

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 12



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EUROPEAN INSTITUTIONS

EP: Lessons learned from the Wirecard case

MEPs of the ECON and JURI committees exchanged views with experts on lessons learned from the Wirecard collapse and shortcomings in supervision. Here are the main ideas dropped by some MEPs:

- Intention to link the file with Sustainable Corporate Governance;
- Intention to look at the financial sector and at the CRD IV to plead for more independence at board level;
- A call from some MEPs to plead for having lead independent directors;
- Reinforcing liability of the owners;
- A call from some MEPs to consider creating a fund that would receive the audit fees from the companies - in order to reduce the risk of issuers gaining the leverage over the audit company;
- Intention to plead even more for joint audit (for random check);
- Strengthening EU financial oversight - need to open platforms to reinforce communication;
- Taking further actions to fight the audit concentrated market.

EC: Guidelines clarifying the Environmental Liability Directive

The Commission adopted guidelines that clarify the scope of the term 'environmental damage' in the Environmental Liability Directive. These guidelines will help Member States to better assess whether damage to water, land and protected species and natural habitats must be prevented or restored by explaining the scope of each of these categories in detail. They will provide greater legal clarity and harmonisation of its interpretation and application.

EC considers labelling gas as sustainable in investor rule book (Financial Times)

In the EU Taxonomy draft, the European Commission has paved the way for controversial technologies such as gas generated by fossil fuels to be recognised in its «taxonomy for sustainable finance», raising fears that Brussels is engaging in «greenwashing»

At the same time, a group of seven European leaders fronted by French President Emmanuel Macron has called on the European Commission to stop hindering nuclear power and consider ways of bringing atomic energy into the EU's green finance rule book.

Platform on Sustainable Finance: Transition Finance Report

The EU Platform on Sustainable Finance released a report compiling a set of recommendations on how to maximise inclusiveness while maintaining the integrity of the current Taxonomy framework; what are the opportunities to develop the future Taxonomy framework; and how to utilise other (non-Taxonomy) policies and tools to further support transition finance. The recommendations include:

- Ensure that reporting requirements enable companies, financiers and investors to communicate their transition plans;
- Include more enabling activities in the Taxonomy;
- Develop criteria for activities that cause significant harm.

EUROPEAN DEVELOPMENTS

Euronext: Launches new CAC40 ESG Index

Euronext announced the launch of the CAC 40® ESG index, designed to identify the 40 companies within the CAC® Large 60 Index that demonstrate the best ESG practices. The index is designed to facilitate the adoption of mainstream ESG investment approaches by institutional and private investors by combining measurement of economic performance with ESG impacts, in line with the French SRI label and the UN Global Compact principles.

Accountancy Europe: Launches its Sustainable tax systems project

Accountancy Europe is calling for thought leaders in taxation to share their views on the changes necessary to make tax systems fit for the future. Calls for contributions will be made on a thematic basis – the first topic to address is taxes and the environment. Experts in this field can submit their contributions by 30 June 2021 to help drive forward the policy debate in this area.

Publication: Can responsible investing encourage retail investors to invest in equity? (ECMI)

While there is a low participation of individual investors in the equity market, socially responsible investment is booming and becoming increasingly popular with retail investors. This new publication, by the European Capital Market Institute, looks at why individuals remain cautious about investing in the equity market and whether offering responsible investing could encourage them to invest in equities.

INTERNATIONAL DEVELOPMENTS

IFRS: A new working group to accelerate convergence in global sustainability reporting standards

The IFRS Foundation announced the formation of a working group to accelerate convergence in global sustainability reporting standards focused on enterprise value. Specifically, the working group will provide technical recommendations, including further development of the prototype built on the TCFD recommendations, as a potential basis for the new board to build on existing initiatives and develop standards for climate-related reporting and other sustainability topics.

The first meeting of the working group is expected to take place in April 2021.

Article: Linking pay to ESG targets could have "unintended consequences" (Board Agenda)

A new study from London Business School and PwC finds that 45% of the FTSE 100 include an ESG target in their annual bonuses or long-term incentive plans, or both, for executives. But the report also warned about the fact that adding ESG targets may bring about unwanted results (distraction from other important issues, additional challenges in "measurement and calibration", undermining shareholder value...).

The paper concludes that boards could consider options other than ESG remuneration targets. This might be "simplifying and lengthening" time periods for pay, while a public commitment to ESG goals and robust reporting on progress might create the same intensity of ESG accountability.

NATIONAL DEVELOPMENTS

UK: Consultation to restore trust in audit and corporate governance

In this white paper the UK Government is seeking views on a package of measures aimed at improving the UK's audit, corporate reporting and corporate governance systems. The proposals set out how:

- companies should report on their governance and finances;
- reports should be audited;
- audit and the audit market should change;
- these should be overseen by a new regulator.

The consultation period runs until June 8th.

ESG debate moves swiftly forward in the SEC (Minerva Analytics)

A wave of ESG-related changes in the US administration under Joe Biden's leadership is unfolding this month. Allisson Herren Lee, acting as the new Chair of SEC, already started multiple initiatives on ESG such as scrutinising more closely company filings on ESG and climate change matters, while examiners are putting more emphasis on reviewing ESG practices of investment advisers. She also created an enforcement task force to ensure ESG disclosures and practices stack up properly.

EVENTS

Recording: Investing in Climate Action

This week, Project Syndicate, the European Investment Bank, and the European Commission, have organised a virtual event on "Investing in Climate Action: The Make-or-Break Decade" to further discuss how public and private investment mechanisms can be used to achieve a just transition to a "net-zero" emissions economy. Speakers agreed on the fact that incentives and penalties must be developed to push green and discourage subsidy for polluting investment. The recording is available here.

The Governance landscape: creating a sustainable future (ICSA)

The Chartered Governance Institute organises on the 11th of May its annual conference focusing on how sustainable governance can help build robust ESG strategies across companies. More information on this virtual summit can be found here.

ECODA NEWS

- **March 29th:** ecoDa Working Group on Corporate Governance for Unlisted companies meeting;
- **April 16th:** ecoDa Policy Committee meeting;
- **April 16th:** ecoDa Education Committee working group meeting;
- **April 19th:** ecoDa, FERMA and ECIIA Joint Webinar on "The Impact of the Covid on the three lines".