

1/2 November BI-WEEKLY UPDATE (07/11/2022)

QUICK UPDATE LINKS:

Energy Crisis Update: [https://www.europarl.europa.eu/news/en/press-](https://www.europarl.europa.eu/news/en/press-room/20221018IPR44315/cohesion-policy-to-help-households-and-smes-affected-by-the-crisis)

[room/20221018IPR44315/cohesion-policy-to-help-households-and-smes-affected-by-the-crisis](https://www.europarl.europa.eu/news/en/press-room/20221018IPR44315/cohesion-policy-to-help-households-and-smes-affected-by-the-crisis)

Debt Equity Bias Reduction Allowance (DEBRA): <https://data.consilium.europa.eu/doc/document/CM-5154-2022-INIT/en/pdf>

EFB's CSDD position paper: <https://europeanfamilybusinesses.eu/efbs-position-paper-on-the-corporate-sustainability-due-diligence-csdd-proposal/>

Listing Act: [Listing Act – making public capital markets more attractive for EU companies and facilitating access to capital for SMEs \(europa.eu\)](https://europeanfamilybusinesses.eu/efbs-position-paper-on-the-corporate-sustainability-due-diligence-csdd-proposal/)

1. Energy Crisis Update

The European Parliamentary Press have released a statement on the EU Cohesion policy which is to help fight energy costs and inflation by using EUR 40 billion to help directly vulnerable households and SMEs.

The following are the main points:

- The European Parliament is expected to vote on REPowerEU proposals at the November plenary.
- EU member states will be able to use up to EUR 40 billion to help small and medium-sized enterprises and vulnerable household fighting rising energy prices and inflation.
- 'REGI Chair Omarjee wrote to the President of the European Commission Von Der Leyen to use unused 2014-2020 funds for this purpose. Hence meaning that up to 10% of national envelopes from Cohesion funds from the programming period 2014-2020 could be allocated to fight energy poverty with 100% EU financing.'
- It will provide support to SMEs particularly affected by the increase in energy prices in line with the state aid rules and it will also help address energy poverty by supporting vulnerable households and enhancing access to the labour market through schemes such as short-time work.

For the full press release visit: <https://www.europarl.europa.eu/news/en/press-room/20221018IPR44315/cohesion-policy-to-help-households-and-smes-affected-by-the-crisis>

2. Debt-Equity Bias Reduction Allowance (DEBRA)

On the morning of the 15th November there is to be a Working Party on Tax Questions (Direct Taxation) meeting in which DEBRA's article by article examination is to be continued.

As this is a meeting of the Council of the European Union and DEBRA is an ongoing file, we will not have information from the meeting. However, we do know the topic is still being continuously examined by the Council.

Visit: <https://data.consilium.europa.eu/doc/document/CM-5154-2022-INIT/en/pdf> for more information on the meeting.

3. Corporate Sustainability Due Diligence (CSDD)

EFB's Policy Paper expressing our opinion on the CSDD has been sent to MEPs on Monday the 31st October 2022. We highlighted the importance of the CSDD and our support for it, but we also added the need to ensure that it does not burden SMEs and Mid-Caps.

Moreover, various European Parliamentary Committees are releasing their opinion on the CSDD with proposed amendments. The final date for European Parliamentary Committees to propose changes is on Tuesday 8th November 2022.

For EFB's CSDD position paper visit: <https://europeanfamilybusinesses.eu/efbs-position-paper-on-the-corporate-sustainability-due-diligence-csdd-proposal/>

4. Listing Act

The Listing Act seeks to build on the measures already introduced in 2019 under the SME Listing Act to promote the take-up of SME growth markets, the Commission set up a Technical Expert Stakeholder Group (TESG) on SMEs.

Upon attending a recent meeting, EFB heard Paulina Dejmek Hack Director for General affairs, DG FISMA, European Commission stating that the listing act is due to help all companies not just SMES. This initiative aims to simplify the listing requirements, in order to make public capital markets more attractive for EU companies and facilitate access to capital for SMEs.

Kindly find below an overarching summary of the Listing Act.

Context for the proposal

The Listing Act seeks to build on the measures already introduced in 2019 under the SME Listing Act to promote the take-up of SME growth markets, the Commission set up a Technical Expert Stakeholder Group (TESG) on SMEs. In its final report, published in May 2021, the TESG made 12 recommendations to further promote SMEs' access to public markets.

- Broadening access to market-based sources of financing for EU companies at each stage of their development.

- Is part of the CMU initiative which aims to create a more conducive regulatory framework that supports access to public markets for companies and small and medium-sized enterprises (SMEs) in particular.
- The benefits of listing include a reduced dependency on bank financing, a higher degree of diversification of investors, easier access to additional equity capital and debt finance (through secondary offers) and higher public profile and brand recognition.
- A more balanced funding structure between bank and market sources can make the real economy more resilient to shocks hitting, for example, the banking sector.
- The new CMU Action Plan that was adopted in September 2020 announced that 'in order to promote and diversify small and innovative companies' access to funding.
- The European Commission seeks to simplify the listing rules for public markets'.

DG in charge

- DG FISMA C3 and B1

Next Steps of the Listing Act

- The legislative proposal, based on Article 114 TFEU, will be published in Q3 2022. The Commission is expected to put forward the proposal on 7 December 2022.

