

# THE EUROPEAN VOICE OF DIRECTORS



#EUAAlert | Weeks 14 & 15

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## EUROPEAN INSTITUTIONS DEVELOPMENTS

### EP: Struggles to agree on CS3D ([Euractiv](#))

The legal affairs committee, which is leading the Parliament's work on the file, is expected to vote on its report on 25 April. This would allow the Parliament to finalise its position by the end of May and vote on it during the 31 May – 1 June plenary session. However, the discussions are taking longer than expected due to very divergent positions of political groups on several topics:

- Whether due diligence obligations should apply to the downstream use of products or be restricted to the upstream supply chain of companies;
- MEPs are likely to maintain the burden of proof on claimants;
- MEPs are leaning towards including the financial sector, including asset managers and institutional investors, in the directive's scope.

At the same time, NGOs submit complaints to European Parliament President to raise concerns about potential conflicts of interest regarding a MEP from the EPP group whose side jobs could lead her to propose amendments that weaken the directive.

### EU: Seminar on reducing EU regulatory burdens on SMEs

On 30 March 2023, the ECON Commission of the European Committee of the Regions held a seminar on Reducing EU regulatory burdens on SMEs. The speakers reiterated their commitment to improving the practical implementation of the tools of the EU Better Regulation agenda, such as impact assessments and the SME test, and agreed that regulatory relief, but also support in terms of finance and skills for the transition are the main elements of a successful EU SME policy. Regarding the CS3D, MEP Lara Wolters stated that if an SME would like to exclude itself from the evaluation, it should present a report stating its reasons.

## EC: Consultation on additional criteria in EU taxonomy delegated acts

The European Commission launched a consultation (open until the 3rd of May) for a new set of EU taxonomy criteria for economic activities that contribute substantially to one or more of the following environmental objectives:

- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

In addition, the European Commission has launched a new website, EU Taxonomy Navigator, to help users better understand the Taxonomy simply and practically, including supporting companies with implementing their taxonomy disclosures.

## ESAs: Propose amendments to extend and simplify sustainability disclosures

The three European Supervisory Authorities (EBA, EIOPA, and ESMA) have published a Consultation Paper with amendments to the Delegated Regulation of the Sustainable Finance Disclosure Regulation (SFDR). The authorities seek feedback on the amendments that envisage:

- Extending the list of indicators for the disclosure of the principal adverse impacts of investment decisions on the environment and society;
- Refining the content of other indicators for adverse impacts and their respective definitions; and
- Adding disclosures regarding decarbonisation targets, the level of ambition, and how the target will be achieved.

### INTERNATIONAL DEVELOPMENTS

## Corporate disclosure of sustainability risks: reconciling international and EU approaches (Bruegel)

At a conference, organised by the Bruegel think tank, Emmanuel Faber, Chair of the International Sustainability Standards Board (ISSB), confirmed, on Friday 31 March, that there will be no equivalence between international and European Sustainability Reporting Standards. As he stated, the 'CSRD' directive on corporate sustainability reporting "is about political requirements, while we are about investors and market functioning".

## US: SEC weighs scaling back climate rule as lawsuits loom (Politico)

Securities and Exchange Commission Chair is considering scaling back a potentially groundbreaking climate-risk disclosure rule. The regulator's team has signaled that a primary concern is the wave of lawsuits that are expected to challenge the rule once it's finalized. The SEC is weighing what to do with one of the most contentious pieces of the plan: disclosures of carbon emissions from supply chain networks and customers. Lawmakers, companies and business trade groups, like the U.S. Chamber of Commerce, have voiced broad objections to the proposal ever since its introduction, saying the changes are unnecessary and would be too burdensome and costly.

## At least 10,000 foreign companies to be hit by the CSRD (WSJ)

The Corporate Sustainability Reporting Directive, or CSRD, will likely require at least 10,000 companies outside the EU to make and independently verify a number of sustainability disclosures, and about a third of those are in the U.S., according to estimates by financial data firm Refinitiv. The vast majority of US companies still seeing ESG as a communication and PR exercise, this process will be a steeper learning curve for them and a difficult task.

## Canada: Proposes changes to corporate governance disclosure practices and guidelines

The Canadian Securities Administrators (CSA) is seeking public comment on proposed amendments to corporate governance disclosure rules and policy relating to the director nomination process, board renewal and diversity. The main objectives of the proposals are to:

- Increase transparency about diversity, including diversity beyond women, on boards and in executive officer positions;
- Provide investors with decision-useful information that enables them to better understand how diversity ties into an issuer's strategic decisions; and,
- Provide guidance to issuers on corporate governance practices related to board nominations, board renewal and diversity.

### EUROPEAN DEVELOPMENTS

## Leading businesses calling for alignment of the CS3D with international standards

More than 20 leading businesses and networks (including Unilever, Ikea, and Crédit Mutuel...) released a joint statement calling for alignment of the CS3D with the international standards of the UN and the OECD. The statement outlines five key points:

- The due diligence requirements should be risk-based and across the full value chains of companies;
- The core content of the due diligence duty should incentivise companies and their directors to look at the company's activities that can heighten or reduce risks to people, the environment, and climate across value chains;
- The effectiveness and credibility of sustainability due diligence depends on the perspectives of affected stakeholders;
- Meaningful enforcement (administrative supervision and civil liability) is necessary.

## Is the CSRD strengthened? (Les Echos)

This week, the European Commission should have submitted for public consultation the CSRD delegated act which must define the exact content of the information to be communicated. But it has fallen behind, explained Thierry Philipponnat, member of the sustainability reporting board of EFRAG, the organization responsible for developing standards on extra-financial reporting. Many think that the delegated act weakens both the scope and content of the directive.

### PUBLICATION

## EY: EMEIA board priorities 2023: How to shape tomorrow's board agenda today

Today's rapidly changing business environment is challenging for boards. To support them in their important role, the new EMEIA board priorities 2023 report identifies five key priority areas critical to the success of business this year and beyond. It also includes action areas and questions for boards to themselves and management. The priority areas are:

- Navigating uniquely challenging geopolitical and economic conditions;
- Rethinking capital allocation strategy to support the company's net-zero ambitions;
- Enacting sustainability transformation and corporate reporting;
- Enabling innovation and technology transformation;
- Championing a future-oriented talent agenda.

**ecoDa News**

- ecoDa and ECIIA have released an educational video on the EFRAG draft European Sustainability Reporting Standards. In this video, you will learn how to approach the standards, what the timeline for implementation is, and more importantly what novelties they bring and how they will impact governing bodies;
- **17th of April:**
  - ecoDa and Mazars first seminar of the series on "The CSRD: the rules, their impacts, and the challenges they raise for companies" (10.30 - 12.00 CEST) - **701 registrations** - Registration link;
  - The Corporate Governance Dialogue Advisory Committee meeting;
- **18th of April:** ecoDa and Mazars second webinar of the series on the CSRD with a focus on its implications for companies and board members (10.00 - 12.30 CEST) - **409 registrations** - Registration link;
- **19th of April:** ecoDa's Working Group on the notion of independence meeting;
- **21st of April:** ecoDa's Advocacy Committee meeting.