

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 35



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EUROPEAN INSTITUTIONS

EFRAG: Discussion Paper on approaches for better information on intangibles

EFRAG has published a Discussion Paper presenting different possible approaches to improve information on intangibles together with the related advantages and disadvantages. The Paper focuses on information to be provided in the financial statements and the management report, and on intangibles used in the entity's operation. Constituents are consulted on the possible approaches and comments are welcome by 30 June 2022.

INTERNATIONAL DEVELOPMENTS

UN steps up corporate human rights expectations

The UN has issued the third revised draft of the Binding Treaty on Business and Human Rights. This legally binding instrument would aim at regulating, in international human rights law, the activities of transnational corporations and other business enterprises. It is designed to help tackle human rights abuses globally by strengthening due diligence and grievance mechanisms (mirroring the EU Sustainable Corporate Governance initiative). The new iteration of the treaty will be the basis for state-led negotiations in October.

The case for change: a dedicated platform to influence Exxon's strategy

A campaign has been launched by an activist hedge fund (Engine n°1) to urge Exxon to improve some of their internal governance features and to create a credible environmental strategy. The recommendations include:

- Refreshing the Board with highly qualified, independent directors who have track records of success in energy;
- Implementing a strategic plan for sustainable value creation in a changing world by fully exploring growth areas;
- Better aligning management compensation to incentives with shareholder value creation.

With the support of large institutional investors such as Blackrock or State Street, the campaign has been successful in making changes in Exxon's strategy.

JUST Capital's 2020 survey: What Americans expect from Corporate America

The main findings of the 2020 JUST Capital survey are:

- For 89% of Americans, the pandemic represents an opportunity for large companies to focus on doing right for their communities and the environment;
- Only 50% believe that companies are promoting an economy that serves all Americans;
- 37% believe that employees are the top priority of companies, a 17 percentage point increase over last year;
- Americans are twice as likely to believe that companies are having a positive impact on their shareholders (70%) than on the financial well-being of their lowest-paid workers (35%).

EUROPEAN DEVELOPMENTS

Banker Bonuses tied to ESG metrics are on the rise (Bloomberg)

The EBA's new transparency rules, coming into force by the end of 2021, make it clear financial institutions will be expected to build ESG metrics into staff pay. Three quarters of the 20 major European banks (including HSBC and UniCredit) surveyed by Bloomberg said they were either working on, or already had, a model that links staff remuneration to a firm's performance on sustainability metrics. Another finding was that banks generally do not intend to go on hiring sprees to add ESG talent, but will instead look to rearrange and retrain existing teams to dedicate more people to sustainability.

NATIONAL DEVELOPMENTS

UK: The Financial Reporting Lab: How to report risks

In its latest project report, the Financial Reporting Lab outlines what investors want to understand from corporate reporting on risks, uncertainties, opportunities and the use of scenarios. The report provides several practical examples of corporate reporting that better meet investors' needs and includes high-level insight into how investors would like reporting on resilience to develop.

UK: Asset owners join forces for diversity push (Minerva Analytics)

17 of the UK's largest pension investors have collaborated to establish the Asset Owner Diversity Charter, with an objective to formalise a set of actions that asset owners can commit to improve diversity, in all forms, across the investment industry. The charter has two key components:

- The Asset Manager Diversity and Inclusion Questionnaire which aims to standardise complex diversity metrics beyond just gender to improve on disclosures. The questionnaire results will feed into a progress report to inform engagement on improving diversity and inclusion.
- The Asset Owner Charter Toolkit which is a supporting document to aid in the implementation of the Charter and includes critical topics such as manager monitoring and selection.

ARTICLES

Five actions to become a purpose-driven supply chain (MH&L)

In an article, MH&L lists five actions that CSCOs should focus on to create a purpose-driven supply chain organization including:

- Show Executive Commitment: purpose should be a vital part of the overall supply chain strategy, as well as decision-making processes and metrics;
- Get Engaged in Portfolio Management;
- Align Partner Ecosystem to Purpose;

- **Foster Employee Engagement:** CSCOs must communicate the supply chain's purpose to employees, empowering them through decision-making processes and the opportunity to ask questions.
- **Be Accountable:** supply chain metrics focused on profitability and shareholder value have to be counterbalanced by metrics that display the interests of other shareholder groups.

EVENTS

EESC: European Civil Society: Time for a European Statute for Associations

On September 10th, (from 10.00am to 1.00pm CET), the European Economic and Social Committee will organize an hybrid event to reflect on whether a statute for association is needed at European level and if so, how should it look like. The event follows a study made for the European Parliament and its follow-up assessment.

ecoDa's NEWS

- Interviews as part of the Corporate Governance Dialogue:
 - **6th of September:** with Ms. Trimble (Managing Partner, Quantum Capital);
 - **6th of September:** with Mr. Bresson (Public Affairs Director, Invest Europe);
 - **7th of September:** with Ms. Aliberti, Ms. Bonomo, Ms. Merli and Ms. Schwizer (Experienced board members);
- **10th of September:** ecoDa's Policy Committee meeting with the participation of Ms. Di Feliciano (Head of European Affairs, ICAEW);
- **SAVE THE DATE: 28th of September:** As part of the European SME Week, ecoDa will organise an event, under the patronage and with the participation of DG GROW, on "Underpinning entrepreneurship and resilience: Key governance challenges for unlisted companies".