If you would like more information about the Listing Act visit: [Listing Act – making public capital markets more attractive for EU companies and facilitating access to capital for SMEs \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/infographic_listing_act_making_public_capital_markets_more_attractive_for_eu_companies_and_facilitating_access_to_capital_for_smes_europa.eu)

2/2 November BI-WEEKLY UPDATE (21/11/2022)

5. Corporate Sustainability Due Diligence (CSDD)

Over the last two weeks there have been several meetings from different European Parliamentary Committees expressing their views on the CSDD. The CSDD had its first legislative reading on the 8th of November and is awaiting committee decision. On the 17th of November 2022, the JURI Committee held a meeting on the CSDD and the rapporteur of the file, Lara Wolters mentioned that they are going to try to move back to the principles from the OECD and the UN.

Below you will find a summary of the prominent reoccurring arguments from those meetings:

- **Scope** is still being discussed as some call for SMEs to be included while others state that large companies ought to be included.
- The **value chain or supply chain** argument came up again with some MEPs calling for there to be a limited requirement for companies to monitor direct suppliers not all suppliers. On **the idea of value chain**, the EPP is against including downstream in the definition, with the exception of waste and disposal by the company.
- There seems to be an agreement to introduce a **risk-based approach**, however, there is no uniform agreement on how this ought to be implemented.

- With regards to ending business relationships, some have noted this ought not be a requirement, but rather a last-resort option for companies, and always based on principles **on responsible disengagement** – it has to be in the best interest of those impacted by the disengagement;
- In order **to ensure a level playing field** it has been mentioned that EU and non-EU companies should have the same obligations.
- **The need for harmonization** has been highlighted.
- **As it pertains to directors' duties**, some committees have noted that the CSDD is not the best tool to use this.
- In addition, Wolters noted the importance of the whole value-chain and noted that in the report there is a difference between responsibility for that entire value-chain, and civil liability for certain impacts.

The following is the indicative timeline for the CSDD:

- 30th November 2022, tabled amendments are to be submitted by all of the European Parliamentary Committees.
- In January 2023 there is to be the consideration of amendments
- By March 2023 there is to be a JURI Committee vote on the CSDD proposal
- And in May 2023 indicative plenary sitting date.

EFB would like to note that these are the arguments from an overview of different discussions held over the last two weeks among different European Parliamentary Committees and that there is still much to debate. EFB will continue to follow the discussions. If you would like to read the report discussed by the JURI committee on the 17th of November 2022 please visit: https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/JURI/PR/2022/11-17/1266206EN.pdf

6. Corporate Sustainability Due Diligence (CSRD)

The CSRD was almost unanimously voted by the European Parliament on the 10th November 2022 with 525 votes in favour, 60 votes against and 28 abstentions. The Council is expected to adopt the proposal on the 28th of November 2022, after which it will be signed and published in the EU Official Journal. The directive will enter into force 20 days after publication.

For a brief re-cap: the CSRD proposes to replace the Non-Financial Reporting Directive (NFRD) which lays down the rules on disclosure of non-financial and diversity information by certain large companies.

On the 10th of November 2022, the European Parliament released new information regarding new reporting rules for multinational companies.

The following are the main points:

- Transparency on environmental, social affairs and governance matters to become the norm for large firms.
- EU to become front-runner in global sustainability reporting standards.
- Around 50 000 companies to be covered by new rules, up from the current 11 700.
- All large companies in the EU will need to disclose data on the impact of their activities on people and the planet and any sustainability risks they are exposed to.
- Companies will be subject to independent auditing and certification to ensure they are providing reliable information.

The rules will start applying between 2024 and 2026:

- **From 1 January 2024 for large public-interest companies (with over 500 employees) already subject to the non-financial reporting directive, with reports due in 2025;**
- **From 1 January 2025 for large companies that are not presently subject to the non-financial reporting directive (with more than 250 employees and/or €40 million in turnover and/or €20 million in total assets), with reports due in 2026;**
- **From 1 January 2026 for listed SMEs and other undertakings, with reports due in 2027. SMEs can opt-out until 2028.**

For the full press release visit: <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>

7. Debt-Equity Bias Reduction Allowance (DEBRA)

This week on the 23rd of November 2022, there will be a Working Party on Tax Questions group meeting in which the DEBRA amendments are set to be discussed by the European Council. Although these discussions are taking place, there is no visibility as to the direction the amendments are taking as this is an on-going file.

However, EFB is also setting up an appointment with MEP Niedermeyer's assistant to discuss the DEBRA proposal in the coming weeks.

The link to the Working Party's meeting agenda can be found via this link: <https://data.consilium.europa.eu/doc/document/CM-5215-2022-INIT/en/pdf>

8. Council Resolutions on Code of Conduct in Business Taxation

On the 15th of November 2022, the Council published resolutions on the code of conduct in business taxation. Although there are no major changes, EFB attaches the 5 page document link here for ease of reference to these Council resolutions: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:42022Y1115\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:42022Y1115(01)&from=EN)

9. Single Market Emergency Instrument (SMEI)

On the 22nd of November, the Council on Competitiveness and Growth Working Party on Internal Market will be proposing regulation on the SMEI. The participants will also be examining the proposal and exchanging views. There is likely to be little to no information of the discussions in the Competitiveness and Growth working party as the SMEI is an ongoing file.

Attached is the link of the meeting's agenda: <https://data.consilium.europa.eu/doc/document/CM-5390-2022-INIT/en/pdf>

10.Recovery and Resilience Facility (RRF), EU green bonds and REPower EU

On the 16th of November the ECON Committee of the European Parliament had its first trilogue on the RRF, EU green bonds and REPower EU proposals.

The negotiating teams agreed on:

- The calendar of meetings and exchanged views on the main political issues.
- On the 17th of November, there was a 3rd trilogue on the European Green Bonds.
- More clarification from the technical team has been insisted upon.
- Next trilogue meeting is to be held on the 14th of December 2022.