

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 22



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ecoDa's News

EUROPEAN INSTITUTIONS

EU lawmakers strike deal for corporate tax transparency

Legislators reached a provisional political agreement on the proposed directive on the public country-by-country reporting (CBCR) directive.

The agreed text sets in place rules requiring multinationals and their subsidiaries with annual revenues of over EUR 750 million, and which are active in more than one country, to publish and make accessible the amount of taxes they pay in each member state. The information will also need to be made available on the internet, using a common template, and in a machine-readable format. To avoid disproportionate administrative burden on the companies involved, the directive provides for a complete and final list of information to be disclosed.

EUROPEAN DEVELOPMENTS

EBF: Recommendations for a fairer and more efficient EU tax framework

The European Banking Federation presented its blueprint with recommendations for a fairer and more efficient EU tax framework. The report identifies four priorities that need to be addressed and that are the ciment of the 10 policy recommendations:

- Comply with well calibrated tax reporting;
- Simplify withholding tax procedures;
- Neutralise VAT distortions and other undue tax disincentives;
- Ring-fence banking activities from other highly digitalized businesses when designing new corporate tax rules.

Commissioner also pointed towards the responsibilities of board members in corporate failure which should lead to a reflection on whether board members' responsibilities should be clearer, how to improve the role of audit committees and whether they should be mandatory.

Creation of the Financial Regulations European Association (AEFR)

This new association, being the result of the merge between l'Association d'Economie Financière and the European Institute of Financial Regulation, has been created this week with the objective of developing, within the European framework, proposals on changes in regulation or on the organisation of financial markets. It will also look at the impact of the Brexit on Europe's financial market.

AEFR will be chaired by Pervenche Berès, former EU MEP, and its members represent regulators as well as different branches from financial services.

BEUC Chief resumes work in the EU Platform on Sustainable Finance

Director General Monique Goyens, European Consumers' Organisation (BEUC)'s representative to the EU's advisory Platform on Sustainable Finance suspended her activities on the Platform in protest against the European Commission's adoption of a Delegated Act which greenwashes unsustainable practices in forestry and bioenergy. According to BEUC as well as Birdlife, WWF, ECOS and Transport & Environment, the decision to adopt such rules was taken in an untransparent manner, under intense political pressure by some EU Member States and business interest groups, disregarding the Platform's advice.

Following this decision, the European Commission provided reassurances on its independence and transparency, leading the 5 organisations' representative to resume full engagement with the platform.

Article: What corporate boards can learn from Boeing's mistakes (Harvard Business Review)

Boeing's board's failure to effectively comply with their oversight duty offers five main lessons:

- Hire board members for competence and objectivity: inter-relationships increase the difficulty of getting an objective opinion and can foster sectionalism;
- Ensure the board structure aligns with industry needs;
- Prepare for the worst case: Boards need to mitigate for the normalcy bias by creating a process to periodically imagine the largest threats to the company and estimate all the potential costs they could create;
- Manage for truth and realism: In order to create an environment where people share the truth, board members should respond to input with appreciation as well as holding board-only meetings without the CEO;
- Practice accountability, and punish wrongdoing.

INTERNATIONAL DEVELOPMENTS

GNDI: Rahul Bhardwaj elected as the new Chair

Rahul Bhardwaj, President and CEO of the Institute of Corporate Directors in Canada, has been elected Chair of the Global Network of Director Institutes (GNDI) - a network ecoDa is part of.

CFA Institute: Draft ESG disclosure standards (Minerva Analytics)

CFA Institute has published draft voluntary standards for ESG disclosures for investment managers. The draft standards are designed to be applied to any product regardless of how products are "named, labelled, or categorised". The voluntary disclosure code includes "requirements" and recommendations covering product objectives, benchmarks, data sources and forms, exclusions, analytics, valuations, impacts, and stewardship.

CFA Institute is now seeking further input from the investment industry to help shape the final version. The final document is scheduled to be published in November.

US: Executive order on climate-related financial risk

US President Joe Biden has issued an executive order compelling regulators to account for and measure climate impacts on the US financial system. In this executive order, President Joe Biden also elaborated on the policy priorities of his administration:

- to advance consistent, clear, intelligible, comparable, and accurate disclosure of climate-related financial risk;
- to act to mitigate that risk and its drivers, while accounting for and addressing disparate impacts on disadvantaged communities;
- and to consider proposals to suspend, revise or rescind rules brought in under the Trump administration that had negatively affected proxy voting and ESG investment considerations.

Article: Activists set their sights on underperforming AIM boards (Board Agenda)

In a soon-to-be published paper, examining the nature of activist campaigns and the returns achieved by the specialist fund manager, authors suggest that the AIM rules should be revised to encourage more activist campaigns so as to better protect the interests of minority shareholders. They also point out that the impact of careful stewardship and engagement with the portfolio companies is so marked that there could be real value to the AIM market in the monitoring and calling out of institutional shareholders which do not apply the Stewardship Code.

NATIONAL DEVELOPMENTS

France: Impact, a new platform to help companies report on non-financial information

The French Government has launched a new online platform to help businesses French companies measure and improve their environmental, social and governance performance. In light of the EC CSRD proposal, this platform aims at facilitating the reporting on 45 ESG indicators to show companies' commitment to the green transition. About 110 companies -55% of small and medium sized enterprises- have joined the platform, such as Accord, Maid, Danone...

UK IoD: 6 in 10 firms believe they should not exist solely to make money

In a recent survey of more than 700 directors (conducted April to May 2021), over 90% of them stated that their organisations have either a purpose or a mission/vision instead. 62% believed that businesses should not exist solely to make money and generate shareholder profits, and almost half felt that companies should have a stated social purpose to help solve problems in society. More than 9 out of 10 businesses have a purpose, mission, or vision that guides themselves and their companies.

ecoDa's NEWS

- **9th of June:**
 - ecoDa's Education Committee meeting;
 - **LAST CHANCE TO REGISTER:** ecoDa/PwC Joint Webinar on "*How to approach tax governance as a strategic issue? A discussion for board members*" (**4.00-5.00pm CET**). More information to be found here.
- **15th of June:** ecoDa's WG on ESG meeting;