

# THE EUROPEAN VOICE OF DIRECTORS



#EUAAlert | Week 47

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ecoda News

## EUROPEAN INSTITUTIONS DEVELOPMENTS

### EC: CEAOB guidance for assurance providers

The European Commission will ask the CEAOB (Committee of European Auditing Oversight Bodies) to develop an intermediary guidance to help assurance providers before the related European standards (ESRS assuring standards) will be issued.

### EC: Commission sets out key priorities in the European Semester

The Commission has launched the 2024 European Semester cycle of economic policy coordination. The four priorities under the European Semester remain: promoting environmental sustainability, productivity, fairness, and macroeconomic stability, with a view to fostering competitive sustainability. This approach is in line with the UN Sustainable Development Goals, which are an integral part of the European Semester.

### EC: EU Commission funds €400 Million Climate, Biodiversity & Circular Economy Projects (ESG Today)

The European Commission announced that it has approved more than €396 million in funding for climate and environmental sustainability projects in areas including nature and biodiversity, circular economy and quality of life, climate change mitigation and adaptation, and clean energy transition. For comparison: President Biden recently announced more than \$6 billion in investments aimed at strengthening climate resilience in the U.S., targeting areas including the electric grid infrastructure, reducing flood risk, advancing drought resistance, and advancing community-level clean energy deployment and climate justice efforts.

**EP: Environmental crimes: deal on new offences and reinforced sanctions**

The new rules provide an updated list of acts related to the environment that qualify as criminal offences at EU level and of the related sanctions, to ensure a more effective enforcement of EU environmental legislation. Individuals, including company representatives, committing environmental offences leading to death can be sentenced to imprisonment for 10 years.

**EP: MEPs back plans to boost Europe's Net-Zero technology production**

The Parliament adopted its position on legislation intended to bolster Europe's manufacturing output in technologies needed for decarbonisation. The "Net-Zero industry act" sets a target for Europe to produce 40% of its annual deployment needs in net-zero technologies by 2030, based on National Energy and Climate Plans (NECPs) and to capture 25% of the global market value for these technologies. It also intends to deal with the challenges in scaling up manufacturing capacities in these technologies.

***INTERNATIONAL DEVELOPMENTS*****How can policymakers support finance industry action on net-zero (UNEP)**

The financial industry is uniquely positioned to enable the net-zero transition and thus prioritise business that contributes to a sustainable future. As net-zero commitments are reshaping the direction of financial flows, companies' ability to raise funds is now closely tied to their climate targets and strategies.

**ESG Book Launches Risk Scores Assessing Company Exposure to Key Sustainability Issues (ESG Today)**

Sustainability data and technology company ESG Book announced today the launch of Risk Score, a new tool aimed at enabling investors and corporates to assess company exposure to critical ESG topics, based on the UN Global Compact (UNGC). According to ESG Book, the new Risk Score launches with coverage of over 10,000 companies, and is powered by more than 200 metrics to provide comprehensive analytics on each company's exposure to the UNGC principles. The tool enables users to drill down from each company's score to raw data and source documentation, and also includes point-in-time history for time series risk analyses.

***EUROPEAN DEVELOPMENTS*****Ahead of key EU Council (COREPER) meeting, 60+ NGOs call on Member States**

The value chain must cover both upstream and downstream activities and business partners or entities, including those related to composition, design, sale, waste management, and impacts arising from reasonably foreseeable use or unintended use. This would allow for alignment with international standards, which explicitly require due diligence across the entire value chain. Including 'use' would ensure that companies address serious impacts resulting from the foreseeable use and misuse of their products. The CS3D value chain definition should also include (direct and indirect) business partners as well as non-legal entities.

## **EFrag: Updated EFRAG Endorsement Status Report**

The European Union has published a Commission Regulation endorsing Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). It is now reflected in the EFRAG Endorsement Status Report. The objective of the Amendments is to specify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The Amendments become effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.

