

THE EUROPEAN VOICE OF DIRECTORS



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EUROPEAN INSTITUTIONS DEVELOPMENTS

Draghi to Map Out Strategy in EU's 'Whatever It Takes' Competition Pledge ([Bloomberg](#))

The European Union must do “whatever it takes” to keep its competitive edge as it pushes industry for a green transition, and has recruited Italy’s Mario Draghi to help map out the bloc’s strategy, the head of the EU’s executive arm said. “It is time to make business easier in Europe,” Ursula von der Leyen, head of the European Commission, told the European Parliament plenary session in a speech Wednesday. “It’s an economic and national security imperative to preserve a European edge on critical and emerging technologies.” Paying tribute to Draghi — the ex-premier and former head of the European Central Bank — as “one of Europe’s great economic minds,” von der Leyen said she has asked him “to prepare a report on the future of European competitiveness.” She went on to quote his 2012 pledge to save the euro.

INTERNATIONAL DEVELOPMENTS

[GRI](#) establishes Sustainability Innovation Lab in coordination with the IFRS Foundation

GRI has announced the upcoming launch of the Sustainability Innovation Lab (SIL), in partnership with the IFRS Foundation as its Convening Partner. The SIL is being established to enable companies to meet their evolving sustainability disclosure requirements, fostering professional development, training, practical solutions and innovative thinking.

The SIL will bring together global and local partners to advance capabilities for reporting using the GRI Standards and the IFRS Sustainability Disclosure Standards.

Lifting financial performance by investing in women

Investing in women to increase their participation in the labor force leads to economic gains, as it is shown in the paper ‘Lifting Global Growth by Investing in Women.’ The benefits go beyond higher economic output resulting from an outright increase in labor. Greater workforce diversity can boost economic output by tapping into underutilized talents and bringing different experiences and perspectives to the table. While diversity comes in many forms, this paper focuses on women’s representation in the workforce due to greater data availability, showing its linkages to corporate financial performance and how it can be leveraged to enhance investment decisions. Key takeaways are:

1. There is an intermediate ‘sweet spot’ on the women’s representation spectrum that matters for performance.
2. Women’s representation tends to deteriorate with seniority, to the detriment of performance.
3. There may be a persistent glass ceiling, making it difficult for women to reach the very top ranks.
4. Investing in companies with more womenfriendly culture may help boost performance.
5. Better disclosure and more standardization of metrics will help improve understanding of the financial linkages.

EUROPEAN DEVELOPMENTS

EFRAG and CDP announce cooperation to drive market uptake of European Sustainability Reporting Standards

EFRAG and CDP announced a collaboration to accelerate the market uptake of the European Sustainability Reporting Standards (ESRS), adopted by the European Commission on 31 July 2023. Under the agreement, CDP will explore and implement alignment of its disclosure system with the ESRS as EFRAG provides technical expertise, access and guidance. This collaboration will support the market readiness for quality environmental reporting by accelerating the implementation of the European sustainability reporting standards. CDP, supported by EFRAG, will begin to offer webinars and detailed technical guidance materials to support companies report on ESRS data points through CDP. Currently used by over 23,000 companies, CDP disclosing companies represent two-thirds of global stock market capitalization and nearly 90% of European market value. Starting January 2024, the ESRS will apply to around 50,000 businesses and in due course to a significant number of non-EU headquartered businesses, meaning that requesting information in relation to value chains will have to be considered by many companies worldwide.

NATIONAL DEVELOPMENTS

Australia: Australia to Develop Sustainable Finance Taxonomy, Labels for ESG Investment Products

The Government of Australia’s Treasury department announced the release of its proposed Sustainable Finance Strategy, aimed at supporting the mobilization of private capital needed to finance the transition to a net zero economy, helping firms to access funding for their own transitions, and ensuring the management of risks and opportunities presented by climate change and other sustainability issues.

Key proposals in the new strategy include establishing a framework for sustainability-related financial disclosures and net zero transition plans, developing a sustainable finance taxonomy, and introducing a labelling system for sustainable investment products.

