3rd Scientific Conference

CORPORATE GOVERNANCE AND TECHNOLOGY IN THE AGE OF ESG

Piran, Slovenia,
23 June 2025

ABSTRACTS OF
CONFERENCE PROCEEDINGS
(PRELIMINARY VERSION)

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ANNALES ZRS

Koper 2024

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Abstracts of Conference Proceedings

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The conference is part of a research project entitled SOCIAL RESPONSIBILITY OF COMPANIES AS THE RESPONSIBILITY OF DIRECTORS (ARIS registration number: J5-4582), project holder: ZRS Koper, Law Institute. / Konferenca je del raziskovalnega projekta z naslovom DRUŽBENA ODGOVORNOST PODJETIJ KOT ODGOVORNOST DIREKTORJEV (evidenčna številka ARIS: J5-4582), nosilec projekta: ZRS Koper, Pravni inštitut.

All contributions were in double scientific reviews. / Vsi prispevki so bili dvojno recenzirani.

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Dear Ladies and Gentlemen,

We are pleased to invite you to the 3rd Scientific Conference, titled Corporate Governance and Technology in the ESG Era, to be held in Piran, Slovenia (onsite & online), on June 23, 2025.

The organizer of the conference is the Science and Research Centre Koper (ZRS Koper), and the co-organizers are EMUNI University and IRDO (Institute for the Development of Social Responsibility), all from Slovenia. The conference is part of a research project titled SOCIAL RESPONSIBILITY OF COMPANIES AS THE RESPONSIBILITY OF DIRECTORS (ARIS registration number: J5-4582), project holder: Science and Research Centre Koper - Law Institute.

The authors will present papers at the intersection of corporate governance and technology, with an emphasis on how boards can represent shareholder views and values, and the responsibilities of boards to operate their companies sustainably.

Conference participation is for free. Registration is demanded for all participants (online & onsite). Final conference program will be published in May 2025 at latest.

We look forward to your participation and discussion at this important conference. Sincere thanks in advance for your interest!

With kind regards,

Prof. Dr. Rado Bohinc,
President of the Conference Program Committee,
EMUNI University

CONFERENCE PRESENTATION

CORPORATE GOVERNANCE AND TECHNOLOGY IN THE AGE OF ESG

On June 23, 2025, the 3rd International Scientific Conference will be held in Piran, where several top legal experts from different countries of the world will give lectures. Participation in the conference is free of charge.

(Koper, June 18, 2025) On June 23, 2025, the 3rd International Scientific Conference entitled Corporate Governance and Technology in the ESG Era will be held in Piran, at the premises of EMUNI University, Kidričevo nabrežje 2, Slovenia, EU. The conference will be held both, on-site and online.

Ten top authors will discuss corporate governance and technology. The conference will bring together leading scientists from Slovenia and the world to discuss ***how boards can integrate broader societal interests into their decision-making and to what extent technology can bridge the gap between corporations and what is the public good***.

The participants will be greeted by **Prof. Dr. Rado Pišot, Director of the Science and Research Centre Koper**, and **Prof. Dr. Rado Bohinc, President of the EMUNI University and Chairman of the Conference Program Committee. The** lectures will be given by the following professors of law: **Alessio Bartolacelli, Rado Bohinc, Jill Fisch, Dušan Jovanovič, Yaron Nili, Jerneja Prostor, Sergio Alberto Gramitto Ricci, Christina Sautter, Jeff Schwartz, Urška Velikonja**.

