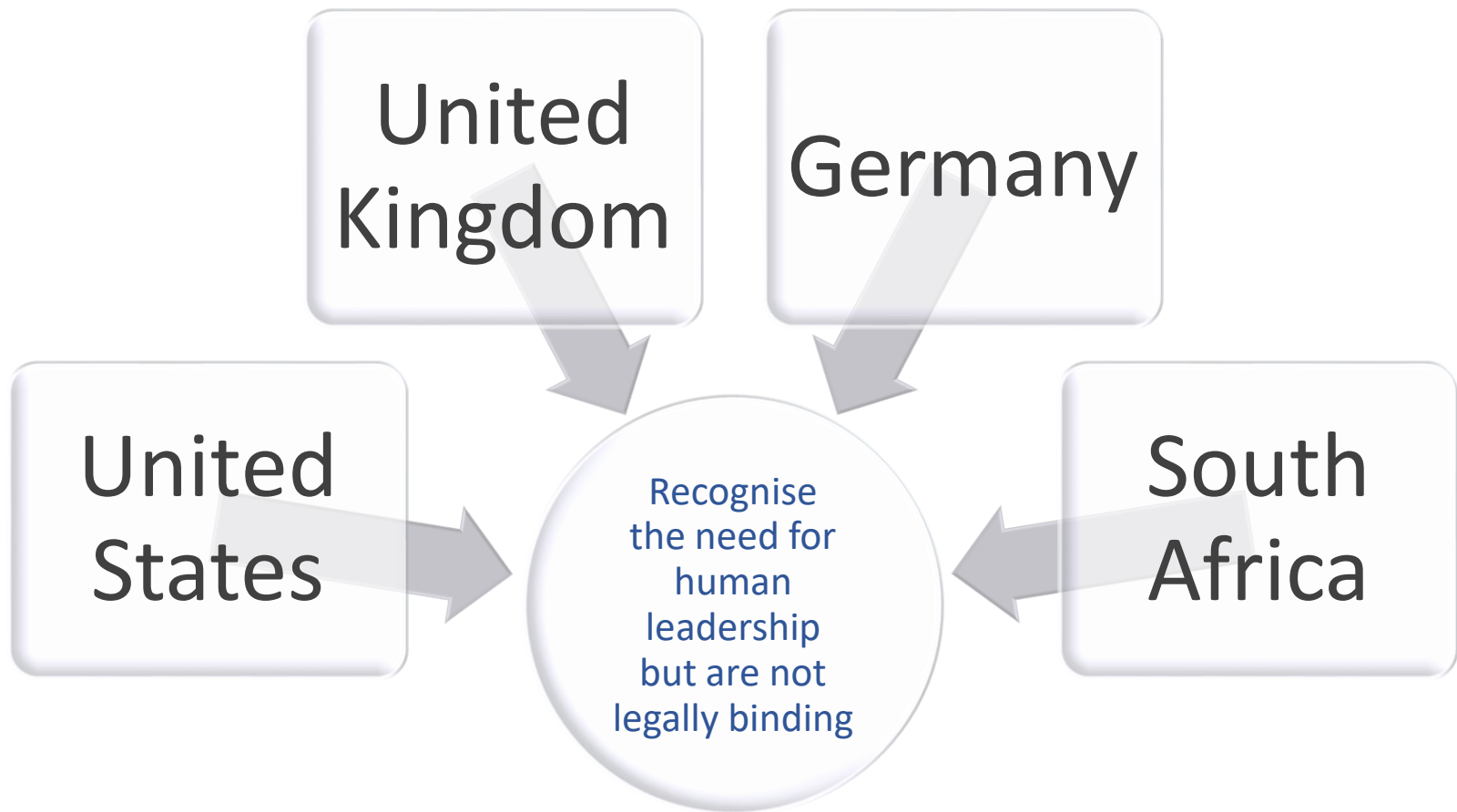
- Technology may diminish individual responsibility
- A.I. limitations – how to avoid bias through data?
- Human limitations – how to understand algorithms?



