



## Press Release

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Contact: Kallia Mylonaki  
Tel: +30 210 8114386  
e-mail: [kallia.mylonaki@pwc.com](mailto:kallia.mylonaki@pwc.com)

Pages 3

### **PwC Greece - Shipping Industry Update for Finance Professionals: Understanding the upcoming EU sustainable finance regulation, addressing cybersecurity threats, evaluating the new and upcoming accounting changes under IFRS and US GAAP and, applying new shipping tax laws are some of the challenges for shipping companies**

PwC's insights, trends and current challenges for the shipping industry were presented during "PwC's Shipping Industry Update for Finance Professionals" event organized by PwC Greece. The event took place in Athens, in January 2020, and was attended by more than 100 shipping finance professionals who had the opportunity to receive an update on a number of topics that PwC experts believe will impact shipping businesses and their strategies ahead:

- **EU sustainable finance regulation** and the implications in the shipping industry;
- **Cyber Security** in the shipping industry and the inevitable new reality that shipping companies have to deal with;
- Recent developments under IFRS impacting accounting for debt modifications and reminders on **debt covenant violations** and going concern assessments;
- Looking at the **new credit loss model under US GAAP, new accounting standards on the horizon expected to change the way we classify debt under US GAAP** and an update on recent SEC simplification initiatives; and
- A glimpse into some of the more **recent legislative changes impacting provisions** in the shipping industry.

Shipping Finance and the recent EU Sustainable Finance Regulation, which is expected to drive the lending strategies of financial institutions in the EU, is one of the major challenges for shipping companies according to PwC. This new regulation will drive shipping companies wishing to access financing to develop a business strategy that will improve their Environmental, Social and Governance ("ESG") performance.

Dimitris Sakipis, Manager, Governance Risk and Compliance Services, PwC Greece, commented: "In order to prepare for the upcoming EU **sustainable finance** regulation, shipping companies will need to monitor and report their ESG performance. Recent environmental related laws and standards, including IMO 2020, IMO DCS and EU MRV aim to mitigate vessels' environmental impact. Focusing on the Social and Governance factors like crew welfare, health and safety on board, risk management



and internal controls is also important and will assist shipping companies to demonstrate an improved overall ESG performance. Moreover, increasing transparency, through sustainability or ESG reporting and setting ambitious ESG targets is an important step that demonstrates the company's commitment towards sustainable development".

Moreover, cyberattacks and data theft are ranking high as potential threats with significant impact in the maritime industry and cyber security has become one of the most challenging issues for shipping companies. Within this newly shaped reality, PwC experts have identified three major cyber security challenges for the shipping industry: **Risk Management** - cyber risk continues to be perceived as an IT risk rather than a business risk, **IT Vendor Management** - maritime IT applications are not well-secured and in many cases IT vendors and their products are not regulated and lastly, **Legacy Systems** - being rather difficult to safeguard both on-shore and on-board.

George Kollidas, Director Technology Consulting, PwC Greece explained: "Shipping companies can face the cybersecurity challenges by taking countermeasures to minimise the relevant risks. These include closely managing and monitoring 3rd party relationships, ring fencing and planning for the replacement or decommissioning of legacy systems and following a holistic approach in managing cyber risks by creating better awareness in boards and senior management and establishing clear cyber risk ownership".

Regarding accounting issues, the new credit loss model under US GAAP is now effective for public companies and while not expected to have a large impact on the shipping industry, companies will need to evaluate historical, current and future data to evaluate and understand the impact of adopting the new standard. Furthermore, in the US, standard setters are proposing an update to existing debt guidance that would require companies to classify debt on the basis of contractual terms existing as of the balance sheet date, eliminating the possibility of using post balance sheet refinancings to classify debt as non current that would otherwise be current at the balance sheet date. This change would mean US GAAP reporters will need to be more proactive in managing debt maturities and timing of executing debt refinancing.

Finally, there have been a number of recent legislative reforms in the Greek shipping tax law provisions. Among other reforms, the New Voluntary Contribution between the Greek Shipping Community and the Greek Government and the latest modernization of the tonnage tax regime by means of the equalization of the tax treatment of the ship-owning companies to bareboat charterers and lessees, illustrate the recognition of the contribution of the Shipping Industry to the Greek economy. In parallel, the introduction of key tax incentives has boosted the attractiveness of the Greek shipping industry.

According to Christina Tsironi, Manager, Tax and Legal Services, PwC Greece "The enactment of a favorable tax regime for the executives and employees of both chartering and ship management companies could be viewed as a strong asset to the reinforcement of the Greek shipping market and the enhancement of the attractiveness of Greece as a location for shipping operations".

Ms. Santos Equitz, Managing Director, Shipping Leader and Capital Markets, PwC Greece commented: "Through a series of recent initiatives, PwC Greece has been closely listening to shipping professionals and their concerns. In a rapidly changing business environment, shipping companies will have to embrace technological advancements and as a result, they will continue to face increasing and more complex cyber risks. It is thus vital for the shipping organisations to understand their vulnerabilities and invest in cyber security measures that will help them minimise the impacts of a potential cyber attack. Moreover, new regulations urge shipping companies to embrace sustainable investments. These will eventually provide them with easier access to funding, a more positive stakeholder view of



the organisation, but also will decrease operating expenses, increase operating efficiencies and attract and retain employees”.

Mr. Socrates Leptos, Partner, Global Shipping & Ports Leader, PwC Greece commented: “Shipping businesses operate in a constantly changing, unpredictable and high risk environment. Decision making involves a series of important considerations such as, technological advancement and cyber crime protection, sustainability and responsible investment and compliance in an increasingly regulated environment safeguarding at the same time stakeholders' interests. Through its extensive experience in servicing the shipping industry, PwC can assist shipping companies in dealing with these challenges. Our shipping focused events constitute an opportunity for PwC experts to share their insights and real life examples with the shipping community”.

**About PwC**

At PwC, our purpose is to build trust in society and solve important problems. We’re a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com). © 2020 PwC Greece. All rights reserved.