Participation in the conference is for free, you can register here: https://us02web.zoom.us/meeting/register/50fnXVq1Q_O0nXaC0uH0Zw#/registration

The conference is organized by **the Science and Research Centre Koper,** the co-organizers are **EMUNI University and IRDO - Institute for the De-**

velopment of Social Responsibility, all from Slovenia, EU. The conference is part of the research project entitled **CORPORATE SOCIAL RESPONSIBILITY AS THE RESPONSIBILITY OF DIRECTORS** (ARIS number: J5-4582), project leader: Science and Research Centre Koper - Institute of Law. The co-financer is ARIS – Slovenian Research and Innovation Agency. #

Co-financer:

aris Javna agencija za znanstvenoraziskovalno in inovacijsko dejavnost Republike Slovenije

Additional information:

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ORGANISER
Science and Research Centre Koper (ZRS Koper)

CO-ORGANISERS

EMUNI University

IRDO – Institute for the Development of Social Responsibility

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The conference is part of a research project entitled SOCIAL RESPONSIBILITY OF COMPANIES AS THE RESPONSIBILITY OF DIRECTORS (ARIS registration number: J5-4582), project holder: ZRS Koper, Law Institute, funded by the Slovenian Research and Innovation Agency.

30 ZRS University EMUNI IRDO Inštitut za razvoj družbene odgovornosti

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CONFERENCE PROGRAM

3rd Scientific Conference
CORPORATE GOVERNANCE AND TECHNOLOGY IN THE ESG ERA
Piran, Slovenia, June 23, 2025

8:30
Registration, morning coffee

9:00–9:20
INTRODUCTION
Moderator: **Anita Hrast**

Prof. Rado Pišot, PhD,
Director of Science and Research Centre Koper

Prof. Rado Bohinc, PhD,
President, EMUNI University

Prof. Jeff Schwartz,
Hugh B. Brown Presidential Professor of Law, University of Utah,
S.J. Quinney College of Law

9:20–10:40
Panel 1: SHAREHOLDER VOTING
Moderator/Discussant: **Yaron Nili**, J.S.D.

Jeff Schwartz:
Can Shareholders Vote their Values?

Jill Fisch:
Corporate Political Disclosure and Shareholder Voting

Christina Sautter:
Corporate Disenfranchisement

Panel Discussion

10:40–11:00
Coffee break & networking

11:00–12:20
Panel 2: CORPORATE GOVERNANCE
Moderator/Discussant: **Jeff Schwartz**

Kobi Kastiel and **Yaron Nili**:
Opting Out of Court? Reputation and Informal Norms in Private Equity

Sergio Alberto Gramitto Ricci
The Shareholder Democracy Lie

Jerneja Prostor:
Business Decisions by Artificial Intelligence

(**Dušan Jovanovič:** *Supervisory Body – Quo Vadis?*, abstract without presentation)

Panel Discussion

12:20–13:20
Lunch & Networking

13:20–14:40
Panel 3: DIGITAL RIGHTS, ESG & SECURITIES ENFORCEMENT
Moderator/Discussant: **Rui Dias**

Alessio Bartolacelli:
Guess Who's Coming to Dinner? Instruments to Internalize the Stakeholders in the Companies: A European View"

Rado Bohinc:
Digital Rights in EU Regulation

Urška Velikonja:
The Point of Jarkesy

Panel Discussion

14:40–15:00
3rd Scientific Conference conclusions
Discussion with Participants, Feedforward, Conclusions of the conference
Moderators: **Jeff Schwartz**, **Anita Hrast**

ABSTRACTS

Panel 1:

SHAREHOLDER VOTING

CAN SHAREHOLDERS VOTE THEIR VALUES?

Jill FISCH[1] & Jeff SCHWARTZ[2]

1 Saul A. Fox Distinguished Professor of Business Law, University of Pennsylvania Carey Law School, Fellow, European Corporate Governance Institute.
2 Hugh B. Brown Presidential Professor of Law, University of Utah, S.J. Quinney College of Law.