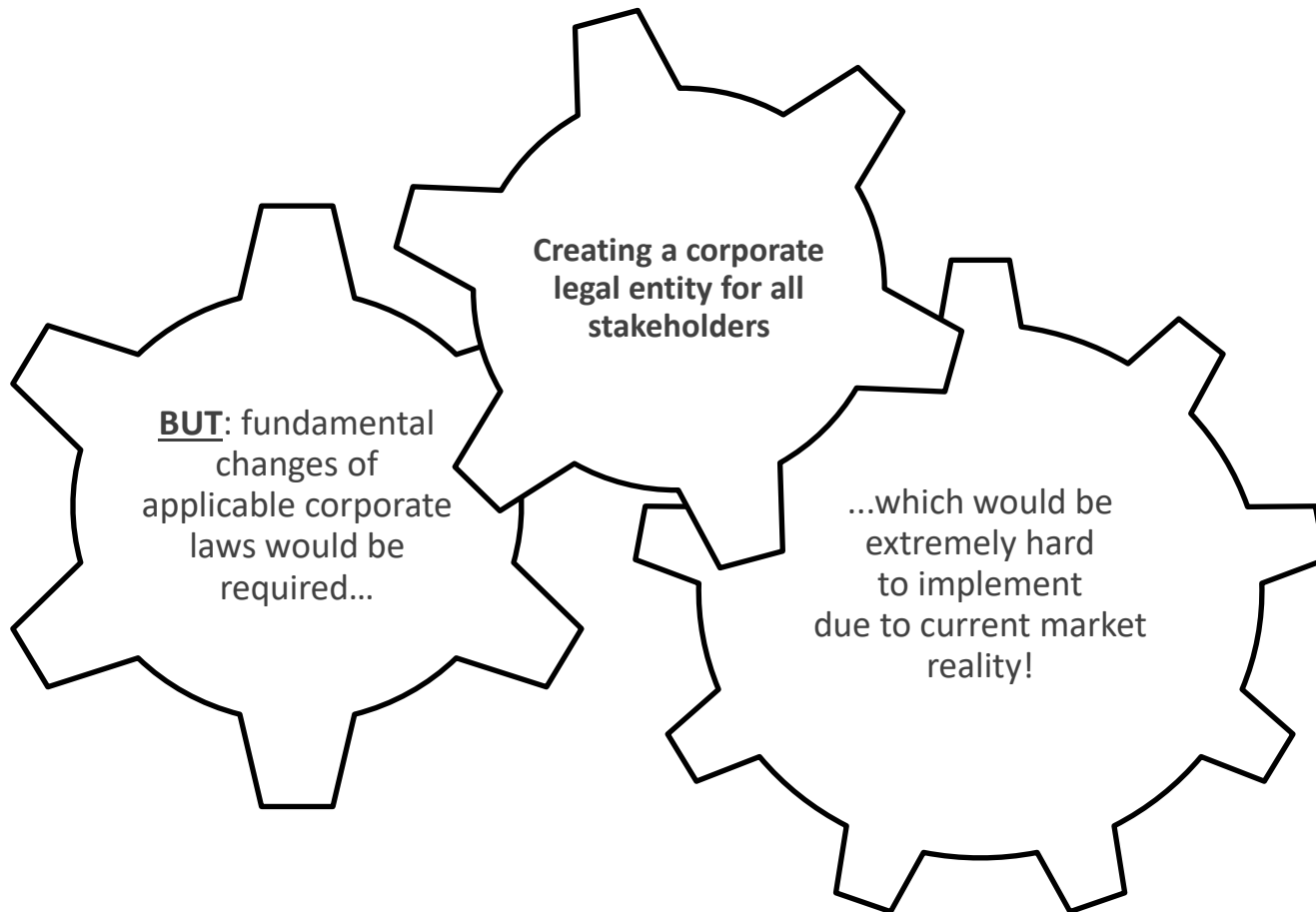
To sum up...



