THE EUROPEAN VOICE OF DIRECTORS

ecoDa
The European Voice of Directors

#EUAlert | Week 26

What's in this issue:

EU INSTITUTIONS DEVELOPMENTS

ESRS: Exchange of views between EFRAG, the European Parliament, and the Commission

During a JURI Committee meeting this week, EFRAG and the European Parliament shared their feedback on the European Commission draft delegated act:

- EFRAG regrets the reduction of the mandatory reporting items;
- For the JURI Committee members:
  - ESRS must be aligned with the upcoming Corporate Sustainability Due Diligence Directive;
  - Voluntary disclosures will undermine the Corporate Sustainability Reporting Directive's ambition;
  - The company's self-assessment of materiality might create reporting gaps;
  - The phase-in approach creates doubts as it might create a lot of exemptions.

The European Commission stated that the plan is to adopt the delegated act in July.

EC: New law to fight global deforestation enters into force

The pioneering EU Regulation on deforestation-free supply chains, entered into force this week. While no country or commodity will be banned, all relevant companies will have to conduct strict due diligence if they export or place on the EU market palm oil, cattle, soy, coffee, cocoa, timber, and rubber as well as derived products such as beef, furniture, or chocolate. Companies will also have to verify that these products comply with the relevant legislation of the country of production, including on human rights, and that the rights of affected indigenous peoples have been respected.

INTERNATIONAL DEVELOPMENTS

ISSB: Inaugural global sustainability disclosures standards issued

The International Sustainability Standards Board (ISSB) has issued its inaugural standards —IFRS S1 and IFRS S2 —ushering in a new era of global sustainability-related disclosures in capital markets. IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium, and long term. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1.

US: How a SEC rule change has opened more doors for activists (Financial Times)

When the Securities and Exchange Commission introduced a rule change to make it easier for shareholder activists to elect board nominees, one commissioner warned that the change would advance special interests rather an enhancing corporate value. Since the entry into force of the new rules, activists have won 88 board seats through May 31, up from 77 at that point last year. For activists, the new "universal proxy" rule guarantees that all board candidates will appear on shareholder ballots at a company's annual meeting. It also allows shareholders to pick and choose individual directors.

BlackRock: The term ESG has been 'weaponised'

Larry Fink, the head of BlackRock, the world's largest investment manager, said the term had become so toxic in the US that his organisation would cease to use it. However, Fink assured the audience that BlackRock stewardship staff would continue to talk to investee companies about cutting carbon emissions, social issues, and governance. He said BlackRock would continue to focus on long-term investors. This positioning is based by Paul Barnett, founder of the Enlightened Enterprise Academy, who believes that boards should be focuses on "good governance in the round".

NATIONAL DEVELOPMENTS

France: Total sued again by Ugandan communities (Le Monde)

While Friends of the Earth and four Ugandan associations failed in a 2019 bid before a French court to force TotalEnergies to halt Tilenga and EACOP, on June 27, twenty-six Ugandans launched legal action in Paris against TotalEnergies over alleged human rights violations at its massive megaprojects in the country. Joined by five Ugandan and French aid groups, the people from the affected communities say they want "reparations" for "serious harm" caused by the oil company, especially to their rights to land and food.

EVENT

Shaping a future-proof corporate system (Accountancy Europe & ecoDa)

On the 12th of October (from 10.00 to 16.30 CET), ecoDa and Accountancy Europe organise an event to look at key areas influencing the corporate ecosystem's resilience. With the main parties that play a role here (companies, audit committees, shareholders, auditors, policymakers and supervisors), the event will explore ways to collectively enhance the quality of corporate reporting, meeting the public interest entities' needs through a diverse and resilience audit market and strengthen companies' resilience.

ecoDa News

- **4th of July:** ecoDa, ECIIA and FERMA to meet with CausalityLinks to discuss digital developments in terms of risk management;
- **5th of July**: ecoDa's Working Group on Independence meeting;
- **7th of July**: ecoDa, Accountancy Europe and ECIIA joint Task Force on ESG governance project meeting.