CORPORATE POLITICAL DISCLOSURE AND SHAREHOLDER VOTING

Jill E. FISCH[1] & Adriana Z. ROBERTSON[2]

We combine empirical analysis and qualitative research to offer new insights into the shareholder voting process. Our research focuses on shareholder proposals requesting increased disclosure of corporate political activity. These proposals are notable for three reasons. First, they are among the most enduring categories of shareholder proposals and have consistently received substantial amounts of support from shareholders. Second, because political disclosure proposals tend to be relatively low salience, they shed light on the dynamics of the proposal process when it is least likely to attract outside attention. Finally, the Supreme Court in Citizens United placed corporate political influence squarely in the realm of corporate governance. Studying political disclosure proposals sheds light on the effectiveness of this mechanism in providing transparency about corporate political activity.

We analyze the basis on which issuers are targeted with political disclosure proposals, the result of such targeting, and the targeted firms' subsequent disclosure practices. In sum, we find that a diverse array of investors sponsored the political disclosure proposals in our sample (2015-2023), the proposals tended to be relatively successful, and disclosures tended to improve in subsequent years. On average, both the targeting and voting appear to reflect existing disclosure practices and political contributions rather than firm performance.

We also uncover important institutional details of the shareholder proposal process. Roughly a third of political disclosure proposals are settled and withdrawn, meaning that studies that rely exclusively on voting results convey an incomplete picture. At the same time, the absence of an authoritative source of all shareholder proposals complicates the analysis. We also

1 Jill E. Fisch is the Saul A. Fox Distinguished Professor of Business Law at the University of Pennsylvania Carey Law School and is an ECGI Fellow.
2 Adriana Z. Roberston is Donald N. Pritzker Professor of Business Law at the University of Chicago Law School and is an ECGI Research Member.

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document the involvement of a critical governance entrepreneur – the Center for Political Accountability – and demonstrate its central role in the submission and apparent success of political disclosure proposals.

[We also study voting support across various institutional investors. Here we uncover high levels of investor engagement but levels of support that vary across investors and investor types. Even among those investors who support such proposals, we find strikingly low correlation among individual voting decisions. We further identify factors that appear to influence specific investor voting decisions.]

CORPORATE DISENFRANCHISEMENT

Sergio Alberto GRAMITO RICCI[1],
Christina M. SAUTTER[2]

This article examines the fundamental failures of collective decision-making in corporate shareholder meetings by drawing historical parallels to ancient Athenian democracy. Despite formal equality in participatory rights, both the Athenian ekklesia and modern shareholder meetings are dominated by elite voices while effectively excluding everyday participants, revealing persistent patterns of elite dominance across millennia. Contemporary corporate governance mirrors ancient democratic limitations. Just as only skilled orators with sufficient resources could meaningfully participate in Athenian assemblies despite theoretical isegoria (equal speech rights), today's shareholder meetings are controlled by institutional investors, activist hedge funds, and the "Big Three" asset managers, while individual retail shareholders remain marginalized despite formal voting rights.

Central to this analysis is the U.S. proxy system's evolution from its 1930s origins, when it was designed to address management manipulation of shareholder voting, to its current form that paradoxically perpetuates shareholder disenfranchisement. Complex proxy machinery creates insurmountable barriers for retail investors: electronic delivery systems that reduce voting participation, confusing proxy statements requiring specialized knowledge to navigate, and inadequate notification procedures that leave shareholders uninformed about their rights.

A critical examination of the shareholder proposal system reveals how Rule 14a-8 has become increasingly restrictive over eight decades. While initially allowing any qualified shareholder to submit proposals regardless of ownership size, amendments introduced escalating ownership requirements culminating in 2020's three-tier system requiring between $2,000 and $25,000 in holdings with extended holding periods, effectively exclude smaller retail investors from proposing governance reforms. We contrast this exclusionary system against historical examples of independent shareholders like the Gilbert brothers and Wilma Soss, who used wealth, education, and persistence to challenge corporate management in mid-20th century shareholder meetings. Their activism led to governance improvements now considered standard practice, yet today's proxy system makes such individual advocacy nearly impossible.

