

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 39



What's in this issue:

European Institutions

- EP Study: The role of non-financial performance indicators and integrated reporting in achieving sustainable value creation;
- EP: Objections to the EU Taxonomy rejected;
- Council: member states question legal basis for CBCR;
- EP Study: Ways to lower compliance costs and improve EU corporate taxation;

European Developments

- The Assembly of the Council of Europe calling to address issues of criminal and civil liability in the context of climate change;
- Podcast: Reporting beyond the financials;

National Developments

- UK: CMA publishes guidance to tackle greenwashing;
- Latvia: steps up reform of state-owned enterprises;

International Developments

- Report: Sustainable data: quantifying the path forward;
- Report: The glaring absence of climate risks in financial reporting;
- Report: Taking stock of investor implementation of the UN Guiding Principles on Business and Human Rights;

Event

- Sustainable CG: Setting the incentives and obligations for companies to transition towards sustainability;

EUROPEAN INSTITUTIONS

EP Study: The role of non-financial performance indicators and integrated reporting in achieving sustainable value creation

The study is a structured analysis of the current scientific evidence on the effects of sustainability reporting including non-financial performance indicators, stand-alone sustainability reporting as well as integrated reporting. It discusses the benefits and challenges particularly related to internal decision-making, external transparency as well as financial and nonfinancial/environmental, social and governance effects. Further, it offers policy recommendations in view of the European Commission's proposal on the Corporate Sustainability Reporting Directive.

EP: Objections to the EU Taxonomy rejected

On Monday, Parliament's environment and economic affairs committees rejected three attempts from lawmakers to object to the EU Taxonomy on ground that it was not aligned with existing EU laws, or should have included nuclear energy and gas power plants as green investments.

This vote paves the way for an adoption of the delegated act by the European Parliament at the next plenary.

Council: Several EU member states question legal basis for public CBCR

Eight EU Member States have issued a statement criticizing the legal basis of the Directive to increase public country-by-country reporting (CBCR). At a 28 September vote in the EU Council, Cyprus and Sweden voted against the agreement. Czech Republic, Ireland, Luxembourg and Malta abstained. These objecting countries can now challenge CBCR's legal base in the EU Court of Justice.

EP Study: Ways to lower compliance costs and improve EU corporate taxation

The study attempts to identify the possible gaps and challenges in EU legislation regarding corporate income taxation (CIT). The results confirm that:

- Complexity remains by far the greatest factor behind both the corporate income tax gap and the high level of compliance costs for businesses;
- The lack of administrative effectiveness and efficient enforcement are also of particular relevance for businesses;
- There are noticeable reduction in compliance costs in the scenarios where more transparency is ensured;
- The move towards digitalisation of the tax administration appears as an option to reduce compliance costs.

EUROPEAN DEVELOPMENTS

The Assembly of the Council of Europe is calling to address issues of criminal and civil liability in the context of climate change

In a text adopted on 29 September 2021, the Parliamentary Assembly calls on member States of the Council of Europe to:

- Ensure access to judicial remedies to prevent and compensate for damages caused by climate change in relation to actions or omissions by the State, natural and/or legal persons;
- Strengthen corporate liability by establishing companies' duty of vigilance, requiring them to detail their activities affecting the environment, and so on climate change;
- Ensure that corporate social responsibility for preventing and remedying environmental harm is taken into account in procurement contracts and the allocation of public funds;
- Reinforce criminal and civil liability for acts and omissions that might have an impact on climate change or cause other severe environmental (by alleviating the burden of proof).

Podcast: Reporting beyond the financials (Accountancy Europe)

In this episode, Nadja Picard, Global Reporting Leader at PwC Germany answers some crucial questions about the future of corporate reporting: how financial and non-financial reporting has to come together to give a more accurate picture on company performance ? How EU efforts and global non-financial reporting standards will have to be aligned and why?

NATIONAL DEVELOPMENTS

UK: CMA publishes guidance to tackle greenwashing (Minerva Analytics)

The Competitions and Markets Authority (CMA) has published the 'Green Claims Code', containing guidance principles to assist businesses in complying with consumer protection law and avoid making misleading environmental claims. Specifically, the Green Claims Code highlights those businesses must ensure any claims are truthful and accurate, not be misleading, and not omit any important information.

Latvia: steps up reform of state-owned enterprises (European Bank for Reconstruction and Development)

Latvia is moving ahead with the reform of state-owned enterprises (SOEs) by endorsing a methodology for optimising capital and governance structures for such companies. It will require SOEs to disclose certain indicative metrics for their capital structure, expected rate of return and dividend payout ratios. It will also define a set of financial instruments to use during a five-year period and set corporate governance standards. The goal is to bring Latvian SOEs to standards that can attract investment and mee

INTERNATIONAL DEVELOPMENTS

Report: Sustainable data: quantifying the path forward (OMFIF)

As more emphasis is put on the financial sector to implement net-zero targets, and companies are progressively being encouraged by market participants to provide projected information, the significance of forward-looking data cannot be underestimated. This report explores issues around credibility and measurement, and investigates how forward-looking data uses and challenges differ across sectors and asset classes. It also looks at the future of regulating disclosures and reporting in relation to forward-looking data, as well as the technological developments that could enable better data collection, measurement and modelling.

Report: The glaring absence of climate risks in financial reporting (Carbon Tracker)

This report examines whether 107 publicly-listed carbon-intensive firms (and their auditors) considered material climate-related risks in financial reporting. At the same time the study also assesses whether investor concerns about Paris-alignment of assumptions and estimates have been addressed. The key findings are:

- There is little evidence that companies incorporate material climate-related matters into their financial statements;
- Most climate-related assumptions and estimates are not visible in the financial statements;
- There is little evidence that auditors consider the effects of material climate-related financial risks or companies' announced climate strategies;
- Even with considerable observable inconsistencies across company reporting, auditors rarely comment on any differences.

Report: Taking stock of investor implementation of the UN Guiding Principles on Business and Human Rights

The report follows the launch of the UNGPs Next Decade BHR Project, which assesses the first 10 years of implementation of the UN Guiding Principles on Business and Human Rights. The project dedicates focus to the roles of institutional investors in assessing human rights risks, and sets out various recommendations for the investment community:

- Barriers remain to addressing human rights breaches in investment pipelines. Identified barriers are corporate culture of short-termism, investors inability to assess human rights risks, misalignment of policy and legal framework and lack of governance-based human rights approaches;
- One main recommendation made in the report is that investors engage with portfolio companies to address fundamental causes of short-termism by, for instance, striving for integration of human rights into governance expectations and linking executive pay to human rights performance, among other measures.

EVENT

Sustainable Corporate Governance: Setting the incentives and obligations for companies to transition towards sustainability

On the 13th of October, Finance Watch will host a [webinar](#) on the forthcoming EU legislative initiative on sustainable corporate governance. The event aims to discuss the core elements the proposal should contain and explain why reforming corporate governance is essential to meet the European sustainability targets.

ecoDa's NEWS

- **30th of September:** ecoDa's board members exchanged with Commissioner Reynders on the Sustainable Corporate Governance initiative;
- **5th October:** Meeting with Ms.Zangrillo (Angel Investor, Transformational Leader) and Mr.Keil (Professor at the University of Zurich) (authors of "The Next CEO"), as part of ecoDa's Corporate Governance Dialogue;
- **From the 6th to 8th October:** [ecoDa's Fall Education Programme](#) which will be online from the 6th to the 8th of October, will focus on the diversity of Corporate Governance models in Europe;
- **8th of October:** Meeting of the Advisory Committee of the Corporate Governance Dialogue.