

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 14



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ecoda's News

EUROPEAN INSTITUTIONS

EC: Review of the Non Financial Reporting Directive

The European Commission proposal to amend the Non Financial Reporting Directive is intended to be released on the 21st of April.

ESMA: Report on the functioning of the regime for SME Growth Markets

ESMA has published its [Final Report on the functioning of the regime for SME Growth Markets](#) (GM) under MiFID. Acknowledging that SMEs need further incentives to access capital markets, the report suggests targeted amendments to the SME GM regime in the MiFID II framework. Among the proposed measures the report includes recommendations to help promote the concentration of liquidity on SME GMs, to improve standardisation and access to information for investors.

EUROPEAN DEVELOPMENTS

European Tripartite Summit: Business Europe Speech

During the Tripartite Social Summit, which was held on the 24th of March, the president of Business Europe, Mr.Gattaz, [raised his concerns](#) regarding the recent EU Corporate Governance proposals:

- On due diligence: he stressed that companies cannot be made responsible for what is out of their control. *“Future EU rules must be based on an obligation of means rather than an obligation of results. If the balance is not there, the risk is that European companies simply disengage from some markets, leaving the field to global competitors.”*
- On sustainable finance: Taxonomy should not focus on a “green niche” but instead, should enable transition of the whole economy.
- On pay transparency: Mr.Gattaz stated that the Commission's proposal is producing unnecessary red tape and undermines the possibility to determine pay in accordance with performance.

Report: Sustainability risk guide for European risk managers (FERMA)

The Federation of European Risk Management Associations released the first guide specifically for European risk managers on sustainability risks. The report makes the following observations on the state of play between risk management and sustainability.

- A corporate culture that embraces enterprise-wide risk management is a fundamental factor in determining how organisations approach and deal with sustainability;
- Managing sustainability requires mature risk management as a long-term project to build resilience;
- Risk management is in a strong position to support specialist functions' knowledge of activities and operations across the enterprise;
- The ERM framework may offer a consolidated model of good governance and practices that can eventually allow the integration of sustainability into risk management.

EFE: Annual Economic Survey of Employee Share Ownership in Europe

The European Federation of Employee Share Ownership (EFES) has published its new Annual Economic Survey of Employee Share Ownership in European Countries in 2020. Here are the main takeaways:

- New progression towards employee share ownership in Europe last year;
- 420 billion Euro held by European employee shareholders in February 2021 (record figure never reached before);
- Yet employee share ownership is in danger within Europe. It is becoming less and less democratic, with the notable exception of the UK.

INTERNATIONAL DEVELOPMENTS

Net zero asset managers now represents 36% of all invested capital in the world (Minerva Analytics)

Forty-three new fund groups have signed up to the Net Zero Asset Managers initiative (among them, BlackRock, Allianz Global Investors, PRI.), which commits signatories to net zero greenhouse gas emissions by 2050. Launched in 2020, the initiative now totals 73 signatories and represents 36% of all invested capital in the world. As signatories, these companies have committed to set interim targets for 2030 consistent with a 50% reduction in greenhouse gas emissions. In addition, their progress will be subject to annual reporting against recommendations from the Task Force for Climate-related Financial Disclosure (TCFD).

Publication: 2021 Board Agenda (EY)

The EY Board Agenda 2021 gives an in depth view of how boards are rapidly reassessing their priorities for 2021, to reshape and adapt their organizations' strategy and support their organizations in navigating this period of change. The report has five core themes:

- Cybersecurity oversight — strengthening the role of the board;
- Fraud detection and going concern — reinforcing confidence in corporate reporting;
- Enterprise resilience — approaching recovery and reinvention;
- Sustainability and nonfinancial reporting — responding to the impetus for change;
- Culture and societal change — accelerating organizational transformation.

Working Paper: Rewriting Corporate Law (ECGI)

In a recent working paper, published by ECGI, the authors pledge for a review of the corporate governance framework. The article shows why the focus of corporate law needs to be shifted. On the one hand, it argues that corporate law should aim to ensure that non-central firms maximize their own value. On the other hand, in central firms it should harness the preferences of portfolio-value-maximizing shareholders with the goal of minimizing the risk of catastrophic externalities like climate change or financial crises.

NATIONAL DEVELOPMENTS

UK: Restoring Trust in Audit and Corporate Governance (Podcast from the IoD)

In this [IoD podcast](#), Roger Barker, Deborah Morton-Dare and Steve Giles explore the key points of the wide-ranging consultation document launched by the Government 'Restoring trust in audit and corporate governance - proposals on reforms' and consider if it can be viewed as a game changer for company directors and auditors.

The UK IoD is a member of ecoDa.

Germany's proposed legislation on audit worries

German lawmakers are currently [debating draft legislation](#) for the so-called Act to Strengthen Financial Market Integrity (expected to pass over the next few months). The current proposal stipulates that audit firms pay higher fines for wrongdoing and auditors themselves take unlimited personal liability if found grossly negligent. Companies face a mandatory change of auditors in certain cases and are required to rotate audit firms every decade. But worries from the auditors and finance chiefs' side increase as the new regulatory proposal could lead to higher costs and less competition.

Japan: Issues proposal to revise its Corporate Governance Code

A council of experts established by the Tokyo Stock Exchange and the Financial Services Agency has published proposed revisions to Japan's Corporate Governance Code and the Guidelines for Investor and Company Engagement. The [changes](#) will improve board independence, promote board diversity, and enhance climate-related and ESG disclosures by top-tier listed companies. The proposals are open for comment until 7 May.

EVENTS

High level conference on the review of the non-financial reporting directive

On May 6th (from 13.15 to 17.35 CET), the European Commission will organise a [high level conference](#) about the key issues and the objectives of the review of the NFRD and of its concrete implications. The panels will address, among other topics, the role of sustainability reporting standards in promoting better sustainability disclosures from companies.

Taxonomy-related product disclosure

The European Supervisory Authorities are organising an [online public event](#) on 29 April, from 13:00-17:30. During this event the ESAs will present their proposals on draft Regulatory Technical Standards on the content and presentation of product disclosures (covered by the Taxonomy Regulation) imposing additional rules for the subset of financial products that make sustainable investments with environmental objectives under the Sustainable Finance Disclosure Regulation.

ICSA: Annual Conference - 2021 Governance

The Chartered Governance Institute will hold its [annual conference](#) virtually on 5-7 July 2021. This edition will focus on Governance, taking stock of the state of the governance landscape and exploring what is coming up on the governance horizon. Topics for discussion include: boardroom ethics, effectiveness and what the future board looks like, changing corporate values and culture, the influence of shareholder activism and much more.

ECODA NEWS

- ecoDa is proud to announce the election of Ms Leena Linnainmaa as its new chair. See the press release [here](#).
- **April 16th:** ecoDa Policy Committee meeting;
- **April 16th:** ecoDa Education Committee working group meeting;
- **April 19th:** ecoDa, FERMA and ECIIA Joint Webinar on "[The Impact of the Covid on the three lines](#)";
- **April 28th:** ecoDa participating in the GNDI Policy Committee meeting.