Finally, we use virtual shareholder meetings as a case study in technology's failed promise to democratize corporate governance, showing how companies have used virtual formats to further limit rather than expand shareholder engagement. The proxy system functions as a "proxy card in a vacuum," representing a fundamental departure from shareholder participation toward a model favoring concentrated wealth over distributed ownership.

1 Associate Professor of Law, Hofstra University Maurice A. Deane School of Law; Co-Founder, President, & Board Director, Center for Retail Investors & Corporate Inclusion.
2 Professor of Law, Southern Methodist University (SMU) Dedman School of Law; Co-Founder, Secretary, & Board Director, Center for Retail Investors & Corporate Inclusion.

Panel 2:
CORPORATE GOVERNANCE

OPTING OUT OF COURT? REPUTATION AND INFORMAL NORMS IN PRIVATE EQUITY

Kobi KASTIEL[1],
Yaron NILI[2]

Private equity, an industry characterized by high-stake investments and complex contractual arrangements, operates almost entirely outside of courts. Despite the substantial financial stakes involved—billions of dollars locked in for years—and the potential for fiduciary conflicts, litigation between limited partners (LPs) and general partners (GPs) who manage the investment is exceptionally rare. In stark contrast to public markets, where shareholder litigation plays a prominent role in deterring misconduct and shaping corporate norms, the private equity world is largely defined by its absence. The puzzle, then, is this: In an industry where fiduciary breaches or misaligned incentives are not uncommon, why do LPs almost never turn to courts to enforce their rights? Drawing on proprietary documents, public records, and qualitative interviews with market players, this article provides the first account of the rarity of litigation in private equity and the ecosystem of extralegal relations and informal norms that serve as a substitute for formal legal channels.

This article makes three contributions to the literature on private equity. First, using hand-collected data, the article provides the first empirical account of the non-litigious private equity landscape and its underlying causes. It also highlights how opting out of court is a result of reputational concerns, contractual barriers, and institutional disincentives. Second, the article investigates how private equity resolves disputes and enforces norms without recourse to courts. Based on a unique set of interviews with LPs, GPs, and legal advisors, this article sheds light on the alternative mechanisms that

1 Professor of Law, Tel Aviv University; Senior Research Fellow, Harvard Law School; Research Member, the European Corporate Governance Institute; Affiliated Fellow, Stigler Center, Chicago Business School.
2 Professor of Law, Duke University School of Law; Research Member, the European Corporate Governance Institute. We would like to thank [to be added].

dominate the private equity landscape. Third, the article explores the implications of this non-litigious environment for investor protection, market efficiency, and regulatory oversight, questioning whether reliance on reputation and extralegal mechanisms is sustainable in the face of growing industry complexity.

*

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THE SHAREHOLDER DEMOCRACY LIE

Sergio Alberto GRAMITO RICCI[1],
Daniel J.H. GREENWOOD[2],
Christina M. SAUTTER[3]

This Article critically examines the fallacious nature of "shareholder democracy" rhetoric and its implications for corporate governance, political democracy, and societal wellbeing. While corpo- rations and activists frequently invoke shareholder democracy to advance their agendas, this concept fundamentally misrepresents the reality of corporate governance and share ownership in America. We systematically debunk the shareholder democracy myth by analyzing historical de- velopments in shareholding, examining barriers to share ownership, and investigating the current state of corporate voting.

The term shareholder democracy first gained popularity in the 1920s, when Wall Street firms and the NYSE used it to attract retail investors while simultaneously helping management resist gov- ernment regulation and labor organizing. We trace the historical development of proxy voting from early English corporations through American securities regulation, revealing how the proxy system, despite being presented as a pathway to shareholder democracy, facilitates management control and institutional investors' influence, while limiting human shareholder participation.