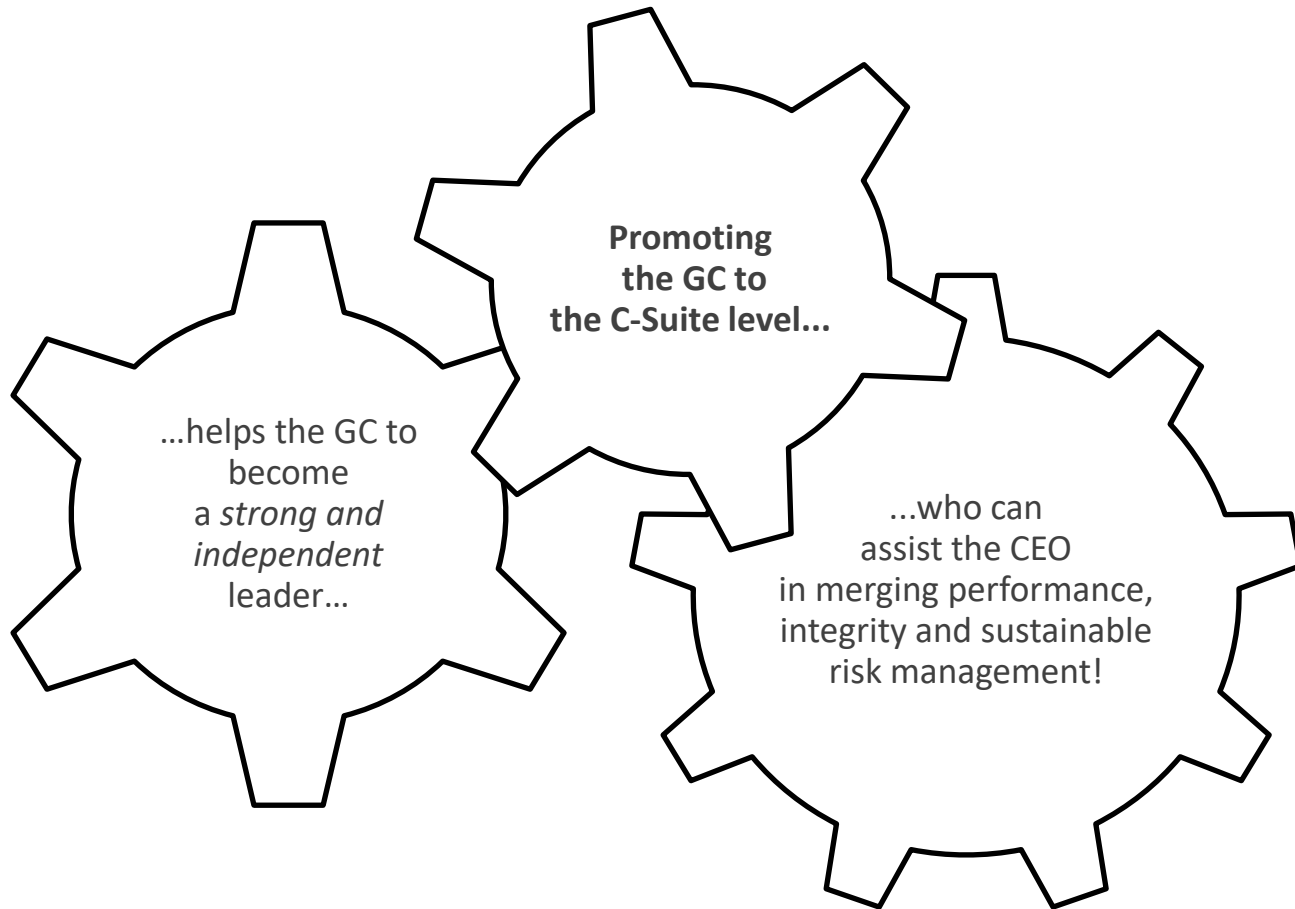
International Corporate Governance Codes



