

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT

Week 37



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ecoDa's News

EUROPEAN INSTITUTIONS

EC: Upcoming initiatives

During a conference, the French Junior Minister of European Affairs Clément Beaune summarised the French EU presidency priorities by a tagline "recovery, strength and sense of belonging". On top of the agenda is addressing the economic and social consequences of the pandemic, with a view to strengthen European social and health projects. The French EU presidency would also continue to take concrete action to tackle climate change.

EP: Tax information sharing must improve significantly

In a resolution adopted this week, MEPs say that much more can be achieved through sharing tax information if member states and the Commission step up their game.

The main problems identified by the resolution is that national authorities are not applying the existing rules sufficiently enough. Too little use is being made of the information exchanged, there is too little information exchanged on certain types of income and assets, and the lack of proper implementation of anti money-laundering rules harms the effectiveness of the exchange of tax information. The Commission is criticised for not launching any infringement proceedings against any member state for incorrect implementation of this directive.

ESMA: Report on trends, risks and vulnerabilities

In addition to analysing risk drivers and risk categories, the report describes the market for ESG ratings, including types of ratings and key providers, and presents several use cases. In the absence of a regulatory framework, several issues and risks reduce the potential benefits of these ratings. The lack of a common definition and of comparability, together with transparency issues, could be ultimately detrimental to the transition towards a more sustainable financial system.

INTERNATIONAL DEVELOPMENTS**TPI publishes fresh scenarios (Minerva Analytics)**

The Transition Pathway Initiative has introduced several new low-carbon scenarios to its performance analysis tool in the wake of the Intergovernmental Panel on Climate Change's landmark report in August. This report set out a pathway for the global energy sector to limit global warming. The TPI tool's update means investors can now assess whether a company's performance and plans are aligned with a 1.5°C "pathway".

EUROPEAN DEVELOPMENTS**Update on the implementation of the Whistleblowing Directive (Transparency International)**

The key findings of the report by mid-February 2021 are that:

- Two-thirds (18) of the 27 member states had not started or had made minimal progress in the transposition process;
- In several countries, the levels of transparency and inclusiveness of the transposition process are unsatisfactory;
- The Czech Republic, Denmark and Sweden are to be commended for proposing legislation with a broad scope, but still fall short of best practice regarding what whistleblowers will be able to safely report;
- Estonia and especially Latvia are leading the way in that regard by deciding, so far, in favour of legislation covering a wide and coherent array of whistleblowing situations.

Report: Europe's top 25 banks failing on green pledges

New research from responsible investment watchdog ShareAction reveals the leading practices by European banks across eight critical climate and biodiversity-related topics (net-zero targets, high-carbon disclosure, executive remuneration...). It shows that, while some banks are demonstrating leadership on specific issues, no European bank has a comprehensive plan to ensure sustainability across all topics. Among the main findings:

- 20 of Europe's 25 largest banks have pledged to zero-out emissions from their portfolios by 2050 at the latest. But very few have started taking more concrete steps to achieve this goal;
- Only seven banks restrict corporate finance for companies developing their coal mining capacities;
- 10 of the 25 banks have a biodiversity policy;
- Most banks have integrated some form of sustainability metric into their executive remuneration strategies. But in many cases these metrics have little relevance to the bank's overall impact on the climate.

Report: Governance trends shaping 2021 (Diligent)

Diligent's new white paper, Governance Trends 2021: Four Priorities for Boards, Management & Governance Professionals, analyses the current landscape and highlights key trends that will dominate governance practices this year:

- The Road to Recovery Will Be Digital;
- ESG Remains Center Stage;
- Diversity & Inclusion Moves Toward a Mandate;
- Board Effectiveness Will Be Enhanced by the Pandemic.

Report: SMEs' digital future (Accountancy Europe)

This Accountancy Europe paper sets out how professional accountants help SMEs with digitalisation. It explains:

- why digitalisation is essential for SMEs;
- how professional accountants can help SMEs to digitalise;
- how EU and national policymakers can support the digitalisation of SMEs

The paper is intended to help policymakers and others understand how accountants can help SMEs to digitalise.