A detailed examination of share ownership inequality demonstrates how centuries of discrimina- tion, including slavery, Jim Crow laws, and employment discrimination, have created enduring barriers to share ownership for minorities and women. We document how discriminatory practices in employment particularly affected access to employee stock ownership plans (ESOPs), creating what we dub a "double jeopardy," which describes how

1 Associate Professor of Law, Hofstra University Maurice A. Deane School of Law; Co-Founder, President, & Board Director, Center for Retail Investors & Corporate Inclusion.
2 Professor of Law, Hofstra University Maurice A. Deane School of Law.
3 Professor of Law, Southern Methodist University (SMU) Dedman School of Law; Co-Founder, Secretary, & Board Director, Center for Retail Investors & Corporate Inclusion.

minorities were excluded both from em- ployment opportunities and the accompanying share ownership benefits. This historical exclusion continues to impact contemporary patterns of share ownership and wealth accumulation. Cur- rently, institutional investors and proxy advisory firms dominate corporate governance. So-called "de-retailization" of share ownership has concentrated voting power in the hands of the "Big Three" (BlackRock, Vanguard, and State Street), who collectively constitute the largest share- holder in almost all S&P 500 companies. This institutional dominance is compounded by the out- sourcing of voting decisions to proxy advisory firms like ISS and Glass Lewis, which exercise enormous influence despite having no direct stake in the companies they evaluate.

Shareholder democracy is a dangerous myth that obscures the fundamentally undemocratic nature of corporate governance and share ownership in America. This mischaracterization has signifi- cant implications beyond corporate law, as corporate power significantly influences political and social institutions. Acknowledging the fallacy of shareholder democracy rhetoric is essential for developing more accurate and effective approaches to corporate governance reform and address- ing broader societal inequalities.

Through this comprehensive analysis, this Article contributes to both corporate governance schol- arship and broader discussions about economic inequality, demonstrating how the myth of share- holder democracy has helped perpetuate and legitimize fundamentally undemocratic corporate power structures.

BUSINESS DECISIONS BY ARTIFICIAL INTELLIGENCE

Jerneja PROSTOR[1]

Despite isolated initiatives aimed at integrating artificial intelligence (AI) into corporate management (or supervisory) bodies, current legal frameworks preclude AI from formally assuming such roles. At present, AI can only function as a tool to support the decision-making processes of these bodies, rather than as an autonomous actor within them. Even if members of a corporate governance body consent to incorporate AI-generated output (AI-derived recommendations) into the decision-making process, such output can, at most, function as an assistive tool rather than an autonomous decision-making entity. Accordingly, the role of AI in company law remains limited, particularly when contrasted with the more immediate and pressing legal challenges posed by AI in areas such as intellectual property law, human rights law, data protection, and health and safety regulation. Nonetheless, in the longer term, the continued advancement of AI technologies and its mass use may challenge fundamental assumptions underpinning company law, potentially necessitating a reconsideration of core legal principles.

This paper explores the legal implications of business decisions made by corporate management bodies with the assistance of AI outputs. It examines the standards by which such decisions should be assessed under existing corporate law, particularly with respect to the duty of care. The paper further considers the legislative changes that would be required should AI be granted formal roles within management (or supervisory) bodies. In addition, it offers a forward-looking perspective on the possibility of fully autonomous companies operated exclusively by AI systems, analyzing the potential impact on the legal relationships between the company, its shareholders, creditors, and AI-driven management. Finally, while outlining these developments, the author expressly states a normative position against the replacement of human decision-makers with AI in corporate governance structures.

Artificial intelligence (AI) systems currently exist at varying stages of development, and their relevance differs significantly across industries. In cer-

1 University of Maribor, Faculty of Law

tain sectors – such as logistics, marketing, and finance – AI-generated outputs have already proven to be of substantial practical value. As a result, members of corporate governing bodies who disregard the development, implementation, or outputs of AI systems in relevant decision-making contexts may risk falling short of the standard of care required by law. Corporate directors and officers are generally bound by the duty to act with the care of a reasonably prudent businessperson, assessed according to objective benchmarks. Accordingly, if peer companies within a particular industry and of comparable size have adopted AI systems and derived demonstrable benefits from them, a failure by similarly situated firms to consider or utilize such tools could potentially amount to negligence in fulfilling fiduciary duties.

