What's in this issue:

EUROPEAN INSTITUTIONS DEVELOPMENTS

EC: SFRD review

Following Commissioner McGuinness' announcement at the European Parliament, the European Commission is starting preparatory work paving the way for a future review of the Regulation on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation). A related consultation is planned for Q3 2023, but a legislative proposal should not be expected before 2025.

Legislators strike deal on a new standard to fight greenwashing in the bond markets

The deal on the European Green Bonds Standard was reached. It will enable investors to identify high-quality green bonds and companies, thereby reducing greenwashing, clarify to bond issuers which economic activities can be undertaken with the bond's proceeds, set in place a clear reporting process on the use of the proceeds from the bond sale, and standardise the verification work of external reviewers which will improve trust in the review process. All companies choosing to use the standard when marketing a green bond will be required to disclose more information about how the bond's proceeds will be used, but also how those investments feed into the transition plans of the company as a whole.

INTERNATIONAL DEVELOPMENTS

US Justice Department wants executives to foot bill for corporate misconduct (Reuters)

The U.S. Justice Department is rolling out a new policy aimed at pushing the cost of corporate crime into the pockets of executives.The agency's criminal division will give discounts on fines for companies that seek to claw back compensation from corporate wrongdoers. Any company seeking to resolve a U.S. investigation will also have to implement a plan to include compliance goals as part of compensation and bonuses. The goal is to shift the burden of corporate wrongdoing away from shareholders.

EUROPEAN DEVELOPMENTS

'Easy' carbon targets keep executive pay high (Board Agenda)

The study, from London Business School and PwC, reveals that executives at many companies appear to function with easy carbon reduction targets linked to their remuneration. It says payouts disclosed by 50 of the largest European companies averaged 86%, with more than half paying out the full 100%. In addition, the study found that roughly a third of companies were not transparent about targets. The report warns that investors may soon expect “tight coherence between the objectives set out in those plans” and executive pay targets, and will increasingly want to see climate goals and achievements subjected to “appropriate internal and external independent verification”.

NATIONAL DEVELOPMENTS

Germany: Why the CSDDD needs a safe harbour framework

The German Department of Justice recently suggested three essential features to be included in the Corporate Sustainability Due Diligence Directive:

- Robust criteria that industry initiatives and certifications wishing to attest compliance with the CSDDD’s due diligence requirement must fulfill;
- State-based administrative accreditation process of industry initiatives and certifications fulfilling the requirements under 1;
- Safe harbour provision within art. 22 of the CSDDD that reduces the scale of fault to gross negligence or intent when a company is certified or implements an industry initiative’s standard.

France: Total's Tilenga and EACOP Projects: the Paris Civil Court dodges the issue (Business & Human Rights Resource Centre)

The verdict was long awaited by civil society, as it was the very first case based on the French law on the duty of vigilance of transnational corporations. But the judges did not rule on the core elements of the case, namely Total’s failures to meet its duty of vigilance obligations. The Paris Court considered that the civil society organisations’ legal action was inadmissible because their current claims were "substantially different from the claims” made in the initial formal notice sent to the defendant. The judgement also states that the civil society organisations’ claims exceed the interim relief judge’s competence and should be examined by a civil judge.

REPORTS / ARTICLES

Global dividend index (Janus Henderson)

The Janus Henderson Global Dividend Index (JHGDI) is a long-term study of global dividend trends. It measures the progress global firms are making in paying their investors an income on their capital, using 2009 as a base year – index value 100. Among the main findings:

- Oil and gas producers and financials accounted for half of the global dividend growth in 2022;
- Emerging markets, Asia-Pacific, and Europe all saw dividends rise by around a fifth;
- 12 countries saw record payouts;
- 88% of companies raised dividends or held them steady.

AIG: US cybersecurity - old practices, new visions

In a recent article, AIG explains how inadequate US cybersecurity policies have been for decades, notably in comparison with China. AIG is calling for ending the US reliance on regulatory frameworks. The core problem with cybersecurity is that technology is under attack because of overwhelming economic incentives which favor the attackers. Approaching cybersecurity from this economic perspective is crucial to developing an effective strategy that can transcend the traditional operational/vulnerability model that has dominated the field.

ecoDa News

- **9th and 10th of March**: ecoDa's Spring Edition of its European Board Diploma with 42 participants.