

# THE EUROPEAN VOICE OF DIRECTORS



#EUAAlert | Week 17

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## EUROPEAN INSTITUTIONS DEVELOPMENTS

### EP: JURI adopted its report on CS3D

The Legal Affairs Committee of the European Parliament voted in favor of a common position on the corporate sustainability due diligence directive. Among the main features of the report:

- Concept of value chain: include not only suppliers but also activities related to sale, distribution, and transport;
- Scope: EU-based companies with more than 250 employees and a worldwide turnover higher than 40 million euros;
- Sanctions: Non-compliant companies should be liable for damages. MEPs want fines to be at least 5% of the net worldwide turnover and to ban non-compliant third-country companies from public procurement;
- Transition plan: to be implemented and compatible with a global warming limit of 1.5°C. Directors of companies with over 1000 employees will be directly responsible for this, which will affect the variable parts of their pay, such as bonuses.

The final plenary vote is scheduled for 1 June

### EP: Motion for a resolution on the lessons learned from the Pandora Papers

Following the Pandora Papers and other similar leaks, the European Parliament submitted a motion for a resolution on lessons learnt from the Pandora Papers and other revelations. Among others the European Parliament:

- calls on the authorities in the Member States to investigate any wrongdoing by the four major accountancy firms;
- stresses that whistle-blowers need to be deeply protected not only when it comes to internal and external reporting but also when speaking publicly.

### Council: Adopted new rules on pay transparency

The Council has adopted new rules to combat pay discrimination and help close the gender pay gap in the EU. Under the pay transparency directive, EU companies will be required to share information about how much they pay women and men for work of equal value, and take action if their gender pay gap exceeds 5%. The new directive also includes provisions on compensation for victims of pay discrimination and penalties, including fines, for employers who break the rules.

The pay transparency directive will come into force upon publication in the EU's Official Journal. EU countries will then have up to three years to "transpose" the directive.

**INTERNATIONAL DEVELOPMENTS****Amazon sets record for shareholder proposals**

Amazon's proxy statement revealed shareholders have submitted 18 proposals for 2023, beating last year's record of 15. Most of this year's proposals seek to introduce additional assessments and reports to improve Amazon's transparency of ESG-related issues. Shareholders have requested an independent, third-party report to ensure Amazon's technologies with surveillance or computer vision do not contribute to human rights violations. Another proposal suggests a report disclosing how the company is addressing its climate change strategy on relevant stakeholders, including employees and workers in supply chains.

**Japan: Investor groups to pressure national banks on climate change (Minerva Analytics)**

A trio of organisations representing investors and environmental groups have published shareholder proposals for the forthcoming AGMs of Japan's three largest banks. The proposal states that shareholders want to amend the banks' articles of incorporation to require the issue and disclosure of "a transition plan to align lending and investment portfolios with the Paris Agreement's 1.5-degree goal requiring net zero emissions by 2050".

**NATIONAL DEVELOPMENTS****UK: Court allows Greenpeace to challenge UK oil and gas licensing round (Reuters)**

Greenpeace's legal challenge against the British government over its invitation to oil and gas explorers last year to apply for licences in the North Sea can proceed to a full hearing, a judge at London's High Court ruled. Greenpeace says the government and the oil and gas regulator NSTA should take into account the emissions from burning the oil and gas produced as a result of the licensing round, rather than merely the emissions from the extraction process. "UK ministers will now be forced to justify in front of a judge why they want to unleash a new drilling frenzy in the North Sea," said Greenpeace UK climate campaigner Philip Evans.

**France: Students from HEC, Polytechnique, Centrale.. are mobilizing against the Eacop 'climaticide' project (Novethic)**

Students from twelve major schools in France are mobilizing themselves to defend the climate against Total Energies' Eacop project in Uganda and Tanzania. The students made it clear that they will not work for companies which are not respecting the Paris Agreement. Companies are no longer only subject to investors and customers' pressure, but increasingly to that of their future employees.

**Germany: Conservatives criticise the development of EU environmental reporting rules (Euractiv)**

German conservative parties CDU and CSU propose reducing the administrative burden on companies caused by EU environmental reporting rules. Among other things this is aimed at the CS3D, the SFDR and the Green Taxonomy. They submitted a 22-point plan, including a call for scrutinization of the burdens created by national and EU-level rules. The plan aims to avoid higher costs, more bureaucracy, and increased risk management, particularly for SMEs.

## France: shareholders, CEOs, employees: huge compensation gap in the CAC40

Oxfam has launched a campaign to show how salary inequalities have risen in French large companies. Of their findings:

- Between 2011 and 2021, CEOs increased their compensation by 66% while that of employees increased by 21% (and the minimum wage increased by 14%);
- The most important wage gap is at Teleperformance. The CEO is paid 1484 more than an employee;
- CEOs remuneration is increasingly indexed on short-term financial criteria. The remuneration schemes of top three earners in the CAC40 are based, on average, on 89% on short-term financial criteria;
- Gender inequalities remain as female CEOs earn, on average, 36% less than their male peers

## UK: FRC publishes conversation starters to boost investor-audit committee engagement

The Financial Reporting Council (FRC) announced the launch of a new web page providing conversation starters aimed at promoting better engagement between investors and audit committees to facilitate a better understanding of companies and their approach to financial reporting and internal control. To encourage such conversations, the FRC has developed a series of conversation starters structured by topic, with an initial broad question followed by several more detailed follow-up questions.

### NATIONAL DEVELOPMENTS

## Extending dual-class stock: a proposal (Harvard Law School Forum on Corporate Governance)

The increasing use of dual-class voting structures in public companies, and the frequency with which such structures contain sunset provisions, raises the issue of when and how such sunset provisions should be modified, extending the company's use of the dual class structure. Recent decisions have applied the entire fairness legal standard to dual-class extensions, but, in the recent Trade Desk case, the Delaware Chancery court concluded that the extension complied with the MFW standard and should therefore receive the protection of the business judgment rule. Instead, the authors argue for a contractual approach in which the initial charter specifies the conditions under which a dual class structure can be extended.

## Risk culture: Building resilience and seizing opportunities (ACCA, Airmic, PRMIA)

The Association of Chartered Certified Accountants (ACCA), Airmic, and the Professional Risk Managers' International Association (PRMIA) have teamed up and released a report which digs deeper into what risk and financial practitioners are doing to enhance risk culture and its effect on the organisation's broader strategy.

### ecoDa News

- Watch the recording of ecoDa's 2nd webinar on CSRD organised with Mazars (on April 18th);
- **8th of May:** ecoDa to join ECIIA and Accountancy Europe to discuss corporate governance developments and how to help boards navigate the ESG matters;
- **11th of May:** ecoDa's Education Committee meeting;
- **12th of May:** ecoDa's Corporate Governance Dialogue's Advisory Committee meeting.