

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 16



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EUROPEAN INSTITUTIONS

EC: Sustainable Finance Package

On the 21st of April, the European Commission adopted a comprehensive package of measures to help improve the flow of money towards sustainable activities across the European Union.

- **Corporate Sustainability Reporting Directive (CSRD)**

The [CSRD](#) amends the existing reporting requirements of the NFRD and:

- Extends the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises);
- Requires the audit (assurance) of reported information;
- Introduces more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards.

- **EU Taxonomy Climate Delegated Acts**

The [EU Taxonomy Climate Delegated Act](#) aims to support sustainable investment by making it clearer which economic activities most contribute to meeting the EU's environmental objectives.

- **Six amending Delegated Acts on fiduciary duties, investment and insurance advice**

The Commission also adopted six amending [Delegated Acts](#) on fiduciary duties, investment and insurance advice will ensure that financial firms, e.g. advisers, asset managers or insurers, include sustainability in their procedures and their investment advice to clients.

Platform on Sustainable Finance

In a [statement](#), Nathan Fabian, Chair of the Platform on Sustainable Finance welcomed the adoption of the Taxonomy Climate Delegated Acts. All investors and large corporations in Europe will be required from 2022 to report on the sustainable portion of their portfolios and activities, and citizens will have the means to compare which companies are doing more than others to address climate change and environmental objectives.

The Platform will address further recommendations on the extension of the Taxonomy to new categories of environmental performance and to social objectives by the middle of this year.

EP: Structured dialogue with Commissioner Reynders

The JURI Committee exchanged with Commissioner Reynders on the European Commission's upcoming initiative on Sustainable Corporate Governance.

The latter will cover the same topics (scope, stakeholders participation, liability) as the ones covered in the EP report on due diligence, while basing its proposals on a risk analysis. This means that SMEs in risky sectors would surely have to comply with due diligence requirements. When it comes to the scope, the EC wants to go as far as possible in the supply chain, with different degrees of civil and administrative liability based on whether the supplier is further or closer to the operations.

EP: Pay Transparency Directive

On 22 April 2021, the EMPL and FEMM Committees organized a joint hearing on the Commission proposal for a Pay Transparency Directive. This proposal aims at:

- Ensuring the gender neutrality of pay setting and career progression for all employees;
- Providing workers with the necessary information to assess whether they are paid in a non-discriminatory manner;
- Employers of more than 250 workers will need to make publicly available certain information such as the pay gap between men and women, also in complementary or variable components;
- Strengthening access to justice;
- Allowing collective claims.

EUROPEAN DEVELOPMENTS

Publication: ecoDa's Corporate Governance Guidance and Principles for Unlisted Companies in Europe

ecoDa released an updated version of its Corporate Governance Guidance and Principles for Unlisted Companies, eleven years after the first edition. The new version provides a more modern treatment of the role that ESG issues must play while presenting 14 good corporate governance principles to help unlisted companies efficiently address the challenges they face.

The 2021 version has also been enriched with a self-assessment questionnaire that allows companies to regularly measure their progress on the path to good governance.

INTERNATIONAL DEVELOPMENTS

Guidance: Disclosure and transparency in crisis (IFC)

The International Finance Corporation released a guidance on "disclosure and transparency in crisis - increasing resilience and building trust during and after Covid-19". This Guidance is designed to help both listed and privately-owned companies disclose what they are doing to manage the economic, environmental, and social impacts of the pandemic, using IFC's Disclosure and Transparency Framework, which is focused on strategy, governance, and performance.

Article: Rise of the machines requires a 'stakeholder approach' from boards (Board Agenda)

In a new paper, academics warned about the risks presented by machine learning (ML) and AI should it be the possibility of infringing regulation or reputational risk. ML is more than just a technology issue, it becomes a matter of culture. For this reason, the authors suggest ML governance to be enterprise-wide rather than limited to siloed departments. However, as shown by a Board Agenda survey, boardroom skills may be an issue (53% of respondents claim their boards are not sufficiently skilled or knowledgeable about AI and its implications for business).