NATIONAL DEVELOPMENTS

France: Middlednext Corporate Governance Code updated

The 2021 version of the Middlednext CG Code specifies and reinforces already existing recommendations, in particular, the rules of ethics, the analysis of the votes of minority shareholders, guiding development principles and the level compensation of executive directors .. In addition, three main recommendations are formulated on the creation of CSR committees, on the need for directors to follow regular training and on gender diversity in boardrooms.

ARTICLE

The New Corporation: How "good" corporations are bad for democracy (Harvard Law School Forum on CG)

In an article, Joel Bakan explains the title of his new book «Good businesses are bad for democracy». While corporate commitments to social and environmental values are now the global norm, corporations have not actually changed (in terms of their legal mandates and institutional natures). It continues to demand companies prioritize their own best interests by maximizing shareholder value and pursuing profit, growth, and competitive advantage. He points out a further problem that despite not having really changed, corporations leverage an image of change to secure policies favorable to them, but not necessarily to society. In the end, despite all their progressive talk, new corporations and their leaders believe that state regulation, taxation, and social provision should be diminished, and corporate power and control expanded.

How the benefits of mandatory sustainability reporting by business do outweigh the costs (Frank Bold)

The article demonstrates that mandatory sustainability reporting is both affordable for business and actually leads to a reduction in cost in the medium- and longer-term.

- An average of 24,200 - 41,700 EUR per company each year: estimated cost saving for businesses in the streamlining of requests for sustainability information;
- Reporting under a single framework rather than multiple frameworks can save 45,000 EUR for a company;
- Reasons for harmonization are categorical. 80% of companies surveyed supported the establishment of common EU reporting standards.

EVENT**The promise of stakeholder capitalism: illusory or real?**

The London Business School's Centre for Corporate Governance (CCG), the Financial Times, and the Harvard Law School Program on Corporate Governance organise a virtual event, on October 4th, exploring stakeholder capitalism. Academics will discuss about if the promise of stakeholder capitalism can be seen as illusory and how external regulations should address stakeholders' concerns

EC: EU Sustainable Investment Summit

The EU Sustainable Investment Summit 2021, which is scheduled on the 7 October 2021, aims at raising awareness, bringing forward new perspectives and inspiring daring and trailblazing initiatives in Europe and globally. The Summit will gather a line-up of high-level speakers from across the world, entrepreneurs, investors, financial institutions, policymakers, civil society representatives and citizens, who will exchange their ideas to unlock investment and finance to accelerate the transition towards climate neutrality.

Sustainable Corporate Governance

On October 12 (from 4.00 - 5.30 pm CET) will be organized the Bayer Straight Talks roundtable on Sustainable Corporate Governance. The discussion will involve the Cabinet of Commissioner Didier Reynders, FIPRA, AtelierAftab and a poll of senior experts from the EU institutions, civil society, industry and academia hence offering an ideal forum for a mutually enriching exchange.

To register, please contact: bayerstraighttalks@fipra.com

ecoDa's NEWS

- **LAST CHANCE TO REGISTER : 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".
- **SAVE THE DATE: 9th of November:** European Corporate Governance Conference accompanying event to the Slovenian presidency, Beyond Traditional Corporate Governance – SUSTAINABILITY & INNOVATION. Organised by the Slovenian Directors' Association, EY and ecoDa. More information to come.
- **ecoDa's Educational Videos: Collective Actions.** ecoDa, AIG and Crowell&Moring have jointly produced a short video to explain the concept of collective actions and its role in the EU, while also to shed light on the collective redress directive and the impact on businesses, boards and Officers Insurance.
- **21nd of September:** ecoDa's board meeting;
- **22nd of September:** ecoDa's board members will meet Commissioner Reynders to discuss the EC Sustainable Corporate Governance initiative.