

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 31



What's in this issue:

European Institutions

- Improving corporate sustainability reporting- Debriefing note from the European Parliament
- Transposition of the whistleblower protection directive: advantages of a group solution

International Developments

- US: Nasdaq's diversity disclosure rules approved by SEC
- New Zealand IoD calling for a review directors' duties

National Developments

- UK: Better Business Act
- UK: Audit reform 2021: implications for board oversight of risk management (internal controls and dividends)

Publications

- A guide on sustainability issues for companies

ecoDa's News

EUROPEAN INSTITUTIONS

Improving corporate sustainability reporting – Debriefing note from the European Parliament

The European Parliament has developed an interesting briefing note that provides an initial analysis of the strengths and weaknesses of the European Commission's impact assessment on corporate sustainability reporting accompanying the proposal, submitted on 21 April 2021. The document provides a good analysis of the different issues at stake.

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/694219/EPRS_BRI\(2021\)694219_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/694219/EPRS_BRI(2021)694219_EN.pdf)

Transposition of the whistle-blower protection directive: advantages of a group solution

EuropeanIssuers and BusinessEurope, issued a joint statement on the transposition of Directive (EU) 2019/1937 on the whistle-blower protection. In their paper, EuropeanIssuers and BusinessEurope address a growing concern from many companies across Member States regarding a too restrictive interpretation of the directive to the extent that it prevents group solutions for entities/companies with 250+ workers, namely that one of the legal entities in the group, e.g. one which runs group function, may operate a uniform whistleblowing scheme with reporting channels on behalf of all group companies/legal entities. The two organisations are advocating for a single entity that manages the channels of notification and management of complaints within groups of affiliated companies.

INTERNATIONAL DEVELOPMENTS

US : Nasdaq's diversity disclosure rules approved by SEC

US regulator the Securities and Exchange Commission (SEC) has given the green light to Nasdaq to introduce rules aimed at improving the diversity disclosures of listed companies.

<https://www.sec.gov/news/public-statement/gensler-statement-nasdaq-proposal-disclosure-board-diversity-080621>

New Zealand IoD calling for a review directors' duties

The Chartered Institute of Personnel and Development (CIPD), jointly with the High Pay Centre, issued a report calling for “more meaningful workforce engagement” and greater involvement of workers in the pay-setting process. At the heart of the report's advice is recommendations for a remoulded remuneration committee that not only sets executive pay but also reviews workforce pay and oversees issues such as people matters and workplace culture. The report attempts to set out in more detail how a workforce voice should be heard inside the boardroom. This includes recommending forums where trade unions and executives can meet to talk over executive pay issues and aligning chief executive performance pay with metrics used to work out employee bonuses. The report also advocates a workforce director to feed information directly into the boardroom.

NATIONAL DEVELOPMENTS

UK : Better Business Act

A coalition of businesses (including the UK IoD) is becoming extremely vocal in claiming that four principles should be reflected in an amended Section 172 of the Companies Act. The secretariat of the coalition is held by B Corp UK.

1. Aligned Interests : The interests of shareholders are now advanced alongside those of wider society and the environment. This establishes a new principle of fiduciary duty within Section 172 of the Companies Act.
 2. Empowering Directors : This change must empower directors to exercise their judgement in weighing up and advancing the interests of all stakeholders.
 3. Default Change : This change must apply to all businesses by default. It must no longer be optional to benefit wider stakeholders beyond shareholders.
 4. Reflected in reporting : Following this change, businesses must report on how they balance people, planet and profit in a strategic report or impact report, where one is currently required.
- <https://betterbusinessact.org/about-the-act/>

UK : Audit reform 2021: implications for board oversight of risk management (internal controls and dividends)

As UK government proposals increase responsibilities for directors, BoardAgenda latest podcast discusses the impact on internal controls and dividends.

<https://boardagenda.com/2021/08/06/audit-reform-2021-implications-for-board-oversight-of-risk-management/>

PUBLICATIONS

A Guide on Sustainability issues for companies

Embedding project has just issued a new guide that provides a comprehensive list of emerging environmental, social, and governance issues, to help companies reflect on their impacts and identify where to prioritise action and allocate resources.

<https://embeddingproject.org/pub/resources/EP-Scan-A-Comrehensive-List-of-Sustainability-Issues-for-Companies.pdf>

ecoDa's NEWS

- **Interviews as part of the Corporate Governance Dialogue:**
 - **23rd of August: with Dr.Enders and Dr.Schneider (EY);**
 - **23rd of August:** with Ms.Fau (Founder of EUCapital);
 - **24th of August:** with Mr.Bresson and Mr.Krantz (Invest Europe);
 - **24th of August:** with Mr.Epstein (Founder and Managing Partner, Pacifica Global Corporate Governance) ;
- **SAVE THE DATE: 28th of September:** As part of the European SME Week, ecoDa will organise an event, under the patronage of DG GROW, on "Underpinning entrepreneurship and resilience: Key governance challenges for unlisted companies". This event will be an opportunity to discuss the unique challenges SMEs have to face and to hear testimonies of unlisted companies to understand the importance of discipline and consistency.