France: To receive aid from France 2030, companies will have to publish a carbon footprint and refrain from relocating their activities

Putting conditions on public aid paid to companies is a recurring demand from NGOs, who are worried about all the money put on the table post-Covid "without any counterpart", they argue. To overcome this, several amendments were filed as part of the 2024 Budget review at the French National Assembly. Two in particular were adopted. The first, tabled by ecologist MP Eva Sas, aims to grant France 2030 subsidies only to companies which have fulfilled their obligations to publish their carbon footprint. Today, some 3,000 large companies (with more than 500 employees) must publish a carbon footprint at least every four years, but only 35% of them do so, according to the latest Ademe assessment. This amendment "is a minimum requirement", argues the MP, who had prepared a more ambitious amendment. That one would have made public aid conditional on three binding climate commitments: the publication of a carbon footprint, a climate strategy involving a binding trajectory for reducing greenhouse gas emissions, and the definition of a credible investment plan designed to implement this strategy.

Germany: NGOs release guidance note on Supply Chain Act for communities & rightsholders

The impact of international value chains and the activities of multinational corporations on human rights and the environment has been known for a long time. This led to the adoption of the UN Guiding Principles on Business and Human Rights in 2011. However, recurring reports of human rights violations and environmental destruction in the value chains of transnational—including German—companies have increasingly led to a realization among legislators that such voluntary approaches are insufficient to ensure corporate accountability and that binding rules of human rights and environmental due diligence are needed instead. After years of civil society activism, advocacy and litigation efforts before German courts, on 1 January 2023 a corresponding law came into force in Germany.

UK: FRC slashes UK Corporate Governance Code revisions

More than half of the proposals outlined in its consultation will not be taken forward in the interests of reducing burdens, regulator says. The Financial Reporting Council (FRC) is stopping development of more than half of the 18 proposals set out in its consultation on revisions to the UK Corporate Governance Code. Instead, it says there will be a small number of changes that streamline and reduce duplication associated with the Code, which were overwhelmingly supported by stakeholders in the interests of reducing burdens. In a policy update from published just after the King's Speech, CEO Richard Moriarty said: "Taking all these factors into account, the FRC considers the right balance at the current time is to take forward only a small number of the original 18 proposals we set out in the consultation and to stop development of the remainder." The main substantive change concerns revisions to the FRC's original proposal on internal controls. The regulator said the decision would result in a more targeted and proportionate Code revision and would allow more time for its implementation. It would also ensure that "the UK approach clearly differentiates from the much more intrusive approach adopted in the US", Moriarty said.

The Netherlands: AFM publishes position paper on improving the SFDR

The Dutch Authority for the Financial Markets (AFM) proposes improvements to the Sustainable Finance Disclosure Regulation (SFDR), in the light of the European Commission's current consultation of the European Commission on a review of the framework. The proposal seeks to make the framework more meaningful to investors and to facilitate the reorientation of capital towards investments with sustainable impact.

Main points are:

- AFM proposes improvements to the SFDR in the light of current discussions on review of the framework
- The SFDR has been an important step forward regarding transparency on sustainability, but disclosures remain difficult to understand and compare
- Most sustainable investors seek to make sustainable impact through their investments
- AFM proposes the introduction of "transition", "sustainability", and "sustainability impact" labels.

The full paper is to be found online.

PUBLICATION/ARTICLE

Executive Summary: Sustainability Reporting Conference 2023 (EuropeanIssuers)

Stricter regulatory and reporting requirements for listed companies increase the cost of capital and may put at a disadvantage EU company competing globally. On 2 October 2023, EuropeanIssuers hosted its first edition of the Sustainability Reporting Conference. A forward-looking overview of the EU Sustainability regulatory developments, with a particular emphasis on Sustainability Reporting and the European Sustainability Reporting Standards was provided. The event offered insights into political and regulatory challenges and opportunities on the horizon. An Executive Summary was published.

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- Shaping a future-proof corporate ecosystem - **Event recap and recording** from 12 October 2023 - [click here](#)
- The Corporate Sustainability Due Diligence Directive - **Webinar recording** from 27 October 2023 - [click here](#)
- **16th of November:** ecoDa European Board Diploma Day 3 (online)
- **17th of November:** ecoDa Advocacy Committee meeting