

# THE EUROPEAN VOICE OF DIRECTORS

## #EUALERT

### Weeks 45 & 46



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## EUROPEAN INSTITUTIONS DEVELOPMENTS

### EC: Consultation on corporate reporting and its enforcement

Last week, the European Commission launched a **public consultation** (open until 4th of February) seeking views about the overall impact of the EU framework on the three pillars of high quality and reliable corporate reporting: corporate governance, statutory audit and supervision.

The Commission will further organise targeted interviews and meetings with stakeholders and organise dedicated workshops in Q1 2022 with a view to possibly amend and strengthen the current EU rules. Last week, the European Commission launched a public consultation (open until 4th of February) seeking views about the overall impact of the EU framework on the three pillars of high quality and reliable corporate reporting: corporate governance, statutory audit and supervision.

The Commission will further organise targeted interviews and meetings with stakeholders and organise dedicated workshops in Q1 2022 with a view to possibly amend and strengthen the current EU rules.

### EC: Update on the Sustainable CG file

A representative from the European Commission at ecoDa/Mazars webinar on due diligence confirmed that third-country companies operating in the European market will fall under the scope of the due diligence proposal. In addition, the Commission is reflecting on how national authorities can concretely assist companies for the implementation phase of the upcoming requirements.

### EP: ENVI proposed amendments to the CSRD

Among the **amendments** proposed by the ENVI (the Environment, Public Health and Food Safety) Committee of the European Parliament regarding the Corporate sustainability reporting directive:

- European reporting standards should be complementary to international standards rather than overlapping;
- The rapporteur considers it important to as closely as possible provide for reporting on a country-by country basis;
- The rapporteur considers that it will be necessary to limit reporting obligations to high-risk sectors and ensure proportional reporting standards for SMEs;
- The rapporteur recommends removing reporting obligations to intangibles.

## EC proposed mandatory due diligence to stop deforestation in supply chains ([Euractiv](#))

The European Commission [tabled its plan](#) to introduce mandatory due diligence legislation on the production of beef, soy, palm oil, wood, cocoa and coffee products and derived products placed on the EU market. Companies, including SMEs, will need to collect information about the products they have placed on the EU market from January 2021 onwards to confirm these are not linked to deforestation. This includes taking “adequate and proportionate mitigation measures, such as using satellite monitoring tools, field audits, capacity building of suppliers or isotope testing” to confirm the product’s origin.

## EC: Upcoming consultation on facilitating SMEs access to capital

The European Commission should issue a consultation on a proposal to facilitate SMEs access to capital in the coming weeks. The consultation will touch upon:

- A wide range of elements of the listing regime (market abuse, listing regime, multiple voting rights, the transparency directive...);
- The prospectus regime;
- The market abuse framework (bringing more clarity around certain definition, restricting the scope of certain requirements...);
- The possibility of allowing shares with differential voting rights;
- How to better ensure both the market integrity and the protection of investors.

## EFRAG: Sustainability reporting standards: Updates and call for expressions

While the [composition of the Expert Working Group](#) who will assist with the development of draft European sustainability reporting standards has been announced, EFRAG has issued a [detailed five-month status report](#) outlining the progress made so far in defining these standards. A related public consultation is expected by early next year.

In addition, EFRAG has launched a [call for expressions of interest](#) for EFRAG membership, and invites all organisations to join its new sustainability reporting pillar. Expressions of interest are welcome by 8 December 2021.

## EP: Agreement on new country-by-country reporting rules

MEPs adopted the [country-by-country reporting legislation](#) which will oblige multinationals and their subsidiaries with annual revenues over €750 million - and which are active in more than one EU country - to publish the amount of tax they pay in each member state. The directive will enter into force 20 days after publication in the Official Journal. Member states will then have 18 months to transpose the law into their national laws. This means that businesses will need to be complying with the first provisions of the directive by mid-2024.

### INTERNATIONAL DEVELOPMENTS

## Basel Committee: Consultation on principles for effective management and supervision of climate-related financial risks

The Basel Committee on Banking Supervision issued a public consultation on [principles for the effective management and supervision of climate-related financial risks](#). This follows the publication of a [series of analytical reports](#) earlier this year. Through this public consultation, the Committee seeks to promote a principles-based approach to improving both banks' risk management and supervisors' practices related to climate-related financial risks. The Committee welcomes comments on the principles, which should be submitted [here](#) by 16 February 2022.