The paper's most attention-grabbing recommendation is, however, the inclusion of stakeholders in ML governance decisions.

NATIONAL DEVELOPMENTS

UK: Restoring Trust in Audit and Corporate Governance – Key proposals

The UK Government published a white paper setting out proposals to strengthen the UK's framework for major companies and the way they are audited. The key proposals are:

- The transformation of the FRC into the Audit, Reporting, and Governance Authority (ARGA) alongside new powers for it to hold to account directors for breaches of their duties;
- Updating the UK Corporate Governance Code to subject executive remuneration to mandatory malus and clawback terms under specific circumstances;
- New attestation and reporting requirements for internal controls, dividend and capital maintenance decisions, and resilience planning;
- Changing the definition of a Public Interest Entity to focus on a wider range of entities, including large private companies;
- Creation of a standalone audit profession separate to the accountancy industry;
- Introduction of managed shared audit for audit firms alongside an endorsement of operation separation of audit and non-audit services.

Luxembourg: Report – Meeting the digital challenges (ILA)

The Luxembourg Institute of Directors, which is a member of ecoDa, has released a guide «Meeting the digital challenge». The objective of this publication is to discuss practices in Luxembourg related to the holding of shareholder meetings. If the digital journey is bringing new opportunities, it also involves trade-offs and raises new challenges; are the online formats viable? Were they below the minimum expectations of a reasonable shareholder? The guide answers those questions and offers recommendations for shareholder meetings to lead to a fruitful and interactive experience for all.

Norway ramps up commitment to ethical investment (Minerva Analytics)

The government of Norway is accelerating its agenda on ethical investment. New guidelines for Norway's \$1.3trn sovereign wealth fund will see billions of dollars of investment reallocated and more than 2,200 companies are to be cut from the fund's portfolio.

Meanwhile, a proposed Transparency Act will enshrine disclosures on human rights in law and require Norway's largest companies to disclose details of human rights issues on demand to anyone who makes a formal request. The act follows the OECD approach while going further, as it specifies that companies should take account of the rights of indigenous peoples, children's rights, and workplace conditions, including the right to a living wage.

Germany: the Parliament expands probe into EY's audits of Wirecard (Financial Times)

German MPs have asked a special investigator to expand probe into EY's audits of Wirecard after his initial report uncovered serious shortcomings. This latter describes how EY failed to spot fraud risk indicators, did not fully implement professional guidelines and, on key questions, relied on verbal assurances from executives.

EVENTS

EC: A New Compass for SMEs

The European Commission organises a series of webinars from the 26th to the 28th of May to help SMEs navigate through the various EU support tools and mechanisms.

Joint EC/ECB Conference

The European Commission and the European Central Bank announced their annual joint conference on European financial integration and stability on 27 May 2021 (from 9.30 to 1.45pm CET). This year's discussions will be dedicated to two subjects, the implications of Covid-19 for the EU financial system, climate change and the EU financial system.

The ICGN Governance of Sustainability Dialogue

From the 23rd to the 24th of June, ICGN will hold the Governance of Sustainability Dialogue to discuss and debate on global sustainability issues and risk management to develop long-term strategies, reporting and cooperation.

ecoDa will be represented by Michel de Fabiani and Maria Pierdicchi as speakers on the «Governance of sustainability: mandatory and voluntary drivers» panel.

ecoDa's NEWS

- This week, ecoDa run a joint webinar with FERMA and ECIIA on "The impact of the Covid on the three lines". The recording of the discussion is available on ecoDa's Youtube channel, and a summary report will be published shortly.
- **April 28th:** ecoDa participating in the GNDI Policy Committee meeting;
- **April 28th:** ecoDa's Education Working Group meeting;
- **April 30th:** ecoDa/EuropeanIssuers meeting to discuss the recent ecoDa's publication on "5Corporate Governance Guidelines";
- **May 5th:** Kick-off meeting of ecoDa's Corporate Governance Circle on sustainability.