

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 44



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ecoDa's News

EUROPEAN INSTITUTIONS DEVELOPMENTS

EP: Study on reporting obligations regarding gender equality and equal pay

This study, commissioned by the European Parliament, provides an in-depth analysis of the policy and legal state of the art concerning gender pay discrimination in the EU. To this end, it builds on a comprehensive comparative study covering European countries, in order to conclusively design and develop specific policy recommendations to move towards a shared and well-informed solution to wage discrimination in the EU (especially in light of the CSRD).

ESMA: Priorities for 2022

The European Security and Markets Authority (ESMA) published its 2022 work programme. ESMA will focus on its objectives of enhancing investor protection and promoting stable and orderly financial markets through the following workstreams:

- Capital Markets Union: notably by working on the European single access point (ESAP) and EC initiatives to facilitate SMEs access to public markets;
- Sustainable finance; by developing rules on ESG disclosures and risk identification methodology for ESG factors, contributing to the work on non-financial reporting, and working with national authorities to prevent the risk of greenwashing;
- Innovation and digitalisation;
- Supervisory Convergence;
- Strengthening risk identification and Assessment.

INTERNATIONAL DEVELOPMENTS

COP 26 related news

Climate Governance Initiative rallies board directors

The Climate Governance Initiative - an international network of more than 100,000 board directors that includes Chapter Zero and ecoDa - is calling on board members to engage with the impacts of climate change, guide long-term plans and translate these into immediate, practical action. This includes ensuring that their business strategy is resilient in a low-carbon future and the executive team has the skills to deliver it. In addition, companies should consider the effect of such a large-scale transformation on the workers, suppliers and relevant communities affected by their operations.

IFRS Foundation's announcements in light of the COP26

The IFRS Foundation Trustees announce three significant developments to provide the global financial markets with high-quality disclosures on climate and other sustainability issues:

- The formation of a new International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs;
- A commitment by leading investor-focused sustainability disclosure organisations to consolidate into the new board;
- The publication of prototype climate and general disclosure requirements.

Others

SEC: Letter to companies regarding climate change disclosures

The US Securities and Exchange Commission has stated that a number of its disclosure rules may require disclosure related to climate change such as:

- the impact of pending or existing climate-change related legislation, regulations, and international accords;
- material past and/or future capital expenditures for climate-related project;
- the indirect and physical impacts of climate change and transition risks related to climate change on the business.

SEC: Eases the path to votes on shareholder petitions (Financial Times)

The US regulator revoked policies concerning shareholders. The move is a win for environmentalists and other socially-conscious investors who file resolutions to pressure companies to reform their business practices. Companies will no longer be able to exclude shareholder climate proposals asking them for certain timelines and targets as long as the proposals afford discretion to management as to how to achieve such goals. For human rights and other social matters, proposals raising issues with a broad societal impact will not be seen as excludable anymore.

Climate risk oversight for directors (Embedding Project)

With the support of ecoDa, Embedding Project developed a 4-part video series to help corporate directors and leaders understand the risks of climate change and their role and fiduciary responsibilities to oversee these risks.

ACCA: Accountants to be at the heart of sustainable organisations

In a new report, ACCA explores the future of the accountancy profession, examining the drivers of change shaping sustainable organisations as we look ahead, and the next decade of work for finance professionals as well as the capabilities and the skills most prized.

EUROPEAN DEVELOPMENTS

Eurosif Report: Fostering investor impact - placing it at the heart of sustainable finance

In view of the deterioration of the planet, Eurosif, through its report, formulated key recommendations to policy makers and practitioners to enhance investors' impact:

- Implementing a regulatory framework that fosters investor engagement with companies and policymakers (SRD II, SFDR, EU Taxonomy, EU Green Deal);
- Improving market signals generated through the EU sustainable finance agenda;
- Increasing investor impact by de-risking investments necessary for net-zero;
- Go beyond transparency to focus on reorienting capitals.

NATIONAL DEVELOPMENTS

UK IoD: Recommendations to support business' transition to net zero

In order to back companies' in their transition journey, the UK Institute of Directors is calling for the following:

- For directors to place the climate transition at the heart of corporate strategy and board decision-making;
- To embed consideration of climate change and environmental impact into directors' fiduciary duties as set out by the Better Business Act campaign;
- For the UK Corporate Governance Code to include a clear recommendation for the boards of larger companies to establish sustainability committees;
- For policy-makers to establish of a voluntary Code of Conduct for Directors which would include a commitment to sustainability and the achievement of net zero goals;
- For the Financial Conduct Authority to mandate the independent directors of investment funds to oversee the fulfilment of sustainability requirements in order to minimise the use of 'greenwashing' in the investment industry.

ARTICLES/REPORTS

Article: Cutting quarterly reporting may undermine the value of companies (Board Agenda)

The issue of quarterly financial reports has been picked up by a team of German researchers intrigued to explore the effect of the EU Transparency Directive, which repealed mandatory quarterly reporting across member states. After looking at companies listed on the Frankfurt Stock Exchange the team found that in the years to 2019, "information asymmetry" increased and company values decreased when quarterly reporting levels decreased (especially for smaller firms).

Report: State and trends of ESG disclosure policy measures across countries (International Platform on Sustainable Finance - IPSF)

The IPSF released a report aiming at supporting global efforts to improve sustainability disclosures and at facilitating corresponding policy co-operation amongst members of the IPSF. Among the main findings:

- There is a global trend towards mandatory disclosure focusing on listed companies;
- There are major gaps that need to be addressed to enable the pricing-in of sustainability impacts and risks in investing;
- Regulations targeting financial products and financial services are still in their infancy in most jurisdictions;
- Specific climate-related disclosures are still voluntary in most jurisdictions, and other key risks, such as biodiversity are either not covered or not explicitly addressed.

Report: Common Ground Taxonomy (IPSF)

In a recently published report, the IPSF Working on Taxonomy performs an in-depth comparison exercise that puts forward areas of commonality and differences between the EU and China's green taxonomies. Ultimately, the report intends to lower the trans-boundary cost of green investments and scale up the mobilization of green capital internationally.

ecoDa's NEWS

- **ANNOUNCEMENT:** In light of the COP 26, ecoDa announces its closer collaboration with ECIIA (the European Confederation of Institutes of Internal Auditing) and FERMA (The Federation of European Risk Management Associations) to enhance the cooperation between the three lines of defense;
- **8th of November:** ecoDa's Education Working Group meeting;
- **9th of November (from 2.00 to 4.00pm CET):** The 2021 European Corporate Governance Conference, organised by ecoDa, EY and the Slovenian Institute of Directors. The programme can be found here;
- **19th of November (from 10.00 to 12.00 CET):** ecoDa and Mazars are organising a webinar focusing on how supply chains have been impacted by sustainability related requirements. This will follow the publication of joint Practical Guide for Boards and Leadership Teams on Sustainability.