Should a governing body make a fundamentally flawed business decision due to its failure to consider relevant outputs generated by AI, it may be held liable for resulting damages on the grounds of inadequate preparation and insufficient information. In such cases, the decision-making process may be deemed to have fallen short of the standards of due care. More specifically, the refusal to engage with or rely upon AI solutions that have demonstrably yielded effective results within a given industry could, under certain circumstances, justify the removal of a member of the management body for failure to fulfill their fiduciary responsibilities.

Conversely, if a corporate management body relies on AI-generated outputs when making business decisions, such outputs – at best from the perspective of AI-developing entities – may be functionally analogous to the opinions of retained experts (e.g., chartered business valuators or legal advisors) or, in the case of internally developed AI, comparable to input from domain-specific middle management. However, if the AI-generated output is manifestly erroneous, or if the management fails to provide the AI system (or, analogously, the expert) with all critical and correct facts necessary for an informed assessment, the management remains liable for any damage resulting from decisions made based on such incomplete or incorrect information. It is important to emphasize a key distinction: certified human experts are professionally accountable for their advice, often under the threat of disciplinary measures, including revocation of licensure. In contrast, AI systems lack formal accountability structures, and even in the most severe case – e.g., dissolution of the company offering the AI system – there is no structural

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barrier to the redeployment of the same or similar technology under a new corporate entity.

At present, the relevance of AI to company law manifests in two primary ways. First, where a governing body fails or refuses to develop and utilize AI systems that are already well established and widely adopted within a particular industry, such inaction may constitute negligence under corporate law standards. Second, when a management body does rely on AI-generated outputs in its business decision-making, its conduct should be assessed according to the same legal criteria that would apply if the decision had been made without the involvement of AI. In other words, the use of AI neither diminishes nor heightens the duty of care; it remains the quality and reasonableness of the decision-making process that is subject to scrutiny. As a natural person, a member of the management body is legally and ethically required to exercise the duty of care characteristics of a diligent and prudent manager. This fiduciary obligation entails accountability for decisions and actions undertaken on behalf of the company. Such decisions are typically assessed under the business judgment rule, which provides a framework for evaluating managerial conduct based on the reasonableness and informed nature of the decision-making process rather than its outcomes.

Looking ahead, there are two conceivable scenarios in which AI might assume a role within a company's management body. The first involves the organization of a corporate structure wherein the company provides an AI-driven consultancy service, thereby being appointed as a member of another company's management body. Under current Slovenian legislation, however, legal entities cannot serve as members of management bodies, implying that such an arrangement would necessitate a legislative amendment. The second, more speculative, scenario entails granting AI systems' legal personality. From a legal-theoretical perspective, there appears to be neither a compelling normative basis nor a practical justification for such a move. AI systems, as company assets, should remain subject to human governance and control, operating in alignment with the directives of the economic owners of the firm.

In an even more speculative, future-oriented scenario, it is conceivable that fully autonomous, AI-managed companies could emerge. Even in such cases, the company would remain a legal entity with identifiable shareholders, who would bear the consequences of AI's business decisions – particularly if the AI system had been developed internally and appointed to management functions by the shareholders themselves. In this context, the principle of *volenti non fit iniuria* would apply, as those who voluntarily assume a risk cannot later claim injury. For interactions with third parties, such a company could be represented by a human proxy or legal representative, while the company itself would be treated as operating a high-risk system. As such, it would be subject to enhanced regulatory oversight, including requirements related to (strict product) liability, insurance coverage, and the acquisition of certification attesting to legal compliance in order to maintain the legitimacy of its operations in the legal and economic system.

