THE LAWYER

GC Interview of Natalia Nicolaides Credit Suisse, by Julia Hayhoe. Why Sustainability Matters.

The Lawyer Business Leadership Summit explores how the dramatic acceleration of macro trends has placed Purpose, Sustainability and ESG issues top of the corporate board, General Counsel and increasingly legal provider agenda.

I have created a series of GC interviews, to inform this Summit and particularly the webinar I present as part of this Summit, on Enabling Client Success in their Transitions to Purpose Driven Sustainable Businesses. It builds on my wider work in the Sustainability arena for the legal sector.

I kick off with interviewing Natalia Nicolaidis, General Counsel Investment Banking & Capital Markets Credit Suisse and Non-Executive Director, Chair of the Nomination & Governance Committee, Member of the Audit Committee, ElvalHalcor Hellenic Copper and Aluminium Industry S.A.

Natalia has also served as Trustee for the Credit Suisse EMEA Foundation.

Natalia, tell us about why you think purpose and sustainability matters to business?

Purpose and sustainability matter to business not just because of the headline risk associated with the wrong decisions. Most of us will have seen the recent cases of significant corporates who failed not only their own policies, but also the expectations of their stakeholders. Though these significant Governance failures lead to unprecedented backlash, it merits analysis as to why these events are now attracting attention with the investor community and what the implications are for Managements. There has been a massive shift in the perception of the risk and the responsibility companies have to stakeholders. The pandemic has only highlighted the issues that have been arising and has brought into the spotlight the quality of nimble decision-making that is required by corporate management.

What are your thoughts on the Finance Sector and how it needs to adapt to the changing ESG landscape?

For the Finance Sector to adapt to the changing ESG it needs to help corporates continue to wrestle with the acceleration of climate transition and with the creation of inclusive economic growth. This will mean that we all need to focus on innovation and creation of partnerships to create sustainable products and opportunities. It is clear to me that the Finance Sector has understood that, in addition to the ethical imperative behind ESG, there is an unassailable market-driven business and investment case.

I know you have an increasing focus on the role of corporate governance in affecting change, tell us more about that...

I believe that capturing these growth opportunities in a sustainable manner, even in the face of a pandemic, will differentiate the key players. In this context, increased transparency into ESG projects and the tracking of the implementation of such projects will be key. At the core of sustainable growth lies sound Corporate Governance. It is linked to board responsibility in the sense that Boards need to think particularly carefully about who their stakeholders are and how best to protect them (they include not only shareholders, but also employees, the public and regulators). Prospects for long term growth are inextricable from meeting stakeholder needs. Even in the Private Equity space where there is a perception that the industry has not followed investors' demand for non-financial reporting, reporting from portfolio companies on ESG activities is increasingly growing.

The recent example of a corporate who saw its CEO (and two members of senior management) resign under pressure from investors over the company's destruction of 46,000-year -old sacred indigenous site in Australia in order to expand an iron ore mine makes the case for Corporate Governance improvements as clearly as any proposed legislation. The resignation illustrated board room accountability by the company for failing its own standards relating to the responsible protection of cultural heritage.

So how can law firms assist their clients during their transitions to more sustainable businesses?

ESG advice is a holistically integrated proposition. By this I mean that law firms have a key role to play in every step of their work: They need to understand the corporate culture, and whether proper Governance is being prioritised by Management. This is true regardless of whether the client is in the Wealth Management space (where the proper passage of the proverbial baton to the next generation is at issue) or a start-up that is looking to structure corporate governance for the first time in order to achieve sustainable growth.

We know that ESG due diligence can seal or break deals. It has therefore become a core part of the deal process and, while ESG experts can tackle some of the more discrete issues, law firms must work side-by-side with all experts to identify and disclose issues that are often guided by amorphous best practices and sector-specific standards.

In respect of corporate governance, how have GC expectations of their law firms changed?

Concerns around proper corporate governance have been historically associated with proper due diligence of both financial and non-financial information. In that regard, the work of GCs has not changed. What has changed is the focus and the level of engagement with all stakeholders (internal as well as external) that is required to address these risks. The shift from shareholder to stakeholder governance has material implications for the work of General Counsels and their advisors.

A scandal such as that of an online fashion retailer which engaged in poor working conditions at its suppliers will certainly ring alarm bells, but the broader question of other ESG risks in supply chains (e.g., environmental pollution, workforce health and safety, labour disputes etc.) will too. Therefore, GCs will continue to need to obtain the best advice that is seeped in judgement on a variety of matters.

What I view as particularly important in this space is the alignment of values and behaviours by Management and Boards. General Counsels are called to focus on whether the Boards of companies that they advise or are benefiting from public financing, have adequate awareness of the particular sets of ESG risk of the industry in which they operate. They will need to satisfy themselves about escalation procedures and about the existence and efficacy of business continuity plans. Disclosure will be seen as evidence of proper management of these risks and its absence will have material consequences, including for Boards of Directors that will be held accountable whether by asset managers, regulators or activist investors.

Finally, tell us about yourself and wider interests ...

I enjoy mentoring women as much as I can. Tough lessons that help all of us grow are hard come by, so if imparting experiences helps others achieve that, I feel gratified.

Speaking to those who don't have access to professional networks is particularly enriching because I find that the search for leadership opportunities can otherwise feel isolating. We need future leaders to know that others need them to grow in confidence.