How to fix it – a long-term legal solution

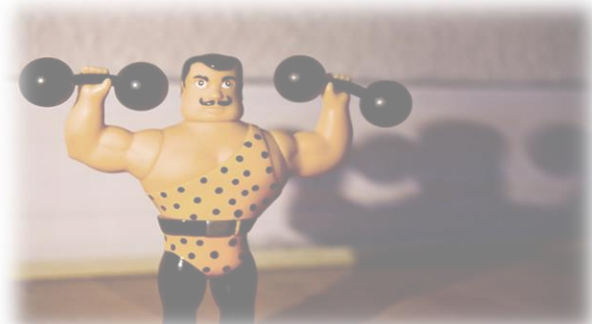


How to fix it – an immediate practical solution

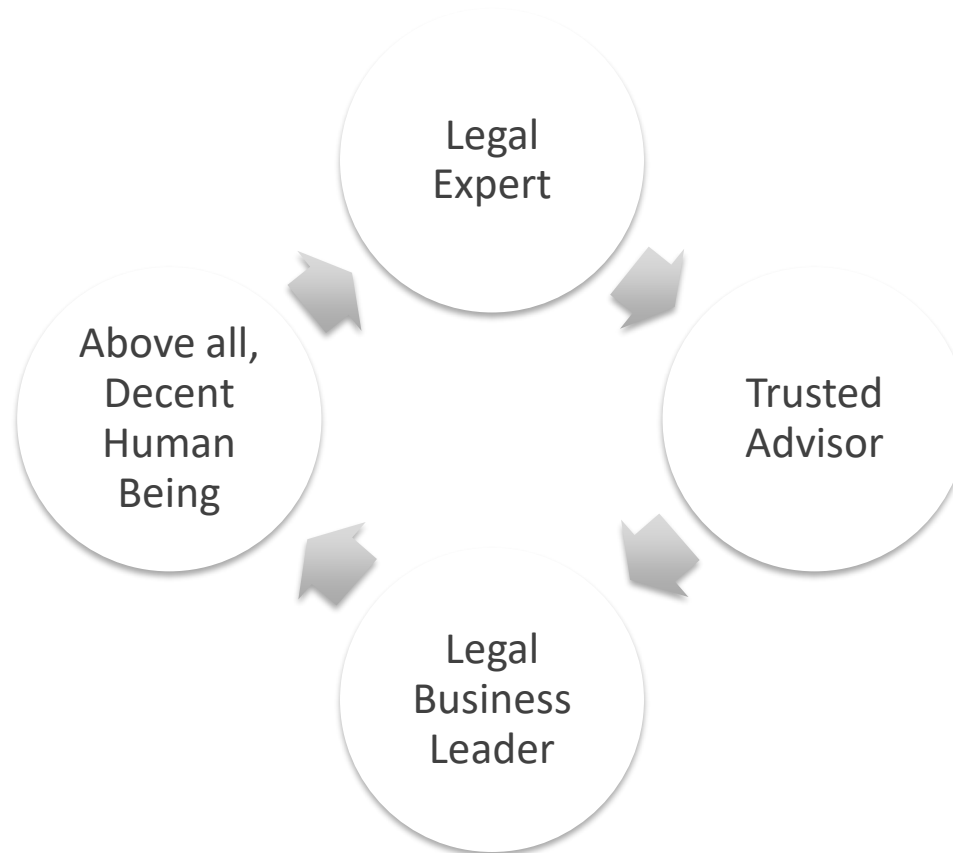


CEO to support the dual role of the GC

- GC must be a **pro-active business partner** and a **protector of the corporation**
- How is this achievable? By the CEO giving the GC:
 - *independence with respect to opining on legal and compliance issues*
 - *additional influence on strategic, budgetary, HR, and risk decisions*
 - *budgetary flexibility to stay on top of both law and technology*



GC as a strategic partner of the CEO



Creating a culture of responsibility

- Culture must be set by the CEO acting as Chief Responsibility Officer
- **GC as legal advisor of the CEO, if necessary supported by external firms**
- Importance of combining performance, integrity and risk management

How can a GC earn a seat at THE table?

- Becoming a commercially-minded service provider
- Mastering cross-functional unit communication
- Implementing sustainable technology solutions
- **And by...**



The GC acting as an ambassadorial networker

- Enhancing reputation and trust in the company
- Understanding market, trends and challenges
- Identifying potential new opportunities



How the GC can facilitate human leadership

- Being a role model for responsible behavior
- Being an assertive and credible protector of the corporation
- Networking to prevent problems from arising
- Fostering a healthy and inclusive work environment
- Acting at all times as corporate brand ambassador

Disclaimer

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Thank you for your attention!

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