Although these prospective alternatives may currently appear conceptually remote and impractical, it is likely that some form of experimentation will eventually take place, potentially paving the way for their gradual integration into corporate governance frameworks. From a normative perspective, the notion that a member of a governing body could exonerate themselves from responsibility on the grounds that an AI system failed to provide adequate output – analogous, for instance, to relying on a property valuation in the absence of any red flags – challenges established principles of managerial accountability. Nonetheless, given the increasing trend of states competing to establish attractive legal environments for capital investment, it would be prudent to begin considering the regulatory implications of AI integration into corporate management. As current Slovenian legislation permits only natural persons to serve as members of management bodies, such developments would require fundamental legislative reform.[2]

2 The text was originally translated from Slovenian into English using the DeepL tool and then improved using the ChatGPT-4o (instruction: scientific text suitable for publication in the American scientific journal). The free version was used for both tools.

CORPORATE SOCIAL RESPONSIBILITY – QUO VADIS?

Dušan JOVANOVIČ[1],
Nikola JOVANOVIĆ[2]

The article examines the homogenization of information flow in corporate governance and oversight facilitated by modern technologies. The „push & pull“ principle enabled by digital tools significantly impacts decision-making processes and the accountability of management. It discusses the concept of extended management, focusing on the increasing supervisory role of boards and the consequent limitations on the exculpation of management boards. Technological advancements are altering the application of the business judgment rule, raising questions about its current scope and effectiveness. The analysis includes the decision and practical example in the Luka Koper case, evaluating whether the outcome might have been different if these technologies and expanded supervisory mechanisms had been fully implemented. Finally, the article critically examines the future role of supervisory boards in corporate governance.

Key Words: digitalization, standardization, CG (Corporate Governance), supervisory role, liability, BJR (Business judgment role), case study

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Panel 3:

DIGITAL RIGHTS, ESG & SECURITIES ENFORCEMENT

GUESS WHO'S COMING TO DINNER? INSTRUMENTS TO INTERNALIZE THE STAKEHOLDERS IN THE COMPANIES: A EUROPEAN VIEW

Alessio BARTOLACELLI

The paper[1] examines the role of corporate finance instruments in embedding stakeholders (and therefore also) sustainability within corporate governance structures. It argues that sustainability—understood in its full environmental, social, and governance (ESG) dimensions—must be treated as a normative imperative rather than a discretionary strategic choice. The analysis challenges the traditional shareholder primacy paradigm, advocating instead for a governance model that enables stakeholder integration through financial and legal mechanisms.

The discussion is grounded in a liberal, contractarian view of the corporation, wherein shareholders retain ultimate authority to define the firm's purpose and governance structure. Within this framework, stakeholder involvement is not imposed externally but emerges from shareholder intent—whether driven by ethical commitments, reputational considerations, or long-term value creation strategies. The paper also considers the practical and legal implications of such arrangements, including the potential for conflicts, the need for safeguards against greenwashing, and the importance of aligning financial instruments with measurable sustainability outcomes.

In light of the fragmented and often insufficient regulatory landscape, particularly at the international level, the author emphasizes the importance of market-based incentives and voluntary best practices. The paper explores how equity instruments (e.g., special share classes), hybrid securities, and sustainability-linked debt instruments can be designed to confer governance rights or influence to stakeholders. These rights may include enhanced information access, voting privileges on ESG matters, or board representation,

1 Based on A. Bartolacelli, Promoting Sustainability by Means of Corporate Finance Instruments with Influence on Governance: Some Observations, in A. Bartolacelli (ed), The Prism of Sustainability. Multidisciplinary Profiles, Editoriale Scientifica, Naples, 2025, 151-198

thereby institutionalizing stakeholder engagement within the corporate decision-making process.