### ***NATIONAL DEVELOPMENTS***

## **Brazil, Hong Kong: ISSB standards and adoption**

Brazil has adopted the ISSB's inaugural sustainability standards (IFRS S1 and IFRS S2) for voluntary reporting from the start of next year and will make ISSB-aligned disclosures mandatory for all listed companies from 1 January 2026. The Hong Kong Stock Exchange (HKEX) announced last week that it will postpone the implementation of ISSB-aligned enhanced climate disclosure requirements until January 2025, as the country builds its reporting capacity and awaits further adoption guidance.

## **Italy: Case 5/2023 - The modification of the proposed allocation of profits and its effects on the Financial Statements**

Assonime: (a) recalling that directors must indicate the proposed allocation of profits in the explanatory notes to the financial statements, but the competence to decide on the allocation belongs to the ordinary shareholders' meeting, which adopts an independent resolution subsequent to the decision to approve the financial statements and which may amend the proposal on profits submitted by the directors, and (b) specifying that any amendment to the directors' proposal concerning the allocation of profits resolved by the shareholders' meeting does not entail the need to approve the financial statements once again.

## **UK: UK government to review corporate takeover security law**

Barely two years since the takeover laws were given a makeover, allowing government to intervene on concerns, the deputy prime minister is launching a review that could see a softening of the current rules. Oliver Dowden has called for evidence on making the act more “flexible” and “frictionless as possible for those vast majority of deals that don’t pose any concern”.

## **UK: Financial Reporting Council Review of Corporate Governance Reporting**

The Financial Reporting Council's (FRC) latest review of corporate governance reporting showcases examples of high-quality and insightful reporting by many companies. The Corporate Governance Code (Code) is a flexible one, where companies can (and many do) depart from the Provisions of the Code provided that they clearly explain how they have maintained effective governance.

*PUBLICATION/ARTICLE***A European Corporate Governance Model: Integrating corporate purpose into practice for a better society**

A group of 15 academics—including Colin Mayer of Oxford University, one of the UK’s foremost governance experts—from across Europe, Scandinavia and the UK, write that laws should make clear that board duties go “beyond their traditional role of representing shareholders’ interests in pursuit of the company’s overall welfare”.

The duties should mean, they add, that pursuing a company’s interests should mean a board “creates sustainable value and contributes to mitigating pressures on planetary boundaries”.

**PCAOB Spotlight: Audit Committee Resource**

This “Spotlight: Audit Committee Resource” suggests questions that may be of interest to audit committee members to consider amongst themselves or in discussions with their independent auditors, particularly given today’s economic and geopolitical landscape.

**Chapter Zero: Transition Planning Toolkit Part 3**

Part 3 of the Transition Planning Toolkit. Use the ‘Governance Compass’ section in your board committee meetings to ensure that your committee’s work considers, aligns with and supports the company’s Strategic Ambition and transition plan. The toolkit includes

- The role of a NED in transition planning within board committees;
- The role of the different Committees;
- Key questions different committees;
- Key actions for for the chair of the different committees.

**Interview: Tackling double materiality at Philip Morris International**

Jennifer Motles, chief sustainability officer at Philip Morris International, discusses the company's double materiality assessment efforts. She touches upon thinking about ESG from a risk perspective, on the double materiality assessment doing both the outward impact assessment versus the inward impact, and going in depth into governance. “The entire exercise of bringing this degree of rigor and robustness to non-financial reporting is extremely resource intensive. For companies like ours who started many years ago, we're in a good place to respond to it. That doesn't mean that it's not going to be resource-intensive for us, but at least we can do it.”

**UNEP: Principles for Responsible Banking: Guidance for banks**

Authored by the UNEP FI with the support of Principles for Responsible Banking (PRB) signatories, the new nature target-setting guidance aims to help the banking industry act on nature loss and set targets to align with the objectives of the Kunming-Montreal Global Biodiversity Framework (GBF).

*ecoDa News*

- **1st of December:** ecoDa European Board Diploma module Dialogue between boards and stakeholders - with ICGN
- **7th of December:** Kick-off meeting: Sharing group on publications
- **8th of December:** ecoDa European Board Diploma module ESG matters - with Chapter Zero Brussels