

# THE EUROPEAN VOICE OF DIRECTORS

## #EUALERT

Week 18



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### EUROPEAN INSTITUTIONS

#### EC: Conference on the Proposal for a Corporate Sustainability Reporting Directive (CSRD)

On the 6th of May took place the European Commission's conference on the Proposal for a CSRD. If the EU already concentrates half of the green bonds shared worldwide, it should accelerate the international standardisation process towards sustainability standards which should clearly reflect the concept of the double materiality, according to ESMA's representative. The speakers also agreed on the need for SMEs to be covered by the directive, as non-financial information will become as crucial as financial information to get funding.

Users and companies shared however some concerns. Indeed, the CSRD is a paradigm shift in companies' strategies with a need to report on precise plans to achieve targets. Some companies don't have such strategies and that will be a major challenge for them. Eventually, they called the EU not to aim at more reporting requirements but better ones.

#### EC: New regulation to address distortions caused by foreign subsidies in the Single Market

The European Commission proposes a new regulation to address potential distortive effects of foreign subsidies in the Single Market. The proposal aims at closing the regulatory gap in the Single Market, whereby subsidies granted by non-EU governments currently go largely unchecked, while subsidies granted by Member States are subject to close scrutiny.

## INTERNATIONAL DEVELOPMENTS

**IOSCO's urgent call for a Sustainability Standards Board under the IFRS Foundation**

IOSCO sees an urgent need to improve the consistency, comparability, and reliability of sustainability reporting, with an initial focus on climate change-related risks and opportunities, and commits itself to working with the IFRS to advance three priority areas for improvement in sustainability-related disclosures by companies and asset managers:

- Encouraging Globally Consistent Standards;
- Promoting Comparable Metrics and Narratives. To promote greater emphasis on industry-specific, quantitative metrics in companies' sustainability-related disclosures and standardization of narrative information.
- Coordinating Across Approaches. To drive international consistency of sustainability-related disclosures with a focus on enterprise value creation, including companies' dependence on stakeholders and the external environment.

## EUROPEAN DEVELOPMENTS

**Business and investors organisations' statement on the European Commission's upcoming sustainable corporate governance initiative**

ecoDa, with 6 other leading European business and individual investors organisations - BETTER FINANCE, European Family Businesses, EuropeanIssuers, FESE, Invest Europe and SMEUnited - sent a joint letter to the European Commission to convey their shared concerns regarding the upcoming proposal on sustainable corporate governance:

- Due diligence and corporate governance should be treated separately, and the European Commission should avoid a one-size-fits-all approach;
- Taking into consideration many interests is a natural part of directors' duties;
- If introduced, such a legislation would paralyse the functioning of the board and, in turn, hamper the ability of companies to act decisively to promote a sustainable transition;
- Too many restrictions may increase reluctance to use public markets for financing;
- One focus of the upcoming initiative should be to facilitate and strengthen the long-term engagement of shareholders and investors.

The letter has been the subject of 3 articles so far - from Agence Europe, Asset News and Board Agenda.

**Europe's industrial leaders spell out key performance indicators for the EU's digital transformation (ERTI)**

Corporate leaders from across the industrial & technological landscape have weighed in with their position on the EU's approach to digital transformation, in a new publication released by the European Round Table for Industry. Against a backdrop of accelerated and intensifying digital transformation, the new ERT publication addresses a wide range of different strands relating to digital developments. These include investment, hardware, cloud & edge cloud, connectivity, cybersecurity, artificial intelligence and key performance indicators to measure the EU's digital transformation.

**Publication: Early Stage Governance Guide (ECA)**

The European Champions Alliance has released its 2021 Early Stage Governance Guide – a lever for the development of start-ups. This guide, developed around 10 recommendations, serve as a check-list to implement early stage governance in a young company. It gives hands-on advice on how to implement governance, how to share a company's culture and DNA, how to prepare the entry of partners and investors...

## NATIONAL DEVELOPMENTS

**Luxembourg: Board Sustainability Competence Assessment (ILA)**

To support boards in their responsibilities, the Luxembourg Institute of Directors, member of ecoDa, has developed a reflective tool assisting board members to think about and articulate their views and develop a shared understanding of sustainability.