Ultimately, the study calls for a reconceptualization of shareholder primacy—not as a mandate for short-term profit maximization, but as a flexible principle that accommodates non-financial objectives and supports the transition toward more sustainable corporate practices. By leveraging financial instruments to internalize stakeholder interests, firms can enhance ESG accountability, foster innovation in governance, and contribute meaningfully to broader societal goals.

CORPORATE GOVERNANCE AND TECHNOLOGY IN THE AGE OF ESG

LEGAL ASPECTS OF DIGITALISATION

Rado BOHINC

General on social impact of digital transition

Human-centered approach to digital transition aims to human well-being, meaning to develop digital technology towards people, because of their needs, because of the more efficient, easier and faster performance of various tasks, therefore for the benefit of people and not simply because of faster economic growth and profit. The application of AI as digital tools is especially challenging from the point of view of greater risks to fundamental human rights and sustainable development violations. This is the EU vision, however far from being implemented. It is crucial that the rapidly growing digitization is closely monitored and comprehensively supported by legal regulation and followed by education.

AI has a transformative role in the creative industry, offering tools that enhance, automate, and inspire various creative fields, enhancing and expanding the ways in which creators work, allowing creators to automate tasks and collaborate in innovative ways. However, it’s crucial that the creative community, balance between human intuition and AI’s capabilities, ensuring that technology is used responsibly and ethically. The development of digital technologies must be human-oriented not just profit driven; the fundamental goal of digital transition cannot be economic effect and profit only, but primarily benefits for people, the community and sustainable development.

EU legal regulation on digital rights

The following legal acts form the core regulatory framework safeguarding digital rights in the EU, addressing privacy, freedom of expression, platform accountability, and user empowerment in the digital space:

- **European Declaration on Digital Rights and Principles** (Declaration on digital rights) sets out digital rights grounded in EU values such as freedom of expression, data protection, privacy, inclusion, and digital sovereignty. It builds on the EU Charter of Fundamental Rights and guides EU digital policy and legislation.

- **Digital Services Act (DSA,** 2022**)** governs online platforms and intermediaries, focusing on illegal content, transparency in advertising, disinformation, and user rights such as explanations on content moderation and algorithmic transparency. It aims to protect fundamental rights online while ensuring safe and reliable digital services.
- **General Data Protection Regulation (GDPR)** (implied from data protection references) is a foundational EU regulation protecting personal data and privacy, closely linked to digital rights.

Digital rights and principles (Declaration on digital rights)

1. Putting people and their rights at the centre of the digital transformation, meaning universal access to inclusive technology that upholds EU rights. Everyone should have access to affordable and high-speed digital connectivity, be able to acquire the education and skills necessary to enjoy the benefits of digital technology, have fair and just working conditions, have access to key digital public services.

2. **Supporting solidarity and inclusion**; universal access to inclusive technology that upholds EU rights means that everyone should have access to affordable and high-speed digital connectivity. be able to acquire the education and skills necessary to enjoy the benefits of digital technology, have fair and just working conditions, have access to key digital public services

3. Ensuring freedom of choice online. This includes when interacting with artificial intelligence systems, which should serve as a tool for people, with the ultimate aim to increase human well-being. The EU and Member States notably commit to promote human-centric, trustworthy and ethical artificial intelligence systems, which are used in a transparent way and in line with EU values.

4. Fostering participation in the digital public space. Everyone should have access to a trustworthy, diverse and multilingual online environment and should know who owns or controls the services they are using. This encourages pluralistic public debate and participation in democracy.

5. Increasing safety, security and empowerment of individuals (especially young people), meaning that everyone should have access to safe, secure and privacy-protective digital technologies, products and services. The EU and Member States notably commit to protect the interests of people, businesses and public services against cybercrime, and to ensure that everyone has effective control over their personal and non-personal data in line with EU law.

6. Promoting the sustainability of the digital future. While digital technologies offer many solutions for climate change, we must ensure they do not contribute to the problem themselves. Digital products and services should be designed, produced, and disposed of in a sustainable way.

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