

THE EUROPEAN VOICE OF DIRECTORS



#EUAAlert | Week 24

What's in this issue:

European Institutions Developments

- ecoDa's hearing for the CEAOB
- Environment Council adopts its position on the Green Claims Directive
- Top jobs designation update

European Developments

- Over 400 organisations call on EU leaders to recommit to the Green Deal
- *EU climate dialogue with China affirms focus on climate finance goal past 2025*

National Developments

- Belgium : Spencer Stuart Board Index 2023
- US : Elon Musk wins back his \$44.9 billion Tesla pay package in shareholder vote
- Australia Launches Plans for Mandatory Climate Reporting, Taxonomy, Sustainable Investment Labels

Publication/Article

- ESMA issues guidance on the use of AI
- Good Governance and Sustainability: An Aligned Path - EY White Paper

ecoDa News

EUROPEAN INSTITUTIONS DEVELOPMENTS

ecoDa's hearing for the CEAOB

TAnne-Hélène Monsellato and Béatrice Richez-Baum were interviewed by the CEAOB (Committee of European Auditing Oversight Bodies) at their plenary session on June 19th.

Audit quality:

- Quality of oversight and level of interaction highly dependent on audit committee composition.
- Assessment of internal control over financial reporting is a key factor for audit quality and many other topics (digitalization, cybersecurity, etc).
- Improve the quality of information in transparency reports re. audit quality indicators (eg. PCAOB).
- Publicity of the inspection reports should be aligned within the EU.

Several concerns on the CVSRD implementation:

- Will materiality assessment (extent of disclosures) be driven by the audit process ?
- Quality and completeness of 1st reporting (wave 1 and wave 2).
- Quality of oversight regarding the reporting and the external auditors (board members training deficit) Interpretation of qualifications in the auditors' reports (negative reactions from investors and NGOs activists ?)
- Embedded reporting (systems and controls) - not there yet but improving.
- Regulatory risks (E, S) and treatment of instances of non-compliance.

Environment Council adopts its position on the Green Claims Directive

European environment ministers adopted their first formal position on the Green Claims Directive. Their proposal requires environmental claims and labels to be clear and easy to understand, with specific reference to the environmental characteristics they cover, such as the product's durability, recyclability or impact on biodiversity. However, Environmental NGOs are concerned that the Council's approach is weaker than the Parliament's, particularly concerning how companies use offsets to claim carbon neutrality.

Top jobs designation update

Over this month, leaders of the member states will be deciding on the allocation of the top EU jobs. The informal European Summit of the 17th June didn't lead to an agreement. The jobs - including the President of the Commission - will be defined during the European Summit of the 28 and 29th June. The first plenary session of the new legislative term will then approve them mid July. During this first plenary, the EP committees will also be voted on.

EUROPEAN DEVELOPMENTS

Over 400 organisations call on EU leaders to recommit to the Green Deal

Companies and associations from across the economy have joined with climate and nature NGOs, as well as local government representation, to issue the statement. Together, signatories remind EU leaders that the Green Deal is, and has been, the engine to drive sustainable growth and security. Signatories ask EU leaders to confirm the EU Green Deal as a top priority in the next EU Strategic Agenda, Align all EU financial instruments with the Green Deal objectives for 2030 and beyond. Appoint an Executive Vice-President for both the Green and Industrial Deals to ensure both competitiveness and decarbonisation objectives are met in the most efficient way.

EU climate dialogue with China affirms focus on climate finance goal past 2025

The fifth EU-China high-level environment and climate dialogue served to highlight Beijing's concerns in the face of clean-tech trade restrictions and emphasise that agreement on climate finance would be crucial to make COP29 in Baku a success. Europe has been at the forefront of efforts to coax Beijing (still classified as a "developing country" to contribute to funding for poorer countries, which are struggling to finance the investment-heavy decarbonisation of their economies. An agreement as not yet be found to make China a contributor to climate financing.

NATIONAL DEVELOPMENTS

Belgium : Spencer Stuart Board Index 2023

This 10th edition of the Belgium Spencer Stuart Board Index analyses board governance practices in the 59 companies that comprise the Bel 20 and Bel Mid indices, providing a valuable perspective on the health of listed company boardrooms between 2022–2023.). The Index deals with Board composition, remuneration, board meeting and evaluation as well as committees.

US : Elon Musk wins back his \$44.9 billion Tesla pay package in shareholder vote

Tesla shareholders voted to restore CEO Elon Musk's record \$44.9 billion pay package that was thrown out by a Delaware judge earlier this year, sending a strong vote of confidence in his leadership of the electric vehicle maker. Vote totals on Musk's pay weren't immediately announced at Tesla's annual stockholders' meeting, but the company said shareholders voted for Musk's compensation plan, which initially was approved by the board and stockholders six years ago.

Australia Launches Plans for Mandatory Climate Reporting, Taxonomy, Sustainable Investment Labels

The Government of Australia's Treasury department announced today the release of its Sustainable Finance Roadmap, outlining its plans to develop and reform financial markets to support the mobilization of private capital needed to finance the transition to a net zero economy, with key priorities including instituting mandatory climate-relating reporting, establishing a sustainable finance taxonomy, and instituting a labeling regime for sustainable investments.

PUBLICATION/ARTICLE

ESMA issues guidance on the use of AI

The European Securities and Markets Authority (ESMA) issued a public statement providing initial guidance to firms using Artificial Intelligence technologies (AI) when providing investment services to retail clients. ESMA notes the opportunities AI presents for efficiency, innovation and improved decision-making, which have the potential to transform the landscape of retail investment services. The guidance also highlights the following risks: reliability of output, opaque decision-making, lack of accountability, security concerns linked to the processing of the large amount of data needed by AI systems.

Good Governance and Sustainability: An Aligned Path - EY White Paper

The European Corporate Governance Conference 2024 explored the opportunities and challenges associated with sustainable value creation. Firstly, shifting to a more sustainable business model can enable European companies to build trust with their customers and gain a competitive advantage. Moreover, companies should continually evolve their risk management practices to respond to the threats posed by today's uncertain and volatile business environment. Finally, value chain due diligence is a work in progress, while CSRD is a learning curve for audit committees as they oversee their company's sustainability reporting.

ecoDa News

- 24 June: GNDI Policy Meeting
- 2nd July: Gathering of past ecoDa's colleagues and interns in our new office