## Business at OECD: Update

The OECD is about to review its Corporate Governance principles. The working group on state owned enterprises and private practices will therefore review its OECD guidelines on corporate governance of state-owned enterprises published in 2015, accordingly.

## PwC's 2021 Annual Corporate Directors Survey

PwC's Annual Corporate Directors Survey has gauged the views of 851 directors from across the US on a variety of corporate governance matters. The key findings are:

- While 64% of directors say ESG is linked to their company's strategy, only 25% say their board understands ESG risks very well;
- 52% of directors support tying executive compensation to diversity and inclusion goals;
- 52% of directors say virtual meeting are more efficient, but they also say directors are less engaged and boardroom culture is suffering;
- 47% of directors say that at least one fellow board member should be replaced.

## The Value Change Initiative

Some 60 businesses (including Adidas, C&A, H&M, Levi's, Nike, Patagonia...), public sector organisations and non-profits have signed up to the Value Change initiative to help companies achieve net zero emissions in their supply chains. With the help of more 130 technical experts working on creating guidance and establishing best practice on value chain projects, the aim is to help companies meet science-based emission reduction targets in Scope 3 - indirect emissions in their value chains.

## Investors warn 'Big Four' to integrate climate risk into audits (Minerva Analytics)

With 70% of assessed 2020 audits falling short on decarbonisation plans, a group of 24 institutional investors have taken action by advising accountancy and audit giants to take action from next year. They announced voting against the reappointment of auditors that do not challenge companies on the impact of decarbonisation on their accounts and also urged governments to force companies and auditors to file accounts in line with net-zero targets by 2050.

### EUROPEAN DEVELOPMENTS

## Publication: A practical guide for boards and leadership teams on sustainability (ecoDa and Mazars)

ecoDa and Mazars have issued a practical guide for boards and leadership teams on sustainability to help them navigate their sustainability journey and achieve sustainable success.

The guide offers insights on why directors and leadership teams should place sustainability high on their agenda, setting out seven critical success factors for directors to focus on shaping the path ahead. The second part offers a series of questions designed to enable directors to identify areas where further actions are needed, while the final section provides a tool to assess the stage at which a business is currently situated along its sustainability journey.

**NATIONAL DEVELOPMENTS****Sweden: Corporate Governance Board's 2021 Annual Report**

The Swedish Corporate Governance Board issued a report on its activities and developments in Swedish corporate governance during the previous year. The report contains the Board's activity report and statistics on companies' application of the Swedish Corporate Governance Code and includes a white paper describing some of the challenges posed by EU corporate governance regulation to the Swedish corporate governance system.

**UK: Report sets out what is expected from audit firms to deliver high quality audit**

A new report from the Financial Reporting Council (FRC) has set out the key elements required by audit firms to ensure they are delivering high quality audits and provides a range of examples of good practices. This report is all the more timely that in 2021, almost 30% of audits reviewed by the FRC are not meeting acceptable standards.

**France: Study on companies and post-growth (Prophil)**

In a new study, Prophil, a French consulting and research entreprise à mission, investigates how companies can reboot their economic, accounting and governance systems at the time of the ecological emergency. The study offers insights and testimonials of companies experimenting new ways of functioning and implementing alternative business models. In addition the study tackles some interesting topics such as the usefulness of ESG related decision-making matrix, the rise of foundation activism and the relevance of the regenerative approach.

**EVENTS****How climate aware are boards in Benelux? (Chapter Zero)**

On Monday 22 (from 1.00pm to 2.00pm CET), Chapter Zero organises a webinar to take stock of boards' climate awareness in Belgium, the Netherlands and Luxembourg particularly.

**Looking at AI through an ESG lens: how do ethical issues interconnect with ESG issues? (ACCA and EY)**

ACCA and EY are organising a lively session (on the 7th of December) to look at AI through an ESG lens, and discuss questions such as: How can we make sure that AI contributes to a just and safe operating space, and help us understand and address urgent social, environmental and ethical challenges? What type of regulatory insight and oversight for AI-based technologies do we need to ensure transparency, safety, and ethical standards, while not hampering innovation?

**ecoDa's NEWS**