**Norway: Proposal for changes to the Norwegian Code of Practice for Corporate Governance**

The Norwegian Corporate Governance Board circulated for consultation (open until 25 May) proposed changes to the Norwegian Code of Practice for Corporate Governance. The most significant changes being proposed are as follows:

- The company should have clear guidelines for how it integrates considerations related to its stakeholders into its value creation with a new recommendation that it should take sustainability into account in its value creation;
- The instructions the board of directors issues for its work should set out how the board and executive management should handle agreements with related parties;
- No member of the company's board of directors should be able to be a member of its nomination committee.

**UK: 'Policy Vision' to drive forward UK leadership on sustainable finance (UK Sustainable Investment and Finance Association)**

The UKSIF's 'Policy Vision' represents the UK sustainable finance sector's new vision for how the UK can strengthen its global leadership in the growing sustainable finance industry. The report sets out bold policy solutions for policymakers and others to consider across different sectors of the economy in the years ahead. This includes policy recommendations on: the future of the UK's sustainable finance standards post-Brexit, the net-zero transition, infrastructure investment, biodiversity policy, pensions, and other areas that UKSIF see as vital in the push towards a sustainable future.

**UK: FTSE 100 rejects the idea of employee director to boost worker engagement (Board Agenda)**

A study on the workforce engagement and the UK CG Code shows that not a single FTSE 100 company has opted for an employee director as part of their compliance with the CG Code guidelines. It shows also little evidence on how workforce interests are integrated into decision-making or strategy. The researches also find that companies opting for an advisory panel revealed the most information while those who gave engagement responsibilities to a non-executive provided the «poorest» reporting.

**Australia: New guide to help directors identify and elevate key stakeholder voices to the board (AICD)**

The Australian Institute of Company Directors has developed a new guide to help directors identify and elevate key stakeholder voices to the board. The guide explores:

- The board's role in stakeholder governance;
- Directors' legal duties in relation to stakeholders;
- Principles boards should apply to ensure effective stakeholder governance;
- How boards can balance the interests of stakeholders when making decisions;
- The hallmarks of good stakeholder governance.

## Japan: to include human rights reference in its corporate governance code (Board Agenda)

The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code has now published an important proposal for the revisions of Japan's Corporate Governance Code and Guidelines for Investor and Company Engagement.

According to the Japanese press, the revised corporate governance code will link «respect for human rights» with inspecting supply chains for abuses. Indeed, the Japanese authorities have received support for more reporting on human capital management (especially from ICGN).

### EVENT

## Creating value and managing impact through integrated sustainability disclosure

As part of the EU Green Week 2021 focusing, ACCA, IIRC and SASB are organising an online event to raise awareness on new developments and share best practice examples of how integrated reporting with the <IR> Framework can complement meaningful disclosures in line SASB Standards. *With the participation of the European Parliament, the European Commission, WBCSD, ACCA, IIRC, SABS and the IFRS Foundation.*

### ecoDa's NEWS

- Béatrice Richez-Baum cited in a Politico's article titled “Corporate executives ‘freaking out’ over EU supply chain rule plans”;
- The summary report on the ecoDa, ECIIA and FERMA Joint Event on “The impact of the Covid-19 on the three lines” is now available;
- As part of the European SME Week, ecoDa will organise a webinar in late September to discuss its latest publication “Corporate Governance Guidance and Principles for Unlisted Companies in Europe”, an event that will be supported by DG GROW;
- **SAVE THE DATE: 6, 7, 8 of October:** ecoDa's Fall training programme is out!

### Agenda

- **May 10th:** ecoDa's Corporate Governance Dialogue's Advisory Committee meeting;
- **May 11th:** Meeting with the FRC's Head of Public Affairs and Stakeholder Engagement Manager to discuss the CG and audit reform in the UK;
- **May 18th:** ecoDa's Education Committee meeting;
- **May 18th:** ecoDa's Working Group on ESG meeting.